ANNUAL REPORT 2023 2024

WATER RESEARCH COMMISSION

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General information

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List of abbreviations

AC	Audit Committee
AGSA	Auditor-General Of South Africa
APP	Annual Performance Plan
BBBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COGHSTA	Department Of Cooperative Governance, Human Settlements And Traditional Affairs
CSI	Corporate Social Investment
DFFE	Department Of Forestry, Fisheries And The Environment
DPME	Department Of Monitoring Planning And Evaluation
DSI	Department Of Science And Innovation
DWS	Department Of Water And Sanitation
GE	Group Executive
GEP	Graduate Employment Programme
HDI	Historically Disadvantaged Institution
HRC	Human Resources Committee
ICT	Information And Communication Technology
RIC	Research And Innovation Committee
IMESA	Institute Of Municipal Engineering Of Southern Africa
K&I	Knowledge And Impact
KPA	Key Performance Area
MOU	Memorandum Of Understanding
NDP	National Development Plan
NPS	Non-Point Source (Pollution)
NWSMP	National Water & Sanitation Master Plan
NWA	National Water Act
NWRS-3	National Water Resource Strategy 3
OHS	Occupational Health And Safety

PFMA	Public Finance Management Act
R&D	Research And Development
RDI	Research, Development And Innovation
SADC	Southern African Development Community
SANBI	South African National Biodiversity Institute
SASTEP	South African Sanitation Technology Enterprise Programme
SMME	Small, Medium And Micro Enterprises
SCM	Supply Chain Management
SDG	Sustainable Development Goal
WADER	Water Technologies Demonstration Programme
WRA	Water Research Act
WRC	Water Research Commission
WRL	Water Research Levy

Pemmy Majodina

Minister of Water and Sanitation

Minister's Foreword (draft)

Access to sufficient water and adequate sanitation of an appropriate quality is necessary for life, human dignity, economic growth and social development. The wellbeing and prosperity of South Africa and all its people are predicated on our keeping the country water secure.

As per the provisions of our Constitution, access to water is a basic human right. Over the past 30 years of South Africa's democracy, the Department of Water and Sanitation (DWS) has worked tirelessly to realise the right to water for all South Africans. Today, more than 80% of households enjoy access to piped water either inside their dwelling or inside their yard. Challenges remain and as South Africa grows and prospers, its scarce water resources are increasingly under pressure. If we are to meet the demands of the economy and society while ensuring sufficient water for the environment, we need to make strategic decisions and plan comprehensively and carefully.

The dynamics of water, equity, development and growth are complex, where integrated water resource management lies at the heart of our aspiration to achieve growth, sustainable development and poverty reduction. As the custodian of the nation's water resources, the DWS's strategy comprises good governance, improved management of the country's resources and ensuring that every drop counts.

As reiterated by the National Water Resource Strategy III (NWRSIII), research, development and innovation (RDI) lie at the heart of achieving water security in South Africa. The complexity surrounding the environmental drivers of urbanisation and population growth, ageing infrastructure and cost of infrastructure, water scarcity and stress, pollution and water quality deterioration, and climate impacts call for high-quality research that informs policy- and decision-making and the development and deployment of technologies and solutions that are sustainable and are able to provide for economic goods and services to the sector. The development of skills in the water and sanitation sector and high-level knowledge about water and sanitation is still a priority for rapid progress to be made in ensuring that equity in water use and sanitation services is achieved and water resources are managed in a sustainable way.

The DWS remains a critical partner in the water and sanitation sector for the deployment of new practices and solutions through effective policy development and implementation. The pipeline of solutions coming from the water and sanitation ecosystem needs to come from a well-balanced demand-supply relationship that is embedded in effective relationships and understanding between water and sanitation sector implementation and RDI institutions. The DWS with the support of the WRC continues to work towards the development of appropriate policy, knowledge solutions and skills on water security, water resource protection, water and sanitation service delivery and the governance thereof.

The DWS commends the WRC for its leading role in driving water and sanitation RDI in South Africa. Thanks goes to WRC Board and Executive team for their hard work and commitment in ensuring that the Commission remains at the cutting edge of water- and sanitation-related research in South Africa.

Pemmy Majodina
Minister of Water and Sanitation

Dr Rethabile Bonang Melamu
WRC Chairperson

Chairperson's Foreword

The world is slowly emerging from the unprecedented economic, social and health woes imposed by the Covid-19 pandemic. The pandemic highlighted the pivotal role that provision of quality water and sanitation services has in public health during outbreaks and anchoring national and global socio-economic imperatives.

The Water Research Commission (WRC) is cognisant of its role in addressing the challenges in South Africa and the continent, in line with informing policy and decision-making based on sound scientific research, and anchoring socio-economic development through innovation and developing human capital that responds to national, continental and global challenges of delivering sustainable water and sanitation and resilience against impacts of climate change.

It is for this reason that the organisation reviewed its strategy to adequately address current and future.

Strategic focus over medium-long term

In the medium to long term, the WRC has geared itself to pursue initiatives that will contribute to the achievement of its five strategic outcomes. The WRC will continue to embark on initiatives that seek to:

- enhance adaptation and resilience to climate change
- empower and influence stakeholders
- build an innovative water sector
- build an efficient and engaged organisation
- ensure the WRC is financially sustainable

This newly established strategy informed the Annual Performance Plan (APP) for the 2023/24 financial year. In addition, the plans were anchored on the premise that the water and sanitation challenge in South Africa is equally a capacity and capability challenge that needs urgent attention. The Strategy and APP are aligned to the priorities of the National Development Plan (NDP) and Government Outcomes and the Department of Water and Sanitation (DWS) priorities.

It is this newly established strategy and APP that the Board of the WRC has a pleasure to report on. The report outlines progress that the organisation has made on the newly developed organisational strategy and delivering on our mandate. This report further outlines how the organisation has delivered on its mission to translate research, development and innovation (RDI) into real solutions that tackle poverty, inequality and unemployment. It is for this reason that the WRC is also strengthening its stakeholder management function with a bid to be more responsive to the water and sanitation needs of the sector and the country.

To this end, several key stakeholder engagements were successfully held during the year under review to ensure a stakeholder centric approach. Among others, the engagements prioritised youth, emerging researchers, consultants and small medium and micro enterprises (SMMEs) in order to enhance the historic research and scientific base of implementing agents.

Overview of WRC strategy and performance

As a Schedule 3A entity the WRC reports to the Minister of Water and Sanitation. The commission's strategic outcomes are driven by the mandate to translate research, development and innovation (RDI) into real solutions to address poverty, inequality and unemployment. The Board is keenly aware of the need to improve financial sustainability of the Commission. Hence continuous engagement with management to develop mechanisms for cost containment. The Board is pleased with the overall achievement of 95% of the Annual Performance Plan targets despite the capacity challenges experienced in the year under review.

Strategic relationships

During 2023/24 the supported various stakeholders, most particularly its main stakeholder, the Department of Water and Sanitation (DWS) by answering technical questions, providing advisory services and coordinating experts in support of DWS led projects.

The following research project highlights are worth noting:

- On 31 May 2023, the WRC was mandated by the DWS to undertaken an independent analysis of the cholera outbreak in Hammanskraal, focusing on the role of water, sanitation and hygiene in the spread of the disease. As a result, the Commission commissioned several studies and made recommendations to all parties concerned. While domestic water sources did not show any presence of the toxigenic cholera strain, it did highlight some important health risks, most notably the dysfunctionality of local water and wastewater works, which have since received attention.
- Research led by the WRC formed an important baseline for the Revised Pricing Strategy for Raw Water Use Charges. The revised pricing strategy will replace the existing 2007 strategy. The overall objective of the pricing strategy is to promote effective and efficient management of water to support equitable and sustainable economic growth and social development.
- The WRC was a founding member of the new Citizen Science Association of Southern Africa, which was launched on 19 October. It is expected that the association will provide a coordinated and empowered voice to citizen scientists towards improved management of the country's water resources.

The WRC continues to honour its partnership agreements through participation in obligatory partnership activities, workshops and conferences, training, development, and capacity building activities amongst others. These partnerships were instrumental in ensuring that the WRC continues to develop and introduce innovative solutions and technologies driven by our cutting-edge research. Through the successful implementation of the stakeholder-centric strategy and knowledge dissemination initiatives, the WRC continues to expand its national presence and global footprint. A notable achievement in this regard is the 74% stakeholder satisfaction index achieved – this is an indication that the Commission is on the right track in terms of its stakeholder management approach.

Acknowledgements/ appreciation

I wish to thank the Minister of Water and Sanitation, the Deputy Ministers and officials of the Department of Water and Sanitation for their support. We are grateful for the leadership and strategic direction provided to the WRC by the previous Board members whose term of office ended in April 2023. I further wish to express my sincere gratitude to the members of the Board, WRC executive management, staff, stakeholders, international and national partners for their unwavering commitment and support which has allowed the WRC to be a credible knowledge hub for the sector.

Dr RB Melamu
Chairperson of the WRC Board

Dr Jennifer Molwantwa
Chief Executive Officer

CEO's Overview

Having been at the forefront of the water research and development for over 50 years, the WRC recognises the water challenges impacting the country including availability, quality, resulting from geomorphological, and water- and land-based activities that impact on security, and further exacerbated by the impacts of climate change. While lauded for the progressive constitution and water legislation, the access to water and dignified sanitation remains an aspiration, linked to improved health, livelihoods, quality of life, access to opportunities arising from economic development and this threatens the achievement of the NDP targets, and the United Nations SDG 6.

Thus, the outcomes-based, and stakeholder-centric strategy of the WRC sought to intentionally support the national discourse in the management of the resource, improvement of access and services, improved conservation and demand management, institutional models, and policy and legislation environment by providing the necessary Research, Development and Innovation (RDI) products to support evidence-based decision making. This required of the WRC to repurpose implementation of RDI in a themed approach including water availability and security, water quality and health, water use, advisory services, and stakeholder and communications while also focusing on organizational efficiency improvement through efficient and effective governance and administration, sustainable fiscal management as well as corporate services. This approach resulted in enhanced collaboration between the government, and stakeholders including researchers, communities, and the private sector. The work of the WRC further extends beyond national borders to the region, continent and the global community recognising that capacity building is at the core of achieving the intended outcomes.

It is a delight and an honour to present together with the Minister of Water and Sanitation, Ms Pamela Majodina and the Board, the Annual Report of the Water Research Commission for the 2023/24 fiscal year. This report outlines the performance of the WRC in the year under review and highlights areas of concern.

General financial review of the public entity
The water research levy remains the main income stream for the WRC augmented by leverage income from research partners and donors, which enabled the increase in impact of the commission to stakeholders.

Spending trends of the public entity
RDI accounted for 63% and HR 31% of the WRC overall expenditure in the year under review. A total of 117 research projects were finalised with a focus on water security, resilience, and adaptation. In the year under review, the Commission has remained committed in its capacity building initiatives through student financial support and

participation of students in various international platforms, such as the Waternet Symposium and the Stockholm World Water Week. The WRC approved fit-for-purpose structure saw the change of Executive positions to fixed-term contracts with an aim of reducing this high HR cost.

The WRC continued to support the Department of Water and Sanitation (DWS) in rolling out its National Water and Sanitation Master Plan (NWSMP) by driving RDI to develop a robustly engaged, driven and aware water and sanitation sector that can support improved socio-economic outcomes.

Significant partnership highlights include the signing of Memorandums of Understanding (MoUs) with stakeholders. The Limpopo Government MoU supported by the Government of Flanders on the implementation of the Giyani Local Scale Climate Resilience Programme (GLSCRP), to demonstrate practical and sustainable water and climate adaptation solutions in Giyani. The MoU with the Northern Cape Government and Sol Plaatjie University, to support the arid water centre establishment for water and sanitation local government training and capacity development. The WRC continued support to the University of KwaZulu-Natal Water and Sanitation Hygiene (WASH) centre for implementation of RDI in water efficient non-sewered sanitation supported by the Bill and Melinda Gates Foundation. Department of Basic Education (DBE) MoU, saw several rural schools supported, learner attendance, safety and learning outcomes in the Eastern Cape. The MoU with the City of Cape Town saw the establishment of an advisory body on water reuse comprising of local and global experts.

Capacity constraints and challenges facing the public entity.
The organisation's approved fit-for-purpose structure is in place to ensure an engaged organisation that can effectively implement the strategy. The structure is centred on sustainable improvement of efficiencies, and the existing vacancies meant that more had to be done with less. However, despite the capacity constraints the WRC achieved 17 of the 18 targets set for the year under review. There was improved uptake of training and development opportunities to support capacity building and reskilling of the WRC employees.

Discontinued key activities / activities to be discontinued.
The WRC company, Erf 706 Rietfontein (Pty) Ltd was deregistered from the CIPC in terms of Section 82(3)(ii)(aa)(bb) of the companies Act 2008, as amended.

New or proposed key activities.
The WRC continues to prioritise activities that are geared towards improving water resources management, services, legislation, and policy with key focus on capacity building. The realisation of the Sol Plaatjie University arid centre establishment through partnership, enhanced the WRC vision to expand its RDI footprint through establishment of Centres of Excellence (CoE). The implementation of a stakeholder centric strategy promoted the uptake of RDI products from the WRC.

Requests for roll over of funds.
The Commission had no funds rolled over in the period under review as projects are committed on a multi-year basis.

Supply Chain Management (SCM)
The recognition of SCM value and strategic importance to service delivery has assisted the WRC to support government policies through procurement spend. In the reporting period, the WRC implemented planned procurement projects per the approved procurement plan. Through its non-research related procurement, the WRC spent 41% on black owned business and 27% on woman owned businesses.

Audit report matters in the previous year and how they would be addressed.
In the year under review, the Commission achieved an unqualified audit with no significant matters raised by the Auditor-General. All audit findings raised by the auditors are attended to and control measures were implemented to mitigate against recurrence.

Outlook/ Plans to address financial challenges.
The Minister of Water and Sanitation, in concurrence with

the Minister of Finance approved a 0% increase in the Water Research Levy (WRL) for the period 1 July 2024 – 30 June 2025, after year-end. Additionally, the approved Pricing Strategy for Raw Water Use Charges, added activities recognised to contribute to the WRL. However, the poor revenue collection in the value chain poses a risk to the financial sustainability of the WRC. A process of reviewing the WRC conditions of employment is underway to ensure sustainable financial outlook in the long-term.

Events after the reporting date

Afte the reporting period, the WRC continued with the recruitment drive to capacitate the approved structure. One key appointment is that of a Chief Risk Officer (CRO) who will be responsible to ensure that the WRC maintains effective, efficient, and transparent systems of risk management. This is critical to ensure organisational maturity in risk management, ethics, and compliance.

Economic Viability

In view of the pronounced 0% levy increase, the WRC recognises the need for cost containment to build a financially sustainable organisation. Additionally, the WRC is keenly aware of the ongoing water levy collection challenges faced by water boards which have a direct bearing on the WRC's levy funds. To mitigate against the risks posed by a potential reduction in levy revenue, the WRC cost containment strategy will be developed to identify cost drivers, optimize processes while fostering a culture of cost awareness.

Acknowledgement/s or Appreciation

I thank the WRC Board, led by Dr Rethabile Bonang Melamu, for their strategic direction and guidance. My sincere gratitude to the WRC family for all the hard work and unwavering commitment which continues to place the WRC as a reputable and leading research knowledge hub and employer of choice. Lastly, I wish to express gratitude to the outgoing Minister of Water and Sanitation, Mr Senzo Mchunu, and his Deputy Ministers for their interest in, and support of the WRC during the reporting year.

Dr Jennifer Molwantwa

Chief Executive Officer

Statement of responsibility

and confirmation of accuracy for the Annual Report 2023/24

To the best of our knowledge and belief, we confirm the following:

- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor General of South Africa (AGSA)
- The annual report is complete, accurate and is free from any omissions.
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements (Part F) have been prepared in accordance with the Standards of General Recognised Accounting Practice (GRAP).
- The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.
- The Accounting Authority is responsible for establishing and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.
- In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2024.

Dr JB Molwantwa
Chief Executive Officer

Dr RB Melamu
Chairperson of the Board

A

Section A: Strategic Overview

Water is a strategic resource, critical for basic human needs and a driver for powering key economic sectors for the socio-economic benefit of South Africans. Thus, the sustainable management of this scarce and finite resource underpins the wellbeing and prosperity of South Africa and its people. For the water science community, the mandate is to translate research, development and innovation (RDI) into real life solutions to address poverty, inequality and unemployment, while applying knowledge solutions to advance opportunities and ensure prosperity.

The vision, mission and values of the WRC are as follows:

Vision

To have highly informed water decision-making through science and technology at all levels, in all stakeholder groups, and innovative water and sanitation solutions through research and development for South Africa, Africa and the world.

Mission

To be a global water knowledge node and South Africa's premier water knowledge hub active across the innovation value chain that:

- informs policy and decision-making
- creates new products, innovation and services for socio-economic development
- develops human capital in the water and sanitation science sector
- empowers communities and reduces poverty
- supports the national transformation and redress project
- develops sustainable solutions and deepens water and sanitation research and development in South Africa, Africa and the developing world

Values

- A culture of learning and sharing
- Innovation and creativity
- Integrity and fairness
- A spirit of professionalism and service orientation
- Facilitating empowerment and social change
- Good governance

Legislative framework

The WRC was established as a body corporate in 1971. The WRC serves as the R&D partner of the sector leader, the Department of Water and Sanitation (DWS), and provides the sector with knowledge and capacity to ensure sustainable management of water resources and enhance water services. The legislation, policy and related regulation applicable to the WRC's mandate are indicated in Table 1.

Table 1. Legislation, policy and related regulations guiding the WRC

LEGISLATION	SECTION	DESCRIPTION
Constitution of the Republic of South Africa Bill of Rights, 1996	Section 16	Freedom of expression and right to academic freedom and freedom of scientific research
	Section 27.1. b	The right to have sufficient access to water
	Part B of Schedule 4	Executive Authority has the responsibility to support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions
Water Research Act (Act No. 34 of 1971) (WRA)	Purpose and mandated objectives of the organisation	a) Promote coordination, cooperation, and communication in the area of water research and development b) Establish water research needs and priorities c) Stimulate and fund water research according to priority d) Promote the effective transfer of information and technology e) Enhance knowledge and capacity building within the water sector
Water Services Act (Act No. 108 of 1997) (WSA)	Section 156, read in conjunction with Part B of Schedule 4 of the Constitution	To respond to water supply and sanitation needs with research and development that helps to address those needs
National Water Act (Act No. 36 of 1998) (NWA)	Water resource management	Ensure that South Africa's water resources are protected, used, developed, conserved, managed, and controlled in a sustainable and equitable manner, for the benefit of all persons
	Pricing strategy	Water use charges, the primary mechanism for the calculation of a charge, payable by some or all raw water users, that is also set for research purposes (water research levy)
	Section 156	Right of access to basic water supply and basic sanitation by setting national standards and norms

LEGISLATION	SECTION	DESCRIPTION
National Water Resource Strategy 3 (NWRS-3)	Chapter 14	a) Empower the implementation of the Strategy and further development of water sciences in South Africa b) Coordinate the development of the National Water R&D Plan c) Develop appropriate technologies and support the development of relevant centres of excellence in several fields of research, development and innovation d) Support the implementation of the Ten-year Water RDI Roadmap that provides a sector-defined, needs-driven research agenda that caters for the public sector (utilities, municipalities), agriculture, and environmental protection
National Development Plan (NDP)	Government Outcomes 6, 7, 9 and 10	a) Contributing towards achieving Government Outcomes and NDP objectives b) Support water availability through examining and finding solutions for issues related to bulk water supply, and through supporting the development of appropriate regulations regarding water quantity, quality and usage c) Conducting projects addressing water utilisation in agriculture as well as projects focusing on informal settlements and peri-urban communities d) Research focused on improving services, with special emphasis on the delivery of water and sanitation services e) Research in aquatic ecosystem connectivity processes, sustainable utilisation, restoration, global change and biodiversity protection
The National Water & Sanitation Master Plan (NWSMP)	RDI Chapter, Research Chapter	a) To provide strategic direction in respect of the Water RDI Roadmap

Organisational structure

In 2023/24 the WRC operated with the following organisational structure. The structure was approved and budgeted for by the Governing Board.

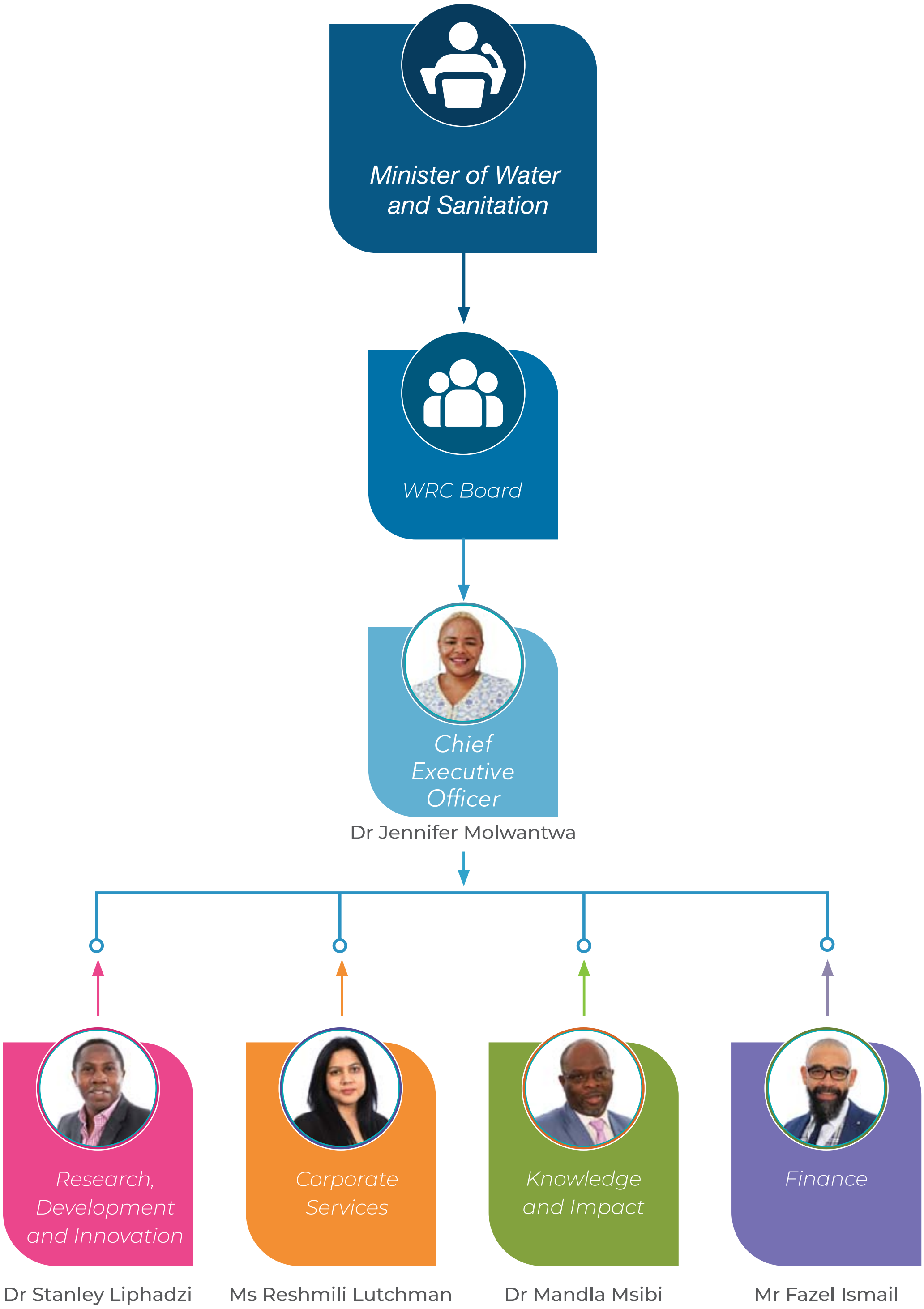

Figure 1. The WRC organisational structure

B

Section B: Performance Overview

1. Auditor-General's report: Predetermined Objectives

The Auditor- General South Africa (AGSA) currently performs the necessary audit procedures in accordance to the AGSA findings engagement methodology. This engagement is not an assurance engagement. Accordingly, AGSA do not express an assurance opinion or conclusion. The AGSA has selected those material indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest. The material findings are included under the heading Report on the annual performance report in the auditor's report. We will not provide an assurance opinion or conclusion in the management report on the selected indicators.

Refer to page 66 for AGSA's Report, published under Part F: Financial Information.

2. Performance overview

2.1. Service delivery environment

The WRC continues to exercise its mandate as enshrined in the Constitution, the WRA and other legislative frameworks. The WRC's performance environment is created on the premise that the crux of the water and sanitation challenge in South Africa is a capacity and capability challenge which requires evidence-based and scientific decision making. The three-dimensions addressed by the WRC are new knowledge, human capital and technology solutions, through funding and facilitation of water RDI, knowledge generation and dissemination and the translation of research and innovation products for the advancement of national water security.

While the WRC is playing a significant role in terms of knowledge generation for scientific based decision-making, the global challenges faced by the sector cannot be ignored. There is convergence across the globe that increasing water security on the back of decreased availability, deteriorating quality and impacts of climate change is a crowning global crisis. Despite the Commission's increased efficiencies, innovation and partnerships for continuous knowledge production, it is becoming increasingly difficult to meet the following two basic challenges in the South African water value chain:

- The ability to address the increasingly complex nature of problems such as non-revenue water, water quality and quantity, food security and the burden of disease which are inter-linked and water related.
- The WRC's ability to both transform the South African RDI community through the development of researchers from the designated groups and to create further avenues for job creation and entrepreneurship development, which are all restricted by the limited availability of financial resources.

However, technological innovation, improvements in communication, increased collaboration and international partnerships have enhanced the ability of the South African water RDI community to contribute to global knowledge and communities of practice. In addition to the aforesaid, the following internal and external environmental factors have a direct bearing to the successful execution of the WRC strategy:

- The deleterious effects of climate change and its severe impact which renders African economies acutely vulnerable as they are highly dependent on agriculture.
- The increasing need for more resources to fund all the aspects of water research in the three main crucibles, i.e., access to water and sanitation, water and sanitation services, and preservation of ecological water resources.
- The mounting pressure in terms of the demand for freshwater resources, due to an increase in demand for water and the prevalence of drought in Southern Africa. In South Africa's water sector and, more specifically, its water services sector, there are current dire and complex challenges linked to drought and associated management of water, as well as the critically concerning nature of the country's service delivery crisis.
- The operating environment of the WRC is impacted by slow economic growth, reduced capacity of the fiscus and the ongoing uncertainty of undulating business cycles. Leverage income is not guaranteed, and as the DWS has embarked on a process to realign the water services institutions and discontinue some, resourcing of the WRC mandate may be adversely impacted in the future.

2.2. Organisational environment

In addition to the external factors, the following internal factors have been identified to have a bearing on the implementation of the Strategy:

- The information, communication and technology (ICT) environment within the WRC has been identified as an area that requires attention so that the organisation can digitally transform. It is a governance imperative to ensure suitability to support the implementation of water RDI.
- The review and update of the structure, which sought to create an alignment of positions and create a cost-sensitive organisation for the implementation of the mandate.
- Building an organisational culture of shared values and practices to shape the behaviour of individuals within the organisation and to inculcate a people-centred culture which embraces diversity, execution-supportive attitudes, behaviour, integrity and ethics, and work practices, where a results-oriented work climate is encouraged and espoused.

3. Progress towards achievement of outcomes

The WRC's performance environment in the reporting year was guided by the WRC Strategy 2023-28, which is premised on the desire to contribute towards improved water security through research, development and innovation, as enshrined in its enabling Act. The WRC strategy was developed in line with the DPME framework focused on the theory of change that informs long-term outcomes achieved over a five-year period.

The WRC formed five functional programmes to ensure effective implementation of the strategy, namely:

- Administration and Governance
- Research Development and Innovation
- Knowledge and Impact
- Corporate Services
- Finance

Table 2: The table below provides a high-level progress towards the attainment of outcomes in the WRC's five-year strategy

Outcome	Programme	Outcome indicator	5-year target	Progress made towards achievement and planned improvements*
Efficient and engaged organisation	Corporate Services	Enhanced human capital capabilities	85% of development programmes implemented	The implementation of 35% of development plans achieved in this financial year is an indication that the Commission is on the right track to achieve the five-year target.
		Digitally transformed and technologically integrated organisation	100% implemented ICT strategy	The ICT strategy together with the ICT roadmap were developed and approved in the year under review. Plans are underway to ensure implementation of the roadmap to achieve the planned target.
		Broad-based black economic empowerment score	50 points of the BBBEE scorecard	The development of the transformation framework and the transformation plan are some of the measures the organisation has put in place to achieve the BBBEE compliance target. Currently the WRC has achieved 38.7 points, which is significant progress towards the 50 points target.
A financially sustainable organisation	Finance	Percent of total revenue on human resources costs	35%	The WRC is on track to achieve the 35% target
		Percent of total revenue spent on research and innovation costs	60%	The WRC remains committed to ensuring that RDI accounts for at least 60% of its expenditure.
		Current ratio	2:1	The WRC consistently maintains a healthy financial position which is a result of the cost containment measures developed to achieve the current ratio. Continuing in this trajectory will ensure that this target is achieved.

Outcome	Programme	Outcome indicator	5-year target	Progress made towards achievement and planned improvements*
Innovation driven water sector	Knowledge & Impact	Curated research and innovation data disseminated as knowledge	95% of knowledge dissemination plan implemented	The WRC remains at the forefront of scientific knowledge generation for the sector through its RDI outputs. The knowledge dissemination plan is designed to ensure that our cutting-edge research and technology innovations are shared with the sector and our stakeholders are to ensure uptake and utilisation.
		Operational water research data observatory	80% water research data observatory fully operational	The observatory has been fully developed and the next step is to launch it for public use. Once fully functional, it will be monitored periodically to ensure optimum usage.
		Implemented water and sanitation technologies demonstration	80% demonstration platform used by all stakeholders	The WRC continues to use its platforms such as WADER as innovation intermediaries to facilitate high-level, collaborative technology demonstrators from public and private sectors to maximise the potential of the water innovation value chain. The current 31% performance is an indication that the five-year target will be achieved.
		Selected technologies transferred to the water sector	50% technology transfers made	In the year under review, the WRC achieved 23% of technologies transferred to stakeholders, which is a positive indication that the five-year target will be achieved.
Empowered and influenced stakeholder	Knowledge and Impact	Impactful stakeholder engagement	80% stakeholder satisfaction rating	The approved stakeholder management strategy is geared to ensure a stakeholder centric approach in the Commission's response to sector needs. This will ensure that the WRC remains relevant and impactful, which will have a direct bearing to our stakeholder satisfaction rating.
		Research communication and engaged stakeholder	80% communication plan implemented	The communication plan was approved and by the end of 2023/24, the WRC was in the process of recruiting an incumbent to lead and give strategic direction in the implementation of the communication plan.
		Capacitated and aware water sector stakeholders	80% capacity building plan implemented	Through the implementation of the capacity building plan, the WRC continues to prioritise capacity building through training programmes and student support, almost 50% of which are PhDs.
		Highly skilled water sector	30% of trained PhDs	

Outcome	Programme	Outcome indicator	5-year target	Progress made towards achievement and planned improvements*
Adaptation and resilience	Research, Development and Innovation	Research development and innovation for enhanced livelihoods resilience	RDI programmes implemented (resilience)	The WRC continues to implement RDI projects that contribute to adaptation and resilience
		Research development and innovation for climate change adaptation	RDI programmes implemented (adaptation)	

** For details regarding performance, see tables 3 to 6 below.*

4. Institutional performance overview

The WRC had a total of eighteen (18) targets planned for the year under review of which seventeen (17) were successfully achieved. This is a remarkable achievement for the entity considering that this was the first year of the implementation of the new outcomes-based strategy. The Annual Performance Plan (APP) had eighteen (18) outputs linked to five (5) strategic outcomes. The implementation of the five (5) strategic outcomes was linked to four (4) of the WRC programmes. The WRC is continuing to put measures in place to ensure recovery of the unachieved target.

4.1. Administration and governance

The purpose of this programme is to support the business of the WRC in terms of planning, risk management, assurance services, governance structures and setting of appropriate parameters for organisational performance. The extent of the programme lies within the office of the Chief Executive Officer within the area of governance.

4.1.1. Administration and governance performance overview

The programme was formalised mid-year owing to the organisational redesign. Hence, in the year under review, the programme had no APP linked targets.

4.2. Research, Development and Innovation programme (RDI)

The key priority and core technical mandate of the WRC is to ensure water security and continuous access to water for socio-economic activities in South Africa and the region. Hence the RDI programme focuses on the generation of new RDI knowledge, and the mechanisms needed to support this function. The outputs from RDI interventions generate new or adapted technologies and innovations which the WRC provides to the water and related sectors to address specific needs, priorities, opportunities, and challenges. The programme continues to support and encourage new RDI initiatives which adequately address water challenges and associated risks: (see table 3).

The programme is responsible for the **adaptation and resilience** outcome and is organised to execute its strategy through the following sub-programmes:

- **Water resources and ecosystems**
  - Water assessments
  - Alternative water resources
  - Aquatic linked ecosystems
  - Climate change
- **Water use, wastewater and sanitation futures**
  - Drinking water treatment and use
  - Wastewater treatment and use
  - Sanitation
  - Smart water
- **Water utilisation in agriculture**
  - Water use for crop, tree and animal production
  - Water use for poverty reduction
  - Water protection and restoration
- **Business development and innovation**
  - Technology development programmes
  - Business development and partnerships
  - Technology demonstrations and transfers

4.2.1. Other programme priorities and highlights

In the 2023/24 financial year, the RDI programme finalised a total of 117 research projects, all of which contribute to the water security (resilience and adaptation) outcome of the organisation. In consideration of the water and sanitation challenges faced by the country, the knowledge solutions from WRC research remain a relevant and appropriate contribution to the sector. Thus, 47% of the completed RDI projects contributed to adaptation to climate change while 53% contributed to resilience to the global change (including, climate related disasters). In the year under review, the programme undertook various key initiatives which are highlighted below:

- The WRC contributed knowledge through local and international platforms such as peer reviewed journals, books and book chapters, conference presentations, community and specialist groups workshops and events. The WRC continues to lead national and international water initiatives and has, in some cases, earned recognition as a global leader in specific research areas.
- The WRC has developed new RDI thematic areas to guide future water research, notably Water Availability, Water Use, Water Quality and Heath, Water Advisory Services, and Knowledge Dissemination.

4.2.2. RDI performance overview

The table below is a highlight of programme performance for the year under review against the 2023/24 APP.

Table 3: RDI performance overview

PROGRAMME: RESEARCH, DEVELOPMENT & INNOVATION									
Outcome	**Output**	**Output indicator**	**Actual audited performance 2021/22**	**Actual audited performance 2022/23**	**Planned annual Target 2023/24**	**Actual achievement 2023/24**	**Deviation from planned target to actual achievement 2023/24**	**Reasons for deviation**	**Reason for revision to output/ output indicator/ annual target**
Adaptation and resilience	High impact publications and knowledge products	% of resilience products per total number of completed projects	New indicator	New indicator	50% of products identified	53% of products identified	Target exceeded by 3%	More knowledge products were created by RDI projects to address climate change challenges. This is due to more effort put in the implementation of projects to align with the new WRC strategy	No revisions were made
	High impact publications and knowledge products	% of adaptation products produced per total number of completed projects	New indicator	New indicator	30% of products identified	47% of products identified	Target exceeded by 17%	More projects yielded products that are relevant in addressing adaptation to climate change. This is due to more effort put in the implementation of projects to align with and address the new WRC strategy	No revisions were made

4.3. Knowledge and Impact

This programme focuses on heightening the WRC profile and extending its footprint through collaborative partnerships, stakeholder management, knowledge dissemination and communication. The programme also supports and facilitates innovations and technologies and enables uptake along the innovation value chain and ensures greater impact in the sector and society at large.

The programme is organised to execute its strategy through these four sub-programmes:

- Stakeholder Management
- Partnerships and Business Development
- Communications and Promotions
- Knowledge Services

The programme is responsible for the following strategic outcomes:

- Innovation driven water sector
- Empowered and influenced stakeholders

4.4. Other programme priorities and highlights

The WRC recognises the importance of engaging the water sector on RDI products so as to stimulate the water and sanitation economy and to bring new knowledge and innovative solutions for the benefit of the sector. In the year under review the programme developed a stakeholder management strategy and plan to enable the WRC to identify key stakeholders and to conduct a needs analysis to influence the RDI agenda. Furthermore, to amplify the message of the knowledge and innovations the water sector can adopt, the WRC also developed a communications and promotions strategy, which brings to the fore a more intentional and targeted media plan.

During the 2023/24 financial year, the WRC undertook a series of stakeholder engagements, including a roadshow to the Northern Cape (NC) which rolled-out the WRC plan and commitment to support the interventions by the SALGA, COGHSTA MEC, DWS and other local stakeholders. The following partnerships emanated from the roadshow:

- A commitment was made to develop an Arid Water Centre at Sol Plaatjie University,
- Training of process controllers in the Northern Cape in partnership with the Water Institute of Southern Africa's process controllers' division, and
- Training of officials in the Northern Cape on flood estimation and asset management in partnership with the Institute of Municipal Engineering of Southern Africa.

The WRC collaborated with its partners to demonstrate 31% of its water solutions or innovations throughout the country. The innovations demonstrated were well received by stakeholders as they showed the potential to make significant impact in improving service delivery at local and national levels. For instance, the WRC demonstrated innovations such as:

  - Organico Maldour counteractants which reduce sludge and remove foul smell in pit toilets,
  - A new sanitation service delivery model showing and assessing its suitability and the community's willingness to pay for sanitation services,
  - Aquonic technology as a decentralised wastewater and greywater treatment,
  - A smart valve which is important for reducing non-revenue water as it regulates water flow in the water pipes.

- The WRC also transferred 23% of its innovations to its stakeholders in the water and sanitation sector. In collaboration with the Department of Basic Education and DWS, the WRC transferred a full recycled toilet system to 20 schools in the Eastern Cape and the Deputy Minister of Water and Sanitation was the main guest speaker during the handing-over ceremony in one of the schools (Khanyisa Primary School). In addition, a hydroponic planter was transferred to a community in Limpopo (Giyani) to support and improve smart farming and to save water, while increasing food production.

4.4.1. K&I performance overview

Table 4 : K&I performance overview

PROGRAMME: KNOWLEDGE & IMPACT									
Outcome	**Output**	**Output indicator**	**Actual audited performance 2021/22**	**Actual audited performance 2022/23**	**Planned annual target 2023/24**	**Actual achievement 2023/24**	**Deviation from planned target to actual achievement 2023/24**	**Reasons for deviation**	**Reason for revision to output/ output indicator/ annual target**
Innovation driven water sector	Water research data observatory	Water research data observatory implemented	New indicator	New indicator	Data observatory plan and contents table	Target achieved The WRC managed to develop the observatory plan and contents table as planned	None, target achieved as planned		No revisions were made
	Technology demonstration	% of listed innovations demonstrated	New indicator	New indicator	0% innovations demonstrated	Target overachieved 31% innovations demonstrated	Target exceeded by 31%	The demonstrations were made possible through leverage funds received from partners. Leverage funded projects are not within the control of the WRC.	No revisions were made
	Technology transfer	% of produced innovations transferred to stakeholders	New indicator	New indicator	5% of produced innovations transferred	Target overachieved 23% of produced innovations transferred	Target exceeded by 18%	More transfers were made possible by the support from partners	No revisions were made
	Stakeholder engagement	% implementation of stakeholder engagement plan	New indicator	New indicator	60% satisfaction index	74% satisfaction index	Target exceeded by 14%	The stakeholder management initiatives that were implemented yielded a much higher stakeholder satisfaction index	No revisions were made
	Science communication	Number of new water science publications disseminated to the public	New indicator	New indicator	3	3	None, target achieved as planned		No revisions were made

PROGRAMME: KNOWLEDGE & IMPACT									
Outcome	**Output**	**Output indicator**	**Actual audited performance 2021/22**	**Actual audited performance 2022/23**	**Planned annual Target 2023/24**	**Actual achievement 2023/24**	**Deviation from planned target to actual achievement 2023/24**	**Reasons for deviation**	**Reason for revision to output/ output indicator/ annual target**
Empowered and influenced stakeholders	Human capacity development	Number of candidates supported for capacity enhancement (bursaries & other financial support)	New indicator	New indicator	200	262	Target exceeded by 62	Target exceeded as more WRC staff members than anticipated were admitted to the training programmes for the skills required by the WRC.	No revisions were made
		Number of new co-hosted training programmes	New indicator	New indicator	3	3	None, target achieved as planned		No revisions were made
	Knowledge dissemination	Number of special publications based on topical water themes	New indicator	New indicator	5	5	None, target achieved as planned		No revisions were made
	Partnerships/ collaboration	Number of new partnership agreements with associated leverage funding	New indicator	New indicator	4	4	None, target achieved as planned		No revisions were made

4.5. Corporate Services performance overview

The Corporate Services programme of the WRC focuses on the world of work within the WRC. This includes people and culture, information technology, corporate social responsibility, legal and compliance as well as facilities. In the 2023/24 financial year, the WRC remained focused on addressing organisational culture challenges which pose a risk to the implementation of the mandate.

The intention is to have an engaged organisation where employees are central to productivity. In this regard, it is recognised that empowering employees to lead in every area of their operation will result in the efficiency and achievement of the mandate and strategic outcomes. The programme continues to make great strides to address organisational transformation while focusing on the enhancement of effective leadership.

The programme is responsible for the following strategic outcome:

- Efficient and engaged organisation

4.6. Other programme priorities and highlights

Development of governance documents such as the ICT strategy and policies, Policy Development and Management Framework and finalisation of the organisational structure are some of the measures implemented which will assist to achieve an efficient organisation which will translate to an improved organisational culture.

In view of ICT being identified as one of the internal factors that has a bearing on the implementation of the strategy, the approved ICT strategy, centred on innovation, integration, and security, positions the WRC for future growth and technological advancements. This strategy not only addresses current challenges but also lays a strong foundation for sustainable success, making the WRC adaptable and resilient in an evolving technological landscape.

The targets set for the year and actual performance are detailed in the table on the next page.

4.6.1. Corporate Services performance overview

Table 5: Corporate Services performance overview

PROGRAMME: CORPORATE SERVICES									
Outcome	**Output**	**Output indicator**	**Actual audited performance 2021/22**	**Actual audited performance 2022/23**	**Planned annual target 2023/24**	**Actual achievement 2023/24**	**Deviation from planned target to actual achievement 2023/24**	**Reasons for deviation**	**Reason for revision to output/ output indicator/ annual target**
Efficient and engaged organisation	Employee development	% Implementation of employee development programmes	New indicator	New indicator	5% of dev plans implemented	Target over achieved 35% of development plans implemented	Target exceeded by 30%	More WRC staff members than anticipated were admitted to the training programmes for the skills required by the WRC	No revisions were made
	Optimal technology capabilities	Implemented enterprise architecture	New indicator	New indicator	Enterprise architecture assessment and roadmap developed	Target achieved	None, target achieved as planned		No revisions were made
	Effective ICT governance	Implemented ICT governance architecture	New indicator	New indicator	ICT governance assessment roadmap developed	Target achieved	None, target achieved as planned		No revisions were made
	Broad Based Black Economic Empowerment	WRC empowerment position assessed	New indicator	New indicator	WRC empowerment position assessed	Target achieved	None, target achieved as planned		No revisions were made

4.7. Finance

The Finance programme is primarily responsible for the financial and supply chain management business processes within the WRC. Whilst the WRC has augmented its research funding by partnering with stakeholders who provide funding for the water research, levy remains the primary funding source. The WRC also recognises that the Water Sector is significantly challenged due to low debt collection levels from customers which impacts on the collection and payment of the water research levy to the WRC. It is therefore imperative for the WRC to ensure that it remains a financially sustainable entity. The finance programme therefore, is responsible for the key performance output of monitoring and measuring the WRC financial sustainability. Thus, the cost of human resources, cost of research development and innovation (core mandate) and liquidity are key indicators to measure when assessing the financial sustainability of the organisation.

The programme is responsible for the following strategic outcome:

- A financially sustainable organisation

4.7.1. Other programme priorities and highlights

Financial management comprises the following:

- Financial operations and administration which includes creditors, payroll and record keeping
- Accounting services which entail financial accounting and reporting, management accounting and budgeting

These services are therefore critical in ensuring that the Commission achieves its mandate and strategic objectives. Furthermore, the programme focuses on improved efficiencies and effectiveness within the WRC's supply chain management (SCM) processes and the enhancement of financial planning capabilities which contribute towards creating an appropriately funded and financially stable environment. The Finance programme is responsible for monitoring and measuring financial sustainability of the WRC, through:

- Ensuring that it achieves an unqualified audit opinion by meeting the required accounting and auditing standards.
- Providing the appropriate financial analysis and guidance to support planning and decision-making
- Monitors the WRC financial performance and report against its budgets and strategic plans and support the implementation of corrective measures where appropriate.

4.7.2. Finance performance overview

Table 6: Finance performance overview

PROGRAMME: FINANCE									
Outcome	**Output**	**Output indicator**	**Actual audited performance 2021/22**	**Actual audited performance 2022/23**	**Planned annual Target 2023/24**	**Actual achievement 2023/24**	**Deviation from planned target to actual achievement 2023/24**	**Reasons for deviation**	**Reason for revision to output/ output indicator/ annual target**
A financially sustainable organisation	Cost control	HR cost to total income ratio	New indicator	New indicator	39% of HR cost to total income ratio	24% HR cost to total income ratio	15%	During the 2023/24 financial year, vacancies were not filled as planned, bonuses to senior management were not paid due to the current moratorium, and lower increase percentages were implemented than originally planned, all resulting in a lower HR cost	No revisions were made
		RDI cost to total income ratio	New indicator	New indicator	58% RDI cost to total income ratio	47,6% RDI cost to total income	The target was under achieved by 10.4%	Due to levy income received in Q4 which increased the initially projected budget thereby reducing the RDI spent. It is however important to note that RDI spent during the year accounted for 63% of the WRC overall expenditure. Because of the dynamic nature of research this is considered a more appropriate measure.	No revisions were made
	Liquidity	Current Ratio	New indicator	New indicator	2:1	3.2: 1	1.2: 1	The current ratio of 3.2 is higher than the targeted ratio of 2:1 which means the entity is in a more favourable position to meet its obligations	No revisions were made

5. Performance against budget

Table 7: Performance against budget (presented in R'000)

	2023/24			2022/23		
	Budget	Expenditure	Over/Under Expenditure	Budget	Expenditure	Over/Under Expenditure
Programme	R	R	R	R	R	R
Administration and Governance	9,806	6,038	3,768	9,753	3,702	6,050
Corporate Services	177,852	133,826	44,026	146,075	126,957	19,118
Finance	3,102	2,499	603	1,619	3,054	(1,435)
Research Development and Innovation	210,630	204,065	6,565	237,484	187,561	49,923
Knowledge and Impact	18,733	10,489	8,245	19,203	6,874	12,329
Total	**420,123**	**356,917**	**63,207**	**414,135**	**328,149**	**85,985**

6. Revenue collection

The Water Research Levy (WRL) is the WRC's main source of revenue. The Water Research Commission does not collect levies on its own behalf. The Rand Water Board, uMngeni-uThukela Water Board and the Department of Water and Sanitation (DWS) collect the WRL on behalf of the WRC from various water users based on water consumption volumes.

Table 8: Revenue collected (presented in R'000)

	2023/24			2022/23		
	Estimate	Actual amount collected	Over/ Under collection	Estimate	Actual amount collected	Over/ Under collection
Sources of revenue	R	R	R	R	R	R
Water research levies	312,262	323,368	11,105	290,500	305,683	15,183
Leverage income	104,370	98,454	(5,916)	115,724	87,534	(28,191)
Other income	922	563	(358)	816	1,134	318
Interest and dividends received– investments	24,538	28,591	4,053	7,094	14,302	7,208
Total	**442,092**	**450,976**	**8,884**	**414,135**	**408,653**	**(5,482)**

Levy income

The positive variance is directly related to higher actual water volume sales by the water boards than those projected during the budget, which were based on the actual volumes for the previous financial year.

Leverage income

Leverage income arises when the WRC, in partnership with other organisations, undertakes research and innovation projects where it may or may not also be a co-funder. The leverage-funded component of the WRC operations is an important funding mechanism as the Commission moves to an increased impact portfolio and it enables the WRC to do more research than it otherwise would be able to. Leverage income is very volatile in nature as it is dependent on consultations with leverage funded partners and communities in which these projects are implemented.

The negative budget variance is mainly attributable to challenges in respect of unforeseen circumstances related to leverage funded projects, which were not within the control of the WRC.

Other income

Other income includes amongst other E-Seta payments, royalties, recovery of studies and insurance settlement claims received. These items are ad hoc in nature.

Interest income

Investment income arises from interest that the WRC earns on the cash resources held. This income is not a guaranteed source of funds, and the WRC does not rely on it in any significant manner in its long-term financial planning. The interest income positive variance is due to higher than anticipated cash holdings during the financial year.

C

Section C: Governance

7.1 Introduction

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. The WRC's corporate governance framework is informed by the PFMA and the WRA. The WRC is governed by the Board as appointed by the Minister of Water and Sanitation in terms of the WRA. The WRC has a CEO who is responsible for the day-to-day management of the WRC and is accountable to the Board.

7.2 Portfolio committee

The Water and Sanitation Portfolio Committee is responsible for oversight of the DWS and the WRC. During the reporting period the WRC tabled to the water and sanitation portfolio committee its APP and reported on the financial and non-financial performance of the WRC.

7.3 Executive Authority

The PFMA and the Water Research Act gives authority to the Minister of Water and Sanitation to exercise oversight powers over the Water Research Commission. The Minister of Water and Sanitation also has the power to appoint and dismiss the Board of a public entity. During the reporting period, the Minister of Water and Sanitation appointed a new Board for the Water Research Commission because the term of office for the previous Board had come to an end. The Minister of Water and Sanitation exercised his oversight responsibility over the Water Resources Commission during the reporting period.

7.4 The Board

The Board is responsible for corporate governance within the WRC and is supported by the Board Secretary. During the past financial year, the Board has been functional and executing its oversight responsibilities as required. The Board has a Charter in place which is compliant with the applicable provisions of the WRA and PFMA and is aligned with recommended best practices. The Board Charter is reviewed annually and is up to date.

Members of the WRC Board since April 2023

The Minister of Water and Sanitation in April 2023 appointed a new Board as follows:

Dr Rethabile Bonang Melamu
Chairperson

Dr Harrison Pienaar
Deputy Chairperson

Adv Reinette Mary Rosey
Board Member

Mr Willem Bertram Baird
Board Member

Prof Nnenesi Kgabi
Board Member

Dr Tendai Sawunyama
Board Member

Ms Zama Portia Dlamini
Board Member

Prof Aldo Stroebel
Board Member

Ms Megan Schalkwyk
Board Member

Ms Nkuli Mxenge-Mayende
Board Member

Dr Henry Roman
Board Member

Dr Jennifer Molwantwa
WRC CEO

The Board composition and attendance is tabulated below:

Table 9. Board members and meetings attended

Name of member	Date of appointment	Board meetings	Research and Innovation Committee	Human Resources Committee	Audit Committee
Dr Rethabile Melamu (Chairperson)	April 2023	08	03	N/A	N/A
Dr Harrison Pienaar (Deputy Chairperson)	April 2023	08	03	N/A	N/A
Prof Nnenesi Kgabi	April 2023	07	02	05	N/A
Mr Willem Baird	April 2023	08	N/A	05	08
Dr Tendai Sawunyama	April 2023	08	N/A	N/A	07
Prof Aldo Stroebel	April 2023	06	02	N/A	N/A
Ms Zama Dlamini	April 2023	08	N/A	N/A	07
Adv Mary Rosey	April 2023	08	N/A	05	08
Ms Nonkululeko Mxenge-Mayende	April 2023	06	N/A	05	N/A
Ms Megan Schalkwyk	April 2023	08	03	04	N/A
Dr Henry Roman*	April 2023	03	00	N/A	N/A
Dr Jennifer Molwantwa (Ex-Officio)	April 2023	07	02	04	N/A

* Dr Roman served as a Board member between July 2023 and October 2024 and is no longer a member of the WRC Board.

7.5 Board committees

The following Board Committees have been established to assist the Board in discharging its duties. All Committees of the Board are operating in terms of approved terms of references.

- Audit Committee (AC) (statutory committee)
- Research and Innovation Committee (RIC)
- Human Resources Committee (HRC)

Table 10. WRC Board Committees

Committee	No. of meetings held	No. of members	Name of members
Board	08	11	1. Dr Rethabile Melamu (Chairperson) 2. Dr Harrison Pienaar 3. Ms Megan Schalkwyk 4. Prof Nnenesi Kgabi 5. Prof Aldo Stroebel 6. Dr Jennifer Molwantwa 7. Dr Henry Roman* 8. Mr Willem Baird 9. Ms Zama Dlamini 10. Dr Tendai Sawunyama 11. Adv Mary Rosey 12. Ms Nonkululeko Mxenge-Mayende
Audit Committee	08	04	1. Mr Willem Baird (Chairperson) 2. Ms Zama Dlamini 3. Dr Tendai Sawunyama 4. Adv Mary Rosey

Committee	No. of meetings held	No. of members	Name of members
Research and Innovation	04	07	1. Dr Harrison Pienaar (Chairperson) 2. Dr Rethabile Melamu 3. Ms Megan Schalkwyk 4. Prof Nnenesi Kgabi 5. Prof Aldo Stroebel 6. Dr Jennifer Molwantwa 7. Dr Henry Roman*
HR	06	06	1. Prof Nnenesi Kgabi (Chairperson) 2. Ms Megan Schalkwyk 3. Ms Nonkululeko Mxenge-Mayende 4. Adv Mary Rosey 5. Mr Willem Baird 6. Dr Jennifer Molwantwa

* Dr Roman served as a member of the Board between July 2023 and October 2024 and is no longer a member of the WRC Board.

7.6 Remuneration of Board members

Members of the Board are paid an allowance in respect of the performance of their duties. The allowance is determined by the Minister of Water and Sanitation in consultation with the Minister of Finance. Members who are not remunerated are the CEO, DSI representative and the state employees. Board members are also paid for travel expenses.

Table 11. Remuneration paid to each previous Board member (term ended March 2023) in 2023/24 in respect of preparation for and attendance of meetings

Name	Remuneration (rate per meeting (R))	Total (R)
Dr NP Mjoli (Chairperson)	2,711	16,266
Prof SV Nkomo (Deputy Chairperson)	2,050	6,150
Mrs PL Dlamini	2,050	4,100
Dr ME Makgae	2,050	16,400
Ms MK Mbonambi	2,050	6,150
Mrs N Msezane	2,050	14,350
Mrs S Thomas	2,050	4,100

Table 12. Remuneration paid to each new Board member (appointed in April 2023) in 2023/24 in respect of preparation for and attendance of meetings)

Name	Remuneration (rate per meeting (R))	Other allowances	Total (R)
Dr Rethabile Melamu (Chairperson)	2,711	810	125,574
Dr Harrison Pienaar (Deputy Chairperson)	2,050	810	72,560
Prof Nnenesi Kgabi	2,050	810	77,172
Mr Willem Baird	2,050	810	155,324
Dr Tendai Sawunyama	2,050	810	13,110
Prof Aldo Stroebel	2,050	810	31,560
Ms Zama Dlamini	2,050	810	78,710
Adv Mary Rosey	2,050	810	150,200
Ms Nonkululeko Mxenge-Mayende	2,050	810	45,910
Ms Megan Schalkwyk	2,050	810	93,572

7.7 Risk management

The WRC Board takes overall responsibility and accountability for risk management. The WRC operated within the Board-approved risk management framework that provides leadership and guides risk management activities within the Commission. The Board, through the Audit Committee, ensured that management regularly conducted risk assessments to determine the efficiency of response strategies to manage key risks.

The Audit Committee advised the WRC on risk management and independently monitored the effectiveness of the system of risk management.

7.8 Internal control function

In line with the requirements of the Public Finance Management Act (PFMA) and Treasury Regulations, the WRC has established an internal audit function. The Internal Audit Function provides assurance to the Board, through the Audit Committee, that the system of risk management, governance and control is appropriate, adequate, and effective to mitigate business risk. Furthermore, the function ensures that there is improvement in the internal control within the Commission, as well as compliance with applicable legislation. The internal audit function has adopted formal terms of reference as its Internal Audit Charter. The internal audit function prepared a rolling three-year internal audit plan, which was approved by the Audit Committee . Progress against the Annual Audit Plan was reported every quarter. The Internal Audit Function executed and completed all the audits on the approved plan. Where controls were found to be deficient or not operating as intended, recommendations for enhancement or improvement were provided. Significant deficiencies were reported to the Audit Committee quarterly. Audits were performed, amongst others, in the following areas:

- Finance Discipline and Supply Chain Management
- Regulatory and Permits Issuance
- Stakeholder Management
- IT penetration testing
- Performance Information
- Pre-determined objectives

The internal audit function reports functionally to the Audit Committee and administratively to the CEO.

7.9 Compliance with laws and legislation

The WRC strives to build an accountable and inclusive institution that embeds, in its business functions, the standard required of a good corporate citizen, not least of which is regulatory compliance of the highest standard. To this end, the WRC established a Regulatory Compliance Framework and workplan as a tool for regulatory compliance monitoring for the creation of non-compliance alerts so that the risks of non-compliance can be proactively managed going forward. Given that the WRC is positioned within a highly regulated environment, and the risks that are associated with not having a compliance view of the organisation, the Compliance Framework and workplan ensures the continuous monitoring of the WRC's compliance duties in line with the WRC's regulatory universe.

There are various ways to monitor regulatory compliance. One obvious methodology is through a checklist approach. The WRC has developed compliance checklists for each area so that compliance monitoring is a deliberate exercise that management applies their minds to, at least annually or as and when the need arises. In addition, a quarterly legal and compliance progress report serves at the Audit Committee and Board for monitoring and oversight.

7.10 Fraud and corruption

The WRC has a zero-tolerance fraud and corruption policy. The WRC has an approved fraud prevention and whistle-blowing policy to ensure that the Commission's zero-tolerance to fraud and corruption is integrated into the day-to-day activities of the organisation. Further to that, the WRC has a 24-hour ethics hotline hosted by an external service provider. All reports received are treated with confidentiality and can be made anonymously. Reported incidents are independently evaluated and where appropriate, investigated internally and/ or referred to the appropriate party. All the reported incidents of fraud and corruption were investigated, and reports issued. All fraud hotline calls received are reported every quarter to the Audit Committee.

7.11 Code of Ethics and business conduct

The sustainability of the WRC starts with a value system and a principles-based approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment, legal compliance, and anti-corruption. The WRC Code of Ethics and business conduct is aligned to the South African Constitution and is implemented through 'The Ten Principles of the UN Global Compact', which include principles around human rights, labour, the environment and anti-corruption.

By incorporating these principles into strategies, policies, and procedures, and establishing a culture of integrity, the WRC not only upholds the basic responsibilities to its people and the planet, but also ensures the sustainability of the organisation.

The Code of Ethics is the WRC's promise to operate with candour and truthfulness in its dealings and communications. The WRC expects that the organisation will be operated in accordance with the principles set forth in this Code and that all WRC employees, from the members of the Board, and the Executive to each individual WRC employee, will be held accountable for meeting these standards.

7.12 Audit committee composition

The Committee comprises persons with a blend of skills, knowledge, and experience necessary to discharge its responsibilities. As at 31 March 2024, the Committee comprised the following members:

1. Mr Willem Baird (Chairperson)
2. Ms Zama Dlamini
3. Dr Tendai Sawunyama
4. Adv Mary Rosey

7.13 Minimising conflict of interest

Managing conflict of interest forms an integral part of the sound ethical practices at the Commission and is done through mandatory Annual Financial Declarations of Interest by all employees. This is over and above the requirement that employees and research partners disclose matters of conflict of interest, as and when they arise in our business operation. The WRC has a gift register for all employees to declare gifts received from suppliers or partners with the receipt of gifts limited to a stipulated capped amount.

7.14 Code of Conduct

The sustainability of the WRC starts with a value system and a principles-based approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment, legal compliance, and anti-corruption. The WRC Code of Ethics and business conduct is aligned to the South African Constitution and is implemented through 'The Ten Principles of the UN Global Compact'.
By incorporating these principles into strategies, policies, and procedures, and establishing a culture of integrity, the WRC not only upholds the basic responsibilities to its people and the planet, but also ensures the sustainability of the organisation.

The Code of Ethics is the WRC's promise to operate with candour and truthfulness in its dealings and communications. The WRC expects that the organisation will be operated in accordance with the principles set forth in this Code and that all WRC employees, from the members of the Board, and the Executive to each individual WRC employee, will be held accountable for meeting these standards.

7.15 Health, safety and environmental issues

The WRC has an Occupational Health and Safety (OHS) Committee which exists to oversee health and safety issues across the organisation and monitors compliance with all relevant legislation and policies. During the reporting period, the committee held monthly OHS Committee meetings and continued to implement planned health and safety activities, which are geared towards creating a conducive environment for all employees. The WRC further has an approved OHS Policy and Emergency Evacuation Procedure in place that guides employees on health and safety matters. All members of the committee have been trained on the requisite health and safety training. For the period under review, a paper cut and door cut incidents were reported and resolved without the need for further investigation.

7.16 Board Secretary

The WRC has a designated Board Secretary whose responsibility, among others, is to assist the Board Chairperson in determining the Annual Board Plan as well as raise matters that may warrant the attention of the Board. The Board Secretary also plays a critical role in making the Board aware of their fiduciary duties and responsibilities and providing administrative support to the Board and its committees.

7.17 Social responsibility

The WRC is in the process of developing a corporate social investment (CSI) policy which is aimed at directing the Commission's intent and commitment to invest in projects that bring positive social change within its areas of operation.

7.18 Report of the audit committee

We are pleased to present our report for the financial year ended 31 March 2024.

AUDIT COMMITTEE RESPONSIBILITIES

The report of the Audit Committee (Committee) is required by Section 51(1)(a)(ii) of the Public Finance Management Act (as amended) and paragraph 27.1.7 of the Treasury Regulations. The Committee has adopted the formal terms of reference as its Charter, which was approved by the Board. The Committee reports that it has executed its responsibilities in compliance with the Charter and has discharged all of its responsibilities for the year under review. According to the Treasury Regulations, the committee completed all of its statutory obligations. The committee examined the yearly financial statements to ensure that they fairly represented the company's financial position in accordance with PFMA, Treasury Regulations, and generally accepted accounting principles (GRAP).

EFFECTIVENESS OF INTERNAL CONTROLS

The Committee has determined that the internal control system is generally acceptable in terms of design, but in order for the WRC to successfully execute the existing controls, executive intervention and targeted improvement efforts are needed. The system is intended to manage failure risk rather than eradicate it, and to maximize opportunities to meet the established objectives, thus the control flaws found by both the Internal Audit and the External Auditors give the Board an opportunity to improve. The Internal Audit (IA) function is responsible for evaluating the control environment and assist the Committee to fulfil its responsibilities. The IA unit operated satisfactorily during the 2023/24 financial year. According to the internal audit charter and internal audit standards, the function continued to be generally effective and objective in carrying out its purpose.

The three-year rolling and annual internal audit plans were approved by the Committee at the beginning of the financial year under review. The strategy, which included risk-based, required, performance, ICT, and follow-up audits, satisfied the Committee since it showed a clear correlation with the major risks the WRC faced.

IN-YEAR MANAGEMENT AND QUARTERLY REPORT

The Chief Executive Officer prepared and submitted quarterly financial and non-financial reports throughout the year under review, and the Committee took note of their substance and quality. A few changes were suggested, approved by management, and put into practice.

EVALUATION OF THE FINANCIAL STATEMENTS AND ANNUAL PERFORMANCE REPORT

The Committee has:

- reviewed and discussed the unaudited and audited Annual Financial Statements and Annual Performance Report included in the Annual Report;
- reviewed changes relating to the Annual Financial Statements and Annual Performance Report;
- reviewed the entity's compliance with legal and regulatory provisions;
- reviewed the Auditor-General of South Africa's (AGSA) management report and management's response thereto.

AUDITOR-GENERAL SOUTH AFRICA

The audit implementation plan for the prior fiscal year was taken into consideration and assessed by the Committee. According to the Committee's assessment of management interactions, internal audit reports, and the AGSA audit report, important issues have been adequately resolved.

The AGSA conducted the 2023/24 audit. The Committee accepted the engagement letter, audit plan, and fees for the fiscal year that concluded on 31 March 2024, after consulting with Management.

The Committee accepts the Unqualified audit opinion on the Annual Financial Statements.

On behalf of the Audit Committee

W B Baird

Chairperson of the Audit Committee

7.19 BBBEE compliance performance information

During the year under review, the WRC received a non-compliant BBBEE report. In an effort to improve the business's compliance to the BBBEE scorecard elements, the WRC appointed a service provider to assist with the assessment requirements, training and to develop a transformation framework for implementation going forward. The framework will consider the four (4) assessment elements relevant to the Commission; which are:

- management control
- skills development
- enterprise and supplier development
- socio-economic development

Table 12: Application of the relevant Code of Good Practice (BBBEE Certificate Levels 1-8)

Criteria	Response Yes / No	Discussion
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	This criterion is not applicable to the WRC and therefore no measures are required to ensure compliance.
Developing and implementing a preferential procurement policy?	Yes	
Determining qualification criteria for the sale of state-owned enterprises?	No	This criterion is not applicable to the WRC and therefore no measures are required to ensure compliance.
Developing criteria for entering into partnerships with the private sector?	Yes	
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	No	This criterion is not applicable to the WRC and therefore no measures are required to ensure compliance.

D

Section D: Human resources (HR) management

The WRC's vision is to entrench its employee value proposition to influence a meaningful working environment that enables the evolution and integration of technology, innovation, and people through strategic partnerships, leading to the WRC becoming a preferred employer. The people and culture approach focuses on human capital capability, building strategic business partnerships, improving service delivery and operational efficiencies. By this positioning, the WRC continues to attract and retain a skilled and capable workforce. Through its focused skills development and capacity enhancement programme, the WRC is placed in a good position as an employer of choice.

8.1 HR priorities for the year under review and the impact of these priorities

In the year under review, the WRC embarked on a process of HR policy review which is geared towards ensuring that our policies are aligned to the basic conditions of employment. Due to ongoing internal consultations, this process is still in progress and is likely to be finalised and approved in the 2024/25 financial year. Additionally, the organisation underwent an organisational structure review which resulted in a new structure being approved in the last quarter of the financial year. The new fit-for-purpose structure will enable the organisation to effectively implement its mandate and to successfully achieve its strategic outcomes.

8.2 Employee performance measurement framework

Through its employee performance measurement framework, the WRC defines the rules for the measurement of performance and the payment of performance bonuses and performance-based pay progressions. The performance management at the WRC is conducted in a consultative, supportive and non-discriminatory manner and seeks to foster a culture of accountability, transparency and continuous improvement within the organisation. The WRC's performance management processes align individual goals with organisational objectives and strategic outcomes through setting clear expectations, providing feedback, evaluating performance and rewarding achievements. The primary orientation of performance management is motivational and developmental allowing for the recognition of outstanding performance while providing an effective response to consistent inadequate performance.

8.3 Employee wellness programmes

The WRC considers employee wellness a critical component to promote the health and well-being of its employees. The WRC's employee wellness programme seeks to improve employee health, reduce absenteeism, increase productivity and to boost staff morale while creating a healthy work-life balance. During the year under review the WRC enlisted the services of ICAS, now known as Lyra SA to provide wellness services to employees; such as financial advisory, counselling, life management and parenting.

8.4 Policy development

In the 2023/24 financial year, the WRC reviewed various policies such as; employee relations policy and disciplinary code, conditions of employment, HR policy and remuneration and reward policy which are yet to be finalised and approved.

8.5 Highlights and achievements

The following achievements are worth noting:

- The HR unit achieved all its APP targets;
- Long service recognition awards were hosted to honour employees for their loyalty and commitment to the organisation;
- The organisation cleared some of the long outstanding disciplinary matters, with some still in progress;
- Upon approval of the new structure, the organisation successfully graded some of the positions and commenced with recruitment and
- The Employment Equity (EE) plan was approved and measures for its implementation instituted

8.6 Challenges faced by the public entity

Due to the strategic review process that took place in the previous financial year, the organisation operated on a very lean structure while awaiting approval of the revised organisational structure. The structure was, however, approved in the last quarter of 2023/24 and recruitment resumed. In addition to this, the organisation effected consequence management and other disciplinary processes which further exacerbated capacity constraints. Thus, the WRC's biggest challenge for the year under review was doing more with less, which also affected the rate at which recruitment processes were implemented.

8.7 Future HR plans

The WRC is working to ensure that all outstanding policy reviews are finalised and approved in the next financial year. It remains the HR unit's priority to capacitate the approved organisational structure to ensure effective implementation of the strategy. The WRC acknowledges and respects the employees' right to join and participate in a union, and plans to finalise the ongoing consultations towards a recognition agreement with organised labour in the next financial year.

8.8 HR oversight statistics

Table 13: personnel costs by activity

Programme	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Research, development and Innovation, Knowledge and Impact, Administration	356,917	108,221	30,32%	99	1,093

Table 14: Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	16,416	15.17%	6	2,736
Senior Management	45,395	41.95%	33	1,376
Professional qualified	38,515	35.59%	43	896
Skilled	7,605	7.03%	15	507
Semi-skilled	-	0.00%	0	-
Unskilled	290	0.27%	2	145
TOTAL	**108,221**	**100%**	**99**	**1,093**

Table 15: Performance rewards

Programme//activity/objective	Performance rewards	Personnel expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	-	16,416	0.00%
Senior Management	-	45,395	0.16%
Professional qualified	3,661	38,515	3.22%
Skilled	783	7,605	0.72%
Semi-skilled	-	-	0.00%
Unskilled	23	290	0.02%
TOTAL	**4,467**	**108,221**	**4.13%**

Table 16. Reconciliation between employee related costs as per the Statement of Financial Performance and Personnel expenditure included in the table above

Personnel expenditure	Total Expenditure for the Entity (R)	Comment
Employee related costs	101,844	Amount as per the Statement of Financial Performance
Reversal of provisions for performance based incentive	1,060	Reversal of provisions raised in the 2022/23 financial year in respect of performance based incentives (refer to note 10 in the Annual Financial Statements)
Leverage funded employees	9,276	Salaries in respect of leverage-funded employees have been re-allocated to research, development and innovation costs
Provision for performance bonuses – 2023/24 year of assessment	(4,869)	Provision for performance incentives for the 2023/24 year of assessment
Merit bonuses	4,467	Employees are eligible for a performance bonus, subject to approval, in terms of the WRC Performance Management Policy approved by the Board of the WRC. Performance bonuses are measured annually for the period 1 April – 31 March of the ensuing year and performance bonuses are paid when approved to qualifying employees. The actual payments made in respect of merit bonuses during the financial year was only in respect of Non- Senior Management

Personnel expenditure	Total Expenditure for the Entity (R)	Comment
Director's renumeration	(911)	This is in respect of remuneration (fees for preparation and attendance of meetings and connectivity allowance) payable to Non-Executive Directors (Board and sub-committee members)
Compensation Commissioner	(458)	This is not directly related to employees but a payment to the Department of Labour
Company contributions – SDL	(9)	Other SDL contributions, such as Non-Executive Directors etc.
Leave and bonus provision	(2,179)	Provision for accounting purposes, thus not paid to employees
TOTAL	**108,221**	

Table 17: Training costs

Programme/activity/objective	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of Personnel Cost.	No. of employees trained	Average training cost per employee (R'000)
Study grants and short courses	108,221	1,674	1.55%	76	22,03

Table 18: Employment and vacancies

Programme/activity/ objective	2022/23 No. of Employees	2022/23 Approved posts	2023/24 No. of employees	2023/24 Vacancies	% of vacancies
Top Management	5	5	5	0	0.00%
Senior Management	26	39	26	11	28.21%
Professional qualified	37	45	39	12	26.67%
Skilled	14	21	12	6	28.57%
Semi-skilled	0	5	0	0	0.00%
Unskilled	2	3	3	0	0.00%
TOTAL	**84**	**118**	**85**	**29**	**24.58%**

The strategic review process took place in the course of the year under review, the results of which were approved in the fourth quarter. Thus, recruitment and grading of new positions resumed in the last quarter of the year.

Employment changes

There are six (6) employees who were terminated in this Financial Year, with four (4) resignations and two (2) end of contracts.

Table 19: Employment changes

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	5	0	0	5
Senior Management	26	2	1	27
Professional qualified	37	4	3	38
Skilled	14	0	2	12
Semi-skilled	0	0	0	0
Unskilled	2	1	0	3
TOTAL	**84**	**7**	**6**	**85**

Reason for staff leaving

The following reasons were provided as reasons for resignations by some of the employees who resigned:

- Career growth opportunities and new networks
- An opportunity to work remotely
- Opportunity for international exposure

Table 20: Reason for leaving

Reason	Number	% of total no. of staff leaving
Death	0	0
Resignation	4	66.67%
Dismissal	0	0
Retirement	0	0
Ill health	0	0
Expiry of contract	2	33.33%
Other	**0**	**0**
Total	**6**	**100%**

Table 21: Labour relations misconduct and disciplinary action

Nature of discipline	No
Verbal Warning	0
Written Warning	1
Final Written warning	0
Dismissal	0
Total	1

Equity target and employment status

Since the approval of the new EE Plan and the organisational structure, the EE targets are taken into consideration when recruitment is conducted.

Table 22: Equity target and employment status

MALE								
LEVEL	**African**		**Coloured**		**Indian**		**White**	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	0	1	0	0	0	0	0
Senior Management	9	1	2	0	2	0	1	0
Professional qualified	13	3	1	1	0	0	1	0
Skilled	2	1	1	0	0	0	0	1
Semi-skilled		0	0	0	0	0	0	0
Unskilled	1	1	0	0	0	0	0	0
TOTAL	**27**	**6**	**5**	**1**	**2**	**0**	**2**	**1**

FEMALE								
LEVEL	**African**		**Coloured**		**Indian**		**White**	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	0	1	0	0	0
Senior Management	8	1	0	1	2	0	2	0
Professional qualified	17	0	1	0	0	0	6	0
Skilled	9	0	0	0	0	0	0	0
Semi-skilled	0	0	0	0	0	0	0	0
Unskilled	2	0	0	0	0	0	0	0
TOTAL	**37**	**1**	**1**	**1**	**3**	**0**	**8**	**0**

DISABLED								
LEVEL	**African**		**Coloured**		**Indian**		**White**	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	1	0	0	0	0	0	0	0
Professional qualified	1	0	1	0	0	0	0	0
Skilled	1	0	0	0	0	0	1	0
Semi-skilled	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	**3**	**0**	**1**	**0**	**0**	**0**	**1**	**0**

E

Section E: PFMA compliance report

9.1 Irregular, fruitless and wasteful expenditure and material losses

Table 23: Reconciliation of irregular expenditure

Description	2023/24	2022/23
	R	R
Opening balance	12,216,527	12,216,527
Add: Irregular expenditure confirmed	-	-
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	12,216,527	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance		**12,216,527**

9.2 Irregular expenditure 2022/23 financial year

Approval of performance bonuses and salary increases not in accordance with the Delegations of Authority

The WRC requested National Treasury for guidance to determine if the expenditure relating to performance bonuses and salary increase amounting to R12,216,527 constitutes irregular expenditure. The National Treasury responded on 28 June 2023 indicating that the incurred expenditure does not constitute irregular expenditure as there was no breach of the PFMA / Treasury Regulations.

Therefore, the incurred expenditure of R12,216,527 which was indicated in the 2022/23 AFS as irregular expenditure is no longer reflected in the 2023/24 AFS disclosure.

Table 24: Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

Description	2023/24	2022/23
	R	R
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	158,538	124,350
Irregular expenditure under investigation	-	-
Total	**158,538**	**124,350**

9.3 Possible irregular expenditure under determination during the 2023/24 financial year

Paragraph 2 of the Treasury Instruction Note 7 (2017 /18) requires an SBD 1 form to be obtained from foreign suppliers, in order to verify tax compliance prior to award. Due to the suppliers being fully web-based (online) with no physical presence in South Africa, it was impractical to obtain the forms. National Treasury was engaged for guidance; to which the advice was that the completion of the SBD 1 form for the verification of tax compliance is done when considering price quotations or bids that have been invited by an institution. National Treasury further advised that where impractical to obtain the SBD 1 form from the foreign-based supplier, exemption has to be requested from the National Treasury. The WRC has implemented control measures as per National Treasury guidance.

Supply chain management (SCM) procedure has been reviewed and the WRC has implemented internal control measures (i.e. updated the SCM checklist to include the verification of foreign-based suppliers for the completion of the SBD 1 where applicable) to eliminate potential future recurrence. All transactions involving foreign-based suppliers are processed in line with the implemented SCM control measures.

Possible irregular expenditure of R94,325 is subject to determination test, which is currently in progress, as conducted by the Internal Audit.

Independent legal opinion – Service rendered in excess of the issued purchase order amount – relating to 2022/23 financial year

This pertains to a service rendered in excess of the issued purchase order amount. On 22 April 2022, the WRC appointed a service provider to assist with legal work. The award was based on an hourly rate of R1,725 and it was recommended that an amount of R20,000 be set aside for the completion of the work. Upon completion of the work, the appointed legal firm submitted an invoice to the total of R50,025. The invoice was R30,025 over the issued purchase order amount. National Treasury was approached on 27 February 2023 to provide guidance on whether the incurred expense of R30,025 constituted an irregular expenditure, whereupon National Treasury advised that the assessment should be done through the WRC's Internal Audit function.

Possible irregular expenditure of R30,025 is subject to a determination test which was still in progress by the end of 2022/23, as conducted by the Internal Audit unit.

Appointed legal firms in respect of disciplinary hearing – Received invoice amount is in excess of the contract amount – relating to 2022/23 financial year

In September 2022, the WRC appointed three (3) legal firms to assist with a disciplinary hearing on behalf of the WRC. The award was based on an hourly rate per firm, with the total contract amount set at R500,000. In September 2023, a contract variation amounting to R300,000 was approved to enable the completion of the work. The total contract amount (original contract and variation) amounted to R800,000, and upon completion of the work, the appointed legal firms submitted invoices amounted to R958,538. Possible irregular expenditure of R158,538 is subject to determination test which is currently in progress, as conducted by the Internal Audit.

Consequence management

Appropriate consequence management will be considered in line with the National Treasury Framework on Irregular Expenditure upon completion of the determination test.

Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance).

9.4 Fruitless and wasteful expenditure

Table 25: Details of current and previous year fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description	2023/24	2022/23
	R	R
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	-	14,631
Fruitless and wasteful expenditure under investigation	-	-
Total	-	**14,631**

Fruitless and wasteful expenditure 2022/23 financial year

SARS interest and penalties on Tax Returns – ERF Sewe-Nul-Ses Rietfontein (Pty) Ltd
During August 2022, possible fruitless and wasteful expenditure amounting to R4,407 relating to ERF Sewe-Nul-Ses Rietfontein was identified by the WRC. SARS charged ERF Sewe-Nul-Ses Rietfontein penalties and interest in respect of employee tax (PAYE, SDL and UIF), however, ERF Sewe-Nul-Ses Rietfontein was not aware of any liability owed to SARS in respect of employee tax (PAYE, SDL and UIF), as the entity only became aware of this in August 2022, when requesting to deregister the company for tax purposes. The entity submitted a request for remission of interest and penalties to SARS without success. An amount of R4,464 (R4,407 +R57) was paid to SARS during the 2023/24 financial year.

Training Non-attendance – Online programme Improving Governance in the Public Sector on 01st November 2022 with the Institute of Directors in South Africa
During November 2022, possible Fruitless and Wasteful Expenditure amounting to R10,223.85 relating to non-attendance a training event. Two officials were not able to attend the online programme (training) Improving Governance in the Public Sector, held on 1st November 2022 with the Institute of Directors in South Africa. The reason for one official's non-attendance was due to hospitalisation during the period of the training and that the other official was due to not being aware of the training taking place on the set date (training not scheduled in the official's calendar).

Of the possible fruitless and wasteful expenditure of R14,688 (R14,631 + R57), the total amount of R4,464 was confirmed to be fruitless and wasteful expenditure by Internal Audit during the 2023/24 financial year (refer to table 26), whereas R10,224 is still subject to the conclusion of the determination test, which was underway at the time of writing.

Table 26: Reconciliation of fruitless and wasteful expenditure

Description	2023/24	2022/23
	R	R
Opening balance	-	-
Add: Fruitless and wasteful expenditure confirmed	4,464	-
Closing balance	4,464	**-**

9.5 Information on Supply Chain Management

9.6.1. Contract variations and expansions

Table 27: contract variations and expansions

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion or variation
To administer (lead) a disciplinary hearing and act on behalf of the WRC	Ramushu Mashile Twala Inc.	Expansion	RFQ-045/07/23-24	R100,000	-	R138,000
Provision of legal services to the WRC	Roy Ramdaw and Associates	Expansion	RFQ-033/06/23-24	R100,000	-	R140,000
Provision of legal services to the WRC	Malatji & Co Attorneys	Expansion	RFQ-033/06/23-24	R100,000	-	R136,000
Provision of legal services to the WRC	Nkosi Sabelo Incorporated	Expansion	RFQ-033/06/23-24	R100,000	-	R138,000
Legal expert to advise on a Human Resource matter	Koikanyang Incorporated	Expansion	RFQ-046/07/23-24	R200,000	-	R70,000
Provision of legal services by three legal firms to the WRC	Goitseona Pilane Attorneys / Seanego Attorneys / Molefe Dlepu Attorneys	Expansion	RFQ-054/08/22-23	R500,000	-	R300,000
Acronis / Ctera backup solution for all business-critical workloads at the WRC	Global Micro Solutions	Expansion	WRC-002/2020-21	R1,109,363	-	R186,420
Provision of licensing and support of the current Microsoft Dynamics Application	SIS Global Services	Expansion	WRC-012/2019-20	R4,486,966	-	R965,616
Total				**R6,946,329**	**-**	**R2,074,036**


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F

Section F: WRC Consolidated Financial Statements

for the year ended 31 March 2024

Contents

The consolidated annual financial statements set out on pages 72 to 92, which have been prepared on the going concern basis, were approved by the board members on 31 July 2024 and was signed on its behalf by:

PP **Dr JB Molwantwa**
Chief Executive Officer

Dr R Melamu
Chairperson of the board

Report of the Auditor-General to Parliament

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the Water Research Commission and its subsidiary (the group) set out on pages 72 to 128, which comprise the consolidated and separate statements of financial position as at 31 March 2024, consolidated and separate statements of financial performance, statements of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Water Research Commission at 31 March 2024 their financial performance and cash flows for the year then ended in accordance with the Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

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

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

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

Emphasis of matter

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

Events after the reporting period

7. I draw attention to note 39 to the financial statements, which deals with subsequent events and specifically the possible effects of the deregistration of the subsidiary, ERF 706 Rietfontein (Pty) Ltd on the group.

Restatement of corresponding figures

8. As disclosed in note 37 to the financial statements, the corresponding figures for 31 March 2023 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2024.

Responsibilities of accounting authority for the consolidated and separate financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with GRAP and the requirements of the PFMA; and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

10. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing

Report of the Auditor-General to Parliament

the group's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the consolidated and separate financial statements

11. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

12. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report. This description, which is located at page 70, forms part of our auditor's report.

Report on the annual performance report

13. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

14. I selected the following material performance indicators related to programme 4: research, development and innovation presented in the annual performance report for the year ended 31 March 2024. I selected those indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.
    - Percent of resilience products per total number of completed projects
    - Percent of adaptation products produced per total number of completed projects

15. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

16. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
    - all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
    - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
    - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
    - the indicators and targets reported on in the annual performance report are the same as those committed to in

Report of the Auditor-General to Parliament

the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

17. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

18. I did not identify any material findings on the reported performance information for the selected indicators.

Other matters

19. I draw attention to the matters below:

Material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

Report on compliance with legislation

21. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

22. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

23. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

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

Annual financial statements, performance and annual report

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

Other information in the annual report

26. The accounting authority is responsible for the other information included in the annual report which includes the directors' report and the audit committee's report. The other information referred to does not include the consolidated and separate financial statements, the auditor's report and those selected material indicators in the scoped-in programme presented in the annual performance report that have been specifically reported on in this auditor's report.

Report of the Auditor-General to Parliament

27. My opinion on the consolidated and separate financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

28. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements and the selected material indicators in the scoped-in programme presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Internal control deficiencies

30. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

31. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the findings on the selected material indicators included in the annual performance report.

32. Management did not adequately review the financial statements to ensure that the financial statements were prepared in accordance with the applicable financial reporting framework.

33. Management did not adequately review the financial statements to ensure that errors were identified and corrected prior to the submission of the financial statements for audit, resulting in material corrections to the financial statements.

Other reports

34. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.

35. Investigations were conducted into allegations of misconduct by three executive employees at the Water Research Commission, disciplinary processes are underway for two executive employees. The investigation process for one executive employee is still on-going and was not concluded at the time of conclusion of the audit.

Auditor - General

Pretoria
31 July 2024

AUDITOR-GENERAL

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for this audit

Annual financial statements, performance and annual report

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for selected material performance indicators and on the public entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made

- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity and its subsidiary to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern

- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

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

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4); Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); Section 55(1)(c)(i); 56(1); 57(b); 66(3)(c)
Treasury Regulations, 2005	Regulation 8.2.1; 8.2.2; 16A3.2; 16A3.2(a); Regulation 16A6.1; 16A6.2(a); 16A6.2(b); Regulation 16A6.3(a); 16A6.3(a); 16A6.3(b); Regulation 16A6.3(c); 16A6.3(e); 16A6.4; 16A6.5; Regulation 16A6.6; 16A.7.1; 16A.7.3; 16A.7.6; Regulation 16A.7.7; 16A8.3; 16A8.4; 16A9.1(b)(ii); Regulation 16A 9.1(d); 16A9.1(e); 16A9.1(f); Regulation 16A9.2; 16A9.2(a)(ii); 30.1.1; 30.1.3(a); Regulation 30.1.3(b); 30.1.3(d); 30.2.1; 31.2.1; Regulation 31.2.5; 31.2.7(a); 32.1.1(a); 32.1.1(b); Regulation 32.1.1(c); 33.1.1; 33.1.3
Companies Act 71 of 2008	Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); Section 45(4); 46(1)(a); 46(1)(b); 46(1)(c); Section 112(2)(a); 129(7)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Second amendment National Treasury Instruction No. 5 of 202/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
National Treasury instruction No 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Instruction No. 1 of 2021/22	Paragraph 4.1
National Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury SCM Instruction No. 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.1; 4.2(b); 4.3; 4.4; 4.4(a); 4.17; 7.2; Paragraph 7.6
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.4(a); 3.4(b); 3.9
National Treasury SCM Instruction No. 2 of 2021/22	Paragraph 3.2.1; 3.2.4; 3.2.4(a); 3.3.1
Practice Note 11 of 2008/9	Paragraph 2.1; 3.1 (b)
Practice Note 5 of 2009/10	Paragraph 3.3
Practice Note 7 of 2009/10	Paragraph 4.1.2
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; Regulation 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; Regulation 8.2; 8.5; 9.1; 9.2; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

Statement of Financial Position

for the year ended 31 March 2024

	Notes	Group 2024 R	Group 2023 R	WRC 2024 R	WRC 2023 R
Assets					
Current assets					
Receivables from exchange transactions	3	24,619,112	18,870,300	24,622,740	18,866,945
Receivables from non-exchange transactions	3	45,907,124	41,557,499	45,907,124	41,557,301
Cash and cash equivalents	4	506,526,662	410,844,361	506,501,337	410,817,201
Total current assets		**577,052,898**	**471,272,160**	**577,031,201**	**471,241,447**
Non-current assets					
Property, plant and equipment	5	4,999,958	4,873,508	4,999,958	4,873,508
Intangible assets	6	2,465,506	3,098,201	2,465,506	3,098,201
Investments in controlled entities	7	-	-	1	1
Receivables from exchange transactions	3	1,409,685	1,302,157	1,409,685	1,302,157
		8,875,149	**9,273,866**	**8,875,150**	**9,273,867**
Total assets		**585,928,047**	**480,546,026**	**585,906,351**	**480,515,314**
Liabilities					
Current liabilities					
Operating lease liability	8	6,090,434	7,805,264	6,090,434	7,805,264
Payables from exchange transactions	9	164,051,965	151,882,241	164,051,965	151,877,834
Provisions	10	5,448,739	6,265,290	5,448,739	6,265,290
Accrual for leave	11	5,562,605	9,666,116	5,562,605	9,666,116
Revolving credit facility	4	-	337,999	-	337,999
Total current liabilities		**181,153,743**	**175,956,910**	**181,153,743**	**175,952,503**
Non-current liabilities					
Employee benefit obligation	12	3,710,921	4,815,106	3,710,921	4,815,106
Total liabilities		**184,864,664**	**180,772,016**	**184,864,664**	**180,767,609**
Net assets					
Accumulated surplus		401,063,382	299,774,010	401,041,688	299,747,705
Total net assets		**401,063,382**	**299,774,010**	**401,041,688**	**299,747,705**

Statement of Financial Performance

for the year ended 31 March 2024

	Notes	Group 2024 R	Group 2023 R	WRC 2024 R	WRC 2023 R
Revenue from exchange transactions					
Leverage income	13	98,453,882	87,533,567	98,453,882	87,533,567
Other income	13	544,091	1,104,085	544,091	1,104,085
Investment revenue		28,590,795	14,302,139	28,590,795	14,302,139
Total revenue from exchange transactions		**127,588,768**	**102,939,791**	**127,588,768**	**102,939,791**
Revenue from non-exchange transactions					
Water research levies	14	323,367,706	305,682,857	323,367,706	305,682,857
Total revenue		**450,956,474**	**408,622,648**	**450,956,474**	**408,622,648**
Expenditure					
Depreciation, amortisation and impairment	15	2,951,906	2,674,144	2,951,906	2,674,144
Employee-related costs	16	101,843,970	101,442,311	101,843,970	101,441,511
Finance costs	17	536,829	376,561	536,772	372,154
General expenses	18	20,694,379	19,060,816	20,689,984	19,056,707
Lease rentals on operating lease	19	10,936,959	10,929,445	10,936,959	10,929,445
Receivables derecognised (written off)		159	-	-	-
Repairs and maintenance		145,018	231,728	145,018	231,728
Research development and innovation	20	214,218,154	194,435,399	214,218,154	194,435,399
Total expenditure		**351,327,374**	**329,150,404**	**351,322,763**	**329,141,088**
Operating surplus / (deficit)	**22**	**99,629,100**	**79,472,244**	**99,633,711**	**79,481,560**
Gain/(loss) on disposal of assets and liabilities	21	19,314	30,003	19,314	30,003
Remeasurement	12	1,640,957	(1,835,204)	1,640,957	(1,835,204)
Reversal of impairments	15	-	11,436	-	11,436
		1,660,271	**(1,793,765)**	**1,660,271**	**(1,793,765)**
Surplus / (deficit) for the year		**101,289,371**	**77,678,479**	**101,293,982**	**77,687,795**

Statement of Changes in Net Assets

for the year ended 31 March 2024

	Accumulated surplus	Total net assets
	R	R
Group		
Opening balance as previously reported	215,521,963	215,521,963
Adjustments		
Prior year adjustments	6,573,568	6,573,568
Balance at 01 April 2022 as restated*	**222,095,531**	**222,095,531**
Changes in net assets		
Surplus/(deficit) for the year	77,678,479	77,678,479
Total changes	77,678,479	77,678,479
Balance at 01 April 2023	**299,774,011**	**299,774,011**
Changes in net assets		
Surplus/(deficit) for the year	101,289,371	101,289,371
Total changes	101,289,371	101,289,371
Balance at 31 March 2024	**401,063,382**	**401,063,382**
WRC		
Opening balance as previously reported	215,486,342	215,486,342
Adjustments		
Prior year adjustments	6,573,568	6,573,568
Balance at 01 April 2022 as restated*	**222,059,910**	**222,059,910**
Changes in net assets		
Surplus/(deficit) for the year	77,687,795	77,687,795
Total changes	77,687,795	77,687,795
Balance at 01 April 2023	**299,747,706**	**299,747,706**
Changes in net assets		
Surplus/(deficit) for the year	101,293,982	101,293,982
Total changes	101,293,982	101,293,982
Balance at 31 March 2024	**401,041,688**	**401,041,688**

Cash Flow Statement

for the year ended 31 March 2024

		Group		WRC	
		2024	2023	2024	2023
	Notes	R	R	R	R
Cash flows from operating activities					
Receipts					
Cash receipts from customers		411,192,976	427,678,159	411,192,937	427,678,042
Investment		30,606,454	15,339,169	30,606,454	15,339,169
		441,799,430	443,017,328	441,799,391	443,017,211
Payments					
Cash paid to suppliers and employees		(347,793,859)	(358,613,873)	(347,791,984)	(358,612,058)
Net cash flows from operating activities	25	**94,005,571**	**84,403,455**	**94,007,407**	**84,405,153**
Cash flows from investing activities					
Purchase of property, plant and equipment	5	(2,447,564)	(1,207,628)	(2,447,564)	(1,207,628)
Proceeds from sale of property, plant and equipment	5	-	47,734	-	47,734
Purchase of intangible assets	6	-	(146,879)	-	(146,879)
Net cash flows from investing activities		**(2,447,564)**	**(1,306,773)**	**(2,447,564)**	**(1,306,773)**
Cash flows from financing activities					
Employee benefit obligation – Contributions by WRC		-	(872,866)	-	(872,866)
Finance lease payments		-	(63,022)	-	(63,022)
Net cash flows from financing activities		**-**	**(935,888)**	**-**	**(935,888)**
Net increase/(decrease) in cash and cash equivalents		**91,558,007**	**82,160,794**	**91,559,843**	**82,162,492**
Cash and cash equivalents at the beginning of the year		410,506,362	310,109,843	410,479,202	310,080,985
Effect of exchange rate movement on cash balances		4,462,291	18,235,725	4,462,291	18,235,725
Cash and cash equivalents at end of the year	4	**506,526,660**	**410,506,362**	**506,501,336**	**410,479,202**

Statement of Comparison of Budget and Actual Amounts

for the year ended 31 March 2024

Budget on Cash Basis	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual
Revenue	R	R	R	R	R
Revenue from exchange transactions					
Leverage income	104,370,267	-	**104,370,267**	98,453,882	**(5,916,385)**
Other income	290,159	631,398	**921,557**	563,405	**(358,152)**
Investment revenue	7,407,886	17,130,028	**24,537,914**	28,590,795	**4,052,881**
Total revenue from exchange transactions	**112,068,312**	**17,761,426**	**129,829,738**	**127,608,082**	**(2,221,656)**
Revenue from non-exchange transactions					
Water research levies	301,393,359	10,869,046	**312,262,405**	323,367,706	**11,105,301**
Total revenue	**413,461,671**	**28,630,472**	**442,092,143**	**450,975,788**	**8,883,645**
Expenditure					
Fixed costs	13,408,582	(93,901)	**13,314,681**	13,259,835	**(54,846)**
Running costs	26,265,194	(3,493,086)	**22,772,108**	15,689,547	**(7,082,561)**
Human resource costs	140,261,169	-	**140,261,169**	108,437,406	**(31,823,763)**
Research, development and innovation costs	204,773,916	5,856,119	**210,630,035**	204,064,607	**(6,565,428)**
Knowledge and impact	17,671,865	1,061,608	**18,733,473**	10,488,922	**(8,244,551)**
Corporate expenditure	3,160,191	1,367,048	**4,527,239**	2,528,663	**(1,998,576)**
Capital expenditure	7,920,754	1,963,697	**9,884,451**	2,447,564	**(7,436,887)**
Total expenditure	**413,461,671**	**6,661,485**	**420,123,156**	**356,916,544**	**(63,206,612)**
Actual amounts on comparable basis as presented in the Budget and Actual Comparative Statement	**-**	**21,968,987**	**21,968,987**	**94,059,244**	**72,090,257**

Refer to note 33 for explanations for material differences between budget and actual amounts and for explanations for the movement from the approved budget to the final budget.

Refer to note 34 for a reconciliation of budget surplus/deficit with the surplus/deficit in the Statement of Financial Performance.

Summary of significant 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 in accordance with Section 91(1) of the Public Finance Management Act (Act no. 1 of 1999).

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 Rand.

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Consolidation

Consolidated financial statements

Consolidated annual financial statements are the annual financial statements of an economic entity in which the assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.

The entity determines whether it is a controlling entity by assessing whether it controls the other entity. The entity controls another entity when it is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature and amount of those benefits through its power over the other entity.

Accounting requirements

The entity as controlling entity prepares consolidated annual financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments are made, when necessary, to the financial statements of the controlled entity to bring their accounting policies in line with those of the controlling entity.

Consolidation of a controlled entity begins from the date the entity obtains control of the other entity and cease when the entity loses control of the other entity.

Consolidation procedures

Consolidated financial statements:

- Combine like items of assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity with those of its controlled entities.
- Offset (eliminate) the carrying amount of the controlling entity's investment in each controlled entity and the controlling entity's portion of net assets of each controlled entity.
- Eliminate in full intra-economic entity assets, liabilities, net assets, revenue, expenses and cash flows relating to transactions between entities of the economic entity. Intra-economic entity losses may indicate an impairment that requires recognition in the consolidated financial statements.

Measurement

The entity includes the revenue and expenses of a controlled entity in the consolidated annual financial statements from the date it gains control until the date when the entity ceases to control the controlled entity. Revenue and expenses of the controlled entity are based on the amounts of the assets and liabilities recognised in the consolidated annual financial statements at the acquisition date.

Reporting dates

The financial statements of the entity as controlling entity and its controlled entities used in the preparation of the consolidated financial statements are prepared as at the same reporting date. When the end of the reporting dates of the controlling entity is different from that of a controlled entity, the controlled entity prepares, for consolidation purposes, additional financial statements as of the same date as the financial statements of the controlling entity unless it is impracticable to do so. When the financial statements of a controlled entity used in the preparation of consolidated financial statements are

Summary of significant accounting policies

prepared as of a date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's financial statements. In any case, the difference between the end of the reporting date of the controlled entity and that of the controlling entity is no more than three months.

1.2 Significant judgements and sources of estimation uncertainty

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

Receivables

The economic entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Where impairment indicators arise, these receivables are individually assessed for impairment.

All other receivables which are not individually assessed and do not fall in the category of 120 days and more, are grouped together and assessed.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the economic entity for similar financial instruments.

Impairment testing

The entity assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is any observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Useful lives and residual values

The entity reassesses the useful lives and residual values of property, plant and equipment on an annual basis. In reassessing the useful lives and residual values of property, plant and equipment management considers the condition and uses of the individual assets, to determine the remaining period over which the asset can and will be used.

Employee benefit obligations (Medical aid scheme)

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The appropriate discount rate is determined at the end

Summary of significant accounting policies

of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-retirement obligations. The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement obligations are based on current market conditions. Additional information is disclosed in Note 12.

Effective interest rate
The economic entity used the prime interest rate to discount future cash flows.

Impairment of receivables
On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the carrying amount and the present value of estimated future cashflows discounted at the original effective interest rate.

1.3 Property, plant and equipment

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

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 economic entity; 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. Trade discounts and rebates are deducted in arriving at the cost.

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

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, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories. Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and

Summary of significant accounting policies

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. Property, plant and equipment are depreciated on the straight-line basis over their 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	Average useful life
Furniture and fixtures	Straight-line	3 -10 years
Motor vehicles	Straight-line	5 years
Office equipment	Straight-line	3-10 years
Computer equipment	Straight-line	3 -5 years
Leasehold improvements	Straight-line	Years according to lease term
Finance lease assets	Straight-line	Years according to lease term

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The residual value, useful life and depreciation method applied to an asset is reviewed at least at the end of each reporting date. If the expectations differ from previous estimates, the 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. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Intangible assets

An asset is identifiable if it either:

- is separable i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

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 economic entity; and
- the cost or fair value of the asset can be measured reliably.

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

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.

Summary of significant accounting policies

- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 - 11 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal

1.5 Investment in wholly controlled entity

Group financial statements

Investments in controlled entity are consolidated in the economic entity's financial statements. Refer to the accounting policy on Consolidations (Note 1.1).

WRC financial statements

In the entity's separate financial statements, the investment in the wholly controlled entity is carried at cost less any accumulated impairment in accordance with the Standard of GRAP on Financial instruments.

The cost of an investment in a controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity; plus
- any costs directly attributable to the purchase of the controlled entity

The entity applies the same accounting for each category of investment. The entity recognises a dividend or similar distribution in surplus or deficit in its separate financial statements when its right to receive the dividend or similar distribution is established.

Investments in the controlled entity that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated financial statements, are accounted for in the same way in the controlling entity's separate financial statements.

1.6 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.

A financial asset is any asset that is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity or to
  - 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

Summary of significant accounting policies

- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities.

Classification

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

Class	Category
Receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

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

Class	Category
Payables	Financial liabilities measured at amortised cost
Finance lease obligation	Financial liabilities measured at amortised cost
Accruals	Financial liabilities measured at amortised cost

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. The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

All financial assets and financial liabilities are measured after initial recognition using the following categories:

- Financial instruments at fair value
- Financial instruments at amortised cost
- Financial instruments at cost

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Financial Instruments at fair value

Cash and cash equivalents

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

Loans

These include loans to and from wholly controlled entities and loans to employees. It is recognised initially at fair value plus direct transaction costs and subsequently measured at amortised cost.

Receivables

Receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Payables

Payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Fair value measurement considerations

The fair values of listed investments are based on current bid prices. If the market for a financial asset is not active, the entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

Summary of significant accounting policies

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

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.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

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 through the using 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 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.

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
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

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.

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.

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.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Offsetting of financial instruments

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Summary of significant accounting policies

1.7 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The economic entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The economic entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The economic entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Impairment losses

The economic entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

Derecognition

The economic entity derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the economic entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the economic entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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 receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

Summary of significant accounting policies

1.8 Leases

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

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate on debt owing to the lessor.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Impairment of assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

Identification

The economic entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount of the asset (for all cash generating assets) and the recoverable service amount (for all non-cash generating assets).

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit.

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

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the 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

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Short-term employee benefits

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

When an employee has rendered a service to the entity during a reporting period, the entity recognises the cost in the period in which the service was rendered equal to the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service. 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

Notes to the Annual Financial Statements

non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) that are payable after the completion of employment.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered a service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The present value of a defined benefit obligation is the present value, without deducting any plan assets (if any), of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus, any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan (if any) or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above are recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets (if any) with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any

Summary of significant accounting policies

reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan (if any). The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan, when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets (if any).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.11 Provisions and contingencies

Provisions are recognised when:
- the economic entity 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 at the reporting date.

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.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Summary of significant accounting policies

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 economic entity 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.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense. A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus/(deficit). If an entity 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. Contingent liabilities are disclosed in note 38.

1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve fair presentation should be disclosed in a note to the financial statements.

General commitments relate to contractual obligations that the WRC entered into before year end.

Research project commitments comprise of research projects approved for funding by the WRC executive management and include those for which contracts have been signed at year end and those that are in the process of being signed.

1.13 Revenue from exchange transactions

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

Revenue from exchange transactions refers to revenue that accrued to the entity directly in return for services rendered/ goods sold, the value of which approximates the considerations received or receivable. An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net trade discounts and volume rebates, and value added tax.

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.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Summary of significant accounting policies

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

The WRC receives leverage income from various sources which is used for research. Revenue received from clients from contracts for undertaking research is recognised by reference to the stage of completion on individual projects. This revenue is recognised in the accounting period in which the research expenditure is incurred.

Interest, royalties, dividends and rental income

Revenue arising from the use by others of entity assets yielding interest, royalties, dividends and rental income is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Rental income is recognised on the accrual basis in accordance with the substance of the relevant agreements.

1.14 Revenue from non-exchange transactions

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity 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.

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.

The Department of Water and Sanitation, Rand and uMngeni-uThukela Water Boards collect levy income on behalf of the WRC. The rate of the levy is approved by the Minister of Human Settlements, Water and Sanitation on an annual basis. Revenue recognition of levy income represents invoiced amounts receivable from the Department of Water and Sanitation, Rand and uMngeni-uThukela Water Boards.

1.15 Borrowing costs

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

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

1.16 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of

Summary of significant accounting policies

historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.17 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

1.18 Fruitless and wasteful expenditure

Section 1 of the PFMA defines fruitless and wasteful expenditure as expenditure which was made in vain and would have been avoided had reasonable care been exercised.

The WRC discloses fruitful and wasteful expenditure in terms of National Treasury Instruction no. 4 of 2022/23 (PFMA Compliance and Reporting Framework) which is effective as of 3 January 2023.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure is incurred.

If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

1.19 Irregular expenditure

Irregular expenditure is defined in section 1 of the PFMA as expenditure other than unauthorised expenditure, incurred in contravention of; or that is not in accordance with a requirement of any applicable legislation, including

(a) the PFMA; or

(b) WRC supply chain management policy; or

(c) National Treasury Regulations.

The WRC discloses irregular expenditure in terms of National Treasury Instruction no. 4 of 2022/23 (PFMA Compliance Reporting Framework) which is effective from 3 January 2023.

Irregular expenditure are only disclosed in the Annual Financial Statements once the determination test is concluded. This relates to irregular expenditure incurred in the current year, with a one financial year comparative analysis.

1.20 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.21 Income tax expense

WRC is exempt from income tax in terms of section 10(1)(cA)(ii) of the Income Tax Act, 1962 (No 58 of 1962).

1.22 Budget information

The Annual Financial Statements and the budget are not on the same basis of accounting, therefore a reconciliation between the statement of financial performance and the budget have been included in the Annual Financial Statements. Refer to notes 33 and 34.

Summary of significant accounting policies

1.23 Related parties

The economic entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management are those individuals responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity in accordance with legislation, in instances where they are required to perform such functions.

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are required to be disclosed.

1.24 Events after the 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 economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretation effective in the current year

The entity has chosen to early adopt the following standards and interpretations that became effective in the current financial year: GRAP 25: Employee Benefits – Effective 1 April 2023.

2.2 Standards and interpretations early adopted

The economic entity has chosen to early adopt the following standards that became effective in the previous financial year:
- GRAP 1: Presentation of Financial Statements – Effective 1 April 2023.

These amendments did not have a material impact on the Annual Financial Statements.

3. Receivables

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Receivables from non-exchange transactions				
Receivables: Water Research Levies	45,907,124	41,557,301	45,907,124	41,557,301
VAT receivable	-	198	-	-
Receivables from exchange transactions				
Receivables: Other	13,488,788	15,051,215	13,499,721	15,055,165
Deposits	1,416,990	1,309,462	1,409,685	1,302,157
Prepaid expenses	11,123,019	3,811,780	11,123,019	3,811,780
	71,935,921	**61,729,956**	**71,939,549**	**61,726,403**
Non-current assets	1,409,685	1,302,157	1,409,685	1,302,157
Current assets	70,526,236	60,427,799	70,529,864	60,424,246
	71,935,921	**61,729,956**	**71,939,549**	**61,726,403**

Included in receivables from non-exchange for the economic entity (group) is a statutory receivable in respect of VAT amounting to R0 (2023: R198).

Notes to the Annual Financial Statements

Receivables pledged as security

No receivables were pledged as security for any financial liability.

Credit quality of receivables

None of the receivables defaulted during the year under review. Management considers that all of the above financial assets are of good credit quality. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The fair value approximates the carrying amount of the balances due to their short-term maturity.

Receivables

All the receivables as reflected above represent receivables from exchange transactions, except for Receivables: Water research levies and VAT receivable which represents receivables from non-exchange transactions.

Where impairment indicators arise, these receivables are individually assessed for impairment.

During the evaluation of recoverability of receivables, it became apparent that the full amount will be recoverable for the respective debtors. The fair value is thus equal to the full amount receivable as at year-end.

The recoverable amount of the debtors is equal to their fair value.

None of the financial assets that are fully performing have been renegotiated in the last year.

The economic entity 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.

Receivables past due not impaired

GRAP 104 states that a financial asset is past due when a counterparty has failed to make a payment when contractually due.

Receivables are all considered for impairment.

At 31 March 2024, R7,305 (2023: R7,305) were past due but not impaired for the group. Deposits made by a customer in terms of section 104(1)d of Municipal Systems Act (MSA) is refundable, free of interest, on termination of the supply of services, provided that all outstanding amounts have been settled in terms of the property. On the termination of the service agreement, the deposit held by the City shall be refunded, provided that the customer has paid the account in full. In respect of Erf 706, the account has been paid in full, and therefore the Municipality has no alternative but to refund the deposit held. Accordingly no impairment has been made.

For the current and prior financial year no receivables were past due but not impaired for the WRC.

Receivables impaired

At 31 March 2024 R0 (2023: R0) was reversed in the WRC and the economic entity.

At 31 March 2024 R159 (2023: R Nil) was written off in the economic entity.

Notes to the Annual Financial Statements

Reconciliation of provision for impairment losses on receivables

There was no movement in the provision for impaired receivables. Receivables are generally written off when there is no expectation of recovery.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The economic entity does not hold any collateral as security.

4. Cash and cash equivalents

Cash and cash equivalents comprise:

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Cash on hand	1,831	1,367	1,831	1,367
Bank balances	185,272,778	164,490,413	185,247,453	164,463,253
Short-term deposits	321,252,053	246,352,581	321,252,053	246,352,581
Revolving credit facility	-	(337,999)	-	(337,999)
	506,526,662	**410,506,362**	**506,501,337**	**410,479,202**
Current assets	506,526,662	410,844,361	506,501,337	410,817,201
Current liabilities	-	(337,999)	-	(337,999)
	506,526,662	**410,506,362**	**506,501,337**	**410,479,202**

Credit quality of bank balances and short-term deposits, excluding cash on hand

Management considers that all of the above cash and cash equivalents categories are of good quality by reference to external credit ratings. The maximum exposure to credit risk at the reporting date is the fair value of each class of cash and cash equivalents mentioned above. The fair value approximates the carrying amount of the balances.

All cash and cash equivalents held by the entity are available for use.

The cash and cash equivalents are not pledged as security for financial liabilities.

Financial assets at fair value

The entity 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.

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Notes to the Annual Financial Statements

The fair value hierarchy have the following levels:

- Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.
- Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 applies inputs which are not based on observable market data.

There were no significant transfers into or out of level 1, 2 or 3 for the years presented.

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Level 1				
Cash and cash equivalents	506,526,662	410,844,361	506,501,337	410,817,201

Notes to the Annual Financial Statements

5. Property, plant and equipment

	Group and WRC			Group and WRC		
	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R	R	R	R	R	R
Furniture and fixtures	4,607,061	(4,462,643)	144,418	4,593,008	(4,399,867)	193,141
Motor vehicles	300,391	(300,391)	-	300,391	(300,391)	-
Office equipment	3,007,553	(2,814,768)	192,785	2,887,929	(2,620,007)	267,922
Computer equipment	9,565,224	(7,050,604)	2,514,620	7,271,557	(6,084,257)	1,187,300
Leasehold improvements	10,219,655	(8,071,520)	2,148,135	10,219,655	(6,994,510)	3,225,145
Total	**27,699,884**	**(22,699,926)**	**4,999,958**	**25,272,540**	**(20,399,032)**	**4,873,508**

The reconciliation above is the same for the economic entity (Group) and the WRC.

Reconciliation of property, plant and equipment - Group and WRC 2024

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
	R	R	R	R	R	R
Furniture and fixtures	193,141	14,053	-	(62,776)	-	144,418
Office equipment	267,922	119,624	-	(194,423)	(338)	192,785
Computer equipment	1,187,300	2,313,887	(1,902)	(984,665)	-	2,514,620
Leasehold improvements	3,225,145	-	-	(1,077,010)	-	2,148,135
Total	**4,873,508**	**2,447,564**	**(1,902)**	**(2,318,874)**	**(338)**	**4,999,958**

The reconciliation above is the same for the economic entity (Group) and the WRC.

The impairment loss amounting to R338 is in respect of damaged office equipment.

The disposal amounting to R1,902 is in respect of a stolen laptop with a cost price of R20,219 and accumulated depreciation of R18,317.

Compensation to the value of R21,216 is still receivable at year-end from third parties (AON Insurance) in respect of the above laptop that was stolen during the financial year.

Notes to the Annual Financial Statements

Reconciliation of property, plant and equipment - Group and WRC 2023

	Opening balance	Additions	Disposals	Depreciation	Impairment loss/ reversal	Total
	R	R	R	R	R	R
Furniture and fixtures	359,750	9,000	-	(175,486)	(123)	193,141
Office equipment	360,680	82,295	-	(175,053)	-	267,922
Computer equipment	777,175	1,105,537	(17,731)	(689,240)	11,559	1,187,300
Leasehold improvements	4,287,468	10,796	-	(1,073,119)	-	3,225,145
Total	**5,785,073**	**1,207,628**	**(17,731)**	**(2,112,898)**	**11,436**	**4,873,508**

The reconciliation above is the same for the economic entity (Group) and the WRC.

Computer equipment

- The impairment loss reversal amounting to R11,559 is in respect of damaged computer equipment that was impaired and subsequently repaired.
- The disposal amounting to R17,731 is in respect of a stolen laptop with the carrying value of R1,655 and damaged laptops with a carrying value of R16,076.
- Compensation to the value of R47,734 was received from third parties (Old Mutual Insurance) in respect of the above laptops that were either stolen or damaged during the financial year.

Office furniture

- The impairment loss amounting to R123 is in respect of damaged office furniture.
- Repairs amounting to R13,205 were incurred in respect of office furniture broken.

Pledged as security

None of the assets were or are pledged as security.

Notes to the Annual Financial Statements

Assets subject to finance lease (Net carrying value)

No assets are subject to a finance lease.

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Property, plant and equipment fully depreciated and still in use (Cost)				
Furniture and fixtures	86,526	86,526	86,526	86,526
Office equipment	814,116	973,599	814,116	973,599
Computer equipment	933,745	988,136	933,745	988,136
Motor vehicles	300,391	300,391	300,391	300,391
	2,134,778	**2,348,652**	**2,134,778**	**2,348,652**

A register containing the information required by the PFMA is available for inspection.

6. Intangible assets

	Group and WRC					
	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
	R	R	R	R	R	R
Computer software	7,519,214	(5,053,708)	2,465,506	7,519,214	(4,421,013)	3,098,201

The reconciliation above is the same for the economic entity (Group) and the WRC.

Reconciliation of intangible assets – Group and WRC – 2024

	Opening balance	Amortisation	Total
	R	R	R
Computer software	3,098,201	(632,695)	2,465,506

Notes to the Annual Financial Statements

Reconciliation of intangible assets – Group and WRC – 2023

	Opening balance	Additions	Amortisation	Total
	R	R	R	R
Computer software	3,512,568	146,879	(561,246)	3,098,201

The above reconciliation is the same for the economic entity (Group) and the WRC.

Pledged as security

None of the intangible assets are pledged as security.

Amortisation of Intangible Assets is included in Depreciation, Amortisation and Impairment as reflected in the Statement of Financial Performance.

7. Investment in wholly controlled entity

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Investment in Erf 706 Rietfontein	-	-	1	1

The carrying amount of the investment in the controlled entity is shown net of impairment losses. The carrying amount of the investment is reflected at its nominal share capital value of R 1.

The WRC holds 100% of the ordinary shares in Erf 706 Rietfontein (Pty) Ltd, a property company. The main business of the company was to own the immovable property known as Erf 706 Rietfontein. The property was disposed of in the 2019/20 financial year.

In a meeting held on 26 May 2022, the Board approved the deregistration of Erf 706 Rietfontein (Pty) Ltd.

The process of deregistration has been delayed due to unforseen tax related matters. A tax compliance status verification was issued by SARS on 29 January 2024. A resolution was taken on 12 March 2024 requesting the Companies Intellectual Property Commission (CIPC) to strike the company from the register in terms of section 82 (3) (ii) (aa) (bb) of the Companies Act 2008 as amended. The transfer of the assets and liabilities and the subsequent disclosure of the bank account of Erf 706 were only concluded after year-end (April 2024).

Notes to the Annual Financial Statements

8. Operating lease liability

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Balance at year end				
Operating lease liability	6,090,434	7,805,264	6,090,434	7,805,264
Minimum operating lease liability payments				
Within 12 months	12,183,409	11,318,558	12,183,409	11,318,558
Between 12 - 60 months	13,114,480	25,297,889	13,114,480	25,297,889
	25,297,889	**36,616,447**	**25,297,889**	**36,616,447**

The WRC entered into a ten-year lease agreement during the 2016/17 financial year with Lynnwood Bridge Office Park (Pty) Ltd whereafter the tenancy is subject to renewal at the landlord's discretion. The monthly lease payments comprise of the following based on area occupied:

- rental of the two (2) floors in the building escalated at 7.5% per annum over the lease period
- rental of ninety (90) parking bays escalated at 7.5% per annum over the lease period
- operating costs escalated at 8.5% per annum over the lease period
- rates and taxes pro-rated according to area occupied.

No contingent rent is payable and there are no restrictions on the lease.

9. Payables from exchange transactions

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Payables from exchange transactions				
Income received in advance	124,233,991	125,880,998	124,233,991	125,880,998
Payables	38,759,726	25,004,304	38,759,726	25,004,304
Accruals	1,058,248	996,939	1,058,248	992,532
	164,051,965	**151,882,241**	**164,051,965**	**151,877,834**

Included in income received in advance are funds remaining in respect of the following projects that are funded through funders (leverage funds). In line with Generally Recognised Accounting Practices, material projects (with reference to the WRC's Materiality framework) are reflected below with the remaining funds being aggregated.

Notes to the Annual Financial Statements

Projects funded through leverage funds

	2024
	R
Implementation of sanitation projects, facilitation of sanitation innovations and sanitation technologies	6,663,636
Implementation of international cooperation support instrument	7,556,173
Commercialisation and scale of reinvented toilets in South Africa for the benefit of schools and communities who lack dignified and safe sanitation solutions while being gender intentional in all planned activities	55,395,803
Development of training material and organising and hosting workshops	2,844,836
Development of siltation management strategy for large dams in South Africa	14,375,848
Support of the Water, Sanitation, and Hygiene Research & Development Centre in Sanitation technology field-testing trials	5,794,199
Adaptive response and local scale adaption for improving water security and increasing resilience to climate change in selected communities in Giyani	2,437,840
Updating of the present ecological state/ecological importance and sensitivity (PES/EIS) data	14,062,000
Scale up of sludge technology and assessing of new business models adapting for circular economy from waste water at eThekwini municipality	4,367,201
Other aggregated leverage funded projects	10,736,455
	124,233,991

Revenue received from clients in respect of contracts for undertaking science and technology research is recognised by reference to the stage of completion on individual projects. Income received in advance is therefore recognised as leverage income in the statement of financial performance when research deliverables are realised and achieved in respect of projects funded by leverage funded partners.

The entity did not default on interest or capital on any payables. None of the items attached to the payables were re-negotiated during the period under review.

The maximum exposure to credit risk at the reporting date is the fair value of the payables above. The fair value of the payables approximates the carrying amount of the balances due to their short-term maturity.

Notes to the Annual Financial Statements

10. Provisions

Reconciliation of provisions – Group and WRC 2024

	Opening Balance	Additions	Payments for the year	Re-measurement	Total
	R	R	R	R	R
Provision for leave	-	580,220	-	-	580,220
Provision for performance bonus	4,466,887	4,868,519	(4,466,887)	-	4,868,519
Provision for settlement fees	738,424	-	(738,424)	-	-
Provision for performance-based incentive	1,059,979	-	-	(1,059,979)	-
	6,265,290	**5,448,739**	**(5,205,311)**	**(1,059,979)**	**5,448,739**

Bonuses to the value of R4,466,887 were paid during the year.

During the financial year the Executive Committee resolved to implement a more efficient and effective process for managing leave capitalization, whilst ensuring compliance with the Basic Conditions of Employment Act (BCEA). In this regard some employees elected to keep and lock-up annual leave days until such a time employment at the WRC is terminated. In terms of GRAP and the Accounting Guidelines related to provisions, issued by National Treasury, this results in uncertainty about the timing of when this provision will be settled as it is not possible to determine the termination date. As a consequence, this was recognised as a provision. The remaining accumulated leave days are reflected as accruals (refer to note 11).

Reconciliation of provisions – Group and WRC 2023

	Opening Balance	Additions	Payments for the year	Total
	R	R	R	R
Provision for performance bonus	4,376,622	4,466,887	(4,376,622)	4,466,887
Provision for settlement fees	452,860	738,424	(452,860)	738,424
Provision for performance-based incentive	-	1,059,979	-	1,059,979
	4,829,482	**6,265,290**	**(4,829,482)**	**6,265,290**

The WRC may, at its discretion, encourage and reward performance by means of annual performance bonuses. Employees are eligible for a performance bonus, subject to approval, in terms of the WRC Performance Management Policy. Performance bonuses are measured annually for the period 1 April – 31 March. The comparative year has been restated. Please refer to note 37.

During the 2022/23 financial year there was one CCMA matter that was referred for arbitration in the 2023/24 financial year The parties were able to reach a settlement on 13 June 2023, stating that a severance payout of R731,113 (subject to tax) be paid to the former employee by 25 July 2023. The settlement amount of R731,113 was paid to the employee in June 2023, which further attracted a skills development levy (SDL) on taxable earnings calculated at 1% of the settlement amount (R7,311), thus requiring a total provision of R738,424.

Notes to the Annual Financial Statements

11. Accruals

Reconciliation of accruals - Group and WRC 2024

	Opening Balance	Additions	Utilised during the year	Leave paid out	Re-measurement	Reclassification to provision	Total
	R	R	R	R	R	R	R
Accruals for leave	9,666,116	10,566,252	(8,801,051)	(5,702,536)	414,043	(580,220)	5,562,605

Reconciliation of accruals- Group and WRC 2023

	Opening Balance	Additions	Utilised during the year	Payments during the year	Re-measurement	Total
	R	R	R	R	R	R
Accruals for leave	10,395,506	10,191,111	(7,982,437)	(3,309,212)	371,148	9,666,116

Accruals are made for the number of accumulated leave days at the reporting date at the applicable salary rate. In line with the conditions of employment these accumulated leave days may be used by staff in lieu of days off or paid out in cash.

There is no expected reimbursement in respect of the accruals.

12. Employee benefit obligations

Medical aid scheme

Defined benefit plan:

The WRC has made provision for a medical aid scheme covering retired employees and active employees before 1 April 2008. These funds are actuarially valued at intervals of not more than three years using the projected unit credit method. The scheme was last actuarially valued at 31 March 2024.

The WRC carries the legal and related financial obligation to subsidise (100% subsidy level) the medical aid benefit of certain of its employees in retirement. As such, the WRC's post-retirement medical aid obligation represents a long dated, uncapped and unfunded liability which, if not pro-actively managed represents a significant systematic employee benefit and financial risk to the institution. It is on this basis and in terms of prudent practice, that the management of the WRC initiated a formal strategy in 2008 to manage the long dated, uncapped and unfunded costs and risks associated with its post-retirement medical aid liability as follows:

- The WRC closed the subsidy/benefit to new recruits to the WRC as of 1 April 2008.
- The WRC employed the professional services of an independent consultant and actuary to value the quantum of the liability (i.e. risk ring fencing) and/or buy out (i.e. liability capping) the disclosed liability in order to manage the WRC's exposure to the associated costs and risks. In the 2010/11 financial year, the WRC offered voluntary buy outs to all in service members.

Members that did not accept the buyout offer and the pensioners already receiving the benefit have had the liability ring fenced through an insurance cover administered by Momentum Group Limited.

Notes to the Annual Financial Statements

The Momentum Insurance cover is, however, limited to CPI (lower price index) and the WRC has been paying the shortfall between actual medical rate increases and CPI. The WRC embarked on a process to fully transfer the obligation to Momentum in a manner that will ensure fairness to all parties and also to ensure the financial sustainability of the WRC.

The amounts recognised in the statement of financial position are as follows:

	Group		WRC	
	2024	2023	2024	2023
Carrying value	R	R	R	R
Present value of the defined benefit obligation partly unfunded	(40,507,061)	(39,572,903)	(40,507,061)	(39,572,903)
Fair value of plan assets	36,796,140	34,757,797	36,796,140	34,757,797
Employee benefit asset/ (obligation) recognised	**(3,710,921)**	**(4,815,106)**	**(3,710,921)**	**(4,815,106)**

	Group		WRC	
	2024	2023	2024	2023
Movement for the year	R	R	R	R
Opening balance	(4,815,106)	(3,480,742)	(4,815,106)	(3,480,742)
Contributions by the employer	-	872,866	-	872,866
Net expense recognised in the statement of financial performance	1,104,185	(2,207,230)	1,104,185	(2,207,230)
	(3,710,921)	**(4,815,106)**	**(3,710,921)**	**(4,815,106)**

Net expense recognised in the the statement of financial performance

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Net interest expense/revenue	(536,772)	372,025	(536,772)	372,025
Remeasurements	1,640,957	1,835,205	1,640,957	1,835,205
	1,104,185	**2,207,230**	**1,104,185**	**2,207,230**

The interest cost reflects the reducing discounting period from one year to the next (i.e. the unwinding of the discount rate over time) and allows for actual benefit payments.

Actuarial gains and losses arise when actual experience differs from the assumptions made at the previous valuation (e.g. actual medical contribution increases higher than those assumed will lead to an actuarial loss).

The expected return on plan assets is restated for actual benefit payments from the plan assets and contributions from the company.

Notes to the Annual Financial Statements

Reconciliation of the defined benefit obligation

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Opening balance	39,572,903	37,869,911	39,572,903	37,869,911
Interest cost	4,180,684	3,838,032	4,180,684	3,838,032
Benefits paid	(4,252,606)	(4,023,120)	(4,252,606)	(4,023,120)
Actuarial losses/(gains)	1,006,080	1,888,080	1,006,080	1,888,080
	40,507,061	**39,572,903**	**40,507,061**	**39,572,903**

The liabilities were valued using the Projected Unit Credit Method.

The liability in respect of current continuation members is fully accounted for.

The actuarial valuation is based on the continuation members remaining on the Discovery Health Classic Saver plan.

The main reason for the actuarial loss is the actual increases by the medical aid that exceeded the assumed increase. Discovery increased the contributions by 12% from January 2024. The expected increase assumed as at 31 March 2023 was 7.84%.

Reconciliation of the plan assets

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Opening balance	34,757,797	34,389,169	34,757,797	34,389,169
Expected return	3,643,912	3,466,007	3,643,912	3,466,007
Actuarial gains (losses)	2,647,037	52,875	2,647,037	52,875
Contributions by employer	-	872,866	-	872,866
Benefits paid	(4,252,606)	(4,023,120)	(4,252,606)	(4,023,120)
	36,796,140	**34,757,797**	**36,796,140**	**34,757,797**

The WRC holds an annuity insurance policy with Momentum in respect of the benefits, which guarantees CPI increases.

The WRC has a partially funded plan. The balance is to be funded by the WRC through company contributions.

This policy meets the definition of a “qualifying insurance policy” stated in paragraph 115 of GRAP 25, which sets out that the fair value of the policy is deemed to be the present value of the related obligations.

The plan asset was valued using the same methodology as the liabilities for continuation members, but assuming increases

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equal to inflation only, as this represents the obligation that is covered by the policy.

This is the same methodology as per the previous valuation.

Key assumptions used

The financial assumptions, which is the same for the economic entity and the WRC, at the current and previous valuation dates are shown below:

	2024	2023
	%	%
Financial Valuation Assumptions		
Discount rates used	12,94%	11,15%
Medical contribution inflation	9,00%	7,84%
Net discount rate for calculating inflation	**3,61%**	**3,07%**
Expected return on assets	12,94%	11,15%
Inflation	7,50%	6,34%
Net discount rate for calculating assets	**5,05%**	**4,52%**

Financial Valuation Assumptions
GRAP 25 requires that the financial assumptions shall be based on market expectations, at the reporting date, for the period over which the obligations are to be settled. The assumptions used are based on statistics and market data as at 31 March 2024 and are consistent with the requirements of GRAP 25.

Discount Rate Assumption
The discount rate required by GRAP 25 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. The discount rate has been set by using the average yields from the zero-coupon government bond curve with a duration of between 7-12 years. The recommended discount rate as at 31 March 2024 is 12.94 %. The source is the Johannesburg Stock Exchange through IReSS data services.

Future Inflation Assumption
The general inflation assumption is used to estimate the base rate for determining the rate at which the future healthcare subsidies will increase.

The market's pricing of inflation was made by comparing the nominal yields and real yields on government bonds with a duration of 7 to 12 years. The implied inflation assumption is therefore 7.5% per annum for future inflation.

The inflation assumption used for the previous valuation was 6.34%.

Future Medical Subsidy Inflation Assumption

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It is assumed that medical inflation will exceed general inflation by 1.5% per annum. The implied medical inflation assumption is therefore 9.0% per annum. The source is the Johannesburg Stock Exchange through IReSS data services.

Net Discount Rate to Value Liabilities

The net discount rate for medical subsidy inflation is assumed to be 3.61% p.a. (Derived from a discount rate of 12.94% and the expected medical subsidy inflation rate of 9.0%).

The net discount rate as per the previous valuation was 3.07% p.a.

Net Discount Rate to Value Assets

The net discount rate for general inflation is assumed to be 5.05% p.a. (Derived from a discount rate of 12.94% and the expected general inflation rate of 7.5%).

The net discount rate as per the previous valuation was 4.52% p.a.

Demographic Valuation Assumptions

Estimates (actuarial valuation assumptions) are also required to be made about demographic variables (such as employee turnover and mortality).

These assumptions are as follows:

Post-retirement Mortality

- The post-retirement mortality assumption is based on the PA (90) mortality tables, rated down two years.
- This assumption is consistent with that of the previous valuation.

Age of Spouse

- The current valuation uses the actual spouses' ages. This assumption is consistent with that of the previous valuation.

Continuation of Membership and Family Profile

- There are currently 35 continuation members. The continuation members include one disability child member from former employees who is over the age of 21.

Sensitivity Analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions present the best estimate of future experience. The actual cost of the long-service award benefits will however be dependent on the actual experience.

The sensitivity of the main results to changes in the medical inflation rate, discount rate and mortality table have been estimated. The changes in the 31 March 2024 Defined Benefit Obligation, Plan Asset and projected Interest Cost are reflected below:

The tables below illustrate the likely impact on results after certain changes to the underlying assumptions. These values are determined by assuming that all other relevant assumptions remain constant. These tables set out the impact on results relating to changes of the following assumptions (in isolation) – all other assumptions are to be held constant:

- The discount rate (1% increase and decrease);
- The post-retirement age-rating (mortality) assumptions (1 year increase and decrease).

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- The medical inflation rate (1% increase and decrease).

The sensitivity analysis is the same for the economic entity and the WRC.

Discount rate	Discount rate (R)	Discount rate -1% (R)	Discount rate +1% (R)
Defined benefit obligation	40,507,061	43,249,242	38,074,533
Projected interest cost	4,930,930	4,876,479	4,973,798
Plan asset	36,796,140	39,105,353	34,734,957

Mortality	PA (90) - 2 (R)	PA (90) - 1 (R)	PA (90) + 1 (R)
Defined benefit obligation	40,507,061	42,154,383	38,880,550
Projected interest cost	4,930,930	5,144,050	4,720,503
Plan asset	36,796,140	38,175,845	35,425,640

Medical Inflation rate	Inflation rate (R)	Inflation rate (R) -1%	Inflation rate (R) +1%
Defined benefit obligation	40,507,061	35,679,886	46,472,693
Projected interest cost	4,930,930	4,309,373	5,699,766
Plan asset	36,796,140	34,617,586	39,205,568

Employee Statistics	31 March 2024	31 March 2023	Difference
Continuation members			
Number	35	36	(1)
Average Age	77	77	-
Average Subsidy (R per month)	11,086	9,836	1,250

Developments since the previous valuation:

There were no other significant developments over the valuation period relating to the benefits or membership.

Contributions

The medical aid premiums used for the current valuation are summarised below:

	Main member	Adult dependent	Child dependent
Discovery Classic Comprehensive	8,381	7,927	1,671

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Amounts for the current and previous four years for the economic entity and the WRC are as follows:

	2024	2023	2022	2021	2020
Defined benefit obligation	(40,507,061)	(39,572,903)	(37,869,911)	(38,832,213)	(36,756,304)
Plan assets	36,796,140	34,757,797	34,389,169	34,784,621	33,058,915
Net employee benefit assets/(liability)	(3,710,921)	(4,815,106)	(3,480,742)	(4,047,692)	(3,697,390)
Net expense recognised in the statement of financial performance	1,104,185	2,207,230	2,096,976	350,302	831,900

13. Revenue from exchange transactions

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Leverage income	98,453,882	87,533,567	98,453,882	87,533,567
Other income	544,091	1,104,085	544,091	1,104,085
Investment revenue	28,590,795	14,302,139	28,590,795	14,302,139
	127,588,768	**102,939,791**	**127,588,768**	**102,939,791**

Leverage income is recognised on the basis of research deliverables being realised in respect of projects funded by leverage funded partners.

14. Revenue from non-exchange transactions

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Water research levies	323,367,706	305,682,857	323,367,706	305,682,857

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15. Depreciation, amortisation and impairment

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Property, plant and equipment – Depreciation	2,318,874	2,112,898	2,318,874	2,112,898
Property, plant and equipment – Impairment loss/reversal	338	(11,436)	338	(11,436)
Intangible assets – amortisation	632,695	561,247	632,695	561,247
	2,951,907	**2,662,709**	**2,951,907**	**2,662,709**

16. Employee related costs

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Basic salary	91,047,012	90,707,284	91,047,012	90,707,284
Merit Bonus	4,868,520	4,466,887	4,868,520	4,466,887
Directors Emoluments	903,108	887,431	903,108	887,431
Workmen's compensation – Department of Labour	457,692	397,398	457,692	397,398
Skills Development Levies	1,039,669	1,009,232	1,039,669	1,009,232
Company contributions – UIF	178,544	184,717	178,544	183,917
Connectivity Allowance	1,170,180	1,209,540	1,170,180	1,209,540
Leave accrual	2,179,245	2,579,822	2,179,245	2,579,822
	101,843,970	**101,442,311**	**101,843,970**	**101,441,511**

17. Finance costs

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Employee benefit obligations	536,772	372,025	536,772	372,025
Finance leases	-	129	-	129
Interest and penalties SARS	57	4,407	-	-
	536,829	**376,561**	**536,772**	**372,154**

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18.General expenses

		Group		WRC	
		2024	2023	2024	2023
		R	R	R	R
Auditors' remuneration	24	2,067,491	2,143,294	2,067,491	2,143,294
Bank charges		93,173	101,629	91,298	99,990
Catering costs		187,061	265,357	187,061	265,357
Cleaning		301,212	362,916	301,212	362,916
Consumables		69,589	123,718	69,589	123,718
Corporate social responsibility		99,758	245,433	99,758	245,433
IT expenses		7,409,643	6,133,600	7,409,643	6,133,600
Insurance		239,967	216,470	239,967	216,470
Motor vehicle expense		15,981	5,084	15,981	5,084
Printing and stationery		79,771	35,803	79,771	35,803
Postage and courier		32,737	118,613	32,737	118,613
Professional fees		4,314,884	3,286,924	4,312,364	3,284,454
Promotions		335,374	698,068	335,374	698,068
Recruitment and relocation costs		30,149	379,032	30,149	379,032
Settlement fees		-	731,113	-	731,113
Security		608,045	584,253	608,045	584,253
Staff welfare		94,569	73,011	94,569	73,011
Staff training and leadership development		1,673,376	1,262,503	1,673,376	1,262,503
Storage costs		34,385	150,842	34,385	150,842
Subscriptions and membership fees		1,023,601	657,057	1,023,601	657,057
Telephone and fax		69,413	53,201	69,413	53,201
Travel – local		664,002	261,934	664,002	261,934
Utilities		1,250,198	1,170,961	1,250,198	1,170,961
		20,694,379	**19,060,816**	**20,689,984**	**19,056,707**

Notes to the Annual Financial Statements

19. Lease rentals on operating lease

	Group		WRC	
	2024	2023	2024	2023
Premises	R	R	R	R
Rent payable in respect of Lynnwood Bridge	12,573,678	11,707,911	12,573,678	11,707,911
Operating lease liability – Straight-lining of lease	(1,714,830)	(918,462)	(1,714,830)	(918,462)
Rental of equipment	78,112	139,996	78,112	139,996
	10,936,960	**10,929,445**	**10,936,960**	**10,929,445**

20. Research, development and innovation

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Research, development and innovation costs	188,395,887	178,440,824	188,395,887	178,440,824
Media and marketing (printing and publishing)	1,899,838	2,416,289	1,899,838	2,416,289
Workshops and conferences	8,695,180	6,908,329	8,695,180	6,908,329
Other research related costs	8,559,443	2,838,143	8,559,443	2,838,143
Patent registrations	131,625	227,910	131,625	227,910
Local travel: Research related meetings	3,655,329	1,867,175	3,655,329	1,867,175
International travel: Research related meetings	2,679,923	1,710,359	2,679,923	1,710,359
Catering: Research related meetings	200,929	26,370	200,929	26,370
	214,218,154	**194,435,399**	**214,218,154**	**194,435,399**

21. Gain/(loss) on disposal of assets and liabilities

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Property, plant and equipment	19,314	30,003	19,314	30,003

Notes to the Annual Financial Statements

22. Operating surplus

Operating surplus for the year is stated after accounting for the following:

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Operating lease charges				
Premises				
· *Contractual amounts*	10,858,847	10,789,449	10,858,847	10,789,449
Equipment				
· *Contractual amounts*	78,112	139,996	78,112	139,996
	10,936,959	**10,929,445**	**10,936,959**	**10,929,445**
Gain on sale of property, plant and equipment	19,314	30,003	19,314	30,003
Impairment/ (impairment reversal) on property, plant and equipment	338	(11,436)	338	(11,436)
Amortisation on intangible assets	632,695	561,246	632,695	561,246
Depreciation on property, plant and equipment	2,318,873	2,112,898	2,318,873	2,112,898
Employee costs	101,843,970	101,442,311	101,843,970	101,441,511
Research, development and innovation costs	214,218,154	194,435,399	214,218,154	194,435,399

23. Taxation

No provision has been made for Income taxation as the economic entity is exempt from company income tax in terms of Section 10(1)(cA)(i) of the Income Tax Act.

24. Auditors' Remuneration

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Fees – external auditors	1,420,646	1,360,399	1,420,646	1,360,399
Fees – internal auditors	646,845	782,895	646,845	782,895
	2,067,491	**2,143,294**	**2,067,491**	**2,143,294**

Notes to the Annual Financial Statements

25. Cash generated from (used in) operations

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Surplus for the year	**101,289,371**	**77,678,479**	**101,293,982**	**77,687,795**
Adjustments for:				
Depreciation, amortisation and impairment	2,951,906	2,674,145	2,951,906	2,674,145
(Gain)/loss on disposal of assets and liabilities	(19,314)	(30,003)	(19,314)	(30,003)
Finance costs	536,772	376,561	536,772	372,154
Impairment reversals	-	(11,436)	-	(11,436)
Movements in operating lease assets and accruals	(1,714,830)	(918,462)	(1,714,830)	(918,462)
Movement in provisions	(816,550)	1,435,807	(816,550)	1,435,807
Movement in accrual for leave	(4,103,512)	(729,390)	(4,103,512)	(729,390)
Remeasurement	(1,640,957)	1,835,204	(1,640,957)	1,835,204
Foreign exchange (profit)/loss on foreign bank accounts	(4,462,291)	(18,235,725)	(4,462,291)	(18,235,725)
Change in working capital:				
Adjustment for decrease/ (increase) in receivables	(10,191,729)	52,564,646	(10,191,927)	52,561,435
Adjustment for (decrease)/ increase in payables	12,176,708	(32,236,372)	12,174,132	(32,236,372)
Net cash flows from operations	**94,005,574**	**84,403,455**	**94,007,411**	**84,405,153**

26. Commitments

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
General commitments	6,487,066	9,660,212	6,487,066	9,660,212
Research project commitments	206,786,947	320,031,552	206,786,947	320,031,552
	213,274,013	**329,691,764**	**213,274,013**	**329,691,764**

General commitments relate to contractual obligations that the WRC entered into before 31 March 2024.

At year end research project commitments comprise of projects approved by the executive management and include those for which contracts have been signed at year end and those that are in the process of being signed by all contracting parties but for which terms and conditions have been agreed upon.

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27. Related Parties

Relationships

Controlled entity ERF 706 Rietfontein (Pty) Ltd; Refer to note 7.

Related party balances	WRC	
	2024	2023
Amounts included in Trade receivable (Trade Payable) regarding related parties	R	R
ERF 706 Rietfontein (Proprietary) Limited	10,933	3,950

Secretarial fees of R5,670 (2023: R3,150), employee taxes of R800 (2023: R800) and penalties and interest to SARS of R4,463 (2023: R 0) was paid by the Water Research Commission on behalf of ERF 706 Rietfontein.

	Group and WRC	
	2024	2023
	R	R
Outstanding levy income (Debtor at year end)		
Rand Water Board	33,035,248	31,193,796
uMngeni-uThukela Water Board	12,871,876	10,363,505
Related party transactions		
Levy income		
Department of Water and Sanitation	146,967,071	139,968,639
Rand Water Board	129,720,169	124,118,660
uMngeni-uThukela Water Board	46,680,466	41,595,558

WRC derives its main source of income (Water research levy) from the Department of Water and Sanitation and the two Water Boards in terms of the Water Research Act. The Department of Water and Sanitation, Rand Water and uMngeni-uThukela Water Board collect levy income on behalf of the WRC. The rate of the levy is approved by the Minister of Water and Sanitation on an annual basis.

The Department of Water and Sanitation pays WRC the water research levy on a monthly basis in accordance with the agreement. The two Water Boards are invoiced bi-annually upon which they pay the WRC.

The WRC and the Department of Water and Sanitation reports to the Minister of Water and Sanitation as their Executive Authority.

The Water Research Commission was established in terms of the Water Research Act to provide for the promotion of research in connection with water affairs; and to provide for matters incidental thereto.

Section 3(a) of the Water Research Act (WRA) states that the functions of the commission shall be to cause, by itself or in

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collaboration with the Council for Scientific and Industrial Research, any State department, university or other institution, research to be undertaken in respect of matters relating to water. The WRC enters into contracts, in line with the Water Research Act, with institutions within the national sphere of government (which are considered to be related parties) that conduct research, development or innovation projects due their respective expertise in different scientific domains.

The transactions with the departments and public entities in the national sphere of government have occurred within the normal operating parameters established by the WRC's mandate and on the same terms and conditions as any other institution that conduct research on behalf of the WRC.

As at the 31 of March 2024, the outstanding balances of these entities amounted to R2,250,002 (payables as per the Statement of Financial Position) and R25,979,700 (research commitments) respectively. There are no guarantees in respect of these outstanding balances.

Compensation to directors and other key management are disclosed separately in note 28.

28. Emoluments of executive management, board members (non-executive) and appointed sub-committee members

The emoluments are the same for the economic entity and the WRC.

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Total emoluments				
Fees for services as board members (non-executive)	911,208	887,431	911,208	887,431
Basic salary	16,244,803	28,774,867	16,244,803	28,774,867
Other short-term benefits	1,302,455	1,600,899	1,302,455	1,600,899
	18,458,466	**31,263,197**	**18,458,466**	**31,263,197**

Executive 2024	Basic Salary	Other short-term benefits	Total remuneration
Dr JB Molwantwa – CEO	3,500,768	20,400	3,521,168
Mr F Ismail – CFO	3,367,476	396,692	3,764,168
Dr MS Liphadzi	3,329,536	286,417	3,615,953
Ms R Lutchman	3,023,765	267,605	3,291,370
Dr M Msibi (On special leave from 11 October 2023 - 31 March 2024)	3,023,258	216,959	3,240,217
Dr V Naidoo (Acting Executive: Stakeholder and Communications for the period 1 November 2023 - 31 March 2024)	-	114,382	114,382
	16,244,803	**1,302,455**	**17,547,258**

The note above discloses the remuneration of the Senior Management team (consisting of the CEO and the four (4) executives) as indicated on the revised organogram.

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Executive 2023	Basic Salary	Other short-term benefits	Total remuneration
Dr JB Molwantwa - CEO	3,296,000	20,400	3,316,400
Mr F Ismail - CFO	3,150,148	202,111	3,352,259
Dr MS Liphadzi	3,114,656	212,042	3,326,698
Ms R Lutchman	2,828,619	237,953	3,066,572
Dr M Msibi	2,828,145	20,400	2,848,545
Dr S Adams	2,554,322	192,061	2,746,383
Mr JN Bhagwan	2,599,581	263,042	2,862,623
Dr V Naidoo	2,539,572	96,253	2,635,825
Prof SN Mpandeli	2,303,397	175,197	2,478,594
Ms K Jonas	1,657,835	161,040	1,818,875
Ms N Viviers	1,902,592	20,400	1,922,992
	28,774,867	**1,600,899**	**30,375,766**

Allowances for cellphone and acting, where applicable, is disclosed under other short-term benefits.

The disclosure for the comparative year has been adjusted to include leave pay within other short-term benefits.

Board members (Non-executive) 2024	Members' fees	Total
Previous board members		
Dr NP Mjoli – Chairperson	16,266	16,266
Prof SV Nkomo – Deputy Chairperson	6,150	6,150
Mrs PL Dlamini	4,100	4,100
Dr ME Makgae	16,400	16,400
Ms Mk Mbonambi	6,150	6,150
Mrs N Msezane	14,350	14,350
Mrs S Thomas	4,100	4,100
	67,516	**67,516**

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Board members appointed during the 2023/24 financial year	Members' fees	Connectivity allowances	Total
Dr RB Melamu – Chairperson	124,764	810	125,574
Dr HH Pienaar – Deputy Chairperson	71,750	810	72,560
Mr W Baird	154,514	810	155,324
Mrs PZ Dlamini	77,900	810	78,710
Prof N Kgabi	76,362	810	77,172
Miss N Mxenge	45,100	810	45,910
Adv RM Rosey	149,390	810	150,200
Dr T Sawunyama	12,300	810	13,110
Mrs MSD Schalkwyk	92,762	810	93,572
Prof A Stroebel	30,750	810	31,560
	835,592	**8,100**	**843,692**

2023	Members' fees	Total
Dr NP Mjoli – Chairperson	192,481	192,481
Prof SV Nkomo – Deputy Chairperson	100,450	100,450
Mr P Dlamini	96,350	96,350
Dr ME Makgae	98,400	98,400
Dr J Maree	4,100	4,100
Ms MK Mbonambi	178,350	178,350
Ms N Msezane	131,200	131,200
Prof A Stroebel	24,600	24,600
MS S Thomas	61,500	61,500
	887,431	**887,431**

Notes to the Annual Financial Statements

29. Defined contribution plans

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Medical fund scheme				
Contribution	4,260,791	4,103,597	4,260,791	4,103,597

Defined contribution plan – Medical fund:

All eligible employees are members of the defined contribution scheme. The funds are governed by the Medical Schemes Act, 1998 (Act No 131 of 1998). No plan assets are held by the entity to fund this obligation. The above contributions have been included as part of the employee related costs.

Pension fund scheme

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Pension fund scheme				
Contribution	8,256,791	8,482,164	8,256,791	8,482,164

Defined contribution plan – Pension fund:

The WRC has a pension fund scheme covering all employees in the form of a defined contribution fund. Alexander Forbes Life is managing the Umbrella Fund Scheme on behalf of the WRC.

The effect of this is that the WRC has no liability other than the defined contributions payable to the fund on a monthly basis. No liability can arise due to any adverse market conditions. The above contributions have been included as part of the employee related costs.

30. Financial instruments disclosure

Categories of financial instruments

Financial assets

Group – 2024	At fair value	At amortised cost	Total
Receivables		60,812,902	60,812,902
Cash and cash equivalent	506,526,662	-	506,526,662
	506,526,662	**60,812,902**	**567,339,564**

Notes to the Annual Financial Statements

Financial liabilities

Group – 2024	At amortised cost	Total
Payables	164,051,965	164,051,965
Accruals – leave and bonus	5,562,605	5,562,605
	169,614,570	**169,614,570**

Financial assets

Group – 2023	At fair value	At amortised cost	Total
Receivables	-	57,917,978	57,917,978
Cash and cash equivalent	410,844,361	-	410,844,361
	410,844,361	**57,917,978**	**468,762,339**

Financial Liabilities

Group – 2023	At fair value	At amortised cost	Total
Payables	-	151,882,240	151,882,240
Revolving credit facility	337,999	-	337,999
Accruals for leave	-	9,666,116	9,666,116
	337,999	**161,548,356**	**161,886,355**

Financial assets

WRC – 2024	At fair value	At amortised cost	Total
Receivables	-	60,816,530	60,816,530
Cash and cash equivalent	506,501,337	-	506,501,337
	506,501,337	**60,816,530**	**567,317,867**

Financial liabilities

WRC – 2024	At amortised cost	Total
Payables	164,051,965	164,051,965
Accruals for leave	5,562,605	5,562,605
	169,614,570	**169,614,570**

Notes to the Annual Financial Statements

Financial assets

WRC – 2023	At fair value	At amortised cost	Total
Receivables	-	57,914,623	57,914,623
Cash and cash equivalent	410,817,201	-	410,817,201
	410,817,201	**57,914,623**	**468,731,824**

Financial liabilities

WRC – 2023	At fair value	At amortised cost	Total
Payables	-	151,877,833	151,877,833
Revolving credit facility	337,999	-	337,999
Accruals for leave	-	9,666,116	9,666,116
	337,999	**161,543,949**	**161,881,948**

31. Risk management

Liquidity risk

The economic entity's risk to liquidity is a result of the funds available to cover future commitments. The economic entity manages liquidity risk through an ongoing review of future commitments and credit facilities. The table below analyses the economic entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group at 31 March 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	164,051,965	-	-	-

Group at 31 March 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	151,882,240	-	-	-

WRC at 31 March 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	164,051,965	-	-	-

WRC at 31 March 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	151,877,833	-	-	-

Notes to the Annual Financial Statements

Credit risk

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

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

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Financial Instrument				
Corporation for Public Deposits	321,252,053	246,352,581	321,252,053	246,352,581
Bank balances	185,272,778	164,490,413	185,247,453	164,463,253

These balances represent the maximum exposure to credit risk.

Interest rate risk

Due to the nature and extent of the economic entity's investments, the economic entity is not unduly exposed to interest rate risks.

Deposits attract interest at rates that vary with prime. The entity's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the financial results.

At year end, financial instruments exposed to interest rate risk were as follows:

- Balances with banks
- Deposits with the Corporation for Public Deposits.

Foreign exchange risk

The economic entity does not hedge foreign accounts receivables, foreign accounts payables or derivative market instruments.

The bank accounts below, denominated in foreign currency, are held on behalf of leverage funded partners. The WRC is exposed to foreign currency risk to the extent that a devaluation in the foreign currency, reduces the amount available in respect of projects already entered into by the WRC with service providers in South African Rands.

Notes to the Annual Financial Statements

Foreign currency exposure at statement of financial position date

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Current assets				
Cash and cash equivalents, USD 3 835 089 (2023: 4 181 382)	71,819,326	73,285,414	71,819,326	73,285,414
Cash and cash equivalents, Euro 0.60 (2023: 770 000)	12	14,604,513	12	14,604,513

Price risk

Due to the nature and extent of the economic entity's investments, the economic entity is not unduly exposed to price risks as investments are held in trusts, cash and deposits.

32. Irregular expenditure and Fruitless and Wasteful expenditure

	Group		WRC	
	2024	2023	2024	2023
	R	R	R	R
Irregular expenditure	-	-	-	-
Fruitless and wasteful expenditure	4,464	-	-	-
	4,464	**-**	**-**	**-**

National Treasury issued instruction note no. 4 of 2022/23 effective 3 January 2023 in respect of PFMA Compliance and Reporting Framework related to Irregular, Fruitless and Wasteful and Unauthorised expenditure.

In accordance with the National Treasury PFMA Compliance and Reporting Framework a determination test must be undertaken to establish particulars of non-compliance and facts before disclosing in the annual financial statements. There is irregular and fruitless and wasteful expenditure currently under assessment, determination and/or investigation of which the details are included in the annual report and detailed registers.

For the economic entity (Group), an amount of R4,464 was paid to SARS during the 2023/24 financial year in respect of interest and penalties which was identified during the process of deregistration of Erf 706. The entity submitted a request for remission of interest and penalties to SARS, without success.

This matter was brought to the attention of the Executive, Audit committee and the Board in May 2023 and the proposal that the remaining amount consisting of interest and penalties be settled in order to not further delay the process of deregistration, was supported.

Notes to the Annual Financial Statements

33. Budget information and explanations thereof

Material differences between budget and actual amounts

Leverage income:

The negative budget variance of R5,9 million is mainly attributable to challenges in respect of the following leverage funded projects:

- The WADER programme was placed on hold until extension of the current MOA and receipt of next tranche. This was received after year-end (April 2024).
- The WRC, Bill and Melinda Gates Foundation, eThekwini and City of Cape Town (CoCT) entered into agreements to demonstrate sanitation technologies with the aim of establishing its climate resilience readiness for areas that may be prone to drought or floods. Unfortunately due to delays in site selection, and community engagements by the municipalities, the process of needs analysis, technology matching and contracting was delayed in the 2023/24 financial year.

Other income received

Other income includes E-Seta payments, royalties, recovery of studies and insurance settlement claims received. The variance of R0,4 million is mainly as a result of actual income being lower than what was anticipated, based on historical trends.

Interest income

The interest income positive variance of R4,1 million is due to higher than anticipated cash holdings during the financial year.

Levy income

The positive variance of R11,1 million is directly related to higher actual water volume sales by the water boards than those projected during the budget.

Fixed costs

The variance in fixed costs is not regarded as material.

Running costs

The variance in running costs of R7,1 million is mainly due to:

- Licensing, maintenance, hosting, and support (R2,2 million) results from savings in licensing and support costs associated with the procurement of Microsoft 365, Microsoft Azure, and Dynamics 365 (BMS) directly from Microsoft through the Government Framework Agreement.

Professional Consultancies (R4.5 million) which results from:

- Staff capacity challenges resulting in a postponement of the review and development of some finance policies and standard operating procedures
- Institutional assessment of the WRC, Revenue Enhancement strategy and Remuneration strategy postponed to the 2024/25 financial year.
- Legal and associated costs related to labour matters which were not concluded by the end of the 2023/24 financial year.

Notes to the Annual Financial Statements

Human resource costs

The variance in human resource costs of R31,8 million is mainly due to:

- Training and employee development initiatives (R2 million) were not achieved as planned, this includes training costs associated with new appointments (which was not filled as planned), and employees assuming additional responsibilities throughout the year resulting in insufficient time available to attend training.
- Unexpected delays in the recruitment and filling of vacant positions (R5,7 million) hence a lower salary expenditure than budgeted.
- The full take-over of the post-retirement medical aid obligation (liability) by Momentum (R6 million) has not materialised in the 2023/24 financial year as the transaction is more complicated than initially envisaged.
- Performance based pay progression (PBP increases) for all employees for the 2022/23 year of assessment and for Senior Management for the 2021/22 year of assessment have not been implemented (R2,9 million).
- Bonuses (R13,7 million) related to Senior Management for the 2021/22 and 2022/23 assessments years were not paid during the financial year.

Research, Development and Innovation

The Research, Development, and Innovation (RDI) expenditure variance of R6,6 million is mainly attributable to:

- Under-expenditure (R10 million) in respect of leverage funded research development and innovations (RDI) costs as detailed under the leverage income variance analysis.
- Under-expenditure (R5,7 million) in respect of other research related expenditure such as workshops and conferences, knowledge dissemination products and promotion of research output (most of which is linked to the leverage funded projects).
- The above was offset by the earlier achievement (R9,3 million) of deliverables associated with levy funded research projects.

Knowledge and Impact

The Knowledge and Impact expenditure variance of R8,2 million is mainly attributable to an under-expenditure in respect of stakeholder engagements, events and knowledge dissemination platforms, products and publishing. Capacity problems were experienced during the 2023/24 financial year, which resulted in costs associated with planned stakeholder engagements and events, and media marketing not materialising. During the last quarter of the financial year, the Communication and Promotions Strategy was approved, and implementation plans were developed to ensure effective implementation of the strategy. This will assist with the implementation of the knowledge and impact initiatives in the 2024/25 financial year.

Corporate expenditure

The variance in corporate expenditure amounts to R2 million and mainly relates to delays in corporate social responsibility initiatives, expected recruitment costs due to vacant positions not being filled and internal audit activities which will only be concluded in the 2024/25 financial year.

Capital expenditure

The variance in capital expenditure of R7,4 million, is mainly due to:

- Planned office reconfigurations such as the creation of cubicles and more private meeting rooms on the second floor were not undertaken given the fact that the WRC is currently investigating alternative office accommodation, as the lease is expiring in March 2026 (R3 million).
- Plans for automation within the BMS system and the digitisation of WRC business processes did not materialise as envisaged in the 2023/24 financial year (R2 million). The WRC has, however, appointed a System Developer (effective

Notes to the Annual Financial Statements

January 2024) who is assessing the WRC systems to further guide on the appropriate business systems approach relating to automation and digitisation of the WRC business processes.

- The creation of audio-visual team rooms was postponed and are subject to the review of new office space (R1,5 million).

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

34. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	2024
	R
Net surplus per the statement of financial performance	101,293,982
Adjusted for:	
Non-cash items	
Depreciation, amortisation and impairment (Note 16)	2,951,907
Finance cost: Interest on employee obligation	536,772
Remeasurement	(1,640,957)
Straight-lining of operating lease	(1,714,830)
Movement in provision	(816,550)
Movement in accrual for leave	(4,103,512)
Actual payments made	
Employee benefit payments	-
Capital expenditure incurred	(2,447,564)
Net surplus per approved budget	**94,059,248**

35. Going concern

We draw attention to the fact that at 31 March 2024, the entity had an accumulated surplus/(deficit) of R401,041,688 and that the entity's total assets exceeds its liabilities by R401,041,688.

The financial statements have been prepared on the basis of accounting policies applicable to going concern. The 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.

Notes to the Annual Financial Statements

36. Change in accounting estimates

The WRC has reassessed the useful life of property, plant and equipment and intangible assets still in use which resulted in changes to certain assets remaining useful lives within property, plant and equipment and intangible assets.

The effect of this revision has increased the depreciation charge for the future periods by R132,322 for property,plant and equipment and R78,796 for intangible assets.

	Previously assessed useful life	Reassessed useful life	Financial impact on current and future depreciation
Property, plant and equipment			
Furnitures and fixtures	3 – 10 years	3 – 10 years	114,581
Office equipment	3 – 7 years	3 – 10 years	14,892
Computer equipment	3 – 10 years	3 – 5 years	2,849
			132,322
Intangible assets			
Computer software	3 – 19 years	3 – 11 years	78,796
			78,796

37. Prior period errors

On 22 December 2021, the Minister of the Department of Water and Sanitation issued a letter to the Water Research Commission resolving to allow each entity to consider increases and bonuses only for workers below senior management level, in order to take into account the dire financial situation the water section is confronted with. In terms of GRAP, a present obligation exists when, and only when, the entity has no realistic alternative but to make payments. The Minister's instruction relieved the WRC of the constructive obligation that was created by the past practices of paying bonuses for Senior Management, as the WRC could not disregard the Minister's instruction.

Based on the above, for both the 2021/22 and the 2022/23 financial years, the provision for performance bonuses should have only considered bonuses payable in respect of levels below senior management level. The reversal of the provision for performance bonuses related to Senior Management, for the 2021/22 and the 2022/23 financial years respectively will therefore be treated as a prior period error.

The impact of the above can be sumarised as follows:

	R
Statement of Financial Performance items:	
Employee related costs: Merit Bonus	(7,167,763)
Statement of Finanical Position items:	
Provisions: Provision for performance bonus	13,741,331
Accumulated Suplus	(6,573,568)

The above impact is the same for the economic entity (Group) and the WRC.

Notes to the Annual Financial Statements

38. Contingent liabilities

During the 2022/23 financial year, the WRC Azure subscription was compromised when a hacker added services to the WRC's subscription resulting in additional charges of R1,274,076 being levied on the WRC's account. There is currently a dispute between the WRC and SIS Global in respect of who is responsible for the costs associated with the lack of security protocols. The WRC obtained a legal opinion during the 2023/24 financial year which concluded that SIS Global is a certified Microsoft CSP Partner, and by virtue of them being a partner they are inherently required to adhere to best security practices which includes, inter alia, implementing rigorous fraud prevention and detection risk mitigation controls such as enabling the MFA (multifactor authentication) for all accounts and adopting the Secure Application Model Framework. This remains a contingent liability until formally concluded.

39. Events after the reporting period

No events after the reporting date were identified for the WRC that require adjustment or disclosure in the financial statements.

In respect of the economic entity (Group), a resolution, dated 12 March 2024 was taken requesting the Companies and Intellectual Property Commission (CIPC) to strike the company from the register in terms of Section 82(3)(ii)(aa)(bb) of the companies Act 2008, as amended. The deregistration application was submitted in March 2024 and the company Erf 706 Rietfontein (Pty) Ltd, was deregistered at CIPC on 4 July 2024 (2024/25 financial year).

G

Section G:

ERF SEWE NUL SES RIETFONTEIN (PROPRIETARY) LIMITED

for the year ended 31 March 2024

Contents

The Annual Financial Statements as set out in pages 137 to 154 which have been prepared on a liquidation basis, were approved by the Board of Directors on 31 July 2024, and was signed on its behalf by:

Dr JB Molwantwa
Chief Executive Officer

General Information

Country of Incorporation and Domicile	South Africa
Legal form of entity	The main purpose of the company was to own the immovable property known as Erf 706 Rietfontein and to place the property at the disposal of the WRC as their main place of business. The immovable property was disposed of, the Board approved the deregistration of Erf 706 Rietfontein.
Director	Dr JB Molwantwa
Postal Address	Private Bag X03 Gezina 0003
Controlling Entity	Water Research Commission
Bankers	ABSA Bank
Auditors	Auditor-General of South Africa
Company Registration Number	1984/003566/07

Directors' Report

1. General review

In order for stakeholders to review the business and operations of the company for the reporting period in general, the Directors draw attention to the statements of financial position, financial performance, changes in net assets and cash flows attached. These statements clearly reflect the business of the company, its results and state of affairs.

The Companies Act, 71 of 2008 requires that the Directors report on any material facts or circumstances which occurred between the reporting date and the date of their report. The material matters and circumstances that occurred during the period under review are contained in the specific matters below.

2. Specific matters

The main aim of the company was that of owning immovable property known as Erf 706 Rietfontein, including all permanent improvements, and to use the property for the purpose of promoting the operations of the Water Research Commission.

The disposal of the Marumati Building ("the Property") owned by Erf 706 Rietfontein (Pty) Ltd, was finalised on the 12 July 2019.

In a meeting held on 26 May 2022, the Board approved the deregistration of Erf 706 Rietfontein (Pty) Ltd. The process of deregistration has been delayed due to unforeseen tax related matters. A tax compliance status verification was issued by SARS on 29 January 2024. A resolution was taken on 12 March 2024 requesting the Companies Intellectual Property Commission (CIPC) to strike the company from the register in terms of Section 82 (3) (ii) (aa) (bb) of the Companies Act 2008 as amended. The transfer of the assets and liabilities and the subsequent closure of the bank account of Erf 706 were only concluded after year-end (April 2024) and the company deregistered with CIPC on 4 July 2024.

No shares were allotted or issued by the company during the period under review. The entity is wholly owned by the Water Research Commission.

No dividends were paid or declared during the period under review and we have no recommendation to make in respect of dividends.

3. Directors

Directors and certain members of staff of the Water Research Commission managed the business of the company. No third party was involved in managing the entity.

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

- Dr JB Molwantwa, Appointed 1 April 2022

4. Company secretary

The secretarial functions during the year under review were performed by Rene Vorster, Cosec Services CC.

Report of the Auditor-General

to Parliament on ERF 706 Rietfontein (Pty) Ltd

Report on the audit of the separate financial statements

Opinion

1. I have audited the separate financial statements of the ERF 706 Riettfontein (Pty) Ltd set out on pages 137 to 154, which comprise the statement of financial position as at 31 March 2024, the statement of financial performance, the statement of changes in net assets and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the separate financial statements present fairly, in all material respects, the financial position of the ERF 706 Rietfontein (Pty) Ltd as at 31 March 2024, and its financial performance and cash flows for the year then ended in accordance with the Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act of South Africa Act 71 of 2008.

Basis for opinion

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

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

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

Material uncertainty related to going concern

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

7. I draw attention to note 13 to the financial statements, which indicates that the financial statements were not prepared based on the expectation that the entity will be able to continue to operate as a going concern. The disposal of the primary source of income, the immovable property known as ERF 706 Rietfontein was finalised on 12 July 2019 and the Board approved the deregistration of Erf 706 (Pty) Ltd.

Emphasis of matter

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

Events after the reporting period

9. We draw attention to note 17 in the financial statements, which deals with subsequent events and specifically the possible effects of the deregistration of the subsidiary, ERF 706 Rietfontein (Pty) Ltd on the company. Our opinion is not modified in respect of this matter.

Responsibilities of the accounting authority for the separate financial statements

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

11. In preparing the separate financial statements, the accounting authority is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Report of the Auditor-General

to Parliament on ERF 706 Rietfontein (Pty) Ltd

Responsibilities of the auditor-general's for the audit of the separate financial statements

12. My objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

13. A further description of my responsibilities for the audit of the separate financial statements is included in the annexure to the auditor's report. This description, which is located at page 5, forms part of our auditor's report.

Reporting on performance information

14. As the entity was dormant for the year under review, no work was performed on the audit of performance information.

Report on compliance with legislation

15. As the entity was dormant for the year under review, no work was performed to test compliance with key legislation.

Other information in the annual report

16. The accounting authority is responsible for the other information included in the annual report which includes the director's report and the audit committee's report. The other information referred to does not include the separate financial statements and the auditor's report.

17. My opinion on the separate financial statements does not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

18. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Internal control deficiencies

20. I considered internal control relevant to my audit of the separate financial statements; however, my objective was not to express any form of assurance on it.

21. I did not identify any significant deficiencies in internal control.

Auditor - General

Pretoria

31 July 2024

AUDITOR-GENERAL

Annexure to the Auditor's report

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the separate financial statements.

Financial statements

In addition to my responsibility for the audit of the separate financial statements as described in the auditor's report, I also:

- identify and assess the risks of material misstatement of the separate financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the separate financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause the company to cease operating as a going concern.
- evaluate the overall presentation, structure, and content of the separate financial statements, including the disclosures, and determine whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Statements of Financial Position

for the year ended 31 March 2024

	Notes	2024	2023
		R	R
Assets			
Current assets			
Receivables from exchange transactions	3	7,305	7,503
Cash and cash equivalents	4	25,325	27,160
Total current assets		**32,630**	**34,663**
Total assets		**32,630**	**34,663**
Net assets and liabilities			
Liabilities			
Current liabilities			
Payables from exchange transactions	5	10,933	8,357
Total liabilities		**10,933**	**8,357**
Net assets			
Share capital	6	1	1
Accumulated surplus		21,694	26,305
Total net assets		**21,695**	**26,306**
Total net assets and liabilities		**32,630**	**34,663**

Statement of Financial Performance

for the year ended 31 March 2024

	Notes	2024	2023
		R	R
Revenue from exchange transactions		-	-
Revenue from non-exchange transactions		-	-
Total revenue		**-**	**-**
Expenditure			
Employee related costs		-	800
Finance costs		57	4,407
Receivable derecognised		159	-
General expenses	7	4,395	4 109
Total expenditure		**4,611**	**9,316**
Surplus/(Deficit) for the year		**(4,611)**	**(9,316)**

Statement of Changes in Net Assets

for the year ended 31 March 2024

	Share capital	Accumulated surplus	Total net assets
	R	R	R
Balance at 1 April 2022	1	35,621	35,622
Surplus / (Deficit) for the year	-	(9,316)	(9,316)
Total changes	**-**	**(9,316)**	**(9,316)**
Balance at 1 April 2023	**1**	**26,305**	**26,306**
Surplus / (Deficit) for the year	-	(4,611)	(4,611)
Total changes	**-**	**(4,611)**	**(4,611)**
Balance at 31 March 2024	**1**	**21,694**	**21,695**
Note	*6*		

Cash Flow Statement

for the year ended 31 March 2024

	Notes	2024 R	2023 R
Cash flows from operating activities			
Receipts			
Cash receipts from customers		39	117
Payments			
Cash paid to suppliers		(1,876)	(1,815)
Net cash flows from operating activities	**9**	**(1,836)**	**(1,698)**
Net (decrease)/ increase in cash and cash equivalents		**(1,836)**	**(1,698)**
Cash and cash equivalents at beginning of the year		27,160	28,858
Cash and cash equivalents at end of the year	**4**	**25,325**	**27,160**

Summary of significant accounting policies

for the year ended 31 March 2024

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the accounting policies below which considers the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) with regard to the basic recognition, measurement and disclosure requirements, taking into account the circumstances that will impact the amounts that will be recovered or settled, where relevant.

The company has disposed of its immovable property of which the transfer was finalised on 12 July 2019 and, as a result will not be able to continue as a going concern. These financial statements have therefore been prepared on a liquidation basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. The Water Research Commission is in the process of deregistering Erf 706 Rietfontein.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These financial statements were not prepared on a going concern basis due to Erf 706 Rietfontein (Pty) Ltd ceasing its operating activities. Accordingly, assets are measured at their liquidation values (representing the impaired values thereof) and liabilities are measured at their exit values, further explained in note 13.

Judgement is required in determining whether a change in the carrying value of assets and liabilities is needed. When the going concern assumption is no longer appropriate, it is also necessary to consider whether the change in circumstances leads to the creation of additional liabilities or triggers clauses in debt contracts leading to the reclassification of certain debts as current liabilities.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates. Significant judgements include:

Receivables/Held to maturity investments and/or loans and receivables

The entity assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Summary of significant accounting policies

for the year ended 31 March 2024

Impairment testing

The entity assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in estimated future cash flows from financial assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

1.3 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.

A financial asset is any asset that 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:
- 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.

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

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.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Summary of significant accounting policies

for the year ended 31 March 2024

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 fair value
- Financial instruments at amortised cost
- Financial instruments at cost

Financial instruments at fair value

Cash and cash equivalents

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

Financial instruments at amortised cost

Receivables

Receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Payables

Payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Fair value measurement considerations

The fair values of listed investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

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.

All financial assets measured at amortised cost, or cost, are subject to an independent review. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses 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 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 was reversed. The amount of the reversal is recognised in surplus or deficit.

Summary of significant accounting policies

for the year ended 31 March 2024

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 :
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

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.

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 is waived.

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.

1.4 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Summary of significant accounting policies

for the year ended 31 March 2024

Recognition

The entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable)
- impairment losses; and
- amounts derecognised.

Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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:
  - derecognises the receivable; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.5 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Summary of significant accounting policies

for the year ended 31 March 2024

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

As the entity will not be able to continue to operate as a going concern or generate any further income due to the disposal of its primary source of income, the immovable property known as ERF 706 Rietfontein, it is improbable that future taxable profits will be available against which the deductible temporary differences can be utilised thus no deferred tax asset is recognised.

Tax expenses

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.6 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.7 Contingencies

Contingent assets and contingent liabilities are not recognised.

1.8 Revenue from exchange transactions

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

Revenue from exchange transactions refers to revenue that accrued to the entity directly in return for services rendered/ goods sold, the value of which approximates the considerations received or receivable. An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net trade discounts and volume rebates, and value added tax.

Summary of significant accounting policies

for the year ended 31 March 2024

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

1.9 Related parties

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

The entity follows the guidance of GRAP 20 to identify related party relationships, transactions and balances and the disclosures on those identified.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

1.10 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. 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 entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

If none-adjusting events after the reporting date are material, the entity discloses the nature and an estimate of the financial effect or a statement that such and estimate cannot be made.

Other explanatory notes

for the year ended 31 March 2024

2. New standards and interpretations

2.1 Standards and interpretations effective in the current year

The entity has not chosen to early adopt any standards and interpretations that are effective in the current financial year.

2.2 Standards and Interpretations early adopted

The entity has chosen to early adopt the following standards and interpretations, that became effective in the current financial year:

- GRAP 1: Presentation of Financial Statements – effective 1 April 2023

These amendments did not have a material impact on the Annual Financial Statements.

3. Receivables

	2024	2023
	R	R
Deposits	7,305	7,305
VAT receivable	-	198
	7,305	**7,503**

Included in receivables from exchange is a statutory receivable in respect of VAT amounting to R 0 (2023: R198) and a financial asset in respect of deposits amounting to R7,305 (2023: R7,305).

Receivables pledged as security

No receivables were pledged as security for any financial liability.

Credit quality of receivables

Management considers that all the above financial assets are of good credit quality. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

The fair value of the receivables approximates the carrying amount of the balances due to their short-term maturity. The receivables represent deposits that will become due and receivable on demand and therefore no change is required in the carrying value of the assets.

None of the receivables that are fully performing have been renegotiated in the last year.

Other explanatory notes

for the year ended 31 March 2024

Receivables past due but not impaired

GRAP 104 states that a financial asset is past due when a counterparty has failed to make payment when contractually due.

Receivables are all considered for impairment. At 31 March 2024, R7,305 (2023: R7,305) were past due but not impaired.

Deposits made by a customer in terms of section 104(1) d of the Municipal System Act (MSA) are refundable, free of interest, on termination of the supply of services, provided that all outstanding amounts have been settled in terms of the property. In respect of Erf 706, the account has been paid in full, and therefore the municipality has no alternative but to refund the deposit held, accordingly no impairment has been made.

Receivables impaired

As of 31 March 2024, trade and other receivables of R NIL (2023: R NIL) were impaired and provided for. The amount of the provision was R NIL as of 31 March 2024 (2023: R NIL).

4. Cash and cash equivalents

Cash and cash equivalents consist of:

	2024	2023
	R	R
Bank balances	25,325	27,160

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

The fair value hierarchy has the following levels:

- Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.
- Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 applies inputs which are not based on observable market data.

Credit quality of bank balances and short-term deposits, excluding cash on hand

Management considers that the above cash and cash equivalents category is of good credit quality. The maximum exposure to credit risk at the reporting date is the fair value of the cash and cash equivalents mentioned above.

The fair value of the cash and cash equivalents approximates the carrying amount of the balances. This balance represents highly liquid funds that is available for use by the entity at any point in time. The entire cash and cash equivalents balance held by the entity is available for use.

The entity 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.

Other explanatory notes

for the year ended 31 March 2024

Cash and cash equivalents pledged as collateral

The cash and cash equivalents are not pledged as security for any financial liabilities.

5. Payables from exchange transactions

	2024	2023
	R	R
Trade payables	10,933	3,950
Accruals	-	4,407
	10,933	**8,357**

The maximum exposure to credit risk at the reporting date is the fair value of the payables above. The fair value of the payables approximates the carrying amount of the balances due to their short-term maturity.

The entity did not default on interest or capital on any payables.

None of the terms attached to the payables were renegotiated in the period under review. The entity has not reclassified the categories of any financial liabilities during the financial year.

6. Share capital

	2024	2023
	R	R
Authorised		
4 000 Ordinary shares of R1 each	4,000	4,000
Issued		
1 Ordinary share of R1 each	1	1
100% of the shares are owned by the Water Research Commission.		

7. General expenses

Bank charges	1,875	1,639
Professional fees	2,520	2,470
	4,395	**4,109**

Other explanatory notes

for the year ended 31 March 2023

8. Taxation

No provision has been made for tax as the entity has no taxable income. As at 31 March 2024 there is an assessed loss of R1,354,469.

9. Cash (used in) generated from operations

	2024	2023
	R	R
Surplus (deficit)	(4,611)	(9,315)
Changes in working capital:		
Receivables from exchange transactions	199	(60)
Payables from exchange transactions	2,576	7,677
Net cash flows from operations	**(1,836)**	**(1,698)**

10. Related Parties

	2024	2023
	R	R
Relationships		
Controlling entity: Water Research Commission		
Related party balances		
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Water Research Commission: Payable	(10,933)	(3,950)

Secretarial fees of R5,670 (2023: R3,150), employee taxes R800 (2023: R800) and penalties and interest of R4,463 to SARS was paid by the Water Research Commission on behalf of Erf 706 Rietfontein.

No remuneration was paid to the Director during the 2022/23 and 2023/24 financial years respectively.

11. Financial instruments disclosure

Other explanatory notes

for the year ended 31 March 2023

Categories of financial instruments

Financial assets

2024	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	7,305	7,305
Cash and cash equivalents	25,325	-	25,325
	25,325	**7,305**	**32,630**

Financial liabilities

2024	At fair value	At amortised cost	Total
Payables from exchange transactions	-	10,933	10,933

Financial assets

2023	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	7,305	7,305
Cash and cash equivalents	27,160	-	27,160
	27,160	**7,305**	**34,465**

Financial liabilities

2023	At fair value	At amortised cost	Total
Payables from exchange transactions	-	8,357	8,357

The entity 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.

VAT payable/receivable is not included in the disclosure above due to the fact that it is not a financial asset/liability.

12. Risk management

Other explanatory notes

for the year ended 31 March 2024

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and credit facilities in order to have sufficient funding available to meet financial demands.

The entity's risk to liquidity is a result of the funds available to cover future commitments. Liquidity risk is the risk that a company may be unable to meet short term financial demands. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities. The entity has no liquidity risk as there are sufficient funds to meet its obligations.

Market risk

Interest rate risk

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

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

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

Financial Instrument

	2024	2023
	R	R
ABSA Bank	25,325	27,160
Receivables	7,305	7,305

13. Going concern

These financial statements were not prepared based on the expectation that the entity will be able to continue to operate as a going concern. The disposal of the primary source of income, the immovable property known as ERF 706 Rietfontein was finalised on 12 July 2019 and the Board approved the deregistration of Erf 706 (Pty) Ltd.

14. Events after the reporting date

A resolution, dated 12 March 2024 was taken requesting the Companies and Intellectual Property Commission (CIPC) to strike the company from the register in terms of Section 82 (3) (ii) (aa) (bb) of the companies Act 2008, as amended. The deregistration application was submitted in March 2024 and the company, Erf 706 Rietfontein (Pty) Ltd, was deregistered at CIPC on 4 July 2024 (2024/2025 financial year).

The transfer of assets and liabilities and the subsequent closure of the bank account of Erf 706 were concluded after year-end (April 2024). This will thus be regarded as a non-adjusting event at the reporting date as it is indicative of conditions

Other explanatory notes

for the year ended 31 March 2023

that arose after year-end.

This will have a R 0 effect on the current year's financial statements. Within the 2024/2025 financial year all assets and liabilities will be derecognised resulting in a statement of financial position balance of R 0.

15. Irregular expenditure and Fruitless and wasteful expenditure

	2024	2023
	R	R
Irregular expenditure	-	-
Fruitless and wasteful expenditure	4,464	-
	4,464	**-**

Whilst initiating the process of deregistration of Erf 706 as a taxpayer, the South African Revenue Services (SARS) indicated there is an outstanding debt in respect of employees' tax (PAYE, SDL and UIF). The outstanding capital was paid in the previous financial year (R800) and the entity submitted a request for remission of interest and penalties to SARS, without success.

This matter was brought to the attention of the Executive, Audit committee and the Board in May 2023 and the proposal that the remaining amount consisting of interest and penalties be settled in order to not further delay the process of deregistration, was supported.

An amount of R 4 464 was paid to SARS in this respect during the 2023/2024 financial year.

16. Income Tax Computation

	2024	2023
	R	R
Deficit before taxation	**(4,611)**	**(9,316)**
Permanent differences		
Add back: Finance costs	57	4,407
Computed loss - carried forward	**(4,554)**	**(4,909)**
Assessed loss brought forward	(1,349,915)	(1,345,006)
Assessed loss at year end	**(1,354,469)**	**(1,349,915)**
Tax thereon	**-**	**-**

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