ANNUAL REPORT

2022/23

WATER
RESEARCH
COMMISSION

OFFICIAL SIGN OFF

It is hereby certified that this Annual Report:
Was approved by the Governing Board of the Water Research Commission with the assistance of the Executive Management.

Considered all relevant legislation, policies, and other mandatory documents applicable to the WRC.

Accurately reflects the performance of the WRC in the 2022/23 financial year.

Dr JB Molwantwa
Chief Executive Officer

Dr RB Melamu
Chairperson Governing Board

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List of abbreviations

AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COVID-19	2019 novel coronavirus
CSR	Corporate social responsibility
DSI	Department of Science and Innovation
DWS	Department of Water and Sanitation
GE	Group Executive
GEP	Graduate Employment Programme
HDI	Historically disadvantaged institution
ICT	Information and communication technology
I&I	Innovation and Impact
IMBR	Immersed membrane bioreactor
KPA	Key performance area
MARS	Managed aquifer recharge and storage
NatSilt	National Dam Siltation Strategy Programme
NDP	National Development Plan
NPS	Non-point source (pollution)
NWSMP	National Water & Sanitation Master Plan
NWA	National Water Act
NWRS-2	National Water Resource Strategy 2
PFMA	Public Finance Management Act
PV	Photovoltaic
R&D	Research and development
RDI	Research, development and innovation
RW	Rand Water
SAB	South African Breweries

SADC	Southern African Development Community
SASTEP	South African Sanitation Technology Enterprise Programme
SER	Society for Ecological Restoration
SERA	Society for Ecological Restoration Africa Chapter
SMME	Small, medium and micro enterprises
SCM	Supply chain management
SDG	Sustainable Development Goal
TIA	Technology Innovation Agency
UW	Umgeni Water
WEF	Water–energy–food nexus
WRA	Water Research Act
WRC	Water Research Commission
WRL	Water Research Levy
WRA	Water Research Act
WRC	Water Research Commission
WRL	Water Research Levy

Mr Senzo Mchunu
Minister of Water and Sanitation

Minister's Foreword

Water is central to every part of South Africa's development and plays a critical role in the upliftment of our communities. The South African Government remains steadfast in its target to achieve universal coverage for all its citizens long before the 2030 target set by the United Nations Sustainable Development Goals. This is a cross-cutting goal that is fundamental to human rights, the elimination of poverty, and the social, economic and environmental dimensions of sustainable development, leaving no-one behind.

The obligation to ensure that South Africa's limited water resources are used to improve the quality of life of our people is enshrined in South Africa's Constitution. It is well known that South Africa is a water-scarce country. The country's climate, high evaporation rates and topography have all conspired to make us one of the most arid countries in the world. The fact that South Africa is already harnessing an estimated 75% of its exploitable surface water resources speaks to the challenging environment the country finds itself in, in terms of water security. This situation is exacerbated by emerging issues such as climate change and accompanying extreme weather events.

As the custodian of South Africa's water resources, the primary focus of the Department of Water and Sanitation (DWS) is to ensure sustainability of the water sector in South Africa. Since the advent of democracy, South Africa has made great strides in bringing water and sanitation services to our people although more remains to be done. While focusing on the expansion of traditional water supplies, such as dams and pipelines, we also need to expand our water mix with alternative water resources through new technologies and innovation.

The DWS has long since recognised the value of science-based technology in facing the country's water challenges. Research, development and innovation (RDI) is a major contributor to meeting the ever-increasing demands for and challenges in water and sanitation in South Africa as set out in the National Water and Sanitation Master Plan and the latest National Water Resource Strategy. The government, research institutions, academic institutions, non-profit organisations and all water users need to contribute to effective decision-making in water use and management and sanitation services. This is only possible when supported by coherent and consistent policies, underlined by scientific research, in addition to the coordinated dissemination of new knowledge, new technologies and skills.

Albeit small when compared internationally, South Africa possesses a vibrant, resourceful and innovative water sector, led in its knowledge-seeking endeavours by the Water Research Commission (WRC). Established in 1971, the WRC provides water and sanitation research, development and innovation knowledge to South Africa. This is done by translating needs and challenges into research ideas, transferring results, and disseminating knowledge. The DWS will thus continue to support efforts that position the country and its institutions as a global water knowledge node across the whole water and sanitation innovation value chain.

The DWS welcomes the new WRC Board and wishes it well in its tenure. As the main stakeholder, the Department will continue to work together with the WRC to provide integrated solutions to the complex, inter-disciplinary problems facing the water sector and promote investment in knowledge creation, transfer and dissemination in strategic research areas.

Mr Senzo Mchunu
Minister of Water and Sanitation

Dr Rethabile Bonang Melamu
WRC Chairperson

Chairperson's Foreword

As the incoming Chairperson of the newly appointed WRC Board, it gives me great pleasure to report on the activities and performance of the Commission during the 2022/23 financial year.

The presence of our organisation has never been more pertinent as South Africa grapples with the growing need to secure sustainable water supply for socio-economic development in a water-scarce environment. The WRC has a track record of more than 50 years in leading water and sanitation research; therefore, it is well positioned to play a central role in providing South Africa with innovative and sustainable solutions for responding to the water and sanitation challenges that are threatening the country.

It is well understood that water and sanitation are fundamental to sustainable development. Our health depends on access to safe water and adequate sanitation. We need water for agriculture, for industrial activities such as manufacturing and, increasingly, for energy generation. All these uses also produce wastewater, which must be managed in such a way that does not harm human health or pollute the environment. Water is also central to keeping our natural habitats stable, which in turn contributes to a reliable supply of quality freshwater.

During the past financial year, the WRC ensured that its strategy was aligned with the national Government imperatives. The Commission remains committed to providing scientific knowledge and innovation that can support the implementation and drive the development and review of policy, contribute to improving the lives of South Africans, particularly the poor and the marginalised, and enhance environmental sustainability and climate resilience.

The following research project highlights are worth noting:

- The WRC has invested in the development of alternative sanitation options such as the low-flush toilet that could be used in rural settings. A partnership between PepsiCo Foundation, the WRC and Tsogang Water and Sanitation saw the provision of 120 households with off-grid, low-flush toilets in Makhuduthamaga Local Municipality, located in the Sekhukhune District Municipality, Limpopo, at the beginning of the financial year. The toilet system was designed to have a look and feel similar to a full-flush toilet but enables greater flushing efficiencies.

- Groundwater has become an important component in South African water supply, especially during times of drought. In a dry country such as South Africa, adequate information on the status and trends of groundwater resources is paramount for strategic development. With financial support from the WRC, researchers from the North-West University's Centre for Water Sciences and Management have developed a mobile application (app) that will allow ordinary citizens to add borehole locations and other characteristics to the app databases. Users can see a map of where boreholes are, and immediately access all the information available to them, on their phones, with the tap of a finger. New information can also be captured and submitted on the spot. This will then be uploaded to a database that can be linked straight to the National Groundwater Archive.

- WRC funding has resulted in the development of South Africa's first hydropower atlas. The aim of the project was to enhance the uptake of micro-hydro technology, making local stakeholders (private sector, financial sector, government entities, etc.) aware of the opportunities that this technology brings, and the efforts required to get this technology successfully implemented in South Africa. The South African Hydropower Atlas provides general information regarding the assessment of hydropower potential and provides the information required regarding the feasibility of such projects. This is an exciting development which should enhance the uptake of micro-hydro technology, making local stakeholders aware of the opportunities of hydropower technology implementation within existing South African water infrastructure and rivers.

The work of the WRC is amplified and supported by its stakeholders. The WRC has continued to strengthen and build new partnerships to accelerate innovation in the water and sanitation sector. In the year under review a number of new partnerships were signed, three of which are highlighted here. The Memorandum with UNICEF, signed on 22 July 2022, aims to facilitate, support, and implement projects and activities around various themes, such as youth and sanitation, citizen science, water, sanitation and hygiene (WASH), to name a few. The WRC further signed partnership agreements with the Water4All project consortium and the Mopani District Municipality. The latter agreement is aimed at optimising and diversifying water sources in the municipal area by scaling up the multiple use water services (MUS) model, solar energy and operationalising water-food-energy nexus opportunities.

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 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 commitment and support for the WRC.

Dr RB Melamu

WRC Chairperson

Dr Jennifer Molwantwa
Chief Executive Officer

CEO's Overview

Achieving universal, adequate, and equitable access to safely managed water and sanitation services is at the core of sustainable development, as reflected in United Nations Sustainable Development Goal 6, and in the South African Constitution as a fundamental human right. The South African challenge, to provide an improved water and sanitation service to the unserved households, while maintaining and enhancing existing water and sanitation services, remains, considering the high cost of infrastructure projects, high unemployment, a stagnant economy and shrinking tax base. This challenge requires innovative and 'outside-the-box' thinking to solve, where the public, private partnerships and society at large get aboard the solution bandwagon.

Established over 50 years ago, the Water Research Commission (WRC) has distinguished itself as South Africa's premier water and sanitation research and development (R&D) funding public entity under the Ministry of Water and Sanitation. The key mandate of the organisation is to promote, coordinate and enhance cooperation in the sector and communicate water research, development, and innovation products. This is achieved through the establishment of research needs, stimulation of the needs and funding them according to priority, and through the promotion and effective transfer of information and technology while enhancing knowledge and capacity building in the sector.

The WRC's value proposition is to contribute to South Africa's water security through fundamental and applied research, development, and innovative solutions to address the water and sanitation sector challenges, to support the national department, build water and sanitation skills and capacity as well as sharing water and sanitation knowledge with South Africans. The intended outcome is to contribute towards improvement of the quality of life of South Africans, contribution towards transboundary water resource management and development, as well as improving the country's international competitiveness through water research development and innovation (RDI). Furthermore, the WRC portfolio is designed to get more out of each project in accordance with the principles of:

- Investment in the multiplier effect
- Research concentration
- Diversification of research philosophy, and
- Increased partnerships.

During 2022/23 the Commission expanded its research portfolio by initiating 121 new research projects spanning a wide number of topics under the WRC's three research themes of Water Resources and Ecosystems; Water Use, Wastewater and Sanitation Futures; and Water Utilisation in Agriculture. In addition, 150 projects were completed in an ongoing portfolio of 378.

The world-class research emanating from South Africa is aptly illustrated by the best poster award received by a WRC-funded project at the International Water Association World Water Congress in Copenhagen, Denmark, for novel sampling methods to trace the spread of COVID-19 in informal settlements. The study has illustrated how non-sewered surveillance for SARS-CoV-2 could be conducted across multiple sites. The research team also provided a framework to guide citywide research in other developing countries.

The WRC worked closely with the Department of Water and Sanitation (DWS) to provide science-backed evidence for policy considerations such as the finalisation of the draft revised strategy on water pricing, and the National Dam Siltation Programme (NatSilt), a three-year programme to ensure improved and efficient management of bulk water resource infrastructure with an effective and sustainable outcome. The project continues to develop and implement a Dam Operations Model at three existing dams to improve their storage capacity; the same model will be used to improve the risk-based construction of Smithfield Dam in the uMkhomazi River catchment, in KwaZulu-Natal.

The WRC is continuously working to expand the pool of talent in the water and sanitation sector towards the successful integration of research, development, and innovation in the development of society. The Commission continues to invest in the training of especially post-graduate students, where 432 students were supported through WRC-funded projects in the 2022/23 financial year. The WRC further collaborated with international partners in hosting the Water-Energy-Food Nexus Masterclass.

The WRC is focused on contributing towards an inclusive water and sanitation sector skills pool through increasing the RDI research capabilities focusing on women, youth and people living with disabilities, and funding of students to manage new projects as a training and development phase of creating future research and knowledge generators in the water sector. The Greater Giyani Expo saw over 500 women and youth farmers being trained on sustainable food production under limited water availability conditions. Of the various partnerships signed in the year under review, those with the Mopani District Municipality and UNICEF have led to WRC impact beyond the usual scope.

The WRC still pursues values of equity through the appointment of designated people in line with the Employment Equity policy. The highest level of skills is also sourced through objective, fair and transparent recruitment and selection processes. Ms Mpho Masete was appointed the Chief Audit Executive to head internal audit at the WRC.

At the start of the 2023/24 financial year the WRC ushered in a new Board, led by Chair, Dr Rethabile Bonang Melamu. We thank the former Board, led by Dr Nozibele Mjoli, for their dedication and leadership over the years. We look forward to the strategic direction and inspirational guidance to be provided by the new WRC Board.

In conclusion, I wish to thank the Minister of Water and Sanitation, Senzo Mchunu, and his Deputy Ministers, for their interest in, and support of, the WRC during the year. The WRC also remains indebted to the water and sanitation sector at large for their continuous commitment, support, valuable feedback, and active participation in the WRC's strategy. Finally, thanks to the WRC management team and staff for their commitment and hard work as we continue to serve South Africa.

Dr Jennifer Molwantwa

Chief Executive Officer

Executive Summary

For more than 50 years, the Water Research Commission (WRC) has distinguished itself as South Africa's premier funding agency dedicated to water and sanitation research. During the year under review, the Commission continued to support the Department of Water and Sanitation (DWS) in rolling out its National Water and Sanitation Master Plan, by driving research, development and innovation (RDI) to develop a robust water and sanitation sector that can support socio-economic opportunities for the country while managing South Africa's scarce water resources in a sustainable manner.

In addition to contributing to several Government Outcomes, the DWS priority areas, and contributing to the country's report on the UN SDGs, in particular SDG 6, the WRC's strategic outcome-oriented goals comprise five impact areas and place emphasis on investment in the multiplier effect, which aims to inform and influence national, regional and continental policy formulation and contribute to the development of science-based decision-making tools and methodologies. The WRC outcomes also aim to contribute to sustainable development solutions, develop products and services for the economy, actively contribute to human capital development, directly empower communities, and enable the national transformation project.

Furthermore, the WRC continues to focus on impact by translating research outputs into innovation and technology products that can make a difference in the lives of South Africans. In this regard, the WRC addresses three dimensions of the water and sanitation challenges, namely, new knowledge, human capital development, and innovative technologies. The Commission endeavours in its projects to create a high concentration of activities that support each of these dimensions.

During 2022/23 the Commission initiated 121 new research projects, concluded 150 projects in an ongoing portfolio of 378, within which 213 were led by project leaders from designated groups.

The WRC counted several performance highlights for 2022/23, including the supply of off-grid flushing toilets to rural communities and schools, the development of the country's first hydropower atlas, and a water reclamation and reuse guide for South African municipal engineers in aid of expanding South Africa's water supply mix. The Commission developed new technologies, including an app to aid groundwater monitoring and a tool to monitor eutrophication in lakes and dams, both of which are fundamental tools for water security in a climate challenging age. At a community scale, the WRC and its Government of Flanders (GOF) partners, launched the Giyani Local Scale Climate Change Resilience Programme (GLSCRP), a community-advised and -led programme demonstrating climate adaptive responses and solutions for improved water utilisation in the Giyani municipal area, in Limpopo Province.

The WRC continues to work closely with and in support of the DWS, utilising its pool of skills from the research and development space to answer technical questions, provide advisory services and coordinate experts in support of DWS projects. The WRC had a total income (including levy and leverage income) of R409 million during 2022/23. The water research levy still remains the Commission's main source of revenue, of which 47% is utilised for RDI and implementation of the mandate.

The WRC recognises the need for more innovation and greater partnership to ensure an even higher impact contribution to meet South African, regional, continental and global water and sanitation challenges going into the future.

A

Section A: Strategic Overview

Water is the basis of all life. It is a critical resource, indispensable not only for the maintenance of human life and health but also for the conservation of ecosystems and the socio-economic advancement of any country. The country's low average annual rainfall and low per capita water availability forces it to expand its thinking beyond traditional forms of water supply. Scientific and technological advances are required to assist South Africa to make the necessary advances towards the sustainable management of its water resources.

For the water science community, the mandate is to translate research, development and innovation (RDI) into real solutions to address poverty, inequality and unemployment, while applying knowledge solutions to advance opportunities to enable economic growth, improve competitiveness and ensure prosperity. As a central cog in the South African water innovation system, the Water Research Commission (WRC) plays an important role in enhancing water and sanitation RDI in the country. For over five decades the WRC has been centrally involved in investment in water research and development, including human capacity development and enhancement of knowledge and expertise in the water and sanitation sector. The WRC serves as the research and development partner of the sector leader, the Department of Water and Sanitation (DWS).

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)	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)	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)	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.
National Water Resource Strategy 2	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
National Water Resource Strategy 2 (NWRS-2)	Chapter 14	c) Develop appropriate technologies and support the development of relevant centres of excellence in several of the fields of research d) Developed the Ten-Year Water RDI Roadmap that provides a sector-defined, needs-driven research agenda that caters for the public sector (utilities, municipalities), private industry, agriculture, and environmental protection

LEGISLATION	SECTION	DESCRIPTION
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

Performance environment

The WRC performance environment in the reporting year was still guided by the Corporate Plan 21 (CP 21), with the performance objectives represented by the Knowledge Tree (Figure 1). However, in the same year 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.

Figure 1. The WRC Knowledge Tree

WRC's organisational structure

The following defines the WRC governance framework:

- The Minister of Water and Sanitation is the Executive Authority of the WRC
- The Department of Water and Sanitation is the shareholder representative
- The WRC Board is the Accounting Authority of the WRC
- The Chief Executive Officer (CEO) is the Accounting Officer and a member of the WRC Board
- The Group Executives report directly to the CEO

The WRC has four branches, namely

- Research and Development
- Innovation and Impact
- Corporate Services
- Finance

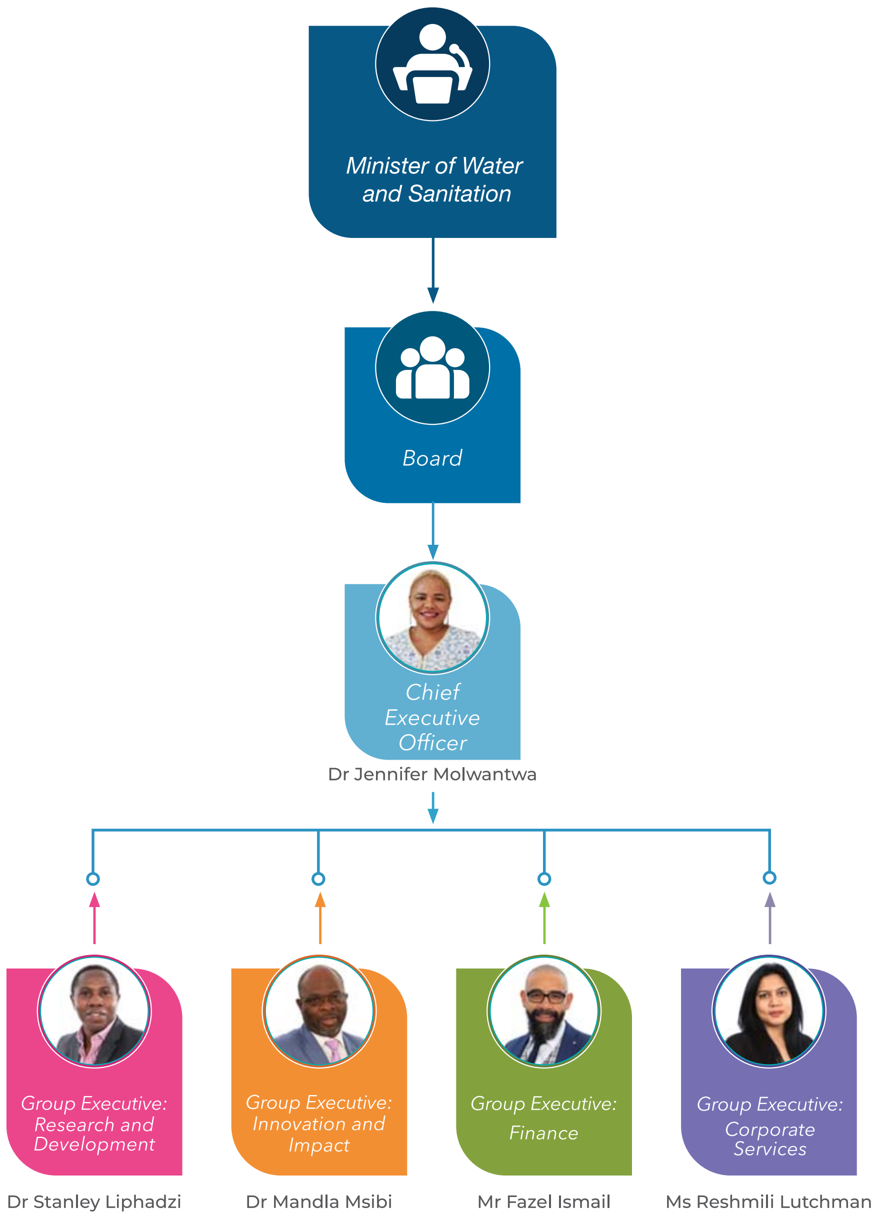


Figure 2. The WRC governance structure

The WRC mandate is illustrated in figure 3.

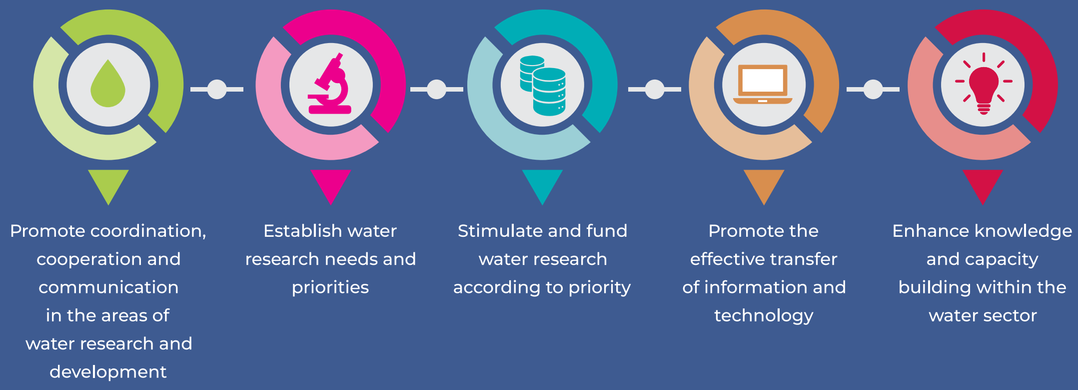


Figure 3. The WRC mandate

Research and Development (R&D)

This branch focuses on the generation of new knowledge as well as the mechanisms needed to support this, including human capital development and skills development.

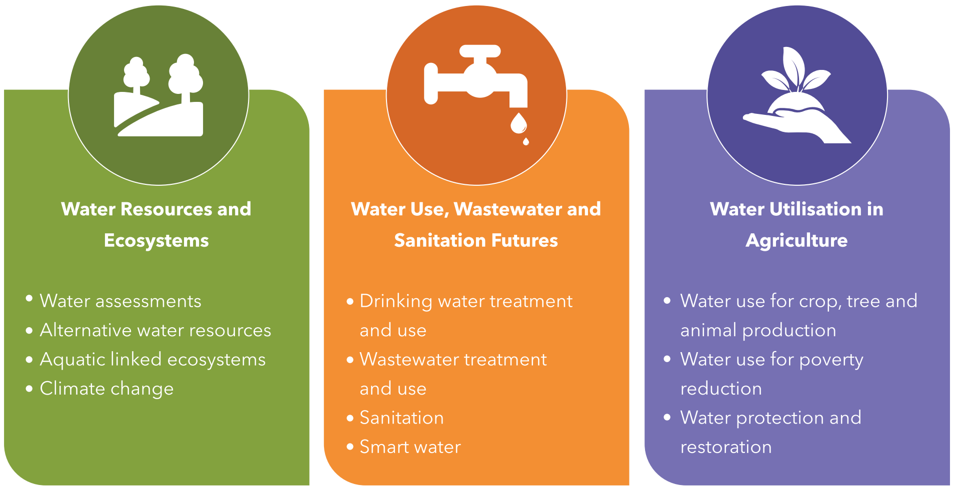


Figure 4. The three focus areas in the Research and Development branch of the WRC

Innovation and Impact

This branch entails a redefined focus on technology, product and industry development, business development and innovation realisation on the one hand, and enabling mechanisms such as knowledge dissemination, communication, and marketing on the other.

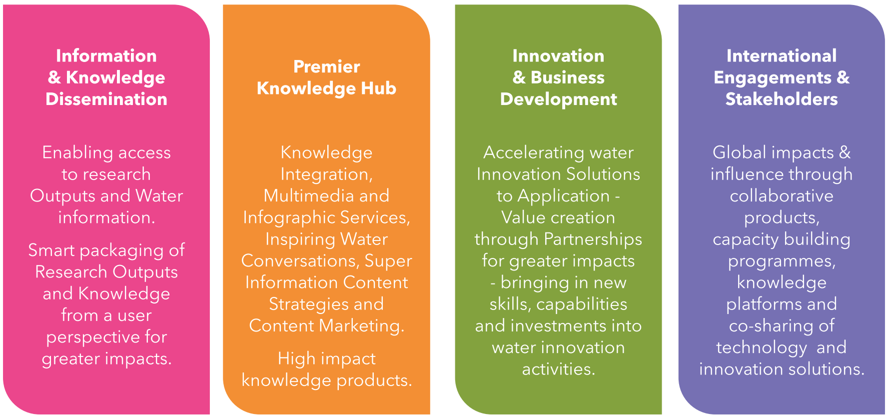


Figure 5. The four main focus areas of the Innovation and Impact branch

Corporate Services

The Corporate Services branch 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.

Figure 6. The five main focus areas of the Corporate Services branch

Finance

This branch is responsible for financial operations (creditors, payroll and record keeping), financial reporting, management accounting and supply chain management which supports the achievement of the Water Research Commission's (WRC) mandate and strategic objectives. The Finance branch focuses on improved efficiencies and effectiveness within the WRC's supply chain management (SCM) processes and the enhancement of financial planning capabilities which will contribute towards creating an appropriately funded and financially stable environment.

Figure 7. The main focus areas of the Finance branch

B

Section B: Performance Overview

The WRC's key performance areas (KPAs) are based on its strategic context and challenges, as well as specific strategic risk areas as identified by the Board and Executive Management. The WRC has four areas of performance as follows:

1. Research and Development
2. Innovation and Impact
3. Corporate services
4. Finance

During 2022/23 the WRC had not implemented the revised framework on strategic plans and the annual performance plan, hence the performance reporting is not impact and outcome based.

Research and Development (R&D)

This branch focuses on the generation of new knowledge as well as the mechanisms needed to support this, including human capital development and skills development.

Table 2. Research portfolio performance targets for 2022/23

Objective	Performance Indicator	Achieved 2020/21	Achieved 2021/22	Target 2022/23	Achieved 2022/23	Variance	Comments
Strategic objective: To enhance knowledge across the water knowledge and innovation cycle							
To enhance knowledge through new RDI projects initiated	The number of new RDI projects initiated in the 2022/23 financial year	120	110	95	121	+26	Target exceeded as a result of projects funded and co-funded by WRC research partners
To maintain a portfolio of RDI projects that enhance water knowledge and the innovation cycle	The total number of RDI projects managed by the WRC in the 2022/23 financial year	344	371	230	378	+148	Target exceeded as a result of projects funded and co-funded by WRC research partners
To complete and finalise RDI projects scheduled in the financial year	The number of research projects completed in the 2022/23 financial year	84	113	80	150	+70	Annual target met and exceeded due to: • The COVID-19 pandemic resulted in delays in the finalisation of research projects. Projects that were delayed in 2021/22 had to be finalised and have now been completed in 2022/23. • The recovery has now resulted in finalisation/completion of many more projects as the backlog had been cleared
Growing a more inclusive water and sanitation science community of practice	The total number of WRC managed projects led by female project leaders	144	162	100	172	+72	Annual target exceeded because of extra projects funded and co-funded by partners, and due to the previous year's delayed finalisation of some projects, owing to COVID-19 impact
	The number of new projects led by female project leaders	57	55	n/a	n/a	n/a	None
	The total number of WRC managed projects led by black male project leaders	108	109	70	127	+57	Annual target met and exceeded as a result of the implementation of the transformation agenda of the WRC which encourages project leadership by designated group researchers
	The number of new projects led by black male project leaders	32	34	n/a	n/a	n/a	None
	The total number of WRC managed projects led by black female project leaders	54	65	45	86	+41	Annual target met and exceeded as a result of the implementation of the transformation agenda of the WRC which encourages project leadership by designated group researchers

Objective	Performance Indicator	Achieved 2020/21	Achieved 2021/22	Target 2022/23	Achieved 2022/23	Variance	Comments
Growing a more inclusive water and sanitation science community of practice	The number of new projects led by black female project leaders	21	22	n/a	n/a	n/a	None
	The total number of black male and black female project leaders	252	n/a	n/a	n/a	n/a	None
	The total number of black male and black female project leaders on new projects	89	n/a	n/a	n/a	n/a	None
	The total number of WRC-funded projects led by female and black male project leaders	n/a	271	n/a	n/a	n/a	None
	The total number of new projects led by female and black male project leaders	n/a	89	n/a	n/a	n/a	None
Growing a more inclusive water and sanitation science community of practice	The total number of students on WRC managed projects	326		n/a	n/a	n/a	Annual target exceeded as the WRC encouraged institutions and project teams to recruit and support more students to work on WRC-funded projects. The WRC also received additional funding from its partners to financially support Master's and PhD students
	The number of students supported on all WRC managed projects: postgraduate students	304	344	n/a	n/a	n/a	None
	The number of emerging project leaders on WRC managed projects	45	25	n/a	n/a	n/a	None

Objective	Performance Indicator	Achieved 2020/21	Achieved 2021/22	Target 2022/23	Achieved 2022/23	Variance	Comments
Growing a more inclusive water and sanitation science community of practice	The number of young project leaders leading new WRC projects (35 years and younger)	n/a	n/a	10	24	+14	Annual target met and exceeded as more young researchers were encouraged to lead research teams in support of leadership development
Goring a more inclusive water and sanitation sector community of practice	Emerging project leaders (> 35 years) in new (initiated) WRC projects	n/a	n/a	5	32	+27	Annual target met and exceeded as there were more emerging project leaders than were estimated found to be leading WRC-funded projects
To increase the number of new innovations/ products and services produced from WRC research	The number of innovations/ products and services produced from WRC research	43	48	30	47	+17	Annual target met and exceeded as more guidance and support was provided to research teams to produce and identify new knowledge and innovations created by WRC-funded projects

The research portfolio was subjected to audit (refer to paragraph 14 to 18 of the audit report).

Project highlights under the R&D portfolio 2022/23

Innovative sanitation solution

Advancing human dignity using an innovative sanitation solution delivered to rural Limpopo province

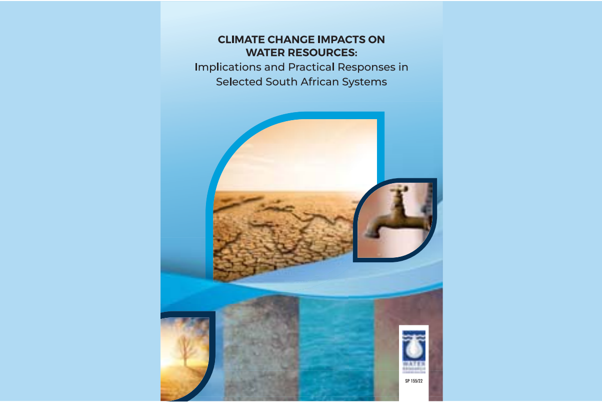
A partnership between PepsiCo Foundation, the WRC and Tsogang Water and Sanitation saw the provision of 120 households with off-grid, low-flush toilets in Makhuduthamaga Local Municipality, located in the Sekhukhune District Municipality, Limpopo. The project was launched during the first quarter of 2022/23. The WRC has been investing in the development of alternative sanitation options such as the low-flow toilet that could be used in rural settings. The toilet system was designed to have a look and feel similar to a full-flush toilet but enables greater flushing efficiencies and robustness. Requiring only two litres per flush, the toilet also features a handwashing station. The pour flush toilet can be flushed with rainwater, or any greywater, such as sourced from the kitchen, for instance. Waste is flushed into a septic tank located adjacent to the toilet structure. Through this project local people have been trained in the construction of the units, ensuring that the economic benefits of the project reach the community and boost local skills development. In this way, small repairs can be performed by community members themselves much quicker and cheaper than if an external service provider had to be contracted.

Improving water security

New guide for towns and cities to save and reuse water

Municipalities wanting to augment their traditional water sources through the reuse of wastewater can now do so safely and responsibly thanks to a new guide launched during the second quarter or 2022/23. The publication, *A water reclamation and reuse guide for South African municipal engineers* (**WRC Report No. TT 882/22**) was developed through an effort led by the WRC and the Institute of Municipal Engineering of Southern Africa (IMESA), in collaboration with water sector stakeholders represented by the Water Institute of Southern Africa (WISA). The treatment and reuse of wastewater for potable and non-potable purposes is widely practiced in both developed and underdeveloped countries. South Africa has substantial potential to reuse more wastewater for a variety of purposes – not just for drinking, but also for industrial use, agriculture, power station cooling or irrigating public parks, home gardens or car-washing. For this reason, water reuse has been identified as a viable strategy for South African municipalities to augment water supply to meet the increasing demand. Led by Cape Town–based water engineer, Chris Swartz, the new guide provides direction on the many safety, technical and financial aspects of reusing water. It consolidates previous research and includes several recent case studies, while also setting out the relevant legislative considerations for water reuse in South Africa. Among others, the guide emphasises the importance of ensuring adequate skills, training and safety measures to safeguard the quality of reused water, as this often incorporates more advanced treatment processes and technologies compared to conventional water treatment.

Climate change and water in South Africa



Book on climate change and water research to enhance resilience

The WRC's climate change research programme regularly assesses the role and impact of climate on water resources and also characterizes its contribution to climate-induced disasters. This programme is implemented through a Climate Change flagship programme which has operationalised collaborative research on priority water-related climate issues with partnerships forged along the innovation value-chain to enhance water research and development to address the water sector challenges in light of the changing climate. The purpose is to ensure improvement of the adaptive capacity of people, communities, governance structures and the sector at large to increase resilience to climate change, and development of the knowledge base for climate adaptation and decision support tools, site-specific responses and building a framework for sectoral response. The role of the WRC approach in climate change response is embedded within the quest for building adaptive capacity, resilience, improvement of early warning systems, reduced vulnerability and an improved ability to respond, coupled with proactive planning which ultimately advocates for sustainability. In this case the WRC produced a book which synthesizes efforts of climate change research in addressing challenges as experienced in different water-linked subsectors and reflects on possible practical solutions. The articles presented in this book arose from a series of research projects conducted collaboratively with the WRC's research partners, and aim to provide the necessary direction and advice in dealing with the consequences of climate change. The focus in this case is on rivers, wetlands, the coastal zone and practical case studies at a catchment scale within inland ecosystems.

WEF research culminates in new book

The launch of the book, Water Energy Food Nexus Narratives and Resource Securities. A Global South Perspective.

The water-energy-food (WEF) nexus is part of a movement towards more integrative thinking around water resource management. In essence it is a framework that captures the inter-relations, synergies and trade-offs between the demand for water, energy and food, in the context of the emerging constraints of sustainable development in particular regions or systems. The year also included the launch of the book, Water Energy Food Nexus Narratives and Resource Securities. A Global South Perspective. The book, available from Elsevier, provides a synthesis on the WEF nexus, focusing primarily on the global South. By presenting concepts, analytical tools, and case studies, the book serves as a practical resource for researchers, policymakers, and practitioners in sustainability and functional roles across all three sectors. During the year under review, the WRC and its partners also hosted the second WEF nexus winter school. The school offered delegates the opportunity of mentorship, engagement and sharing knowledge on the WEF nexus.

Innovation and Impact

This branch entails a redefined focus on technology, product and industry development, business development and innovation realisation on the one hand, and enabling mechanisms such as knowledge dissemination, communication, and marketing on the other.

Impact and partnership performance

The WRC's focus on innovation and impact takes into consideration that, as a public entity, the Commission contributes meaningfully to national initiatives designed to improve the lives of South African communities. In addition, there is an ongoing effort to demonstrate the economic and social returns from the WRC's investment in research and development. The Innovation and Impact (I&I) branch operates from the premise that solutions to the country's water and sanitation challenges lie with science-based decision-making, the development and implementation of new innovation technologies, smarter technological choices, and the creation of new water and sanitation products and industries.

Table 3. Impact portfolio performance targets for 2022/23

Objective	Performance Indicator	Achieved 2020/21	Achieved 2021/22	Target 2022/23	Achieved 2022/23	Variance	Comments
Strategic Goal: To promote transformation and redress							
To increase inclusivity for researchers and institutions to participate in WRC funding instruments, specialised contracts and general water and sanitation management issues	The number of WRC 101 workshops held in the financial year	6	6	3	3	n/a	Target met
	The number of WRC Roadshows to rural communities	n/a	4	n/a	n/a	n/a	None
Strategic Goal: To drive sustainable development solutions							
To create valuable platforms that enable the knowledge services strategy of the organisation	Develop the Knowledge Portal strategy by Q4	n/a	n/a	1	1	n/a	Target met
To ensure that the WRC drives science-based knowledge and sustainable solutions in the water sector through robust knowledge dissemination and adoption strategies	The number of workshops held in partnership with other institutions	24	24	30	30	n/a	Target met
	The number of WRC dialogues with partners and science institutions	19	12	6	6	n/a	Target met
	The number of conferences / summits with the WRC as a host	2	2	1	1	n/a	Target met

B

Objective	Performance Indicator	Achieved 2020/21	Achieved 2021/22	Target 2022/23	Achieved 2022/23	Variance	Comments
Strategic Goal: To inform policy- and decision-making							
To influence policy- and decision-makers with research-based knowledge	The number of science briefs produced by the WRC and disseminated to the relevant departments and other key stakeholders	n/a	n/a	12	12	n/a	Target met
	The number of policy briefs produced and distributed to relevant government departments and other entities	12	12	6	6	n/a	Target met
To influence policy- and decision-makers with research-based knowledge	The number of Ministerial briefs produced by the WRC and received by the Minister's Office	12	12	n/a	n/a	n/a	None
	The number of Parliamentary briefs produced and disseminated	6	6	n/a	n/a	n/a	None
	The number of working papers produced that support decision-makers with research-based knowledge	12	12	n/a	n/a	n/a	None
Strategic goal: To drive sustainable development solutions with strategic partners							
To position the WRC as a competitive and key development partner and leader in water and sanitation science and innovations nationally and globally (with a specific focus on Africa)	The number of strategic and collaborative engagements with strategic Water RDI international institutions, with a focus on African partnerships in 2022/23 to disseminate knowledge, build capacity and drive strategic conversations on key water and sanitation areas	5	4	4	6	+2	Target met and exceeded

Objective	Performance Indicator	Achieved 2020/21	Achieved 2021/22	Target 2022/23	Achieved 2022/23	Variance	Comments
To position the WRC as a competitive and key development partner and leader in water and sanitation science and innovations nationally and globally (with a specific focus on Africa)	The number of planned engagements with provinces and their municipalities and key stakeholders to understand water and sanitation science and innovation needs and knowledge dissemination opportunities	7	6	4	6	+2	Target met and exceeded
	The number of agreements signed with partnering institutions	15	13	6	10	+5	Target met and exceeded
Strategic objective: To empower communities							
To ensure that the WRC invests in the multiplier effect by driving public communication of science by the number of outputs that feed into public communications of science and positions the WRC as a trusted science partner	The collective number of opinion pieces, press releases, and research articles published	n/a	n/a	15	15	n/a	Target met

B

Project highlights under the I&I portfolio 2022/23

Changing the narrative of women in sanitation

On 10 August 2022 the WRC, in association with the South African Sanitation Technology Enterprise Programme (SASTEP) and the University of KwaZulu-Natal (UKZN), hosted a workshop titled 'Changing the sanitation landscape: Narratives of women in sanitation innovation'. The workshop focused on the experiences of women in sanitation, as both leaders and learners in sanitation innovation. Prof Cathy Sutherland from the UKZN School of Built Environment and Development Studies provided the introduction to the webinar, focusing on gender and sanitation in South Africa as well as the role of women in advancing innovation in sanitation. Thereafter six women – all engaged in different roles in sanitation innovation – presented their experiences of working in the field. The second part of the workshop focused on discussions around how to connect women's participation and knowledge to a gendered approach to sanitation innovation.

Successful knowledge transfer expo in Limpopo

The Giyani Local Scale Climate Change Resilience Programme (GLSCRP) is a community-advised and -led programme demonstrating climate adaptive responses and solutions for improved water utilisation in the Giyani municipal area, in Limpopo Province. The programme is a partnership between the Government of Flanders and the WRC, with collaborators Tsogang Water and Sanitation, the Association for Water and Rural Development and the University of the Western Cape. The project team is working with local authorities and communities to test new methods and innovations to supplement water supply, enhance food security and ultimately, improve livelihoods. The GLSCRP has several objectives, including: to strengthen the enabling environment in key communities in Giyani and to improve water utilisation for environmental, social and economic activities; implementation and scale-up of multiple use water systems, services and alternative energy options; and giving support to local economic development priorities and alignment with the development of a post-project sustainable strategy. The programme held a successful Knowledge Transfer Expo from 28 February to 2 March 2023 to demonstrate selected WRC-supported innovators in the realm of climate-resilient agriculture.

New partnership agreements signed during 2022/23

The WRC signed several new partnership agreements during the financial year under review. The Commissioned entered into a Memorandum of Understanding (MoU) with the humanitarian aid organisation, UNICEF, on 22 July 2022. The MoU is aimed at facilitating, supporting and implementing joint projects under the themes: water resources and ecosystems, water sanitation and hygiene, water quality, climate change, food systems and nutrition, youth and sanitation, and citizen science. An MoU was also signed with the Water4All project consortium on 17 October 2022. The purpose of this MoU is to establish a framework for collaboration between the two parties to facilitate, support and implement joint RDI projects on the management of water resources, resilience, adaptation, and mitigation to hydroclimatic extreme events and management tools. This was followed by the signing of a MoU on 1 March 2023 with the Mopani District Municipality in support of the GLSCRP. The MoU also aims to improve the energy, ground and surface water solutions developed in partnership with communities.

Enhancing capacity building in the water sector

On an annual basis, the WRC hosts WRC 101 Roadshows in partnership with different universities and institutions with the intent to build capacity in the science community both in South Africa and Africa. The purpose of the workshops is to familiarise new and upcoming project leaders with the submission process for the WRC's annual research call for proposals and as a platform to shed light on related fund and project management issues. For the 2022/23 financial year, the roadshows were held under the themes of women, youth and small, medium and micro enterprises (SMME), with the primary objective of increasing the number of female and youth project leaders on the organisation's funded projects and, with the knowledge generated from the research, to promote socio-economic development by providing solutions aimed at reducing poverty and inequality in communities. The roadshows were held on 9, 14 and 15 June 2022 in partnership with the University of Limpopo, University of Fort Hare as well as the Institute of Natural Resources and Khanyisa Projects, respectively.

Disseminating knowledge through theme-based events

Several theme-based knowledge sharing events were held throughout the year. As an example, the WRC hosted a virtual workshop titled 'Roundtable on the inclusion of youth as key partners in transforming water research science and growing youth employment' on 23 June 2022 in celebration of **Youth month**. The event, which saw in excess of 200 delegates in attendance, provided a platform to showcase the wealth of young intellectual capacity that South Africa has to offer in response to this year's Youth Month theme. It also aimed to inspire both male and female youth in the country and make them aware of the opportunities available within the water science research and development space.

the WRC commemorated **World Toilet Day** on 17 November 2022. The day was created by the United Nations in 2013 in a bid to break the stigma around toilets and encourage behavioural change and stimulate the increase of safe and appropriate sanitation. The WRC workshop was aimed at seeking insights from various generations of water, sanitation and hygiene (WASH) professionals on how and why they got involved in the field, what lessons they have learnt, and what advice they would give to future WASH professionals for them to succeed in their career.

This was followed by the hybrid **World Health Organisation World Antimicrobial Awareness Week (WHO WAAW) South Africa 2022 Symposium**, jointly hosted by the Water Research Commission, Stellenbosch University and the University of Johannesburg from 21 to 22 November 2022 at the Stellenbosch Institute for Advanced Study (STIAS, Stellenbosch). The theme for this year was 'Preventing Antimicrobial Resistance Together: A One Health Approach'. The Symposium was a successful multidisciplinary event that offered insights into how awareness of global antimicrobial resistance can be increased and how best practices among the general public can be encouraged.

Corporate Services

Through the functional areas of Information Technology, People and Culture, Legal and Compliance and Facilities and Corporate Social Responsibility, this branch aimed to create a workplace that is centered around meaning and impact in line with the WRC strategy. This aim was executed through the various strategies linked to these areas, but framed around an agility to the opportunities provided in the external and internal environment.

In the financial year under review, the branch continued with its vision to entrench its employee value proposition to influence a meaningful working environment that enabled the evolution and integration of technology, innovation, and people through strategic partnerships. The People and Culture approach during the year focused on re-organizing how we work with the intention to build human capital capability, improve service delivery and operational efficiencies.

The key performance areas under this portfolio address organisational transformation and focus on the enhancement of effective leadership and an improved level of staff performance, on the one hand, as well as the empowerment of communities as active participants in research projects, on the other hand.

Table 4. Human resources targets for 2022/23

Objective	Performance Indicator	Achieved 2020/21	Achieved 2021/22	Target 2022/23	Achieved 2022/23	Variance	Comments
Strategic objective: To enhance social responsibility and corporate responsibility							
To promote transformation and redress and cultivate a high-performance organisational culture	The total number of black employees	87%	88%	88%	89%	1%	The variance came as a result of employing the best candidate in vacant positions
	The total percentage of female employees	62%	57%	52%	58%	None	The variance came as a result of employing the best candidate in vacant positions
	The total percentage of employees with a disability	5%	4%	3%	6%	None	The variance came as a result of employing the best candidate in vacant positions
To improve employee development and growth	Maintain the number of staff with Master's degrees	16	16	22	22	None	n/a
	The number of staff with PhDs	16	15	15	16	+1	The WRC was able to attract and appoint one additional staff member with a PhD

Finance

The Finance Branch comprises two functional areas, being financial management and supply chain management, that provide support services to the WRC operations as follows:

- End to end processing –
  - payments to service providers
  - employee compensation and associated transactions
- Financial record keeping and account reconciliations to ensure accuracy of transactions and associated information
- Ensuring compliance with the applicable financial regulations
- Providing information to enable financial decisions, including income and expenditure analysis and budget monitoring
- Reporting to various stakeholders including Shareholder, National Treasury, Board and other governance structures and leverage partners
- Procurement of goods and services and ensuring compliance with the relevant prescripts

The objective of this branch is to contribute towards the financial sustainability of the entity, achieve unqualified audit results through meeting the required accounting and auditing standards and complying with legislative prescripts, and to render the best financial and supply chain management services for the institution.

Table 5. Summary of financial performance for 2022/23

Objective	Indicator	Annual Performance target	Actuals	Variance	Reasons for variances
Maintain income growth	Initiate contracts with other organisations that increase leverage funding	3	5	+2	Annual target exceeded due to interest of leverage funders
Improve responses to internal audit results	The percentage of the internal audit queries fully addressed.	100% of all internal audit queries fully addressed	100%	No variance	No variance
Improve response to external audit results	The achievement of a clean audit report	Clean audit report achieved	Clean audit report achieved	No variance	No variance
	The percentage of the internal audit queries fully addressed.	100% of all external audit queries fully addressed	100%	No variance	No variance

Financial sustainability indicators for the Water Research Commission

Income sources for the WRC

The Water Research Levy (WRL) is the WRC's main source of revenue. The WRC does not collect levies on its own behalf. The Rand Water Board, Umgeni 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.

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. In addition, it enables the WRC to do more research than it otherwise would be able to. The leverage income component generally attracts a nominal management fee that would be used as a contribution to the WRC overhead costs.

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. Sales and/or commercial and miscellaneous income is not a material source of funds and mostly relates to royalties and funds received from the Energy & Water Sector Education Training Authority (EWSETA). These revenue categories, whilst not a major source of funds, are also used to contribute to WRC research and overhead expenses.

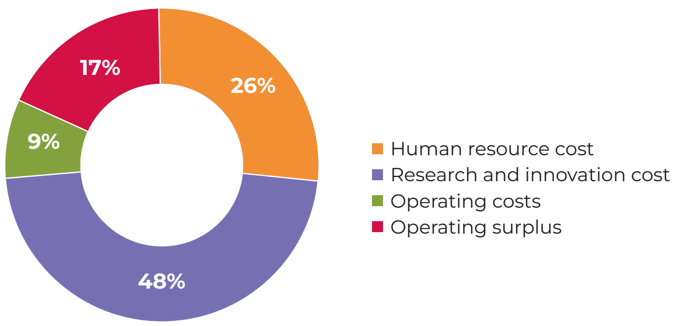


Figure 8: Expenditure in relation to revenue generated during the 2022/23 financial year.

Notes Figure 13:

1. **Percent of the total revenue spent on human resources costs (26%)** calculated as human resources costs / total revenue generated (as per Statement of Financial Performance)
2. **Percent of total revenue spent on research and innovation costs (48%)** calculated as total research and innovation costs incurred / total revenue generated (as per Statement of Financial Performance)

As can be seen from Figure 13, 48% of the revenue generated by the WRC is utilised for research, development and innovation activities in the furtherance of the mandate of the entity.

Table 6. Current ratio

Indicator of Financial Sustainability	
Current assets	471,241,447
Current liabilities	189,693,833
Current ratio*	2.5: 1

* Calculated as current assets/current liabilities (as per Statement of Financial Position)

As can be seen from Table 6 the current ratio of 2.5 is higher than the norm of 2:1. This provides evidence of the WRC's liquidity as the WRC has the capacity to meet its short-term obligations or those due within one year.

C

Section C: Governance

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 Public Finance Management Act and the Water Research Act. The WRC is governed by the Board as appointed by the Minister of Water and Sanitation in terms of the Water Research Act. The WRC has a CEO who is responsible for the day-to-day management of the WRC and is accountable to the Board.

Members of the WRC Board until 31 March 2023

Dr Nozibele Mjoli
Chairperson

Prof Sibusiso Vil-Nkomo
Vice-Chairperson

Dr Aldo Stroebel

Dr Ntombifuthi Nala

Mr Imraan Patel

Dr Mosidi Makgae

Ms Nompumelelo Msezane

Ms Masaccha Khulekelwe Mbonambi

Dr Jennifer Molwantwa
CEO

Portfolio committees

The Water and Sanitation Portfolio Committee is responsible for oversight of the Department of Water and Sanitation (DWS) and the WRC. During the reporting period the WRC tabled to the portfolio committee its Annual Performance Plan and reported on the financial and non-financial performance of the WRC.

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 Water Research Act and Public Finance Management Act (Act no. 1 of 1999) and is also aligned with recommended best practices. The Board Charter is reviewed annually and is up to date.

The Board composition and attendance is tabulated in Table 7.

Table 7. Board members and meetings attended

Name of member	Date of appointment	Board meetings	Research and Innovation Committee	HR, Social & Ethics Committee	Board EXCO	Audit, Risk & Finance Committee
Dr Nozibele Mjoli (Board Chairperson)	1 February 2016-31 March	12	4	n/a	2	8
Prof Sibusiso Vil-Nkomo (Deputy-Chairperson)	1 February 2016-31 March	10	n/a	4	0	7
Ms Nompumelelo Msezane (Chairperson of the HRSEC)	11 February 2016-31 March	10	4	8	2	n/a
Mr Imraan Patel	1 February 2016-31 March	2	0	n/a	n/a	n/a
Dr Ntombifuthi Nala	1 February 2016-31 March	6	3	7	n/a	n/a
Dr Aldo Stroebel	1 February 2016	4	0	n/a	n/a	1
Ms Masaccha Mbonambi (Chairperson of the ARFC)	1 February 2016-31 March	12	n/a	n/a	2	10
Ms Mosidi Makgae (Chairperson of the RIC)	1 February 2016-31 March	12	4	6	1	n/a
Dr Jennifer Molwantwa (CEO and ex-officio member)	1 April 2022	10	3	7	n/a	10

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 Risk and Finance Committee (ARFC) (statutory committee)
- Research and Innovation Committee (RIC)
- Human Resources, Social and Ethics Committee (HRSEC)
- Board Executive Committee (Board EXCO)

Table 8. WRC Board Committees

Board & Committee	No. of meetings held	No. of members	Name of members
Board	12	9	Dr Nozibele Mjoli (Chairperson) Prof Sibusiso Vil-Nkomo (Deputy-Chairperson) Dr Aldo Stroebel Dr Mosidi Makgae Ms Nompumelelo Msezane Ms Masaccha Khulekelwe Mbonambi Mr Imraan Patel Dr Ntombifuthi Nala Dr Jennifer Molwantwa (CEO)
Audit, Risk and Finance Committee	11	5	Dr Masaccha Khulekelwe Mbonambi (Chairperson) Dr Aldo Stroebel Ms Shelley Thomas Prof Sibusiso Vil-Nkomo Mr Philani Dlamini
Research and Innovation	4	7	Dr Mosidi Makgae (Chairperson) Dr Aldo Stroebel Ms Nompumelelo Msezane Dr Ntombifuthi Nala Mr Imraan Patel Dr Jennifer Molwantwa (CEO) Dr Jannie Maree (co-opted member)
HR, Social and Ethics	8	5	Ms Nompumelelo Msezane (Chairperson) Dr Mosidi Makgae Dr Ntombifuthi Nala Prof Sibusiso Vil-Nkomo Dr Jennifer Molwantwa (CEO)
Board Exco (also serves as Remuneration Committee)	2	5	Dr Nozibele Mjoli (Chairperson) Prof Sibusiso Vil-Nkomo Dr Mosidi Makgae Ms Nompumelelo Msezane Ms Masaccha Mbonambi

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 9. Remuneration paid to each Board member in 2022/23 in respect of preparation for and attendance of meetings

Name	Remuneration rate (R per meeting)	Total (R)
Dr Nozibele Mjoli (Chairperson)	2,711	192,481
Prof Sibusiso Vil-Nkomo (Deputy-Chairperson)	2,050	100,450
Ms Mpumi Msezane	2,050	131,200
Dr Mosidi Elizabeth Makgae	2,050	98,400
Dr Ntombifuthi Patience Nala*	0	0
Dr Aldo Stroebel	2,050	24,600
Ms Masaccha Khulekelwe Mbonambi	2,050	178,350
Ms Shelley Thomas	2,050	61,500
Mr Philani Dlamini	2,050	96,350
Dr Jannie Maree	2,050	4,100
Mr Imraan Patel	0	0
Dr Jennifer Molwantwa (CEO)	0	0

** Dr Ntomifuthi Patience Nala is a state employee and was not eligible for remuneration.*

Risk management

The WRC Board is accountable for the process of risk management, which is reviewed regularly. Risk management at the WRC is a continuous process. The WRC has established a risk management framework. The Board, through the Audit, Risk and Finance Committee, ensured that management regularly conducted risk assessments to determine the efficiency of response strategies to manage key risks.

The Audit, Risk and Finance Committee reports to the Board on the overall system of risk management, especially the mitigation of unacceptable levels of risk. The Audit, Risk and Finance Committee advised the WRC on risk management and independently monitored the effectiveness of the risk management. Together with Executive Management, the Audit, Risk and Finance Committee identified new and emerging risks, and these were reported to the Board and managed. The Board relied on the Audit, Risk and Finance Committee to monitor the effectiveness of such strategies and received assurance that the identified strategic risks are appropriately mitigated.

The WRC has thus seen progress in its risk maturity and the management of risks which has translated into improved performance.

Internal control function

To enable it to meet its responsibility to provide reliable financial information, the WRC maintains accounting systems and practices adequately supported by a system of internal controls. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management authority and that the assets are adequately safeguarded.

The internal audit function monitors the effectiveness and efficiency of the internal control systems, reports their findings, and makes recommendations to management and the Audit, Risk and Finance Committee of the WRC Board, and monitors whether corrective action has been taken.

Internal audit & audit committee

In line with the requirements of the Public Finance Management Act (PFMA) and Treasury Regulations, the WRC has an in-house internal audit function. The Internal Audit Function provides assurance to the Board, through the Audit, Risk and Finance 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 WRC in-house function has adopted formal terms of reference as its Internal Audit Charter. The in-house internal audit function prepared a rolling three-year internal audit plan, which on the recommendation of the Audit, Risk and Finance Committee was approved by the Board. The in-house internal audit function reports directly to the Audit, Risk and Finance Committee. For the 2022/23 financial year the unit performed the following audits:

- Leverage income review
- Supply chain management review
- Payroll review
- Research and development review
- Performance information review
- IT general controls review
- Corporate governance review
- Compliance review
- Innovation and impact review
- Business Management System (BMS) post-implementation and application control review
- Follow-up reviews on previous internal audit reports issued and the Auditor-General report
- Ad hoc reviews

The primary purpose of the Audit, Risk and Finance Committee is to provide oversight of the financial and non-financial reporting process, the audit process, the systems of risk management, financial management, internal audit, internal controls and compliance with laws and regulations.

Table 10. Audit Committee members

Name	Qualifications	Internal/ External	Date appointed
Ms Khulekelwe Mbonambi (Chairperson)	B.Com Accounting, B.Com (Hons), a certificate in Board Governance, certificate in Enterprise Risk Management	External	1 February 2016
Ms Shelley Thomas	CA SA	External	1 November 2017
Mr Philani Dlamini	B.Com Accounting (Hons), CA SA, Certified Internal Auditor	External	1 November 2017
Prof Sibusiso Vil-Nkomo	PhD	External	1 February 2016
Dr Aldo Stroebel	PhD, Postdoctoral research at Wageningen University (The Netherlands)	External	1 February 2016

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, Risk & Finance Committee and Board.

Fraud and corruption

The WRC has a zero-tolerance fraud and corruption policy. All fraud and corruption will be investigated and followed up. The application of all remedies falls within the full extent of the law and the implementation of appropriate prevention and detection controls. The WRC has an approved fraud prevention policy 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 fraud hotline calls received are reported on a quarterly basis to the Audit, Risk and Finance Committee.

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'.

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.

Report of the audit committee

We are pleased to present our report for the financial year ended 31 March 2023.

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 of control over finances and disclosure. The committee examined the yearly financial statements to ensure that they fairly represented the entity's financial position in accordance with PFMA, Treasury Regulations, and generally accepted accounting principles (GRAP).

Audit committee composition

The Committee comprised of five (5) non-executive members, of which three (3) are members of the WRC Board and two (2) are external members. The Committee comprises of persons with a blend of skills, knowledge, and experience necessary to discharge its responsibilities. As at 31 March 2023, the Committee comprised of the following members:

1. Ms Khulekelwe Mbonambi (Chairperson)
2. Prof Sibusiso Vil-Nkomo
3. Dr Aldo Stroebel
4. Mr Philani Dlamini
5. Ms Shelley Thomas

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 (IA) and the External Auditors give the board an opportunity to improve. The IA function is responsible for evaluating the control environment and assists the Committee to fulfil its responsibilities. The IA unit operated satisfactorily during the 2022/23 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 2022/23 audit. The Committee accepted the engagement letter, audit plan, and fees for the fiscal year that concluded on March 31, 2023, after consulting with Management; the Board had already authorized the engagement agreement.

The Committee accepts the Unqualified audit opinion and conclusion expressed by the AGSA on the Annual Financial Statements and the Annual Performance Report.

B-BBEE compliance performance information

The B-BBEE Compliance Performance Information is disclosed in terms of the Annual Report Guide for Schedule 3A and 3C Public Entities as updated by National Treasury in August 2022.

Table 11. Application of the relevant Code of Good Practice (B-BBEE 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 criteria 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 criteria 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 criteria is not applicable to the WRC and therefore no measures are required to ensure compliance.

In the 2022/23 financial year, the WRC submitted the relevant documentation to the B-BBEE Commission within the required submission deadline; however, it received a non-compliant BBBEE certificate, due to the amount of spend done on skills development and enterprise development.

At the time of writing (2023/24), the independent B-BBEE assessment and verification process was underway, with the necessary B-BBEE training of staff based on the internal action plan to achieve full compliance with the BBBEE Act and the BBBEE Regulation.

Members of the WRC Board since 1 April 2023

The term of office of the previous Board came to an end and 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

D

Section D: Human resources management

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

Re-building teams

As an employer the WRC has a responsibility to prevent workplace isolation. Thus, over 2022/23 the Commission prioritised social connections as employees returned back to the office from remote work and social distancing. This included:

Group/team sessions (three-day workshop)

- Addressing integration challenges
- Creating cohesion and synergy across teams
- Breaking down any internal boundaries and barriers across teams
- Supporting outcome achievement
- Practice being in integrity & action of goals
- Increase clarity & direction
- Inspire & motivate & create success
- Address fear and other obstacles

Individual coaching sessions (six sessions per employee)

A coaching cycle or 'programme' consisted of 6 one-hour sessions conducted virtually (time agreed between the employee and the appointed coach). Core benefits included:

- Experiencing greater focus, clarity and purpose
- Improving performance in all areas of your life including your career
- Increasing power and confidence, resilience
- Eliminating stress and/or worry through structured interventions
- Provoking breakthroughs
- Achieving goals, you might never reach on your own
- Being more organized according to 'first things first'
- Taking control of the areas that are holding you back.

The re-building of teams focused on the employee as an individual and then the alignment of teams. From this perspective, the organisational development strategy and wellness strategy was merged in order to achieve significant impact as the common thread through these processes was about building resilience.

Building resilience

The pandemic not only changed business dynamics, but also the approach towards employee mental health. Compassion and empathy are no longer seen as extra, nice-to-have qualities. They are now essential. Businesses are increasingly focusing on investing in caring for their employees, and amplifying existing people frameworks, policies, and support groups to better support employee wellbeing. In this light, the WRC presented the following HR workshops during 2022/23:

- Information about COVID-19 vaccines
- Creating the 'optimal you'
- State management and self-awareness
- Perceptive thinking
- Well-formed outcomes
- The road to better health and wellbeing
- Effective communication
- Building resilience and tenacity
- Caring for self, loved ones, and colleagues
- Dealing with difficult people
- Work-life integration
- Memory training

Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce

The transformation in the workplace due to the COVID-19 pandemic and the fourth industrial revolution and their consequences remain the reason the WRC has continued to be intentional around reinventing its HR practices and process in alignment with shifts in the Commission's infrastructure, technology and spaces. Our working modality has become and continues to be a new way of working. Technology has accelerated the implementation of a digital way of working that encourages an agile environment. Together with that our purpose is to facilitate a positive employee life experience by enabling personal and professional growth through providing thought leadership in the area of people and culture.

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, and improving service delivery and operational efficiencies.

By this positioning, the WRC continues to attract and retain a skilled and capable workforce. Accompanied by a focused skills development and capacity enhancement programme, the WRC is placed in a good position as an employer of choice.

Employee performance management framework

Purpose

The **performance measurement policy** is to define the rules for the measurement of performance and the payment of performance bonuses and performance-based pay progressions.

Principle

The WRC manages performance in a consultative, supportive and non-discriminatory manner in order to enhance organisational efficiency and effectiveness, accountability for the use of resources and the achievement of results. Performance management processes align with the WRC's Key Performance Areas (strategic goals), its values and code of ethics and include plans for employee development. 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.

Systems for performance management and employee development

The WRC enters into annual performance agreements with each employee. Performance is linked to organisational KPAs and includes self-development for employees, and is assessed at the hand of an assessment tool which is output-driven. Performance objectives are the key elements of a performance assessment tool.

For each employee the WRC designates in writing:

- The period in respect of which performance is to be assessed (1 April – 31 March). The agreement must be signed within the first quarter of that performance year. In respect of the CEO, the signing is determined by the Board Schedule.
- Irrespective of the date of signing the key performance agreement is effective from 1 April until 31 March.
- On signing the key performance agreement, the employee and line manager agree to the targets set for the assessment period.
- The mid-year assessment dates and the annual date of final assessment of performance. (The mid-year assessment is for the period April to September.) The outcome of this assessment must be submitted to HR for record-keeping purposes no later than 31 October. In respect of the CEO, the mid-year assessment will be determined by the Board Schedule.
- The line manager responsible for monitoring, supervising and assessing the employee's performance.

It will be the responsibility of the line manager to explain the performance assessment procedures to the employee and to inform the employee of the criteria used for her or his performance assessment (before, or as close to the commencement of every new assessment cycle, or within one month after appointment or promotion to a post).

The employee shall develop, in consultation with her/his line manager, his/her key specific performance objectives set against the KPA. The objectives, measurables/ indicators and target dates are agreed upon by both employee and line manager.

The line manager and the employee must have a mid-year assessment to discuss progress and achievements against the set objectives as well as issues hindering the employee's success in achieving these objectives. There must be a written record of the meeting which must be signed off by both parties. The final year-end appraisal meeting will serve as the final annual performance evaluation (taking into account previous performance meetings).

In specific cases, where a clear need to adjust the individual's KPAs is identified on the basis of the above-mentioned appraisal discussions, the employee's KPAs may be adjusted by mutual agreement. The results of the annual assessment of performance for all employees will be moderated.

The moderation committee for all levels from Executive Manager to below will include the CEO and all Group Executives. The Board of the WRC will serve as the moderation committee for the CEO and Group Executives.

General principles

Strategic planning and performance assessment

The contents of a performance agreement should be clear and should directly relate to the WRC's Corporate Plan and the specific KSA's business plan for the coming year.

Employee development

Key conditions for effective performance are that employees take responsibility for results but also that they are given the opportunity for ongoing learning and development about how best to achieve them. Employees should develop their KPAs in consultation with their supervisors and both should be identifying ways in which performance could be improved; areas of self-development should be included in the employee's KPAs as part of her/his specific objectives.

Communication

Communication is key to performance management and development. Employees should not just know, but also understand, the vision, mission, and the KPAs of the WRC. It should be clear to all employees how they are expected to contribute to the achievement of these organisational KPAs.

Performance assessment should be conducted as a discussion between staff and their supervisors and should include a self-assessment by the employee. Both the employee who is being assessed and her or his supervisor should, by mutual agreement, sign off the appraisals before submission to WRC Executive.

If, during the final year-end formal appraisal meeting, the presence of an independent, uninvolved observer may be required to avoid potential dispute, the employee or her/his supervisor may call for the presence of another supervisor. This should be done based on mutual agreement between the employee and the supervisor. Should there be no agreement in respect of the attendance of an observer, it will be referred to the WRC's dispute resolution procedure.

Dispute resolution

If an employee does not agree with the final year-end appraisal, she/he has the right to follow the WRC's dispute resolution procedures.

Organisational learning

The WRC should ensure that systems are in place to enable learning to take place at organisational as well as individual level, especially where shortcomings or non-compliance with required standards have been identified.

Performance rewards (cash bonuses)

Performance rewards (cash bonuses) are determined by apportionment of the performance bonus budget as approved by the Minister for that financial year. The approved budget cannot be exceeded without the authority of the Minister.

Under-performance

Unsatisfactory performance, when identified, will be managed. If an employee fails to demonstrate the commitment or ability to bring performance up to the level expected in the job and to deliver the required outputs despite management efforts to encourage improvement, this will be dealt with appropriately in terms of the WRC procedures.

Performance-based pay progression

Performance-based pay progression is an upward progression in remuneration from a lower remuneration level or package to a higher level or package within the same job level or grade. The assessment for a performance-based pay progression shall be in terms of the performance measurement system of the WRC and will be implemented based on the availability of the approved budget.

Payment of performance bonus upon termination

If employment has been terminated by either death, resignation, retrenchment or retirement the performance bonus becomes payable under the following conditions:

- There must be a signed performance agreement.
- The employee must have completed the full assessment period in the employ of the WRC (1 April to 31 March).
- The employee must be assessed.
- The assessment results in either a Category A, B bonus and performance-based pay progression.
- The required approvals are obtained for the payments of bonuses and pay progression.
- The payment of the bonus and the implementation of the pay progression will be effected in the month that it becomes payable to all WRC employees.

Records

Records must be filed with Corporate Services.

Contraventions of the policy

Contravention of this Policy and associated WRC Policies or Procedures referenced herein will lead to disciplinary action.

Policy review

This policy will be reviewed every three years unless the need arises.

Employee wellness programmes

The WRC has the following programmes on offer for its employees:

- Integrated physical wellness: which covers weight loss programme, diet and nutrition and sports and recreational activities.
- Psychosocial services: which covers face-to-face counselling (virtual), telephonic counselling, trauma (grief) counselling and debriefing.
- Life management services include health and medical support services, legal advisory services, financial advisory services and family care and support.
- Empowerment sessions, which includes management consultancy and training, training and awareness on health and wellness issues.

Policy development

In compliance with the Public Finance Management Act, Labour acts of South Africa and other Acts such as POPIA, the WRC develops and updates policies regularly. The development of a policy begins with the drafting of the policy, employee engagement, Executive approval and finally Board approval.

Challenges faced by the public entity

The WRC is funded through the Water Research Levy. The compliance environment is changing continuously with increasing complexity. Increasingly more human resources are required to deliver and comply. The need to increase human resources has been putting more pressure on the limited levy purse. The WRC's biggest challenge is therefore doing more with less – hence the investments in employee support and wellbeing.

In 2022/23 the WRC went through a strategic review process and as a result halted recruitment for levy-funded positions. Despite this, the entity managed to achieve all targets set for the 2022/23 financial year with the staff available.

Future HR plans/goals

The WRC has embarked on a process to re-align its structure to support its strategy. One of the core principles being used is to create efficiencies in the structure to ensure that the WRC remains financially sustainable and, at the same time, remains relevant in achieving its core mandate.

To achieve the above the WRC embarked on a project to deliver the following during 2022/23:

- Review of the business of the WRC and advise on the most appropriate service delivery methodology in line with its value chain.
- Conduct an organisational design study within the WRC for all business units highlighting areas

of strengths, improvements, weaknesses, risks and provide documented processes for all sections based on current operations and future operations based on the draft fit for the purpose of the structure.

- Develop the draft organisational structure and business unit structures in accordance with organisational objectives, requirements and fit-for-purpose structure.
- Conduct organisational structure benchmarks with other organisations for the purposes of organisational fit-for-purpose alignment and industry standard.
- To provide reports and present to relevant governance structures of the organisation.

Human resources oversight statistics (Finance)

Table 12. Personnel cost by programme/activity/objective

Programme/activity/ objective	Total expenditure for the WRC (R)	Personnel expenditure (R)	Personnel expenditure as a % of total expenditure	No. of employees	Average cost per employee (R)
Research, development and Innovation, Knowledge and Impact, Administration	336,297,414	108,195,089	32.17%	91	1,188,957.02

Table 13. 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	108,609,273	Amount as per the Statement of Financial Performance
Leverage funded employees	10,718,179	Salaries in respect of leverage funded employees have been re-allocated to research, development and innovation costs.
Merit bonuses paid	4,376,622	The actual payments made in respect of merit bonuses during the financial year however excludes Senior Management, as the necessary approval is still being sought.
Reversal of provision for merit bonus	(11,634,649)	The merit bonuses included within employee-related costs represents the provision raised for the cash component of the performance incentives for the 2022/2023 financial year.
Directors renumeration	(887,431)	This is in respect of remuneration payable to Non-Executive Directors (Board and sub-committee members)
Compensation Commissioner	(397,398)	This is not directly related to employees but a payment to the Department of Labour
Company contributions- SDL	(9,685)	Other SDL contributions, such as Non-Executive Directors etc.
Leave and bonus provision	(2,579,822)	Provision for accounting purposes, thus not paid to employees
TOTAL	**108,195,089**	

Table 14. Personnel cost by salary band

Level	Personnel expenditure (R)	Personnel expenditure as a % of total expenditure	No. of employees*	Average personnel cost per employee (R)
Top management	15,886,172	14,68%	5	3,177,234
Senior management	45,021,593	41,61%	29	1,552,469
Professionals	37,318,768	34,49%	39	956,891
Skilled	9,284,092	8,58%	16	580,256
Unskilled	684,465	0,63%	2	342,233
TOTAL	**108,195,089**	**100%**	**91**	**1,188,957**

* Employees paid during the year comprise the following:

Appointed at the beginning of the period	85
Appointments during the year	4
Temporary filled positions	2
Total	91

Table 15. Performance rewards (Bonuses & PBPs)

Level	Performance rewards	Personnel expenditure (R)	% of personnel rewards to total personnel cost
Top management	414,423	15,886,172	0,38%
Senior management	653,999	45,021,593	0,60%
Professionals	4,034,958	37,318,768	3,73%
Skilled	861,876	9,284,092	0,80%
Unskilled	79,868	684,465	0,07%
TOTAL	**6,045,125**	**108,195,089**	**5,59%**

Table 16. Training costs

Programme/activity/ objective	Personnel expenditure (R)	Training expenditure (R)	Training expenditure as a % of personnel cost	No. of employees trained	Average training cost per employee (R)
Study grants and short courses	108,195,089	1,255,082	1,16%	85	14,766

Table 17. Employment and vacancies

Level	Approved positions	No. of employees	No. of vacancies	% of vacancies
Top management	5	5	0	-
Senior management	39	25	14	36%
Professionals	45	37	8	18%
Skilled	21	14	7	33,33%
Semi-skilled	5	0	5	100%
Unskilled	3	2	1	33,33%
TOTAL	**118**	**83**	**35**	**29,66%**

Note to table: In 2022/23 the WRC went through a strategic review process. As an outcome of this process the WRC needed to conduct an organisational design review. This process identifies dysfunctional aspects of workflow, procedures, structures, and systems, realigns them to fit current business realities/goals (strategy) and then develops plans to implement the new changes. This organisational review process was still underway by the end of the financial year, which might result in structural position changes in 2023/24. Once the new structure is approved, the recruitment process will commence to fill the vacant positions as per the new structure. The only positions the WRC recruited for in 2022/23 were leverage funded positions and temporary positions were there was capacity stretch.

Table 18. Employment changes

Level	Appointment at beginning of the period	Appointments	Terminations	Appointment at end of the period
Top management	5	0	0	5
Senior management	25	3	3	25
Professionals	38	1	2	37
Skilled	15	0	1	14
Semi-skilled	0	0	0	0
Unskilled	2	0	0	2
TOTAL	**85**	**4**	**6**	**83**

*One African female was appointed in a temporary position and not included in the table.

Table 19. Reasons for staff leaving

Reason	Number	% of total number of staff leaving
Death	0	0 %
Resignation	5	83.3%
Dismissal	0	0 %
Retirement	0	0 %
Ill Health	0	0 %
Expiry of Contract	0	0 %
Other (Retrenchment)	1	16.7%
TOTAL	**6**	**100 %**

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

- Career growth opportunities and new networks
- Left for an organisation that provides the opportunity to work remotely
- Toxic work environment

Labour relations: Misconduct and disciplinary action

There were no labour relation actions taken for the reporting period.

Table 20. Equity target and employment equity status

Occupational level	MALE								Foreign national
	African		Coloured		Indian		White		
	Current	Target	Current	Target	Current	Target	Current	Target	Current
Top management	2	2	1	1	0	1	0	0	0
Senior management	6	12	2	2	2	3	1	1	4
Professionals	12	4	1	0	0	0	0	1	0
Skilled	2	9	1	1	0	0	0	1	0
Semi-skilled	0	1	0	0	0	0	0	0	0
Unskilled	1	1	0	0	0	0	0	0	0
Totals	**23**	**29**	**5**	**4**	**2**	**4**	**1**	**3**	**4**
Temporary employees	0	1	0	0	0	0	0	0	0
Grand Total	**23**	**30**	**5**	**4**	**2**	**4**	**1**	**3**	**4**

Occupational level	FEMALE								Foreign national
	African		Coloured		Indian		White		
	Current	Target	Current	Target	Current	Target	Current	Target	Current
Top management	1	0	0	0	1	1	0	0	0
Senior management	5	9	0	1	2	2	2	1	1
Professionally qualified	17	14	1	1	0	1	6	9	0
Skilled	11	13	0	1	0	1	0	0	0
Semi-skilled	0	2	0	0	0	0	0	0	0
Unskilled	1	1	0	0	0	0	0	0	0
Grand Total	**35**	**39**	**1**	**3**	**3**	**5**	**8**	**10**	**1**

* A total of 49 females are employed by the WRC, however, one African female was appointed in a temporary position and not included in the table.

Occupational level	DISABLED STAFF			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	1	0
Senior Management	1	1	0	0
Professionally Qualified	0	0	3	3
Skilled	0	0	0	0
Semi-Skilled	0	0	0	0
Unskilled	0	0	0	0
Grand Total	**1**	**1**	**4**	**3**

E

Section E: PFMA compliance

Irregular expenditure

Table 21. Reconciliation of irregular expenditure

Description	2022/23	2021/22
	R	R
Opening balance	12,216,527	-
Add: Irregular expenditure confirmed	-	12,216,527
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	-	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	**12,216,527**	**12,216,527**

Irregular expenditure 2021/22 financial year

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

Performance bonuses and salary increases were not approved by the delegated authority in line with the WRC's Delegations of Authority. The impact of the performance bonuses for the 2019/20 financial year (R4,701,120), 2020/21 financial year (R2,913,959) and 2021/22 financial year ((R3,446,851) has been disclosed as irregular expenditure. The impact of the salary increases for the 2019/20 financial year (R225,719), 2020/21 financial year (R446,416) and 2021/22 financial year (R482,462) has been disclosed as irregular expenditure, however, the classification of the expenditure as irregular is in dispute. The WRC has requested the National Treasury for guidance to determine if the expenditure of an amount of R12,216,527 constitutes irregular expenditure.

Consequence management

Appropriate consequence management in line with the National Treasury Framework on Irregular Expenditure was underway during 2022/23 but had not yet been concluded by the end of the financial year.

Table 22. Reconciling notes

Description	2022/23	2021/22
	R	R
Irregular expenditure that was under assessment in 2022/23	-	-
Irregular expenditure that relates to 2019/20 and identified in 2021/22	-	4,926,839
Irregular expenditure that relates to 2020/21 and identified in 2021/22	-	3,360,375
Irregular expenditure that relates to 2021/22 and identified in 2021/22	-	3,929,313
Irregular expenditure for the current year	-	-
Total	**-**	**12,216,527**

Table 23. Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

Description	2022/23	2021/22
	R	R
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	124,350	-
Irregular expenditure under investigation	-	-
Total	**124,350**	**-**

Possible irregular expenditure under determination during the 2022/23 financial year

Foreign suppliers

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; 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 a 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

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.

Consequence management

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

Fruitless and wasteful expenditure

Table 24. Reconciliation of fruitless and wasteful expenditure

Description	2022/23	2021/22
	R	R
Opening balance	-	-
Add: Fruitless and wasteful expenditure confirmed	-	-
Less: Fruitless and wasteful expenditure written off	-	-
Less: Fruitless and wasteful expenditure recoverable	-	-
Closing balance	**-**	**-**

Fruitless and wasteful expenditure: 2021/22

There was no fruitless and wasteful expenditure incurred during the 2021/22 financial year.

Fruitless and wasteful expenditure: 2022/23

No fruitless and wasteful expenditure was confirmed, written off or recovered during the 2022/23 financial year. Possible fruitless and wasteful expenditure of R14,630 is subject to determination test, which is currently ongoing via the Internal Audit.

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

Description	2022/23	2021/22
	R	R
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	14,630	-
Fruitless and wasteful expenditure under investigation	-	-
Total	**14,630**	**-**

Fruitless and wasteful expenditure 2022/23 financial year under determination

SARS interest and penalties on tax returns – Erf Sewe-Nul-Ses Rietfontein (Pty) Ltd

During August 2022, possible fruitless and wasteful expenditure amounting to R4,406.78 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 it only became aware of this in August 2022, when requesting to deregister the company for tax purposes. Erf Sewe-Nul-Ses Rietfontein has written to SARS requesting for a waiver of the incurred penalties and interest.

Training non-attendance – Online programme improving governance in the public sector on 1 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 of a training event was identified. Two officials were not able to attend the online programme (training) titled 'Improving governance in the public sector, held on 1 November 2022 with the Institute of Directors in South Africa. The reasons for one official's non-attendance was due to hospitalisation during the period of the training and the other officials were not aware of the training as taking place on the set date (training not being scheduled in the official's calendar), hence the non-attendance.

Possible fruitless and wasteful expenditure of R14,630.63 (R4,406.78 + R10,223.85) is subject to a determination test, which is ongoing via the Internal Audit.

Supply chain management

Table 26. 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
				R	R	R
Provision of legal support services to the office of the CEO and the Board (on a needs basis)	R Masilo Attorneys	Expansion	RFQ: 029/07/20-21	R250,000	-	R750,000
Total				R250,000	**-**	**R750,000**

F

Section F:

WRC Consolidated Financial Statements

for the year ended 31 March 2023

Contents

WRC and subsidiary Annual Financial Statements

Statement of responsibility

and confirmation of accuracy for the Annual Report 2022/23

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.

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 Generally Recognised Accounting Practice (GRAP) standards applicable to the public entity.

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, which 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 entity for the financial year ended 31 March 2023. Signed on behalf of the WRC Board members on 28 July 2023:

Dr JB Molwantwa
Chief Executive Officer

Dr R Melamu
Chairperson of the Board

Report of the Audit and Risk Committee

We are pleased to present our report for the financial year ended 31 March 2023.

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 of control over finances and disclosure. The committee examined the yearly financial statements to ensure that they fairly represented the entity's financial position in accordance with PFMA, Treasury Regulations, and generally accepted accounting principles (GRAP).

AUDIT COMMITTEE COMPOSITION

The Committee comprised of five (5) non-executive members, of which three (3) are members of the WRC Board and two (2) are external members. The Committee comprises persons with a blend of skills, knowledge, and experience necessary to discharge its responsibilities. As at 31 March 2023, the Committee consisted of the following members:

1. Ms. Khulekelwe Mbonambi (Chairperson)
2. Prof. Sibusiso Vil-Nkomo
3. Dr. Aldo Stroebel
4. Mr. Philani Dlamini
5. Ms. Shelley Thomas

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 (IA) and the External Auditors give the board an opportunity to improve. The IA function is responsible for evaluating the control environment and assist the Committee to fulfil its responsibilities. The IA unit operated satisfactorily during the 2022/23 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.

Report of the Audit and Risk Committee

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 2022/23 audit. The Committee accepted the engagement letter, audit plan, and fees for the fiscal year that concluded on March 31, 2023, after consulting with Management; the Board had already authorized the engagement agreement.

The Committee accepts the Unqualified audit opinion and conclusion expressed by the AGSA on the Annual Financial Statements and the Annual Performance Report.

On behalf of the Audit Committee

W B Baird

Chairperson of the Audit Committee

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 70 to 131, which comprise the consolidated and separate statement of financial position as at 31 March 2023, consolidated and separate statement of financial performance, statement of changes in net assets statement of cash flows and 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 as at 31 March 2023 and the 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 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.

Other matter

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

Unaudited irregular expenditure and fruitless and wasteful expenditure disclosure

7. On 23 December 2022, the National Treasury issued Instruction Note 4 of 2022-23, which came into effect on 3 January 2023, in terms of section 76(1)(b), (e) and (f), (2)(e) and (4)(a) and (c) of the PFMA. The instruction note deals with the PFMA compliance and reporting framework and addresses, amongst others, the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Irregular expenditure and fruitless and wasteful expenditure incurred in prior financial years and not yet addressed no longer need to be disclosed in either the annual report or the disclosure notes to the annual financial statements. Only the current year and prior year figures are disclosed in note 35 to the financial statements of the Water Research Commission. Movements in respect of irregular expenditure and fruitless and wasteful expenditure also no longer need to be disclosed in the notes to the annual financial statements. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) is now included as part of the other information in the annual report of the auditees.

8. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Report of the Auditor-General to Parliament

Responsibilities of the 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 the GRAP and the requirements of 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 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 separate financial statements

11.. 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.

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.

Report on the audit of 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 against predetermined objectives for selected programme presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

14. I selected the following programme presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected a programme that measure the entity's performance on its primary mandated functions and that is of significant national, community or public interest.

Programme	Page numbers	Purpose
Research development and innovation	30 to 32	To enhance knowledge across the water knowledge and innovation cycle

15. I evaluated the reported performance information for the selected programme 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 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 entity's mandate and the achievement of its planned objectives

Report of the Auditor-General to Parliament

- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and 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 what was committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

17. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance conclusion.

18. I did not identify any material findings on the reported performance information of Research Development and Innovation.

Report on compliance with legislation

19. 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 entity's compliance with legislation.

20. 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.

21. 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 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.

22. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

23. 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 programmes presented in the annual performance report that have been specifically reported on in this auditor's report.

24. 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.

Report of the Auditor-General to Parliament

25. 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 programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

26. 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

27. 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.

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

Auditor General

Pretoria
31 July 2023

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

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 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 financial statements as described in this auditor's report, I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for 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 financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may 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 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 financial statements, including the disclosures, and determine whether the 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.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No. 1 of 1999 (PFMA)	Section 51(1)(a)(iv); 51 (1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 53(4) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56(1); 56(2) Section 57(b) Section 66(3)(c); 66(5)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Regulation 8.2.1; 8.2.2 Regulation 16A 3.1; 16A 3.2; 16A 3.2(a); 16A 6.1; 16A 6.2(e); 16A 6.3(a); 16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A6.3(d); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; 16A8.2 (1) and (2); 16A 8.3; 16A8.3(d); 16A 8.4; 16A9; 16A9.1 16A9.1(b)(ii); 16A9.1(c); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A9.2; 16A 9.2(a)(ii); 16A9.2(a)(ii) Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Regulation 31.1.2(c'); 31.2.5; 31.2. 7(a) Regulation 32.1.1(a); 32.1.1(b); 32.1.1(c') Regulation 33. 1.1; 33. 1.3
Companies Act	Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); 45(4) Section 46(1)(a); 46(1)(b); 46(1)(c) Section 129(7)
Public service regulation	Public service regulation 13(c);18; 18(1) and (2)
PRECCA	Section 29; 34(1)
CIDB Act	Section 18(1)
CIDB Regulations	CIDB regulation 17; & 25(7A)
PPPFA	Section 2.1(a); 2.1(b); 2.1(f)
PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5. 7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 11.2 Paragraph 12.1 and 12.2
PPR 2022	Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
PFMA SCM Instruction no. 09 of 2022/23	Paragraph 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6
National Treasury Instruction No.1 of 2015/16	Paragraph 3.1; 4.1; 4.2
NT SCM Instruction Note.03 2021/22	Paragraph 4.3; 4.4 (a); 4.4(c); 4.4(d) Paragraph 7.2; 7.6
NT SCM Instruction Note 11 2020/21	Paragraph 3.1 Paragraph 3.4(b) Paragraph 3.9
NT SCM Instruction note 2 of 2021/22	Paragraph 3.2.1; 3.2.2; 3.2.4(a); 3.4.2(b); 3.3.1; Paragraph 4.1
PFMA SCM Instruction 04 of 2022/23	Paragraph 4(1) Paragraph 4(2) Paragraph 4(4)
Practice Note 5 of 2009/10	Paragraph 3.3
NT instruction note 4 of 2015/16	Paragraph 3.4
NT instruction 3 of 2019/20 – Annexure A	Section 5.5.1 (iv) and (x)
Second amendment of NTI 05 of 2020/21	Paragraph 4.8; 4.9; 5.1; 5.3
Erratum NTI 5 of 202/21	Paragraph 1
Erratum NTI 5 of 202/21	Paragraph 2
Practice note 7 of 2009/10	Paragraph 4.1.2
Practice note 11 of 2008/9	Paragraph 3.1 Paragraph 3.1(b)

Statements of Financial Position

for the year ended 31 March 2023

	Notes	Group 2023 R	Group 2022 R	WRC 2023 R	WRC 2022 R
Assets					
Current assets					
Receivables	3	60,427,799	113,072,859	60,424,246	113,066,095
Cash and cash equivalents	4	410,844,361	310,306,400	410,817,201	310,277,542
Total current assets		**471,272,160**	**423,379,259**	**471,241,447**	**423,343,637**
Non-current assets					
Property, plant and equipment	5	4,873,508	5,785,073	4,873,508	5,785,073
Intangible assets	6	3,098,201	3,512,568	3,098,201	3,512,568
Investment in wholly controlled entity	7	-	-	1	1
Receivables	3	1,302,157	1,221,743	1,302,157	1,221,743
Total non-current assets		**9,273,866**	**10,519,384**	**9,273,867**	**10,519,385**
Total assets		**480,546,026**	**433,898,643**	**480,515,314**	**433,863,022**
Liabilities					
Current liabilities					
Finance lease obligation	8	-	62,894	-	62,894
Operating lease liability	9	7,805,264	8,723,727	7,805,264	8,723,727
Payables	10	151,882,240	184,114,204	151,877,833	184,114,204
Accrual for leave	11	9,666,116	10,395,506	9,666,116	10,395,506
Provision for performance bonus and performance-based incentives	12	19,268,196	10,950,190	19,268,196	10,950,190
Provision for settlement fees	13	738,424	452,860	738,424	452,860
Revolving credit facility	4	337,999	196,557	337,999	196,557
Total current liabilities		**189,698,240**	**214,895,938**	**189,693,833**	**214,895,938**
Non-current liabilities					
Employee benefit obligation	14	4,815,106	3,480,742	4,815,106	3,480,742
Total liabilities		**194,513,346**	**218,376,680**	**194,508,939**	**218,376,680**
Net assets					
Accumulated surplus/ (accumulated deficit)		286,032,680	215,521,963	286,006,375	215,486,342
Total net assets		**286,032,680**	**215,521,963**	**286,006,375**	**215,486,342**

Statements of Financial Performance

for the year ended 31 March 2023

	Notes	Group 2023 R	Group 2022 R	WRC 2023 R	WRC 2022 R
Revenue from exchange transactions					
Leverage income	15	87,533,567	130,752,173	87,533,567	130,752,173
Other income	15	1,104,085	312,222	1,104,085	312,222
Investment revenue	15	14,302,139	6,806,405	14,302,139	6,806,405
Total revenue from exchange transactions		**102,939,791**	**137,870,800**	**102,939,791**	**137,870,800**
Revenue from non-exchange transactions					
Water research levies	16	305,682,857	279,625,422	305,682,857	279,625,422
Total revenue from non-exchange transactions		**305,682,857**	**279,625,422**	**305,682,857**	**279,625,422**
Total revenue		**408,622,648**	**417,496,222**	**408,622,648**	**417,496,222**
Expenditure					
Depreciation and amortisation	17	2,674,144	2,972,975	2,674,144	2,972,975
Impairment, write-off and reversal of impairment	18	(11,436)	21,418	(11,436)	21,418
Employee-related costs	19	108,610,073	113,088,061	108,609,273	113,088,061
Finance costs	20	376,561	533,799	372,154	533,799
General expenses	21	19,060,816	14,917,697	19,056,707	14,916,132
Lease rental on operating lease	22	10,929,445	10,894,259	10,929,445	10,894,259
Repairs and maintenance		231,728	146,729	231,728	146,729
Research development and innovation	23	194,435,399	236,230,197	194,435,399	236,230,197
Total expenditure		**336,306,730**	**378,805,135**	**336,297,414**	**378,803,570**
Surplus from operating activities		**72,315,918**	**38,691,087**	**72,325,234**	**38,692,652**
Gains and (losses) on sale of assets	24	30,003	8,925	30,003	8,925
Actuarial gains/(losses)	14	(1,835,204)	(1,607,311)	(1,835,204)	(1,607,311)
Surplus for the year		**70,510,717**	**37,092,701**	**70,520,033**	**37,094,266**

Statements of Changes in Net Assets

for the year ended 31 March 2023

	Accumulated surplus	Total net assets
	R	R
Group		
Balance at 1 April 2021	178,429,262	178,429,262
Changes in net assets		
Surplus for the year	37,092,701	37,092,701
Balance at 31 March 2022	**215,521,963**	**215,521,963**
Balance at 1 April 2022	215,521,963	215,521,963
Changes in net assets		
Surplus for the year	70,510,717	70,510,717
Balance at 31 March 2023	**286,032,680**	**286,032,680**
WRC		
Balance at 1 April 2021	178,392,076	178,392,076
Changes in net assets		
Surplus for the year	37,094,266	37,094,266
Balance at 31 March 2022	**215,486,342**	**215,486,342**
Balance at 1 April 2022	**215,486,342**	**215,486,342**
Changes in net assets		
Surplus for the year	70,520,033	70,520,033
Balance at 31 March 2023	**286,006,375**	**286,006,375**

Statements of Cash Flows

for the year ended 31 March 2023

		Group		WRC	
		2023	2022	2023	2022
	Notes	R	R	R	R
Cash flows from operating activities					
Receipts					
Cash receipts from customers		427,678,159	352,872,901	427,678,042	352,872,705
Investment revenue		15,339,169	7,169,992	15,339,169	7,169,992
Payments					
Cash paid to suppliers and employees		(358,613,873)	(343,338,434)	(358,612,058)	(343,336,634)
Net cash flows from operating activities	28	**84,403,455**	**16,704,459**	**84,405,153**	**16,706,063**
Cash flows used in investing activities					
Proceeds from sale of property, plant and equipment		47,734	23,381	47,734	23,381
Purchase of property, plant and equipment		(1,207,628)	(362,278)	(1,207,628)	(362,278)
Purchase of intangible assets		(146,879)	(350,411)	(146,879)	(350,411)
Cash flows used in investing activities		**(1,306,773)**	**(689,308)**	**(1,306,773)**	**(689,308)**
Cash flows used in financing activities					
Employee benefit obligation – Contributions by WRC		(872,866)	(2,663,926)	(872,866)	(2,663,926)
Finance lease payments		(63,022)	(614,850)	(63,022)	(614,850)
Cash flows used in financing activities		**(935,888)**	**(3,278,776)**	**(935,888)**	**(3,278,776)**
Effect of exchange rate movement on cash balances		18,235,725	(2,787,319)	18,235,725	(2,787,319)
Net increase in cash and cash equivalents		**100,396,519**	**9,949,056**	**100,398,217**	**9,950,660**
Cash and cash equivalents at beginning of the year		310,109,843	300,160,787	310,080,985	300,130,325
Cash and cash equivalents at end of the year	4	**410,506,362**	**310,109,843**	**410,479,202**	**310,080,985**

Statements of Comparison of Budget and Actual Amounts

for the year ended 31 March 2023

Statement of financial performance

	Budget on cash basis					
	Notes	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual
	36	R	R	R	R	R
Revenue from exchange transactions	15					
Leverage income		61,741,123	53,983,260	115,724,383	87,533,567	28,190,816
Other income		159,995	656,203	816,198	1,134,088	(317,890)
Investment revenue	15	5,044,750	2,049,568	7,094,318	14,302,139	(7,207,821)
Total revenue from exchange transactions		66,945,868	56,689,031	123,634,899	102,969,794	20,665,105
Revenue from non-exchange transactions	16					
Water research levies		285,834,214	4,665,409	290,499,623	305,682,857	(15,183,234)
Total revenue from non-exchange transactions		285,834,214	4,665,409	290,499,623	305,682,857	(15,183,234)
Total revenue		**352,780,082**	**61,354,440**	**414,134,522**	**408,652,651**	**5,481,871**
Fixed costs		12,737,768	(139,844)	12,597,924	12,495,182	102,742
Running costs		17,711,677	3,277,258	20,988,935	13,628,818	7,360,117
Human resource costs		133,422,418	(15,573,737)	117,848,681	103,149,514	14,699,167
Research, development and expenditure		173,668,511	83,018,900	256,687,411	194,435,398	62,252,013
Corporate expenditure		2,885,248	416,473	3,301,721	3,085,858	215,863
Capital expenditure		12,354,460	(9,644,610)	2,709,850	1,354,507	1,355,343
Total expenditure		352,780,082	61,354,440	414,134,522	328,149,277	85,985,245
Actual amounts on Comparable Basis as Presented in the Budget and Actual Comparative Statement		**-**	**-**	**-**	**80,503,374**	**(80,503,374)**

Refer to note 36 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 37 for a reconciliation of budget surplus/deficit with the surplus/deficit in the Statement of Financial Performance.

Accounting Policies

for the year ended 31 March 2023

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 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

Accounting Policies

for the year ended 31 March 2023

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. Accounts outstanding for 120 days and more are fully impaired. Whilst these accounts are being followed up, past experience has indicated that accounts outstanding for such long periods are seldom recovered.

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 use 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

Accounting Policies

for the year ended 31 March 2023

assumptions will impact the carrying amount of post-retirement obligations.

The appropriate discount rate is determined at the end 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 14.

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, it's 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.

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

Accounting Policies

for the year ended 31 March 2023

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	3-7 years
Computer equipment	Straight-line	3 -10 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.
- the expenditure attributable to the asset during its development can be measured reliably.

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for the year ended 31 March 2023

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 - 19 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
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Accounting Policies

for the year ended 31 March 2023

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.

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.

Accounting Policies

for the year ended 31 March 2023

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 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.

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.

1.7 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and

Accounting Policies

for the year ended 31 March 2023

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.

1.8 Leases

A lease is classified as a finance lease when it transfers

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for the year ended 31 March 2023

substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease when 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 non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating

Notes to the Consolidated and Separate Annual Financial Statements

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 reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and

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- 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:

- estimated future salary increases;
- 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 or general salary 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

A provision is a liability of uncertain timing or amount. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
Contingent assets and contingent liabilities are not

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recognised.

A provision is recognised when:

- there is a present obligation (legal or constructive) 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 amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

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.

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 it is virtually certain that reimbursement will be received when the obligation is settled. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision.

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

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.

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 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 consideration 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

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for the year ended 31 March 2023

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 entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the 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 entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 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 in respect of 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, and the Rand Water and Umgeni Water boards 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. Revenue recognition of levy income represents amounts receivable from the Department of Water and Sanitation, Rand Water and Umgeni Water boards.

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for the year ended 31 March 2023

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 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. Conversely, 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 fruitless and wasteful expenditure in terms of National Treasury Instruction no. 4 of 2022/23 (PFMA Compliance and Reporting Framework) which is effective as from 3rd of 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 2022/2023 (PFMA Compliance and Reporting Framework) which is effective as from the 3rd of January 2023.

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

Irregular expenditure when incurred and confirmed is recorded in the annual financial statements' disclosure.

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for the year ended 31 March 2023

This relates to irregular expenditure incurred in the current financial 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 l0(l)(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 note 37.

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 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 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 Consolidated and Separate Annual Financial Statements

2. New standards and interpretations

Standards and interpretation effective in the current year

No standards and interpretations that are effective in the current year were identified.

Standards and interpretations early adopted

The entity chose to early adopt the following standards and interpretations in the previous financial year:

- GRAP 1: Presentation of Financial Statements – Effective from 1 April 2023
- GRAP 104: Financial Instruments – Effective from 1 April 2025

These amendments did not have a material impact on the annual financial statements.

3. Receivables

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Receivables from non-exchange transactions				
Receivables: Water Research Levies	41,557,301	97,822,129	41,557,301	97,822,129
VAT receivable	198	139	-	-
Receivables from exchange transactions				
Receivables: Other	15,051,215	13,176,966	15,055,165	13,177,646
Deposits	1,309,462	1,229,848	1,302,157	1,222,543
Prepaid expenses	3,811,780	2,066,320	3,811,780	2,066,320
	61,729,956	**114,295,402**	**61,726,403**	**114,288,638**
Impairment on Deposit		**(800)**		**(800)**
	61,729,956	**114,294,602**	**61,726,403**	**114,287,838**
Non-current	1,302,157	1,221,743	1,302,157	1,221,743
Current	60,427,799	113,072,859	60,424,246	113,066,095
	61,729,956	**114,294,602**	**61,726,403**	**114,287,838**

Included in receivables from non-exchange transactions for the economic entity (group) is a statutory receivable in respect of VAT amounting to R198 (2022: R139).

Notes to the Consolidated and Separate 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 the 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 2023, R7,305 (2022: 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 2023 R Nil (2022: R800) was impaired and provided for in the WRC and the economic entity.

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.

Notes to the Consolidated and Separate Annual Financial Statements

4. Cash and cash equivalents

Cash and cash equivalents comprise:

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Cash on hand	1,367	1,966	1,367	1,966
Balances with banks	164,490,413	166,837,174	164,463,253	166,808,316
Short-term deposits	246,352,581	143,467,260	246,352,581	143,467,260
Total cash and cash equivalents included in current assets	**410,844,361**	**310,306,400**	**410,817,201**	**310,277,542**
Revolving credit facility	(337,999)	(196,557)	(337,999)	(196,557)
Total cash and cash equivalents included in current liabilities	**(337,999)**	**(196,557)**	**(337,999)**	**(196,557)**
Net cash and cash equivalents	**410,506,362**	**310,109,843**	**410,479,202**	**310,080,985**

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 Consolidated and Separate 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	
	2023	2022	2023	2022
	R	R	R	R
Level I				
Cash and cash equivalents	410,844,361	310,306,400	410,817,201	310,277,542

Notes to the Consolidated and Separate Annual Financial Statements

5. Property, plant and equipment

5.1 Balances at year end and movements for the year

Group	Leasehold improvements	Motor vehicles	Furniture and fixtures	Office equipment	Computer equipment	Total
	R	R	R	R	R	R
Reconciliation for the year ended 31 March 2023 – Group and WRC						
Balance at 1 April 2022						
At cost	10,208,859	300,391	4,584,008	2,805,635	6,223,221	**24,122,114**
Accumulated depreciation and impairment	(5,921,391)	(300,391)	(4,224,258)	(2,444,955)	(5,446,046)	**(18,337,041)**
Net book value	**4,287,468**	**-**	**359,750**	**360,680**	**777,175**	**5,785,073**
Movements for the year ended 31 March 2023						
Additions	10,796	-	9,000	82,295	1,105,537	**1,207,628**
Depreciation	(1,073,119)	-	(175,486)	(175,053)	(689,240)	**(2,112,898)**
Impairments, losses and write-offs	-	-	(123)	-	-	**(123)**
Reversal of impairment loss recognised in surplus or deficit	-	-	-	-	11,559	**11,559**
Disposals	-	-	-	-	(17,731)	**(17,731)**
Property, plant and equipment at end of year	**3,225,145**		**193,141**	**267,922**	**1,187,300**	**4,873,508**
Closing balance at 31 March 2023						
At cost	10,219,655	300,391	4,593,008	2,887,929	7,271,557	**25,272,540**
Accumulated depreciation and impairment	(6,994,510)	(300,391)	(4,399,867)	(2,620,007)	(6,084,257)	**(20,399,032)**
Net book value	**3,225,145**		**193,141**	**267,922**	**1,187,300**	**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 a 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.

Notes to the Consolidated and Separate Annual Financial Statements

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 that was broken.

	Leasehold improvements	Motor vehicles	Furniture and fixtures	Office equipment	Computer equipment	Total
	R	R	R	R	R	R
Reconciliation for the year ended 31 March 2022 – Group and WRC						
Balance at 1 April 2021						
At cost	10,208,859	300,391	4,565,512	2,782,967	5,980,639	**23,838,368**
Accumulated depreciation and impairment	(4,852,786)	(300,391)	(4,050,950)	(2,132,412)	(4,613,706)	**(15,950,245)**
Net book value	**5,356,073**	**-**	**514,562**	**650,555**	**1,366,933**	**7,888,123**
Movements for the year ended 31 March 2022						
Additions	-	-	18,496	26,872	316,910	**362,278**
Depreciation	(1,068,605)	-	(173,308)	(314,687)	(873,655)	**(2,430,255)**
Impairment losses and write-offs	-	-	-	(2,060)	(18,558)	**(20,618)**
Disposals	-	-	-	-	(14,455)	**(14,455)**
Property, plant and equipment at end of year	**4,287,468**	**-**	**359,750**	**360,680**	**777,175**	**5,785,073**
Closing balance at 31 March 2022						
At cost	10,208,859	300,391	4,584,008	2,805,635	6,223,221	**24,122,114**
Accumulated depreciation and impairment	(5,921,391)	(300,391)	(4,224,258)	(2,444,955)	(5,446,046)	**(18,337,041)**
Net book value	**4,287,468**	**-**	**359,750**	**360,680**	**777,175**	**5,785,073**

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

Computer equipment

- The impairment loss amounting to R18,558 is in respect of damaged computer equipment.
- The disposal amounting to R14,455 is in respect of a stolen laptop with a carrying value of R7,717 and a laptop with a carrying value of R6,738 that was sold.
- Compensation to the value of R63,620 was received from third parties (Old Mutual Insurance) in respect of the above laptops that were either stolen or damaged during the 2021/22 financial year.
- Repairs amounting to R2,762 were incurred in respect of laptops that were broken.

Office equipment

During the asset verification, it was identified that an item of office equipment was missing. This was investigated further and could not be found subsequently and as a result the asset, with a carrying value of R2,060 needed to be written off (derecognised). Appropriate consequence management will be implemented in this regard.

Notes to the Consolidated and Separate Annual Financial Statements

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
5.2 Pledged as security				
None of the assets were or are pledged as security.				
5.3 Assets subject to finance lease (Net carrying value)				
Office equipment	-	279,573	-	279,573
5.4 Property, plant and equipment fully depreciated and still in use (Cost)				
Furniture and fixtures	86,526	94,471	86,526	94,471
Office equipment	973,599	1,050,957	973,599	1,050,957
Computer equipment	988,136	2,070,340	988,136	2,070,340
Motor vehicles	300,391	300,391	300,391	300,391
	2,348,652	**3,516,158**	**2,348,652**	**3,516,158**

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

Notes to the Consolidated and Separate Annual Financial Statements

6. Intangible assets

6.1 Reconciliation of changes in intangible assets

	Computer software	Total
	R	R
Reconciliation for the year ended 31 March 2023 – Group and WRC		
Balance at 1 April 2022		
At cost	7,372,335	7,372,335
Accumulated amortisation and impairment	(3,859,767)	(3,859,767)
Net book value	**3,512,568**	**3,512,568**
Movements for the year ended 31 March 2023		
Additions	146,879	146,879
Amortisation	(561,246)	(561,246)
Intangible assets at end of period	**3,098,201**	**3,098,201**
Closing balance at 31 March 2023		
At cost	7,519,214	7,519,214
Accumulated amortisation and impairment	(4,421,013)	(4,421,013)
Net book value	**3,098,201**	**3,098,201**

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

	Computer software	Total
	R	R
Reconciliation for the year ended 31 March 2022 – Group and WRC		
Balance at 1 April 2021		
At cost	7,414,630	7,414,630
Accumulated amortisation and impairment	(3,709,753)	(3,709,753)
Net book value	**3,704,877**	**3,704,877**
Movements for the year ended 31 March 2022		
Additions	350,411	350,411
Amortisation	(542,720)	(542,720)
Intangible assets at end of period	**3,512,568**	**3,512,568**
Closing balance at 31 March 2022		
At cost	7,372,335	7,372,335
Accumulated amortisation and impairment	(3,859,767)	(3,859,767)
Net book value	**3,512,568**	**3,512,568**

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

Notes to the Consolidated and Separate Annual Financial Statements

6.2 Pledged as security

None of the intangible assets are pledged as security.

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

	Group		WRC	
	2023	2022	2023	2022
6.3 Other Information	R	R	R	R
Fully amortised intangible assets still in use	-	-	-	-

7. Investment in wholly controlled entity

7.1 Investment in wholly controlled entity comprise the following balances

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 R1.

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 unforeseen tax related matters.

Controlled entity pledged as security

The investment is not pledged as security.

Notes to the Consolidated and Separate Annual Financial Statements

8. Finance lease obligation

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Minimum lease payments due				
Within one year	-	63,023	-	63,023
In second to fifth year	-	-	-	-
	-	63,023	-	63,023
less: future finance charges	-	(129)	-	(129)
Present value of minimum lease payments	**-**	**62,894**	**-**	**62,894**
Present value of minimum lease payments due:				
- Within one year	-	62,894	-	62,894
- In second to fifth year	-	-	-	-
	-	**62,894**	**-**	**62,894**
Current liabilities	-	62,894	-	62,894
Non-current liabilities	-	-	-	-
	-	**62,894**	**-**	**62,894**

It is the economic entity's policy to lease certain equipment under finance leases. The finance leases are effective for a period of thirty-six (36) months and the average effective borrowing rate is 13,5% (2022: 13.5%). The finance lease came to an end in the 2022/23 financial year.

Interest rates are fixed at the contract date. The lease had fixed repayments and no arrangements have been entered into for contingent rent.

Defaults and breaches

The entity did not default on any interest or capital portions in respect of the finance lease.

9. Operating lease liability

9.1 Balance at year end

Operating lease liability	7,805,264	8,723,727	7,805,264	8,723,727

9.2 Minimum operating lease liability payments

Within 12 months	11,318,558	10,655,204	11,318,558	10,655,204
Between 12 – 60 months	25,297,889	36,616,447	25,297,889	36,616,447
	36,616,447	**47,271,650**	**36,616,447**	**47,271,650**

Notes to the Consolidated and Separate Annual Financial Statements

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 the following based on area occupied:

- rental of 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.

The WRC entered into a three-year lease agreement during the 2019/20 financial year with Apex Business Systems to lease five printers. The lease agreement came to an end during the current financial year. The WRC entered into an 8 month no cost extension in terms of the National Treasury transversal contract, which expires in September 2023. In terms of this extension, the WRC is only obligated to pay for usage (copies printed) at a zero-machine rental cost.

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

10. Payables

10.1 Payables from exchange transactions comprise:

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Income received in advance	125,880,998	128,119,386	125,880,998	128,119,386
Payables	25,004,303	52,215,139	25,004,303	52,215,139
Accruals	996,939	3,779,679	992,532	3,779,679
	151,882,240	**184,114,204**	**151,877,833**	**184,114,204**

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 renegotiated 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 Consolidated and Separate Annual Financial Statements

11. Accruals for leave

Reconciliation of accrual for leave

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Opening balance	10,395,506	9,289,434	10,395,506	9,289,434
Additions	10,191,111	10,313,705	10,191,111	10,313,705
Utilised during the year	(7,982,437)	(7,532,034)	(7,982,437)	(7,532,034)
Payments during the year	(3,309,212)	(2,682,085)	(3,309,212)	(2,682,085)
Re-measurement	371,148	1,006,486	371,148	1,006,486
Closing balance	9,666,116	10,395,506	9,666,116	10,395,506

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 accrual.

Notes to the Consolidated and Separate Annual Financial Statements

12. Provision for performance bonus and performance-based incentives

Reconciliation of provision for performance bonus and performance-based incentive – WRC and Company 2023

	Provision for performance bonus	Provision for performance-based incentive	Total
	R	R	R
Balance at 1 April 2022	**10,950,190**	**-**	**10,950,190**
Additions	11,634,649	1,059,979	12,694,628
Payments during the year	(4,376,622)	-	(4,376,622)
Balance at 31 March 2023	**18,208,217**	**1,059,979**	**19,268,196**

Reconciliation of provision for performance bonus and performance-based incentive – WRC and Company 2022

	Provision for performance bonus	Provision for performance-based incentive	Total
	R	R	R
Balance at 1 April 2021	**10,322,076**	**-**	**10,322,076**
Additions	10,950,190	-	10,950,190
Payments during the year	(10,322,076)	-	(10,322,076)
Balance at 31 March 2022	**10,950,190**	**-**	**10,950,190**

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 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.

13. Provision for settlement fees

Legal Proceedings	738,424	452,860	738,424	452,860

During the 2021/22 financial year a former employee of the Water Research Commission (WRC) resigned citing constructive dismissal, upon which the matter was referred to the Commission for Conciliation, Mediation and Arbitration (CCMA) for conciliation and arbitration. The parties were able to reach a settlement without the need of arbitration and on 5 May 2022, the CCMA confirmed the settlement agreement by issuing an award of R452,860 in favour of the former employee.

During 2022/23 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 Consolidated and Separate Annual Financial Statements

14. Employee benefit obligation

14.1 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. This fund is actuarially valued on an annual basis using the projected unit credit method. The scheme was last actuarially valued at 31 March 2023.

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 buyouts 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.

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

Carrying value

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Present value of the defined benefit obligation-partly funded	(39,572,903)	(37,869,911)	(39,572,903)	(37,869,911)
Fair value of plan assets	34,757,797	34,389,169	34,757,797	34,389,169
Employee benefit asset/ (obligation) recognised	**(4,815,106)**	**(3,480,742)**	**(4,815,106)**	**(3,480,742)**

Notes to the Consolidated and Separate Annual Financial Statements

Movement for the year – medical aid fund

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Opening balance	(3,480,742)	(4,047,692)	(3,480,742)	(4,047,692)
Contributions by employer	872,866	2,663,926	872,866	2,663,926
Net expense recognised in the statement of financial performance	(2,207,230)	(2,096,976)	(2,207,230)	(2,096,976)
	(4,815,106)	**(3,480,742)**	**(4,815,106)**	**(3,480,742)**

Net expense recognised in the statement of financial performance – medical aid fund

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Interest cost	3,838,032	4,134,576	3,838,032	4,134,576
Actuarial (gains) losses	1,835,205	1,607,311	1,835,205	1,607,311
Expected return on plan assets	(3,466,007)	(3,644,911)	(3,466,007)	(3,644,911)
	2,207,230	**2,096,976**	**2,207,230**	**2,096,976**

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 Consolidated and Separate Annual Financial Statements

Reconciliation of the defined benefit obligation

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Opening balance	37,869,911	38,832,313	37,869,911	38,832,313
Interest Cost	3,838,032	4,134,576	3,838,032	4,134,576
Benefits paid	(4,023,120)	(3,795,103)	(4,023,120)	(3,795,103)
Actuarial losses/(gains)	1,888,080	(1,301,875)	1,888,080	(1,301,875)
	39,572,903	**37,869,911**	**39,572,903**	**37,869,911**

The liabilities were valued using the Projected Unit Credit Method.

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

It is assumed that the continuation members will remain on the Discovery Health Classic Saver plan post retirement.

The actual increases by the medical aid (7.9% in October 2022 and an additional 9.9% from April 2023) exceeded the assumed increase of 7,99% which resulted in actuarial losses been recognised in the current year.

Reconciliation of the plan assets

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Opening balance	34,389,169	34,784,621	34,389,169	34,784,621
Expected return	3,466,007	3,644,911	3,466,007	3,644,911
Actuarial gains (losses)	52,875	(2,909,186)	52,874	(2,909,186)
Contributions by employer	872,866	2,663,926	872,866	2,663,926
Benefits paid	(4,023,120)	(3,795,103)	(4,023,120)	(3,795,103)
	34,757,797	**34,389,169**	**34,757,796**	**34,389,169**

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

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.

Notes to the Consolidated and Separate Annual Financial Statements

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

	Group and WRC	
	2023	2022
	R	R
Financial valuation assumptions		
Discount rates used	11.15%	10.69%
Medical contribution inflation	7.84%	7.99%
Net discount rate for calculating liabilities	**3.07%**	**2.50%**
Expected return on assets	11.15%	10.69%
Inflation	6.34%	6.49%
Net discount rate for calculating assets	**4.52%**	**3.95%**

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 2023 and are consistent with the requirements of GRAP 25 and the previous valuation.

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 and 12 years. The recommended discount rate is 11.15%. The source is the Johannesburg Stock Exchange through INET BFA IReSS data service.

Future inflation assumption

The general inflation assumption is used as the base rate for determining the rate at which the future healthcare subsidies will increase.

The market's pricing of inflation was estimated by comparing the nominal and real yields on government bonds with a duration of 7 to 12 years. The implied inflation assumption is therefore 6,34% per annum for future inflation.

The inflation assumption used for the previous valuation was 6.49%

Notes to the Consolidated and Separate Annual Financial Statements

Future medical subsidy inflation assumption

It is assumed that medical inflation will exceed general inflation by 1,5% per annum. The implied medical inflation assumption is therefore 7,84% per annum. The source is the Johannesburg Stock Exchange through INET BFA IReSS data service.

Net discount rate to value liabilities

The net discount rate for medical subsidy inflation is assumed to be 3.07% p.a. (Derived from a discount rate of 11.15% and the expected medical subsidy inflation rate of 7.84%).

The net discount rate as per the previous valuation was 2.5% p.a.

Net discount rate to value assets

The net discount rate for general inflation is assumed to be 4.52% p.a. (Derived from a discount rate of 11.15% and the expected general inflation rate of 6.34%).

The net discount rate as per the previous valuation was 3.95% p.a.

Demographic valuation assumptions

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

The demographic assumptions were retained from the previous years' valuation and 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 were some principal members who terminated membership over the valuation period. The spouse in these cases became the principal member of the medical scheme.

  There are currently 36 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 2023 Defined Benefit Obligation, Plan Asset and projected Interest Cost are reflected below.

Notes to the Consolidated and Separate Annual Financial Statements

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 assumptions (1 year increase and decrease).
- 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	Discount rate	Discount rate
	R	-1% (R)	+1% (R)
Defined benefit obligation	39,572,903	42,535,792	37,014,604
Projected interest cost	4,169,012	3,692,527	4,579,977
Plan asset	34,757,797	37,146,902	32,678,988

Mortality	PA (90) – 2	PA (90)-1	PA (90) + 1
	R	-1% (R)	+1% (R)
Defined benefit obligation	39,572,903	41,192,527	37,975,259
Projected interest cost	4,169,012	4,349,562	3,990,912
Plan asset	34,757,797	36,052,775	33,471,591

Medical Inflation rate	Inflation rate	Inflation rate	Inflation rate
	R	-1% (R)	+1% (R)
Defined benefit obligation	39,572,903	36,930,321	42,530,278
Projected interest cost	4,169,012	3,875,020	4,498,096
Plan asset	34,757,797	32,552,785	37,213,520

Employee statistics	31 March 2023	31 March 2022	Difference
Continuation members			
Number	36	36	-
Average Age	76.70	76.40	0.30
Average Subsidy (R per month)	9,836	8,785	1,051

Developments since the previous valuation

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

Notes to the Consolidated and Separate Annual Financial Statements

Contributions

The medical aid premiums used for the current and previous valuations are summarised below:

	Main member	Adult dependent	Child dependent
1 January 2021 to 30 September 2022	6,309	5,966	1,258
1 October 2022 to 31 March 2023	6,810	6,441	1,358
1 April 2023 to 31 December 2023	7,487	7,081	1,493

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

	2023	2022	2021	2020	2019
	R	R	R	R	R
Defined benefit obligation	(39,572,903)	(37,869,911)	(38,832,313)	(36,756,304)	(42,477,696)
Plan assets	34,757,797	34,389,169	34,784,621	33,058,915	37,144,587
Net employee benefit asset/(liability)	(4,815,106)	(3,480,742)	(4,047,692)	(3,697,390)	(5,333,109)
Net expense recognised in the statement of financial performance	2,207,230	2,096,976	350,302	831,900	2,864,657

Notes to the Consolidated and Separate Annual Financial Statements

15. Revenue from exchange transactions

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Leverage income	87,533,567	130,752,173	87,533,567	130,752,173
Other income	1,104,085	312,222	1,104,085	312,222
Investment revenue (Note 15.1)	14,302,139	6,806,405	14,302,139	6,806,405
Total revenue from exchange transactions	102,939,791	137,870,800	102,939,791	137,870,800

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

15.1 Investment revenue

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Bank and fixed deposits	14,263,651	6,805,727	14,263,651	6,805,727
Study grants	38,488	678	38,488	678
	14,302,139	6,806,405	14,302,139	6,806,405

16. Revenue from non-exchange transactions

Water research levies	305,682,857	279,625,422	305,682,857	279,625,422
Total revenue from non-exchange transactions	305,682,857	279,625,422	305,682,857	279,625,422

17. Depreciation and amortisation

Depreciation	2,112,898	2,430,255	2,112,898	2,430,255
Amortisation	561,246	542,720	561,246	542,720
Total depreciation and amortisation	**2,674,144**	**2,972,975**	**2,674,144**	**2,972,975**

Notes to the Consolidated and Separate Annual Financial Statements

18. Impairment, write-off and reversal of impairment

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Property, plant and equipment	(11,436)	20,618	(11,436)	20,618
Deposits	-	800	-	800
	(11,436)	**21,418**	**(11,436)**	**21,418**

19. Employee related costs

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Basic salary	90,707,284	95,002,427	90,707,284	95,002,427
Cellphone allowance	1,209,540	778,499	1,209,540	778,499
Merit Bonus	11,634,649	10,950,190	11,634,649	10,950,190
Directors Emoluments	887,431	931,584	887,431	931,584
Workmen's compensation – Department of Labour	397,398	411,217	397,398	411,217
Skills Development Levies	1,009,232	1,041,987	1,009,232	1,041,987
Company contributions – UIF	184,717	184,000	183,917	184,000
Company contributions – other	-	-	-	-
Leave and bonus accrual	2,579,822	3,788,157	2,579,822	3,788,157
	108,610,073	**113,088,061**	**108,609,273**	**113,088,061**

20. Finance costs

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Employee benefit obligations	372,025	489,665	372,025	489,665
Finance leases	129	44,134	129	44,134
Interest and penalties SARS	4,407	-	-	-
Total finance costs	**376,561**	**533,799**	**372,154**	**533,799**

Notes to the Consolidated and Separate Annual Financial Statements

21.General expenses

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Auditors' remuneration	2,143,294	2,067,516	2,143,294	2,067,516
Bank charges	101,629	79,863	99,990	78,298
Catering costs	265,358	39,952	265,358	39,952
Cleaning	362,915	350,783	362,915	350,783
Consumables	123,718	132,805	123,718	132,805
Corporate social responsibility	245,433	195,656	245,433	195,656
Insurance	216,470	242,125	216,470	242,125
IT expenses	6,133,600	6,733,919	6,133,600	6,733,919
Motor vehicle expense	5,084	28,996	5,084	28,996
Postage and courier	118,613	64,057	118,613	64,057
Printing and stationery	35,803	53,009	35,803	53,009
Professional fees	3,286,924	541,221	3,284,454	541,221
Promotions	698,068	66,364	698,068	66,364
Recruitment and relocation costs	379,032	108,659	379,032	108,659
Security	584,253	584,317	584,253	584,317
Settlement fees	731,113	452,860	731,113	452,860
Staff training, including leadership	1,262,503	1,202,009	1,262,503	1,202,009
Staff welfare	73,011	28,343	73,011	28,343
Storage costs	150,842	27,808	150,842	27,808
Subscriptions and membership fees	657,057	591,395	657,057	591,395
Telephone and fax	53,201	404,848	53,201	404,848
Travel – local	261,934	68,254	261,934	68,254
Utilities	1,170,961	852,938	1,170,961	852,938
Total general expenses	**19,060,816**	**14,917,697**	**19,056,707**	**14,916,132**

Notes to the Consolidated and Separate Annual Financial Statements

22. Lease rentals on operating lease

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Rent payable in respect of Lynnwood Bridge	11,707,911	10,902,738	11,707,911	10,902,738
Operating lease liability – Straight-lining of lease	(918,462)	(176,473)	(918,462)	(176,473)
Rental of equipment	139,996	167,994	139,996	167,994
	10,929,445	**10,894,259**	**10,929,445**	**10,894,259**

23. Research, development and innovation

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Research, development and innovation costs	178,440,824	220,838,402	178,440,824	220,838,402
Media and marketing (printing and publishing)	2,416,289	2,460,401	2,416,289	2,460,401
Workshops and conferences	6,908,329	7,971,759	6,908,329	7,971,759
Other research related costs	2,838,143	3,695,386	2,838,143	3,695,386
Patent registrations	227,910	180,158	227,910	180,158
Local travel: Research related meetings	1,867,175	850,380	1,867,175	850,380
International travel: Research related meetings	1,710,359	154,731	1,710,359	154,731
Catering: Research related meetings	26,370	78,980	26,370	78,980
	194,435,399	**236,230,197**	**194,435,399**	**236,230,197**

24. Gains and (losses) on sale of assets

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Property, plant and equipment	30,003	8,925	30,003	8,925

Notes to the Consolidated and Separate Annual Financial Statements

25. Operating surplus

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

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Operating lease charges				
Premises				
· *Contractual amounts*	10,789,449	10,726,265	10,789,449	10,726,265
Equipment				
· *Contractual amounts*	139,996	167,994	139,996	167,994
	10,929,445	**10,894,259**	**10,929,445**	**10,894,259**
Amortisation on intangible assets	561,246	542,720	561,246	542,720
Depreciation on property, plant and equipment	2,112,898	2,430,255	2,112,898	2,430,255
Impairment, write-off and reversal of impairment	(11,436)	20,618	(11,436)	20,618
Employee costs	108,610,073	113,088,061	108,609,273	113,088,061
Research, development and innovation costs	194,435,399	236,230,197	194,435,399	236,230,197

26. Taxation

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

27. Auditors' Remuneration

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Fees – external auditors	1,360,399	1,325,116	1,360,399	1,325,116
Fees – internal auditors	782,895	742,400	782,895	742,400
	2,143,294	**2,067,516**	**2,143,294**	**2,067,516**

Notes to the Consolidated and Separate Annual Financial Statements

28. Cash generated from (used in) operations

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Surplus for the year	**70,510,717**	**37,092,701**	**70,520,033**	**37,094,266**
Adjustments for:				
Finance costs	376,561	533,799	372,154	533,799
Depreciation and amortisation expense	2,674,144	2,972,975	2,674,144	2,972,975
Impairment losses and write-offs	(11,436)	21,418	(11,436)	21,418
Actuarial gains and losses	1,835,204	1,607,311	1,835,204	1,607,311
Movements in operating lease assets and accruals	(918,462)	(176,473)	(918,462)	(176,473)
Non-cash movement in leave and bonus accrual	(729,390)	1,106,072	(729,390)	1,106,072
Foreign exchange (profit)/loss on foreign bank accounts	(18,235,725)	2,787,320	(18,235,725)	2,787,320
Non-cash movement in performance bonus provision	8,318,006	628,114	8,318,006	628,114
Gains and losses on disposal of non-current assets	(30,003)	(8,925)	(30,003)	(8,925)
Non-cash movement in provision for settlement fee	285,565	452,060	285,565	452,060
Change in working capital:				
Adjustment for decrease/ (increase) in receivables	52,564,646	(59,746,470)	52,561,435	(59,747,111)
Adjustment for (decrease)/ increase in payables	(32,236,372)	29,434,557	(32,236,372)	29,435,237
Net cash flows from operations	**84,403,455**	**16,704,459**	**84,405,153**	**16,706,063**

29. Commitments

General commitments	9,660,212	15,131,466	9,660,212	15,131,466
Research project commitments	320,031,552	335,062,790	320,031,552	335,062,790
Total commitments	**329,691,764**	**350,194,256**	**329,691,764**	**350,194,256**

General commitments relate to contractual obligations that the WRC entered into before 31 March 2023.

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, those that were signed after year end and contracts that are in the process of being signed by all contracting parties but for which terms and conditions have been agreed upon.

Notes to the Consolidated and Separate Annual Financial Statements

The comparative year has been restated by R266,800 represented by in an increase in the research commitments of R160,000 and general commitments of R106,800.

30. Related Parties

30.1 Relationships

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

30.2 Related party transactions and balances

Related party balances	WRC	
	2023	2022
Amounts included in Trade receivable (Trade Payable) regarding related parties	R	R
ERF 706 Rietfontein (Proprietary) Limited	3,950	680

Secretarial fees of R3,150 (2022: R680) and employee taxes of R 800 (2022: RO) was paid by the Water Research Commission on behalf of Erf 706 Rietfontein

	Group and WRC	
	2023	2022
	R	R
Outstanding levy income (Debtor at year end)		
Department of Water and Sanitation	-	-
Rand Water Board	31,193,796	88,075,052
Umgeni Water Board	10,363,505	9,747,072
Related party transactions		
Levy income		
Department of Water and Sanitation	139,968,639	123,875,981
Rand Water Board	124,118,660	116,197,294
Umgeni Water Board	41,595,558	39,552,147

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 Umgeni 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 the 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.

Notes to the Consolidated and Separate Annual Financial Statements

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

Compensation to directors and other key management are disclosed separately in note 31.

31. 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	
	2023	2022	2023	2022
	R	R	R	R
Total emoluments				
Fees for services as board members (non-executive)	725,481	816,164	725,481	816,164
Fees for appointed sub-committee members	161,950	115,420	161,950	115,420
Basic salary	28,774,867	27,097,782	28,774,867	27,097,782
Bonuses and performance payments	-	3,446,850	-	3,446,850
Other allowances	221,000	413,710	221,000	413,710
	29,883,298	**31,889,927**	**29,883,298**	**31,889,927**

Executive 2023	Basic Salary	Bonuses and performance payments	Other allowances*	Total remuneration
Dr. JB Molwantwa – CEO (April 2022 - March 2023)	3,296,000	-	20,400	3,316,400
Mr. F Ismail – CFO	3,150,148	-	20,400	3,170,548
Dr. MS Liphadzi	3,114,656	-	20,400	3,135,056
Ms. R Lutchman	2,828,619	-	20,400	2,849,019
Dr. M Msibi	2,828,145	-	20,400	2,848,545
Dr. S Adams	2,554,322	-	20,400	2,574,722
Mr. JN Bhagwan	2,599,581	-	20,400	2,619,981
Dr. V Naidoo	2,539,572	-	20,400	2,559,972
Prof. NS Mpandeli	2,303,397	-	20,400	2,323,797
Ms. K Jonas (April 2022 - February 2023)	1,657,835	-	17,000	1,674,835
Ms. N Viviers	1,902,592	-	20,400	1,922,992
	28,774,867	**-**	**221,000**	**28,995,867**

** Allowances for cellphone and acting, where applicable, is disclosed under other allowances*

Notes to the Consolidated and Separate Annual Financial Statements

A provision for merit bonuses and performance-based incentives in respect of Senior Management, which has not been paid and accordingly is not disclosed in the table above is included in Employee related costs note 19.

A submission will be made to the Board for recommendation to the Minister of Water and Sanitation wherein approval is sought for performance incentives, both cash incentives as well as performance-based pay progression, for Senior Management in line with the approved Performance Measurement Policy of the WRC.

Executive 2022	Basic Salary	Bonuses and performance payments	Other allowances*	Total remuneration
Mr. DP Naidoo- CEO (April 2021- September 2021)	2,197,090	522,717	1,190	2,720,998
Mr. F Ismail- CFO	3,155,523	367,942	13,090	3,536,555
Dr. MS Liphadzi	3,119,971	363,796	13,090	3,496,857
Ms. R Lutchman	2,833,446	330,387	13,090	3,176,923
Dr. M Msibi (Acting for the period October 2021 - March 2022)	2,832,971	330,331	192,649	3,355,951
Dr. S Adams	2,512,246	302,693	13,090	2,828,029
Mr. JN Bhagwan	2,556,759	308,057	13,090	2,877,905
Dr. V Naidoo	2,469,812	287,986	115,152	2,872,950
Prof. NS Mpandeli	2,240,124	261,204	13,090	2,514,417
Ms. K Jonas	1,758,868	205,088	13,090	1,977,046
Ms. N Viviers (July 2021- March 2022)	1,420,972	166,650	13,090	1,600,711
	27,097,782	**3,446,850**	**413,710**	**30,958,343**

** Allowances for cellphone and acting, where applicable, is disclosed under other allowances*

Board members (Non-executive) 2023	Members' fees	Other fees	Total
Dr. NP Mjoli – Chairperson	192,481	-	192,481
Prof. SV Nkomo – Deputy Chairperson	100,450	-	100,450
Dr. ME Makgae	98,400	-	98,400
Ms. MK Mbonambi	178,350	-	178,350
Ms. N Msezane	131,200	-	131,200
Dr. NP Nala	-	-	-
Dr. A Stroebel	24,600	-	24,600
	725,481	**-**	**725,481**

Notes to the Consolidated and Separate Annual Financial Statements

Board members (Non-executive) 2022	Members' fees	Other fees	Total
Dr. NP Mjoli – Chairperson	213,194	-	213,194
Prof. SV Nkomo – Deputy Chairperson	131,340	-	131,340
Dr. ME Makgae	109,450	-	109,450
Ms. MK Mbonambi	123,380	-	123,380
Ms. N Msezane	121,390	-	121,390
Dr. NP Nala	35,820	-	35,820
Dr. A Stroebel	81,590	-	81,590
	816,164	-	816,164

Appointed sub-committee members 2023	Members' fees	Other fees	Total
Mr. P Dlamini	96,350	-	96,350
Ms. S Thomas	61,500	-	61,500
Dr. J Maree	4,100	-	4,100
	161,950	-	161,950

Appointed sub-committee members 2022	Members' fees	Other fees	Total
Mr. P Dlamini	57,710	-	57,710
Ms. S Thomas	49,750	-	49,750
Dr. J Maree	7,960	-	7,960
	115,420	-	115,420

Notes to the Consolidated and Separate Annual Financial Statements

32. Defined contribution plans

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Medical fund scheme				
Contribution	4,103,597	4,213,801	4,103,597	4,213,801

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 personnel cost expense.

Pension fund scheme

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Pension fund scheme				
Contribution	8,482,164	8,461,833	8,482,164	8,461,833

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 personnel cost expense.

Notes to the Consolidated and Separate Annual Financial Statements

33. Financial instruments disclosure

Categories of financial instruments

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
Finance lease obligations	-	-	-
Accruals – leave and bonus	-	9,666,116	9,666,116
	337,999	161,548,356	161,886,355

Financial assets

Group – 2022	At fair value	At amortised cost	Total
Receivables	-	112,228,143	112,228,143
Cash and cash equivalent	310,306,400	-	310,306,400
	310,306,400	112,228,143	422,534,543

Financial Liabilities

Group – 2022	At fair value	At amortised cost	Total
Payables	-	184,114,204	184,114,204
Revolving credit facility	196,557	-	196,557
Finance lease obligations	-	62,894	62,894
Accruals – leave and bonus	-	10,395,506	10,395,506
	196,557	194,572,604	194,769,161

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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
Finance lease obligations	-	-	-
Accruals – leave and bonus	-	9,666,116	9,666,116
	337,999	161,543,949	161,881,948

Financial assets

WRC – 2022	At fair value	At amortised cost	Total
Receivables	-	112,221,518	112,221,518
Cash and cash equivalent	310,277,542	-	310,277,542
	310,277,542	112,221,518	422,499,060

Financial liabilities

WRC – 2022	At fair value	At amortised cost	Total
Payables	-	184,114,204	184,114,204
Revolving credit facility	196,557	-	196,557
Finance lease obligations	-	62,894	62,894
Accruals – leave and bonus	-	10,395,506	10,395,506
	196,557	194,572,604	194,769,161

Receivables above do not include prepayments and vat receivable due to it not being a financial asset.

Notes to the Consolidated and Separate Annual Financial Statements

34. Risk management

34.1 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 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	-	-	-
Finance lease obligation	-	-	-	-
	151,882,240	**-**	**-**	**-**

Group at 31 March 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	184,114,204	-	-	-
Finance lease obligation	62,894	-	-	-
	184,177,098	**-**	**-**	**-**

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	-	-	-
Finance lease obligation	-	-	-	-
	151,877,833	**-**	**-**	**-**

WRC at 31 March 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	184,114,204	-	-	-
Finance lease obligation	62,894	-	-	-
	184,177,098	**-**	**-**	**-**

Notes to the Consolidated and Separate Annual Financial Statements

34.2 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	
	2023	2022	2023	2022
	R	R	R	R
Financial Instrument				
Corporation for Public Deposits	246,352,581	143,467,260	246,352,581	143,467,260
Bank balances	164,490,413	166,837,174	164,463,253	166,808,316

These balances represent the maximum exposure to credit risk.

34.3 Market Risk

34.3.1 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.

34.3.2 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 Rand.

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Foreign currency exposure at statement of financial position date

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Current assets				
Cash and cash equivalents, USD 4,181,382 (2022: 6,064,383)	73,285,414	87,286,483	73,285,414	87,286,483
Cash and cash equivalents, Euro 770,000 (2022: 760,731)	14,604,513	12,071,732	14,604,513	12,071,732

34.3.3 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 cash and deposits.

35. Irregular expenditure and Fruitless and Wasteful expenditure

	Group		WRC	
	2023	2022	2023	2022
	R	R	R	R
Irregular expenditure	-	12,216,527	-	12,216,527
Fruitless and wasteful expenditure	-	-	-	-
	-	12,216,527	-	12,216,527

National Treasury issued Instruction no. 4 of 2022/2023 effective 3 January 2023 in respect of the 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 the 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.

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36. Budget information and explanation of differences

Material 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.

Material differences between the final budget and actual amounts

Levy Income

The positive variance in levy income as at the end of March 2023 amounts to R15,183,234 of which R11,041,263 is related to the levy rate increase of 5% for the period 1 July 2022 to 30 June 2023 published by the Minister of Water and Sanitation in the Government Gazette dated 7 October 2022 and R4,141,971 is related to higher than anticipated water volumes received from the water boards than projected based on historical analysis and trends.

Due to the uncertainty and delays around the levy increase request for the 2022/23 financial year, the revenue forecasts included in the September 2022 budget revision excluded a provision for this levy increase. At the time it was considered prudent to not include revenue sources which are uncertain in order to ensure that the entity does not overcommit in respect of funding available.

Leverage income

The negative variance in leverage income as at the end of March 2023 amounts to R28,190,816. The biggest contributors to the variance (negative variance of R31,870,334 off-set with a positive variance of R3,679,516) are explained below:

- An amount of R10,352,889 was not spent in the 2022/23 financial year as anticipated in terms of the contract related to the: project titled “Implementation of the Sanitation Projects and the Facilitation of the Sanitation Innovations and the Gates Sanitation Technologies”. A memorandum of agreement was signed with eThekwini to co-fund two sludge treatment technologies, however due to the devastation and state of disaster declared in the Province because of severe floods, there was no option but to reallocate the budgets and postpone the completion of this project. To ensure that the financial risk is managed from a WRC perspective the project was not continued without available funding. The funds were received in April 2023 and the project will thus continue during the 2023/24 financial year.
- There was a delay with the receipt of the final tranche amounting to R15,500,000 in terms of the contract for the project titled “Implementation of the water research technology aspects of the general budget support (GBS) programme on green economy for development”, of which R8,285,072 was received in April 2023. This necessitated the WRC to delay the project due to the unavailability of funding, resulting in a variance of R5,679,971 on the anticipated spend for the 2022/23 financial year.
- The memorandum of agreement for the project titled “Continued WRC implementation of the Water Research Development and Innovation Roadmap” was signed in November 2022, with the first tranche of funds received from the Department of Science and Innovation (DSI) late November 2022. Implementation activities could only commence once the first tranche of funding was received. This resulted in delays in some of the work packages planned for implementation. The variance to the value of R1,467,982 is due to the technology demonstrations and support of candidates through the YECP programme, not materialising in the 2022/23 financial year.
- The SASTEP “Sanitation Industry Acceleration Programme” required the identification of two school sites by the Department of Basic Education (DBE) where challenges were experienced in securing the correct school sites due to the requirement to first receive buy-in from the school and the provincial department as well as the pre-evaluation and technical discussions required. The first school rejected the innovation as being to complex whilst the second school’s site for the technology was too close to a wetland. Hence the WRC needed to re-engage the national and provincial Department of Basic Education to secure new sites thus requiring the process to restart in respect of identification

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engagement acceptance feasibility. Sites have since been secured and the innovative sanitation technology installations into schools will continue in the 2023/24 financial year, but the delays resulted in a variance of R8,698,802. The nature of research demonstrations is such that technical challenges may arise during the project execution, and these are unforeseen during the planning stages.

- The contract in respect of adaptive response and local scale adaptation for improving water security and increasing resilience to climate change in selected communities in Giyani, Limpopo was delayed as the initial proposal was not satisfactory, which required a redesign of the process by creating a briefing session to allow for better submission and quality of proposals. An amount of R1,900,248 was not spent in the 2022/23 financial year as anticipated in terms of the contract, but the contract activities will continue in the 2023/24 financial year.
- There were some cost savings and delays in the initiation of the project activities associated with the contract entered into to "facilitate and provide research, development and innovation advisory and project services in support of provincial and linked national water security projects". In respect of water reuse activities there were cost savings of R2,559,063 in the 2022/23 financial year as a result of two workshops being reduced to only one held in November 2022 with a feedback session from the City of Cape Town (CoCT) to the Independent advisory panel (IAP). In respect of desalination activities, the process of appointing panel members took longer than was initially anticipated at the project design phase resulting in a cost saving of R687,169. Some potential panel members accepted invitations and later declined contracts. Therefore approval for the replacement of these members had to be obtained through the project Joint Steering Committee (JSC) and EXCO, where only after that, other activities such as the Independent advisory panel (IAP) inception meeting and document reviewing tasks could take place resulting in business plans and associated expenditure being defrayed to the 2023/24 financial year.

Interest received

The interest income positive variance of R7,207,821 as at 31 March 2023 is due to increased cash holdings and numerous increases in the prime interest rate during the financial year. Levy income received from the water boards, funds received from leverage funded partners which have not been spent as anticipated (refer above) and a delay in anticipated expenditure resulted in higher cash holdings and associated higher investment income earned. It is however, important to note that this income source is not guaranteed due to its volatile nature therefore the WRC prudently does not place significant reliance on it for medium- to long-term financial planning.

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. The positive variance of R317,890 as at 31 March 2023 in respect of other income is as a result of recovery of study grants awarded to employees, who either are not continuing with their studies as planned originally, or have resigned and are thus required to reimburse the WRC in terms of the study agreement and HR policies.

Fixed costs

The variance in fixed costs of R102,742 is due to savings in costs associated with the rental of the printers. The WRC entered into a 8-month no cost extension in terms of the National Treasury transversal contract, which expires in September 2023. In terms of this extension, the WRC is only obligated to pay for usage (copies printed) at a zero-machine rental cost.

Running costs

The variance in running costs of R7,360,117 is primarily as a result of:

Notes to the Consolidated and Separate Annual Financial Statements

IT software maintenance licenses and support costs (R1,361,138) which are due to the following:

- Savings in respect of developmental changes in BMS and migration costs.
- Development consulting fees that will no longer be incurred within the financial year.
- Savings in respect of hosting, maintenance and support costs.

Professional Consultancies (R5,169,752) of which the reasons are provided below

- Development of the WRC digitisation strategy. This will be incurred in the 2023/24 financial year.
- Appointment of a professional service provider to conduct independent institutional assessment. This is due to a decision to move it to the next financial after other ongoing assessments have been completed.
- The postponement of the development of a proposal highlighting alternatives for office accommodation that must be considered by the WRC before a strategic decision can be made in respect of the period after the ten-year lease agreement with LynnwoodBridge Office Park (Pty) Ltd which is coming to an end in March 2026.
- Savings in legal fees.
- Savings due to awarded contracts being lower than the anticipated costs in respect of ICT governance strategy and organisational design review for the WRC.
- Savings due to certain projects commencing later in the year than anticipated.

Savings in costs (R829,227) such as subsistence and travel, catering, telephone, storage and stationery.

Human resource costs

The variance in human resource costs of R14,699,167 relates to actual expenditure that is lower than the budget and is mainly as a result of:

- Delay in the implementation of the performance-based incentives in respect of Senior Management R7,633,547.
- Savings in respect of the cost-of-living increases due to actual cost-of-living increases of 3% being implemented compared to 5.5% included in the budget. In addition, an amount of R357,657 relates to cost-of-living increases for Group Executives that were not paid within the 2022/23 financial year.
- Savings in respect of vacancies not being filled.
- Some of the training and study grants, as originally envisaged, did not materialise in the current financial year, resulting in savings of R1,878,671.

Research, development and innovation

- Levy funded research development and innovations (RDI) costs: A variance of R17,754,910 as at 31 March 2023 which is primarily as a result of additional funding becoming available due to cost savings in other expenditure categories such as HR costs and capital expenditure (as determined during the revised budget submission). These were earmarked for possible further research projects and activities in the furtherance of the mandate of the WRC of which only a small component was spent by the end of the financial year as limited additional new research activities were identified and implemented.
- Leverage funded research development and innovations (RDI) costs: A variance of R25,161,490 as at 31 March 2023. Refer to reasons for budget variances in respect of leverage income.
- Workshops and conferences: There were savings in respect of the World Health Organisation World Antimicrobial Awareness Week (WHO WAAW) South Africa 2022 Symposium due to a number of organisations joining and making financial contributions for hosting the event. Further savings are due to physical events not picking up as quickly as planned after the Covid pandemic due to people still preferring to join in virtually thus reducing costs of events.

Notes to the Consolidated and Separate Annual Financial Statements

- Promotion of research outputs: The under-expenditure is due to the pausing of the appointment of the Media Monitoring company to ensure alignment with the new strategy as well as a decline in the utilization of media to promote research e.g., mobile radio studio was not used actively like in the past. The under-expenditure is further linked to the need to first finalise the new strategic direction whereafter promotion and knowledge dissemination initiatives can be implemented.
- Subsistence and travel: Physical events are not as prominent as anticipated based on historical trends and even when there is a physical event a number of people still prefer to join virtually.
- Knowledge Dissemination products: Whilst there has been generally less demand for printed products as most workshops and other events are still held online, another contributor is that print orders are taking much longer to be delivered as a result of recurring loadshedding (the latter is actually emerging as a potential risk for the organisation). Furthermore, publications for which the design and layout have been historically outsourced such as the Corporate Plan were done internally this year resulting in additional cost savings.

Corporate expenditure

The variance in corporate expenditure of R215,863 as at the end of March 2023, is mainly due to savings in respect of corporate social responsibility costs and internal audit fees as the audit of IT General Controls started later than anticipated due to some delays.

Capital expenditure

The variance in capital expenditure of R1,355,543 as at the end of March 2023 is mainly due to delays in respect of planned office reconfigurations as a result of employees returning to the offices. The total planned expenditure for the year in respect of office reconfigurations (R800,000 in respect of leasehold improvements and R350,000 in respect of office furniture) are postponed to the next financial year as this is linked to the decisions to be taken in respect of office accommodation.

Notes to the Consolidated and Separate Annual Financial Statements

37. Reconciliation between budget and statement of financial performance

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

	2023
	R
Net surplus per the statement of financial performance	70,510,717
Adjusted for:	
Non-cash items	
Depreciation and amortisation	2,674,144
Impairment losses and write-offs	(11,436)
Actuarial (gains)/losses	1,835,204
Finance costs	376,561
Accrual for leave movement	(729,390)
Straight-lining of operating leases	(918,462)
Movement in provision for performance bonus performance incentive	8,318,006
Provision for settlement fee raised	738,425
Actual payments made	
Employee benefit payments	(872.866)
Capital expenditure incurred	(1,354,507)
Rental of equipment	(63,022)
Net surplus per approved budget	**80,503,374**

38. Going concern

We draw attention to the fact that at 31 March 2023, the entity had an accumulated surplus/(deficit) of R286,006,375 and that the entity's total assets exceeds its liabilities by R286,006,375.

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

39. Change in accounting estimates

The WRC has reassessed the useful lives of property, plant and equipment and intangible assets 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 current and the future period by R303,829 for property, plant and equipment and R163,693 for intangible assets.

Notes to the Consolidated and Separate Annual Financial Statements

This change in estimate is the same for the economic entity as for the WRC.

	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	-
Office equipment	3 – 7 years	3 – 7 years	146,882
Computer equipment	3 – 10 years	3 – 10 years	156,947
			303,829
Intangible assets			
Computer software	3 – 18 years	3 – 19 years	163,693

40. Contingent liabilities and contingent assets

A contingent liability of R357,657 for the cost-of-living increases of the Group Executives that have not been paid during the 2022/23 financial year because the approval and payment is dependent on the outcome of consequence management.

During the 2022/23 financial year, the WRC Azure subscription was compromised when a hacker added services to the WRC's subscription through a WRC user bmsadmin@wrc.org.za which was not multifactor authentication enabled. This was done between the period 28 November 2022 to the 5 December 2022. This resulted in additional charges of R1,274,076 being levied on the WRC's account. There is currently a dispute between the WRC and the service provider in respect of who is responsible for the costs associated with the lack of security protocols, as the WRC's stance remains that the service provider is responsible for managing the services and ensuring there are no attacks.

41. Events after the reporting period

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

A new Board of Directors was appointed subsequent to the financial year end.

During 2022/23 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 annual financial statements have been adjusted accordingly.

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

G

Section G:

ERF SEWE NUL SES RIETFONTEIN (PROPRIETARY) LIMITED

for the year ended 31 March 2023

Contents

The annual financial statements as set out in pages 140 to 160 which have been prepared on a liquidation basis, were approved by the Board of Directors on 28 July 2023, and was signed on its behalf by:

Dr JB Molwantwa
Director

General Information

Country of Incorporation and Domicile	South Africa
Legal form of entity	The main business of the company was to own the immovable property known as Erf 706 Rietfontein and supplementary to the aim of the Water Research Commission to place the property at the disposal of the WRC as their main place of business. The immovable property was disposed of. In a meeting held on 26 May 2022, 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. This disposal of the property, including the relocation of the Water Research Commission offices, effectively means that the company is not able to continue its main business of renting property for use by the Water Research Commission. 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. When the entity submitted a request to deregister the company on 18 August 2022, we became aware of an amount owed to SARS in respect of employee taxes (PAYE, SDL and UIF). Despite several communications with SARS, where we requested corrections on the system, SARS indicated that the outstanding capital amount of R800 must first be paid and thereafter the entity may submit a request for remission of interest and penalties. Erf 706 paid the outstanding capital amount in respect of the return and submitted a request for remission of all penalties that have been levied on the account.

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.

Dr NP Mjoli was no longer in office as from 1 May 2023.
The directors of the Company in office at the date of this report are as follows:

- Dr JB Molwantwa Appointed 1 April 2022

4. 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 Rietfontein (Pty) Ltd set out on pages 140 to 160, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net asset and statement of cash flows 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 2023, and their 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 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 separate financial statements section of my report.

4. I am independent of the 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 relating to going concern

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

7. As disclosed in note 16 to the financial statements of ERF 706 Rietfontein (Pty) Ltd, 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 Board approved the deregistration of the entity in May 2022.

Responsibilities of the accounting authority for the separate financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the separate financial statements in accordance with the GRAP and the requirements of the PFMA 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.

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

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

10. 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

Report of the Auditor-General

to Parliament on ERF 706 Rietfontein (Pty) Ltd

economic decisions of users taken on the basis of these separate financial statements.

11. A further description of my responsibilities for the audit of the separate financial statements is included in the annexure to this auditor's report.

Report on compliance with legislation

12. The entity was dormant for the year under review. No work was performed on compliance with legislation.

Other information in the annual report

13. 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 separate financial statements and the auditor's report.

14. My opinion on the 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.

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

Internal control deficiencies

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

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

Auditor General

Pretoria
31 July 2023

AUDITOR-GENERAL

Annexure to the Auditor-General

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

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 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 financial statements as described in this auditor's report, I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for 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 financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may 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 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 financial statements, including the disclosures, and determine whether the 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.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No. 1 of 1999 (PFMA)	Section 51(1)(a)(iv); 51 (1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 53(4) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56(1); 56(2) Section 57(b) Section 66(3)(c); 66(5)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Regulation 8.2.1; 8.2.2 Regulation 16A 3.1; 16A 3.2; 16A 3.2(a); 16A 6.1; 16A 6.2(e); 16A 6.3(a); 16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A6.3(d); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; 16A8.2 (1) and (2); 16A 8.3; 16A8.3(d); 16A 8.4; 16A9; 16A9.1 16A9.1(b)(ii); 16A9.1(c); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A9.2; 16A 9.2(a)(ii); 16A9.2(a)(ii) Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Regulation 31.1.2(c'); 31.2.5; 31.2. 7(a) Regulation 32.1.1(a); 32.1.1(b); 32.1.1(c') Regulation 33. 1.1; 33. 1.3
Companies Act	Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); 45(4) Section 46(1)(a); 46(1)(b); 46(1)(c) Section 129(7)
Public service regulation	Public service regulation 13(c);18; 18(1) and (2)
PRECCA	Section 29; 34(1)
CIDB Act	Section 18(1)
CIDB Regulations	CIDB regulation 17; & 25(7A)
PPPFA	Section 2.1(a); 2.1(b); 2.1(f)
PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5. 7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 11.2 Paragraph 12.1 and 12.2
PPR 2022	Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
PFMA SCM Instruction no. 09 of 2022/23	Paragraph 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6
National Treasury Instruction No.1 of 2015/16	Paragraph 3.1; 4.1; 4.2
NT SCM Instruction Note.03 2021/22	Paragraph 4.3; 4.4 (a); 4.4(c); 4.4(d) Paragraph 7.2; 7.6
NT SCM Instruction Note 11 2020/21	Paragraph 3.1 Paragraph 3.4(b) Paragraph 3.9
NT SCM Instruction note 2 of 2021/22	Paragraph 3.2.1; 3.2.2; 3.2.4(a); 3.4.2(b); 3.3.1; Paragraph 4.1
PFMA SCM Instruction 04 of 2022/23	Paragraph 4(1) Paragraph 4(2) Paragraph 4(4)
Practice Note 5 of 2009/10	Paragraph 3.3
NT instruction note 4 of 2015/16	Paragraph 3.4
NT instruction 3 of 2019/20 – Annexure A	Section 5.5.1 (iv) and (x)
Second amendment of NTI 05 of 2020/21	Paragraph 4.8; 4.9; 5.1; 5.3
Erratum NTI 5 of 202/21	Paragraph 1
Erratum NTI 5 of 202/21	Paragraph 2
Practice note 7 of 2009/10	Paragraph 4.1.2
Practice note 11 of 2008/9	Paragraph 3.1 Paragraph 3.1(b)

Statements of Financial Position

for the year ended 31 March 2023

	Notes	2023	2022
		R	R
Assets			
Current assets			
Receivables	3	7,503	7,444
Cash and cash equivalents	4	27,160	28,858
Total current assets		**34,663**	**36,302**
Total assets		**34,663**	**36,302**
Net assets and liabilities			
Liabilities			
Current liabilities			
Payables from exchange transactions	5	8,357	680
Total liabilities		**8,357**	**680**
Net assets			
Share capital	6	1	1
Accumulated surplus		26,305	35,621
Total net assets		**26,306**	**35,622**
Total net assets and liabilities		**34,663**	**36,302**

Statement of Financial Performance

for the year ended 31 March 2023

	Notes	2023 R	2022 R
Revenue from exchange transactions		-	-
Revenue from non-exchange transactions		-	-
Total revenue		**-**	**-**
Expenditure			
Employee benefits expense	7	800	-
General expenses	8	4,109	1,565
Interest and penalties	9	4,407	-
Total expenditure		**9,316**	**1,565**
Deficit from operating activities		**(9,316)**	**(1,565)**
Taxation	10	-	
Deficit for the year		**(9,316)**	**(1,565)**

Statement of Changes in Net Assets

for the year ended 31 March 2023

	Share capital	Accumulated surplus/ (deficit)	Total
	R	R	R
Balance at 1 April 2021	1	37,186	37,186
Changes in net assets			
Deficit for the year	-	(1,565)	(1,565)
Balance at 31 March 2022	**1**	**35,621**	**35,622**
Balance at 1 April 2022	**1**	**35,621**	**35,622**
Changes in net assets			
Deficit for the year	-	(9,316)	(9,316)
Balance at 31 March 2023	**1**	**26,305**	**26,306**
Note	*6*		

Statement of Cash Flows

for the year ended 31 March 2023

	Notes	2023	2022
		R	R
Cash flows from operating activities			
Receipts			
Cash receipts from customers		117	196
Payments			
Cash paid to suppliers		(1,815)	(1,800)
Net cash flows from operating activities	**11**	**(1,698)**	**(1,604)**
Net (decrease)/ increase in cash and cash equivalents		**(1,698)**	**(1,604)**
Cash and cash equivalents at beginning of the year		28,858	30,462
Cash and cash equivalents at end of the year	**4**	**27,160**	**28,858**

Accounting Policies

for the year ended 31 March 2023

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

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. The going concern difficulties faced by the entity are further explained in note 16.

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 trigger 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. The 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/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.

The impairment for receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Accounting Policies

for the year ended 31 March 2023

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 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 observable data indicating a measurable decrease in estimated future cash flows from financial assets.

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible 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. 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.

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 equity instrument 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:
- 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

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for the year ended 31 March 2023

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.

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

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, the entity establishes the 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.

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for the year ended 31 March 2023

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 impairment 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 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 :
  - derecognise the asset; and
  - recognise 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.

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for the year ended 31 March 2023

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.

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

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for the year ended 31 March 2023

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.

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.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

Accounting Policies

for the year ended 31 March 2023

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. Contingencies are disclosed in note 13.

1.8 Revenue

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.

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.

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.

Revenue from a non-exchange transaction shall be measured at the amount of the increase in net assets recognised by the entity.

1.9 Related parties

A related party is a person or 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

Accounting Policies

for the year ended 31 March 2023

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 amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occured.

The entity will not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

If non-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 an estimate cannot be made.

1.11 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

The entity discloses fruitless and wasteful expenditure in terms of National Treasury Instruction no. 4 of 2022/23 (PFMA Compliance and Reporting Framework) which is effective as from the 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 was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.12 Irregular expenditure

Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including the Public Finance Management Act, 1999 (Act No. 1 of 1999), the State Tender Board Act, 1968, or any regulations made in terms of that Act, or any provincial legislation providing for procurement procedures in that provincial government. Irregular expenditure excludes unauthorised expenditure.

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

Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Irregular expenditure when incurred and confirmed is recorded in the annual financial statements' disclosure. This relates to irregular expenditure incurred in the current financial year, with a one financial year comparative analysis.

Notes to the Annual Financial Statements

for the year ended 31 March 2023

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:

- 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

	2023	2022
	R	R
Receivables from non-exchange transactions		
VAT receivable	198	139
Receivables from exchange transactions		
Deposits	7,305	7,305
	7,503	**7,444**

Included in receivables from non-exchange is a statutory receivable in respect of VAT amounting to R198 {2022: R139} Included in receivables from exchange is a financial asset in respect of deposits amounting to R7,305 (2022: 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.

Receivables past due but not impaired

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

Notes to the Annual Financial Statements

for the year ended 31 March 2023

Receivables are all considered for impairment. At 31 March 2023, R7,305 (2022: R7,305) was past due but not impaired.

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.

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 2023, trade and other receivables of R NIL (2022: R NIL) were impaired and provided for. The amount of the provision was R NIL as of 31 March 2023 (2022: R NIL).

4. Cash and cash equivalents

Cash and cash equivalents consist of:

	2023	2022
	R	R
Bank balances	27,160	28,858

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.

Level 1

	2023	2022
	R	R
Cash and cash equivalents	27,160	28,858

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

Notes to the Annual Financial Statements

for the year ended 31 March 2023

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.

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

	2023	2022
	R	R
Trade payables	3,950	680
Accruals	4,407	-
Total payables from exchange transactions	**8,357**	**680**
Non-current liabilities	-	-
Current liabilities	8,357	680
	8,357	**680**

Secretarial fees of R3 150 (2022: R 680) and employee taxes of R800 (2022: R 0) was paid by the Water Research Commission on behalf of Erf 706 Rietfontein.

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.

Notes to the Annual Financial Statements

for the year ended 31 March 2023

6. Share capital

	2023 R	2022 R
Authorised		
4 000 Ordinary shares of Rl each	4,000	4,000
Issued		
1 Ordinary shares of Rl each	1	1

100% of the shares are owned by the Water Research Commission.

7. Employee benefits expense

	2023 R	2022 R
Employee benefits expense comprises:		
Employee tax	800	-

ERF 706 became aware of outstanding capital owed to SARS in respect of employee taxes (PAYE, SDL and UIF) during the 2022/23 financial year a request was submitted to deregister the company on 18 August 2022.

8. General expenses

	2023 R	2022 R
Bank charges	1,639	1,565
Professional fees	2,470	-
Total general expenses	**4,109**	**1,565**

9. Interest and penalties

	2023 R	2022 R
Interest and penalties – SARS	4,407	-

ERF 706 became aware of outstanding capital owed to SARS in respect of employee taxes (PAYE, SDL and UIF) during the financial year. SARS has levied interest of R3,756 and penalties of R651 on the outstanding capital (R800). An appeal for remission of the interest and penalties has been submitted to SARS.

10. Taxation

No provision has been made for tax as the entity has no taxable income. As at 31 March 2023 there is an assessed loss of R1,349,915.

Notes to the Annual Financial Statements

for the year ended 31 March 2023

11. Cash (used in) generated from operations

	2023	2022
	R	R
Deficit for the year	(9,316)	(1,565)
Change in working capital:		
Receivables from exchange transactions	(59)	(39)
Payables from exchange transactions	7,677	-
Net cash flows from operations	**(1,698)**	**(1,604)**

12. Related Parties

Relationships

Holding company: Water Research Commission

Related Party Balances

	2023	2022
Amounts included in Receivable (Payable) regarding related parties		
Water Research Commission: Payable	(3,950)	(680)

Secretarial fees of R3,150 (2022: R680) and employee taxes of R800 (2022: R0) was paid by the Water Research Commisson on behalf of ERF 706 Rietfontein.

13. Contingencies

No contingencies existed at year end of which management was aware.

Notes to the Annual Financial Statements

for the year ended 31 March 2023

14. Financial instruments disclosure

Categories of financial instruments

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

Financial assets

2022	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	7,305	7,305
Cash and cash equivalents	28,858	-	28,858
	28,858	**7,305**	**36,163**

Financial Liabilities

2022	At fair value	At amortised cost	Total
Payables from exchange transactions	-	680	680

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.

Notes to the Annual Financial Statements

for the year ended 31 March 2023

15. Risk management

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.

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. When the entity submitted a request to deregister the company on 18 August 2022, we became aware of capital outstanding owed to SARS in respect of employee taxes (PAYE, SDL and UIF). Despite several communications with SARS, where we requested corrections on the system, SARS indicated that the outstanding capital amount of R800 must first be paid and thereafter the entity may submit a request for remission of interest and penalties. Erf 706 paid the outstanding capital amount in respect of the return and submitted a request for remission of all penalties that have been levied on the account. As the entity is not expected to continue to operate as a going concern, does not expect any significant future commitment and the entity has sufficient cash resources available to meet financial demands. The liquidity risk is thus regarded as low.

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

	2023	2022
	R	R
ABSA Bank	27,160	28,858
Receivables	7,305	7,305

16. 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

Notes to the Annual Financial Statements

for the year ended 31 March 2023

finalised on 12 July 2019, as a result ERF 706 Rietfontein will not be able to offer and provide office accommodation to the WRC or other potential tenants and would therefore not be able to continue as a going concern in the foreseeable future. In a meeting held on 26 May 2022, the Board approved the deregistration of ERF 706 Rietfontein (Pty) Ltd.

17. Irregular expenditure and Fruitless and wasteful expenditure

	2023	2022
	R	R
Irregular expenditure	-	-
Fruitless and wasteful expenditure	-	-
	-	-

National Treasury issued Instruction no. 4 of 2022/23 effective 3 January 2023 in respect of the 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 the 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.

18. Events after the reporting date

No events or circumstances arising after the reporting date have come to the attention of management that would require adjustments to or disclosure in the financial statements.

Income Tax Computation

	2023
	R
Deficit before tax	(9,316)
Permanent differences	
Add back: Interest and penalties - SARS	4,407
Computed loss - carried forward	(4,909)
Assessed loss brought forward	(1,345,006)
Assessed loss at year end	**(1,349,915)**
Tax thereon @ 28%	-

Notes

Notes

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