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List of Abbreviations

ABET Adult Basic Education and Training
ACI Africans, Coloureds and Indians
AFWA African Water Association
ASGISA Accelerated and Shared Growth Initiative for South Africa
ATR Annual Training Report
BEE Black Economic Empowerment
BBBEE Broad-Based Black Economic Empowerment
CAS Chemical Abstraction Services
CFD Computational Fluid Dynamics
CMA Catchment Management Agency
CoR Cost of Risk
CP Carthodic Protection
CRC Corporate Risk Committee
CSI Corporate Social Investment
DED Deutscher Entwicklungsdienst (German Development Service)
DTI Department of Trade and Industry
DWEA Department of Water and Environmental Affairs
EE Employment Equity
EIA Environmental Impact Assessment
EMPs Environmental Management Plans
EPDM Ethylene Propylene Diene Monomer
ERWAT East Rand Water Care Company
ESETA Energy Sector Education and Training Authority
EVP Employee Value Proposition
EWRM Enterprise-Wide Risk Management
FET Further Education and Training
GETC General Education and Training Certificate
GIS Geographic Information System
GPS Global Positioning System
GWCL Ghana Water Company Limited
HACCP Hazard Analysis and Chemical Control Point
IEB Independent Education Board
IP Intellectual Property
ISO International Organisation for Standardisation
IWA International Water Association
JIPSA Joint Initiative on Priority Skills Acquisition
LHWP Lesotho Highlands Water Project
LIA Listed Invasive Aliens
MDGs Millennium Development Goals
MoU Memorandum of Understanding
NDA National Development Agency
NBF NEPAD Business Foundation
NEPAD New Partnership for Africa’s Development
NQF National Qualifications Framework
OHSAS Occupational Health and Safety Auditing Services
OHS Act Occupational Health and Safety Act
PDP Personal Development Programme
PFMA Public Finance Management Act
PIC Portfolio Integrating Committee
PNCP Pilot National Co-generation Programme
PWDs People With Disabilities
RWS Rand Water Services
SABS South African Bureau of Standards
SAGIC South African Green Industries Council
SALGA South African Local Government Association
SALI South African Landscapers Institute
SMMEs Small, Medium and Micro Enterprises
SAMWU South African Municipal Workers Union
SANS South African National Standards
SAQA South African Qualifications Authority
SHEQ Safety, Health, Environment and Quality
SLA Service Level Agreement
TDS Total Dissolved Solids
UASA United Association of South Africa
UN United Nations
UNISA University of South Africa
VSD Variable Speed Drives
WCDM Water Conservation and Demand Management
WGFD Water for Growth and Development
WHO World Health Organisation
WISA Water Institute of South Africa
WOPs Water Operators’ Partnerships
WRC Water Research Commission
WSA Water Services Act
WSP Workplace Skills Plan
WQSP Water Quality Safety Plan
WWET Water Wise Education Team

Financial Year

The financial year of Rand Water is from 1 July 2008 to 30 June 2009. Unless otherwise indicated, references to the period under review or to a combined year, for instance 2008-9, are to the financial year ended 30 June 2009.
Vision
To be a provider of sustainable, universally competitive water and sanitation solutions for Africa.

Mission
To consistently meet the expectations of our customers, partners and the government by strengthening our capability to:

- attract, develop and retain leading edge skills in water services;
- sustain a robust financial performance;
- develop and sustain a globally competitive capabilities in core areas;
- enter into and sustain productive partnerships;
- develop, test and deploy cost-effective technologies.

Values
- Caring
- Equity
- Excellence
- Integrity
- Spirit of partnership

Our Water
For 106 years, Rand Water has supplied bulk potable water to Gauteng and its surrounding areas. Rand Water’s success is based on sharing in the pioneering spirit that led to the growth of the city of Johannesburg. It is the same spirit that has driven Rand Water’s growth in terms of infrastructure and quality. Rand Water has an internationally renowned reputation for supplying water of a quality that ranks among the best in the world.

By the early 1970s, Rand Water’s primary source of water, the Vaal River, had its potential exploited to the utmost; the problems of future water supply for industry, commerce and domestic use in the Gauteng area were becoming increasingly serious. The solution was obvious – transfer water from the catchment area of the Tugela River to that of the Vaal. Since the water transfer over the Drakensberg requires the construction of reservoirs, channels and pumps, it opened the way to build a hydroelectric power station which could further exploit the potential of water resources being made available. In 1982 the project was completed, operating as a pumped storage scheme and as a pumping station for water transfer over the Drakensberg from the Tugela to the Vaal.

In February 1998, the Lesotho Highlands Water Project (LHWP) began transferring water into the Vaal Dam. The LHWP in its present form comprises six dams and three pumping stations. The flow of the water in the Orange River is diverted through a series of tunnels through the Maluti Mountains, into the Eastern Free State, and from there on into the Vaal Dam.

Rand Water extracts water from the Vaal Dam and purifies and disinfects the water at its Vereeniging and Zuikerbosch Purification and Pumping Stations. The water is then pumped to Zwartkopjes (Rand Water’s main booster pumping station) and three satellite booster pumping stations situated at Palmietfontein, Eikenhof and Mapleton. From here, the water is then pumped again to the 58 reservoirs located through Rand Water’s area of supply. It is from these reservoirs that water is delivered to Rand Water’s customers.
Defining Rand Water (continued)

Area of Supply

Rand Water is mandated to supply water mainly to Gauteng. Its area of supply also includes areas adjacent to Gauteng, such as the Mpumalanga Western Highveld, Rustenburg in North West, and areas in the eastern Free State.

Water Sources & the Water Sector Value Chain

Since 1974, the Tugela-Vaal scheme has fed water into the Vaal River to supplement its supply. This is done by inter-basin transfer of water from the Tugela River in KwaZulu-Natal. The water is released into the Vaal River system from the Sterkfontein Dam via the Nuwejaar Spruit and the Wilge River.

The availability of water from the Tugela-Vaal system made it possible for Rand Water to maintain restricted, but adequate, water supplies to its customers during major droughts – from 1983 to 1987 and again in 1995. The LHWP also transfers water to the Vaal Dam.

The LHWP is designed to meet the demand for water in Gauteng until the year 2018.
Corporate Profile

Rand Water is the largest water utility in Africa, providing bulk potable water to a population that has grown to an estimated 10 530 000 in Gauteng, parts of Mpumalanga, the Free State and North West provinces. Its customer base includes metropolitan municipalities, local municipalities, mines and industries.

Rand Water has a turnover of more than R4,7 billion, and has an asset base totalling R7,9 billion, which includes pumping stations, purification plants and reservoirs. Through the establishment of Rand Water Services (Pty) Ltd, Rand Water is positioning itself among the leaders in the industry in Africa and beyond.

Rand Water has continued to be trusted by various government departments, including the DWEA, as an implementing agent in various community projects aimed at improving the lives of people.

Strategic Objectives

To position Rand Water in terms of its vision, to respond optimally to the dynamics of a rapidly changing water services sector, business, social and environmental situations, and to meet the needs of its stakeholders; Rand Water has identified six strategic objectives that will guide its activities, its business focus and the allocation of its resources.

These are:
- Achieve growth;
- Achieve operational integrity and use best fit technology;
- Achieve a high-performance culture;
- Positively engage stakeholder base; and
- Maintain financial health and stability.

Primary Activities and Key Competencies

- Bulk potable water supply
- Bulk sanitation services
- Products and other services
- Operating and maintenance expertise
- Engineering planning and designs
- Catchment management services
- Scientific and analytical services
- Utility management
- Sanitation and waste water management
- Project and quality management
- Commissioning of water and waste-water treatment plants
- Training, education and communication programmes
- Infrastructure refurbishment
- Water demand management
- Retail water services
- Water cycle management services
The year under review has been filled with many challenges and developments. It coincided with general elections at national level and also the appointment and inauguration of a new Board. The term of the old Board came to an end on 31 March 2009.

Rand Water has applied its resources as agreed with the Minister and Shareholder in the Shareholder’s Compact.

It gives me much pleasure to have been afforded an opportunity to chair the Board. We also appointed a new Chief Executive in the person of Percy Sechemane, who has ably steered the ship to the shore. A new strategy has been adopted by the Board. This strategy has as its tenet, the following strategic goals:

- Achieve growth
- Achieve operational integrity and use best fit technology
- Achieve a high performance culture
- Positively engage stakeholder base
- Maintain financial health and sustainability

On the Water Quality side, I should mention that, despite the challenges of spillages of effluent into the Vaal River, which contributed to the degradation of water resources, resulting in the damage to the ecosystem, Rand Water has maintained the provision of high quality bulk water for the entire year under review. No major deviations were recorded during the reporting period. In recognition of this fact, Rand Water received an award in September 2008 for excellence at a conference of the International Water Association (IWA) held in Vienna, Austria. Rand Water has maintained its Blue Drop Certification issued by the Department of Water and Environmental Affairs. From an enforcement point of view, Rand Water subscribes to the “polluter pays” principle as a way of ensuring the integrity of the resource. Rand Water also continued to play a pivotal role at an international level. Among others, Rand Water signed a Memorandum of Understanding (MoU) to host the Secretariat for the Water Operators’ Partnership (WOP) at its Head Office. This will not only provide Rand Water with exposure to the continent, but will also contribute to NEPAD objective of integration.

Rand Water has also continued to participate in the activities of the NEPAD Business Foundation (NBF), the objective of which is to explore African markets, thereby leading an integration of economies through infrastructure development projects. Infrastructure management has remained a key priority that enabled Rand Water to support the Government priority of poverty alleviation. Capital expenditure has also improved significantly during the year just ended. Rand Water participated in the launch of the “Water for Growth and Development (WfGD)” framework during National Water Week in March 2009.

The reporting period has been characterised by a recession. Despite the recessionary period that faced us during the last two quarters of the financial year, Rand Water still managed to achieve positive results overall. Rand Water acknowledges that it operates in a services area with discrepancies in terms of resource allocations. To this end, we have ploughed back a considerable amount into the communities within our service area through our Corporate Social Investment (CSI) programmes.

I want to express my gratitude to my colleagues on the Board, the Chief Executive and all staff for their commitment for the realisation of the mission and vision of Rand Water.

The invaluable contribution of our customers towards sustaining Rand Water does not go unnoticed.

MJ Ngubane
Chairperson
Members of the Board of Rand Water

**Chairperson**
Ms Jean Ngubane

Member of the Board of Rand Water as from:
1 April 1995

**Academic qualifications:**
BA; Postgraduate Diploma in Applied Sciences

**Other directorships:**
Trees for Life; Trust - Wits Technikon; Technikon Northern Gauteng

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**Deputy Chairperson**
Advocate Mosotho Petlane

Member of the Board of Rand Water as from:
1 June 2002

**Academic qualifications:**
BA; Postgraduate Diploma in Business Administration; LLB; Secondary Teacher’s Diploma

**Other directorships:**
Acting Chairperson, Rand Water Services (Pty) Ltd

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**Chief Executive**
Mr Percy Sechemane

Member of the Board of Rand Water as from:
1 September 2008

**Academic qualifications:**
BCom; MBA

**Other directorships:**
None
Members of the Board of Rand Water (continued)

Mr Dawood Coovadia

Member of the Board of Rand Water as from:
1 April 2005

Academic qualifications:
BCompt (Hon); CA (SA); CMC; FIAC; FCIS;
BAC (SA); FSAIM; GIA (SA); CAT (UK)

Other directorships:
Gauteng Enterprise Propeller;
Coovadia and Associates

Ms Mirriam Dooms

Member of the Board of Rand Water:
1 June 2002 to 31 March 2009

Academic qualifications:
Registered Nurse (Midwifery and Community Health)

Other directorships:
None

Dr Michael Ellman

Member of the Board of Rand Water as from:
1 June 2002

Academic qualifications:
BSc; MSc; MBA; PhD

Other directorships:
Advisory Board Member of
Department of Chemical Engineering,
University of Pretoria
Ms Matshidiso Magonare

Member of the Board of Rand Water as from:
1 April 2009

Academic qualifications:
BEd (Hon); Certificate in Project Management;
Certificate in Community Capacity Building;
BA Ed; Certificate: Assessor; Certificate: Moderato

Other directorships:
None

Advocate Matshidiso Hashatse

Member of the Board of Rand Water as from:
1 April 2009

Academic qualifications:
BA Journalism; LLB; LLM

Other directorships:
Director of SEDA (Small Enterprise Development Agency)

Ms Janet Love

Member of the Board of Rand Water: 1 June 2002 to 31 March 2009

Academic qualifications:
BA; Postgraduate Diploma: Public Administration;
Postgraduate Diploma: Economics

Other directorships:
National Director, Legal Resources Centre
Members of the Board of Rand Water (continued)

Dr Patricia Makhesha

Member of the Board of Rand Water as from:
1 April 2005

Academic qualifications:
DBA; MBA; EDP; PMD;
NDip Public Relations Management

Other directorships:
CEO, Mothibi Multimedia Investments

Mr Lefadi Makibinyane

Member of the Board of Rand Water as from:
1 April 2009

Academic qualifications:
BASc (Chem)(Eng)(Hon); Postgraduate Certificate in Management; Masters in: Business Leadership

Other directorships:
Maqhawe Technical and Financial Services;
Council of Geoscience

Advocate Mohale Maluleke

Member of the Board of Rand Water:
1 June 2002 to 31 March 2009

Academic qualifications:
BA; LLB

Other directorships:
Central Johannesburg College for FET
Ms Nomsa Maseko

Member of the Board of Rand Water:
1 April 1997 to 31 March 2009

Academic qualifications:
Certificate, Local Government Administration and Management; Certificate, Leadership Training and Community Development; Higher Diploma, ABET & OBED

Other directorships:
None

Ms Nandi Mayathula-Khosa

Member of the Board of Rand Water:
1 June 2002 to 29 June 2009

Academic qualifications:
BSc; BEd

Other directorships:
SALGA National Executive

Ms Savannah Maziya

Member of the Board of Rand Water as from:
1 April 2009

Academic qualifications:
BCom (Hon); MBA

Other directorships:
Group Chief Executive, Bunengi Holdings; Uranium Ore; Rainbow Construction; WBHO Construction; Standard Bank of Swaziland
Members of the Board of Rand Water (continued)

Ms Phumelele Ndumo-Vilakazi

Member of the Board of Rand Water as from: 1 April 2005

Academic qualifications: BCom; MBL; HDip Computer Auditing

Other directorships: MD, Thuthuka SA; MD, Phumelela Holdings (Pty) Ltd

Ms Phumzo Noxaka

Member of the Board of Rand Water as from: 1 April 2009

Academic qualifications: B Admin; B Compt Acc (Hon); HDip Computer Auditing; CA (SA); MBA, Finance Markets

Other directorships: MD, Alatha Consulting; Faritec Ltd; City of Johannesburg Audit Committee; National Department of Public Works Audit Committee

Ms Thembisile Nwedamutsu

Member of the Board of Rand Water as from: 1 April 2009

Academic qualifications: Policy Studies (Masters); Adv Diploma (Accounting); Dip Business Admin; Certificate in Training of Trainers; Certificate in Organisation and Strategic Management

Other directorships: Chief Executive Officer, Independent Development Trust
Professor Frederick A. O. Otieno  
Member of the Board of Rand Water as from:  
1 April 2005  
Academic qualifications:  
BSc (Eng); Msc; PhD(Civil Eng); MBA;  
PrEng; FSAICE  
Other directorships:  
None

Ms Ferhina Saloojee  
Member of the Board of Rand Water as from:  
1 June 2002  
Other directorships:  
Halotsal (Pty) Ltd; Bergers Filling Station;  
Salvest Property Investments CC

Mr Mdibanisi Tsheke  
Member of the Board of Rand Water as from:  
1 June 2002  
Academic qualifications:  
National Preliminary Certificate in Business Education  
Other directorships:a  
Executive Committee, SALGA; Executive,  
SANCO
Chief Executive’s Report

It gives me much pleasure to report on the activities of Rand Water for the period 1 July 2008 to 30 June 2009. This Report is informed by the objectives and targets stated in the Shareholder Compact entered into with the Shareholder.

The Chairperson alluded to the newly adopted strategy in her message. I have shared this strategy with employees in a series of road shows to ensure that it is understood by all. Alignment to the strategy has also been discussed extensively with the top 140 managers of Rand Water, to ensure that everybody works towards the realization of the strategic goals.

It should be appreciated that Rand Water operates within a changing water sector. To this end, the Board Risk Committee interrogates the Risk Mitigation Plans of Rand Water on a quarterly basis. Progress towards mitigation of identified risks were subjected to an independent internal audit prior to submission to the Board, whose responsibility it is to ensure that a related system of internal control is in place.

The adoption of a new Strategy by the Board, meant that some policies needed to be amended and better aligned to the mission and vision of Rand Water. This process yielded fruit, in so far as achieving a common vision towards which to work.

Rand Water’s service area has now been extended to include the Delmas Municipality. This explicit expression of confidence by the Shareholder provides more challenges and opportunities for Rand Water. Our teams are already doing work in the Delmas Municipality.

During the year under review, Rand Water posted a 9,4% increase in revenue to R4,7 billion, which was mainly attributable to the high volume growth from 1411569 (KL’000) to 1454973 (KL’000). Municipalities, which are our main customers, also recorded an increase compared to mines, who recorded a decline in the water purchased from Rand Water.

Rand Water has maintained the provision of high quality bulk water for the entire year under review by compliance to SANS 241 and the World Health Organisation’s standards.

The quality of drinking water supplied by Rand Water to municipalities in Gauteng and parts of adjoining provinces, is monitored on a regular basis and all water samples comply with the requirements of the SANS 241 Drinking Water Standard and the World Health Organisation (WHO) guidelines. Water quality is monitored throughout the entire supply chain, from the raw water source (Vaal Dam), to the consumer’s tap, to ensure safe drinking water on an ongoing basis.

Although Rand Water can only guarantee the water quality up to the point of sale to the municipalities, we partner with them in water quality management.

Rand Water continued to supply high quality water in the right quantities during the year under review. No major deviations were reported and the Class 1 and 2 water, continued to comply with SANS 241 and the World Health Organization (WHO) Standards.

On an international level, Rand Water hosted a significant number of international delegations at its sites. This provided Rand Water with an opportunity to position itself as a leader in bulk water services provision on the continent.
This also contributed to NEPAD objective of economic integration. Rand Water Services represented the Group in the activities of the NEPAD Business Foundation (NBF). This is a viable vehicle through which African markets can be explored.

Rand Water remains committed to Enterprise Development through the development of Small, Medium and Micro Enterprises (SMMEs). To this end, I am pleased to report that Rand Water has surpassed its BBBEE target for the financial year under review. The support provided to the SMMEs enabled them to mitigate the challenges brought about by the recession.

This is in line with what the President mentioned in his State of the Nation Address (SONA) when he said, “In this regard, we will utilise state levers such as procurement, licensing and financial support to assist small and medium enterprises as well as to promote the implementation of Broad-Based Black Economic Empowerment and affirmative action policies”. Infrastructure management has remained a key priority that has enabled Rand Water to support the Government priority of poverty alleviation and sustainable water supply. Capital expenditure also improved significantly during the year under review.

Rand Water boasts a healthy balance sheet with a gearing ratio of 16% (2008: 18%). Rand Water aims to continue achieving strong financial results that will make it possible for Rand Water to embark on its capital intensive programme and to ensure that debt is serviced according to the reputation that Rand Water holds in the market place.

Rand Water has a five year capital expenditure programme of R8,6 billion of which 70% will be spent to augment infrastructure whilst the remaining 30% will be used for renovations and replacements as well as various water demand management activities. Rand Water’s redemption obligation of R100 million in September 2009 and R633 million in July 2012 together with its R8,6 billion CAPEX programme has given rise to an approximate R5 billion funding requirement over the next five years. A Funding Strategy and Funding Plan is being developed in line with the Group’s corporate plan and all related regulatory requirements to determine the level and sources of internal and external funding required to fund its Capital expenditure programme. Rand Water aims to maintain the financial health of the organisation through proper planning and the use of appropriate funding mechanisms that will best suit business needs.

Rand Water Treasury effectively manages and monitors the liquidity risk, credit risk, investment and interest rate risk ensuring policies and procedures related to these risks are adhered to.

Fitch has maintained its long term rating of “AA+(zaf)” with a stable outlook and short term rating of “F1+(zaf)” for Rand Water. Standard and Poor’s local currency rating for Rand Water has remained at “A+” and its foreign currency rating remained at “BBB+”. The outlook for both the local and foreign currency has changed from stable to “negative”. Standard and Poor’s confirmed that the negative outlook is only as a result of the new rating methodology (Press Releases 29 and 30 June 2009) applied by Standard and Poor’s. The financial or operational performance of Rand Water has had no bearing on the negative outlook.

Rand Water managed to honour all its long-term commitments during the reporting period. This bodes well for good credit management.

The net profit for the year decreased from R839 million in the previous financial year to R596 million, as a result of the high inflationary environment within which we operate. The decrease in the net profit generation is attributable to higher than expected energy prices. Cost saving measures were embarked upon to free more financial resources from recurrent expenditure on infrastructure.

Despite the recessionary period that faced us during the last two quarters of the financial year, Rand Water still managed to achieve positive results overall. We ploughed back a considerable amount into communities within our service area through our Corporate Social Investment (CSI) programme, which is managed through the Rand Water Foundation.

Alignment to key policy priorities of DWEA has been an imperative. Rand Water participated in the launch of the “Water for Growth and Development” (WF&GD) framework during the National Water Week celebration, hence the theme of this Report.

As I conclude, I take this opportunity to express my heartfelt gratitude to the Shareholder and the Board for the leadership provided and the support from all the staff at Rand Water for the sterling results accomplished. Rand Water is also highly indebted to its customers, without whose support these results could not have been possible.
Portfolio Integrating Committee (PIC)

Chief Executive
Mr Percy Sechemane

Portfolio Integrating Committee member as from:
1 September 2008

Academic qualifications:
BCom; MBA

Chief Operating Officer
Mr Sipho Mosai

Portfolio Integrating Committee member as from:
1 April 2009

Academic qualifications:
MSc; MBA

Chief Financial Officer
Ms Matshidiso Nyembe

Portfolio Integrating Committee member as from:
18 May 2009

Academic qualifications:
BCompt; BCom (Hon); CTA; CA (SA)
Group Governance Executive
Ms Fikile Sithole

Portfolio Integrating Committee member
as from: 1 September 2008

Academic qualifications:
LLB; Higher Diploma, Labour Law;
BA Law; Diploma, Corporate Governance;
Board Leadership Programme (GiBS);
Attorney of the High Court

Group Shared Services Executive
Dr Fawcett Ngoatje

Portfolio Integrating Committee member
as from: 1 July 2008

Academic qualifications:
BAEcon (Hon); Project Management;
MDev; PhD

Group Strategy Executive
Mr Zvinaiye Manyere

Portfolio Integrating Committee member
as from: 1 January 2006

Academic qualifications:
BSc (Engineering); MSc (Structural Design)

Group Human Resources Executive
Ms Wayida Mohamed

Portfolio Integrating Committee member
as from: 20 April 2009

Academic qualifications:
BA (Hon); Dip Human Resources Management;
Post Graduate Programme, Executive Leadership.
The PIC structure has created centres of key process integration based on key organisational outputs and has enabled the organisation to realise efficiencies and provide better service, eliminate duplication and wastage and achieve best practice.
Corporate Governance

Rand Water is committed to ensuring compliance with the provisions of the recommendations of King II Report, the Public Finance Management Act No 1 of 1999 (the PFMA), the Protocol on Corporate Governance in the Public Sector, and the provisions of the Water Services Act No 108 of 1997, amongst other regulatory and supervisory corporate governance requirements.

Rand Water and all its stakeholders, its systems and processes, have given life to the ethical culture that is cultivated across the organisation demonstrates its commitment to sound governance principles.

For Rand Water good governance is not exclusively regarded as a compliance issue and as recommended by the King II Report, the Board of Rand Water continuously seeks to emphasise the balance between adhering to governance requirements, and directing the organisation’s high levels of performance. In the next financial year, Rand Water will place more emphasis on the new requirements of the King III Report to ensure that all entities within the Rand Water group subscribe, adhere and comply with all aspects of the Report.

Rand Water will through its Board consider any further adoption of other recommendation in line with Good Governance.

Key Governance Highlights

During the year under review, Rand Water had the following key developments:

- Appointment of the Board and its Committees and Senior Executives.
- Review of the Code of Ethics.
- Review of its Corporate Governance Framework.

Governance Structures

Shareholder

Rand Water is 100% owned by the government of the Republic of South Africa, through the Department of Water and Environmental Affairs (DWEA).

Board Members

The Board of Rand Water consists of 16 members of which majority are non executive members. The position of the Chairperson and the Chief Executive are separated and their duties are clearly segregated in line with the recommendations of King II Report.

The Board and its sub committees are duly formed in accordance with the recommendations of King II Report on Corporate Governance (King II) and the PFMA. The Board of Rand Water is the Accounting Authority in terms of the PFMA.

The Board of Rand Water is appointed by the Minister of the Department of Water and Environmental Affairs. The appointment is stipulated in Schedule 1 of the Water Services Act. A new Board was appointed effective 30 March 2009.

Roles and Responsibilities of the Board

The composition of the Board of Rand Water meets the requirements of the King II Report with regards to the executive, non-executive and independent members.

The Board’s responsibilities are clearly defined and governed by the Board Code of Ethics, which in itself constitutes an integral part of the each Board member’s conditions of appointment.

The Board’s primary responsibilities include:

- Evaluating and reviewing Rand Water’s strategic direction.
- Identifying, considering and reviewing key risk areas and relevant responses, as well as key performances indicators of Rand Water’s operations.
- Monitoring investment decisions and considering significant financial matters.
- Retaining full and effective control over Rand Water, as well as monitoring the PIC’s implementation of Rand Water’s plans and strategies.
- Identifying, considering, monitoring and, when appropriate approving financial and non-financial matters relevant to the business of Rand Water.
- Ensuring ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, and Rand Water’s internal governing documents and codes of conduct.

- Being aware of, and committing to the underlying principles of good governance and ensuring that compliance with corporate governance principles are reviewed regularly.
- Defining levels of responsibility, reserving specific powers to the Board and delegating other matters, with the necessary written authority and terms of reference, to the PIC or Board committees, whilst acknowledging that this does not discharge the Board of its responsibilities and duties.
- Regularly evaluating the economic, political, social and legal issues, as well as other external developments that may influence or affect the developments of Rand Water’s business or the interests of the Department of Water and Environmental Affairs and, if necessary, the taking of external expert advice.

Rand Water’s subsidiaries, the Rand Water Foundation and Rand Water Services (Pty) Ltd have also been established and operated in accordance with the standards of governance established by the Board of Rand Water. The Board of...
Rand Water and its committees are equitably represented in terms of their diverse skills and demographics.

Acknowledging the importance of managing risk effectively as opposed to avoiding risk at the expense of good business is also in place.

The Board Committee structure has thus been designed to ensure that it can best assist the Board as it discharges its duties and responsibilities.

**Board Sub-Committees**

The Board of Rand Water established a number of other oversight committees to assist the Board in discharging its duties with regard to conformance oversight, and such committees are: the Executive Committee, Audit, Risk Management, Human Resources and Remuneration, Capital Investment, and Treasury Committees. Each of the committees have formal written terms of reference to ensure the optimal discharge of their respective duties within the scope of the mandate conferred upon each committee to enable Rand Water to extend its operations outside of its core areas of business, whilst staying within the scope of the applicable regulatory parameters.

**The Office of the Company Secretary**

All the members have direct access to the advice and services of the Company Secretary who provide the Board with guidance on all governance issues. The Company Secretary also assists the Chairperson and the Chief Executive in determining the annual board plan, board agendas and to formulate all other governance related matters. The Board procedures and the applicable rules and regulations are fully observed. The office of the Company Secretary forms part of the accountability framework of Rand Water and it focuses on the adding value to the business by leveraging the value created by conformance.

Mr. Sandile Dlamini served as the Group Company Secretary until 30 November 2008. Ms Nokwanda Mngoma was appointed as Acting Group Company Secretary until the end of the financial year.

**Induction and Training**

It is the responsibility of the Company Secretary to ensure that newly appointed members have the benefit of an induction programme for the purposes of their development and understanding of their fiduciary duties, roles and responsibilities and particularly in accordance to the PFMA, the Water Services Act and any other legislation applicable to Rand Water.

Rand Water has a formal orientation programme which is designed to familiarise incoming members with the Rand Water’s operations, its business environment and senior management. In addition to that, the Board receives an update on relevant new laws, regulations and any legislative changes from time to time.

**Delegation of Authority**

Rand Water has adopted a comprehensive delegation of authority framework in accordance with section 56 of the PFMA, which clarifies the various levels and assist with the limits of authorisations throughout the organisation.

**Board Meetings**

Board meetings are held bi-monthly. In addition to these meetings, special meetings are convened when circumstances dictate.

**Summary of Attendance at Board and Sub-Committee Meetings**

**July 2008 – June 2009**

<table>
<thead>
<tr>
<th>Board Member</th>
<th>Total Meetings</th>
<th>Total Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>J M Ngubane</td>
<td>28</td>
<td>24</td>
</tr>
<tr>
<td>M M Petlane</td>
<td>23</td>
<td>20</td>
</tr>
<tr>
<td>D Coovadia</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>M Dooms*</td>
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<td>T Nwedamutswut</td>
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* End of term in office 31 March 2009
† Appointed to the Board of Rand Water 1 April 2009
‡ Resigned, 29 June 2009

A detailed table on Member attendance is provided below for ease of reference.
Risk Management

**Internal Controls at Rand Water**

A key aspect of the Board of Rand Water’s responsibilities is to review the effectiveness of internal controls, using the monitoring of processes that are established within the organisation. The detailed design, implementation and operation of adequate internal controls are then delegated to the Portfolio Integrating Committee (PIC).

These controls provide assurances that significant risks are appropriately managed, that the intellectual information emanating from Rand Water is reliable and that assets are safeguarded. Clearly defined guidelines for the delegation of authority at Rand Water form part of the system of internal control.

**Enterprise-Wide Risk Management (EWRM)**

The Board of Rand Water has consistently emphasised the importance of the process of risk management and the value of establishing an informed opinion on the effectiveness of this key process. It is however, the responsibility of the Board of Rand Water to oversee the implementation and monitoring of the process of risk management and its integration into daily activities of Rand Water.

**Enterprise-Wide Risk Management (EWRM) at Rand Water** is the aggregation of strategic and operational business and financial risks in order to detect and minimise any potential risks as early as possible.

The risk management processes at Rand Water aim to identify and report all potential risks at an early stage. They are assessed and identified using established criteria and are evaluated according to the extent and characteristics of the risk, with the overall objective of implementing effective measures to manage risks.

During the period under review, Rand Water has continued to update its risk management processes in order to increase its efficiency and transparency.

All Rand Water employees are encouraged and empowered to identify and report potential risks. These risks are then captured, evaluated and incorporated into a risk register. Risk registers include mitigation plans and responsible risk owners. These mitigation plans are continuously monitored by the Corporate Risk Committee (CRC) through internal audits and are approved by the Board Risk Committee.

At the beginning of the period under review, new strategic objectives were approved by the Board, which necessitated the review of the risk registers to align to these strategic objectives. All Rand Water portfolios have completed their risk register reviews, and currently, the process of consolidating the new risk register is underway and is due for completion in the new financial year.

**Risk Finance**

Rand Water has adopted the EWRM process, with risk financing forming an integral part of this process. One of the most traditional ways of managing and mitigating any potential exposure to identified risks and threats is through risk financing or insurance. Rand Water is insured on a short-term basis, and its insurance is renewed annually.

**Cost of Risk (CoR)** is used as a key indicator of the effectiveness of Rand Water’s risk management initiatives. CoR comprises all the organisation’s risk related costs and it is expressed as a percentage of turnover for the period under review. The main components of CoR are insurance costs (statutory and non-statutory), costs of self-insured or self-retained losses/risk control costs as well as corporate administration costs, including risk personnel costs.

**External Audit**

External auditors have been appointed to provide assurance and credibility to the organisation’s existing Assurance Framework in terms of the Public Finance Management Act (PFMA) and the Water Services Act.

**Internal Audit**

In recent years, internal audit processes have internationally undergone significant changes with regard to how these audits should be undertaken. Most notably, there has been a visible move from process-based exercises to ones that are risk-based, while also embracing the key principles of governance and risk management.

Rand Water’s Internal Audit unit is considered critical to the organisation and has an independent appraisal function established to evaluate the adequacy and effectiveness of its controls, disciplines, systems and procedures in order to reduce business risks to acceptable and cost-effective levels and to ensure the achievement of the organisation’s objectives.

With this in mind, it is not surprising that people play the most critical role in Rand Water’s internal audit processes.

Rand Water has a formal charter in place to regulate the functions of the Internal Audit unit, as well as a detailed audit plan based on risk assessments and issues raised at the Board, the Audit sub-committee and Portfolio Integrating Committee (PIC) meetings.
Rand Water’s Internal Audit unit has focused on the following key issues, which are championed by the Board and the Portfolio Integrating Committee (PIC), which insisted on a more tangible demonstration of the performance of Rand Water’s Internal Audit unit:

- Focusing on client management, to include knowledge sharing and fostering partnerships with line managers, and returning the ownership of controls to management.
- Re-directing its processes from detection to prevention; and identifying solutions to challenges.
- Focusing on a risk-based approach with its audit processes.
- Adding value to Rand Water’s organisational objectives, strategies, risks and corporate governance priorities.
- Greater emphasis on technology, i.e. automated work papers, computer assisted audit software, etc.
- The adoption of a risk-based plan and the importance of cooperation with other assurance providers.

Rand Water’s Internal Audit unit has undertaken the following processes amid the evolving enterprise risks and recession to add strategic value to the organisation:

- Linking the organisation’s strategic objectives and value-drivers to those that fall within the scope of internal audit.
- Responding to stakeholders’ expectations of internal audit, and the priorities of the Board, the Audit sub-committee and the Portfolio Integrating Committee (PIC).
- Identifying inefficient processes and eliminating routine low-value audits.
- Regularly reviewing the updated internal audit plan together with the implementation of cost-reduction measures with key stakeholders to further improve support for internal audit processes.
- Maintaining the alignment with the changing risk profile of Rand Water.
- Attracting and retaining internal audit human resource talent and increasing the business and operational knowledge of staff.
- Leveraging technology to optimise audit operations.

Values

**Equity, Excellence, Integrity, the Spirit of Partnership and Caring** are the values that inspire Rand Water as it asserts itself as industry leader and partner of choice in sustainable water services. The Rand Water values were developed by all internal stakeholders.

**Code of Ethics**

Rand Water has a strategic imperative to engender a culture of integrity throughout the organisation and to ensure high standards of ethical behaviour in dealing with all stakeholders. Key to this is the Code of Ethics, which was developed in consultation with all staff at Rand Water. The code is readily accessible to all at Rand Water.

**Fraud and Corruption**

Rand Water considers corporate governance to be an integrated process, where the Portfolio Integrating Committee (PIC), management and staff are committed to conducting business in accordance with the highest standards of integrity, behaviour and ethics, acknowledging that sound corporate governance is key to the growth of the organisation.

Rand Water’s Forensic Services unit is an independent assurance function within the Group Governance Portfolio that is tasked to identify, prevent and report on white collar crime risk areas. The unit investigates criminal and irregular conduct, non-compliance to policy and procedures, and assists with evidence and information that will aid in the prosecution of identified offenders and the recovery of identified losses.

Rand Water’s Forensic Services unit is also responsible for promoting the Rand Water Code of Ethics and for ensuring that awareness levels are raised in order to decrease fraud risk exposure in the organisation. Rand Water also has an independent fraud hotline, maintained and monitored off site to enhance confidentiality, while at the same time enhancing adherence to good governance issues in the organisation.

**Transformation**

Rand Water considers transformation as an essential element of its business that is integral to the development of South Africa.

Rand Water is committed to addressing the imbalances of the past, not only with regard to its human resource processes but also in its commercial equity priorities. The organisation’s preferential procurement policy is based on the Broad Based Black Economic Empowerment Act and the Department of Trade and Industry’s (DTI) codes of good practice.

The policy is aimed at the inclusion of previously disadvantaged individuals onto the supplier base for goods and services. The policy also allows for the setting and reviewing of targets to ensure that progress is made toward the achievement of the organisation’s objectives.
Risk Management (continued)

Rand Water’s procurement policy strives to:

- Provide an appropriate acquisition process for the procurement of all goods and services.
- Ensure that the procurement process is fair, transparent, consistent, equitable, competitive and cost effective.
- Maintain the highest ethical standards.
- Promote the objectives of the Commercial Equity policy.
- Ensure that the procurement processes comply with the legal framework that governs Rand Water.

During the period under review, Rand Water had a BEE target of 70% with a stretch to 75%. During this period Rand Water achieved 83%.

Business Continuity

Rand Water’s mandate of providing bulk potable water to its customers requires reliability, resilience and effective responses. Rand Water’s provision of a basic service like water should ensure that uncontrolled water shortages should be avoided and when incidents occur.

Rand Water acknowledges that its strength and success in managing a disaster lies in partnerships with other stakeholders.

Incident Command Vehicle

As part of Rand Water’s emergency preparedness and response initiatives, Rand Water has, during the period, purchased a disaster management incident command vehicle. This will enable Rand Water to effectively control and coordinate disaster incidents jointly with other local and provincial stakeholders.

Disaster Simulations

Rand Water conducted numerous disaster simulation exercises during the period under review in collaboration with the respective local authority emergency services units, urban disaster management centres, the South African Police Services (SAPS) and other key stakeholders.

The responses received from all parties concerned during and after the simulation exercises indicate Rand Water’s ability to utilise an integrated multi-disciplinary, multi-sectoral approach, as well as its readiness to manage and cope with emergency/disaster situations. Rand Water currently participates in all three spheres of government disaster management advisory forums.

Protective Services

In compliance with the National Key Points and Strategic Installations Act, Rand Water has commenced a project to upgrade its passive security measures at all its sites. The project is due for completion in 2010.

Rand Water also hosts and participates in the Provincial National Key Point shooting competition. In the current year Rand Water obtained a second position in the shooting competition.

Occupational Health, Safety, Environmental and Quality Management Systems


As the industry leader in bulk water services, Rand Water is committed to continuous improvement in activities, products and services and, in so doing, maintains its commitment to the prevention of occupational injury, ill-health, environmental pollution and non-conformance to prescribed standards of quality.

With continual improvement in the implementation of these standards, Rand Water has been able to gain certification on the updated standards it subscribes to from OHSAS 18001:1999 to OHSAS 18001:2007 and from ISO 9001:2000 to ISO 9001:2008. Furthermore, all of Rand Water SHEQ manuals and procedures have been updated and aligned to the new requirements, to give effect to the changes.

Rand Water’s internal and external surveillance and legal audits are continuously undertaken to constantly monitor the effectiveness of the systems, and to ensure compliance with all legal and other requirements applicable to the organisation.

Environmental Management – ISO 14001:2004

The ISO 14001:2004 standard, specifies requirements for an environmental management system to enable Rand Water to develop and implement a policy and objectives that take into account legal requirements and other requirements to which the organisation subscribes. The aim here is to assist Rand Water to identify those significant environmental aspects associated with the organisation’s activities and products and services, so that it may avoid or minimise the impacts of any potential environmental damage.

Rand Water’s environmental management system and principles are fundamentally based on the principles entrenched in the National Environmental Management Act (107 of 1998), and include the following:

- Environmental management that places people and their needs at the forefront of its concern, and serves their physical, psychological, developmental, cultural and social interests equitably.

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All developments must be socially, environmentally and economically sustainable.

The social, economic and environmental impacts of activities, including disadvantages and benefits, must be considered, assessed and evaluated, and decisions must be appropriate in the light of such consideration and assessment.

The system also requires that Rand Water identifies applicable legal requirements, and keeps abreast of changes in legislation pertaining to the environment. For that reason, the organisation has identified, and already begun the process for a reformed internal Environmental Impact Assessment process in line with the proposed new Environmental Impact Assessment regulations in terms of the National Environmental Management Act (107 of 1998).

**Occupational Health and Safety OHSAS 18001:2007**

Rand Water has been successfully certified in terms of the updated version of OHSAS 18001:2007.

The updates include, but are not limited to, the requirement that the organisation takes human behavior capabilities into account when assessing hazards and risks in the workplace. Although there has been an increase in the Disabling Injuries Frequency Rate (DIFR) from 0.54 to 0.57, the target of 0.8 was not exceeded.


Rand Water’s bi-annual SABS quality management audits continuously confirmed the high maturity level of Quality Management Systems. In these SABS audits, Rand Water’s Quality Management System was found to continuously comply with all ISO 9001:2008 requirements. The re-certification process has commenced, and the first sets of SABS audits has shown excellent compliance with the new updated ISO 9001:2008.

### Contractor Management

All Rand Water sites have continued with a focus on contractor management with regard to compliance to the Construction Regulations, as contained in the Occupational Health and Safety Act (OHS Act 85 of 1993). Compliance to the OHS Act, Act 85 of 1993 improved, especially amongst the small and emerging contractors. A number of SHE workshops facilitated by Rand Water’s Risk department were held to increase SHE awareness among contractors.

### Disabling Injuries Frequency Rate (DIFR) listing

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<th>YEAR</th>
<th>ACTUAL DIFR</th>
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<td>2007/08</td>
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<tr>
<td>2008/09</td>
<td>0.57**</td>
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* Human behaviour and tripping and falling from steps were the main cause of the increase in disabling injury frequency.
** Programmes on SHE awareness, including induction and safety awareness posters, will be intensified.