

Annual Financial Statements



VOTE 34

Part
D

REPORT OF THE ACCOUNTING OFFICER FOR THE YEAR ENDED 31 MARCH 2006

Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa.

1. General review of the state of financial affairs

- **Important policy decisions and strategic issues facing the department**

The Department of Water Affairs and Forestry (DWAf) ensures that South Africa has reliable sources of water and sufficient forest resources for sustainable social and economic development. The department's work supports job creation, poverty eradication, the protection of the environment, the provision of basic services, building the economy and the development of human resources.

The forest sector has significant potential for rural development and job creation in underdeveloped areas. The department has been working with other government departments to promote community-based afforestation in Eastern Cape and KwaZulu-Natal. Limpopo has also identified forestry as a growth opportunity. The forest sector charter, initiated by the minister in 2005, will further develop the opportunities for social and economic development and Broad Based Black Economic Empowerment (BBBEE).

The department has worked with provincial governments to make sure that water-related constraints and opportunities for development are aligned with provincial growth and development strategies. Water development needs have been

identified for activities such as large-scale mining in Limpopo and emerging farmer projects in Eastern Cape. In 2003, Cabinet adopted the strategic framework for water services, which sets out the roles and responsibilities for delivering sustainable water supply and sanitation. In line with this, the department is moving from implementation to a regulatory and support role.

The department also identified a major need for human resources development. It launched the 2025 capacity-building strategy for the water sector, which has brought together all role-players in the sector.

The department currently carries out both implementation and regulatory functions, and is aiming to separate these. Through its 10-year restructuring programme, most of its implementation functions will be transferred to more appropriate levels of government and institutions. The department will then focus on policy development, macro planning, regulation, sector leadership, oversight and monitoring.

The restructuring includes: establishing catchment management agencies and making appropriate institutional arrangements for managing and developing national water resource infrastructure; delegating operation and maintenance for government irrigation water schemes to water user associations; transferring the management of commercial plantations and indigenous forests to appropriate institutions; establishing the necessary policy and regulatory functions to ensure the sustainable management of all forest resources; transferring department-owned water services schemes and operations to water services authorities (municipalities); and ensuring effective service delivery by competent water services authorities and institutions.

Water resource management

Building on the 1997 national water policy and the National Water Act (1998), significant progress was made in the development of the national policy, legislative and strategic framework for managing water resources. This culminated in the 2005 national water resource strategy, which sets out procedures, guidelines and institutional arrangements for managing water resources, and provides water-related information for identifying development opportunities and constraints.

The planned establishment of an agency to manage national water resource infrastructure, and regional and local institutions to manage water resources, will enable the department to move away from day-to-day water resource management into its more appropriate role of policy development, regulation, planning, monitoring and providing institutional support.

Major tasks confronting the department in the medium term include: developing and testing a compulsory water use licensing strategy for allocating and re-allocating water to achieve equitable access and benefits; implementing appropriate institutional arrangements for optimally managing the Working for Water programme in line with the requirements of the National Environmental Management: Biodiversity Act (2004); developing, implementing and supporting catchment management agencies and the National Water Resources Infrastructure Agency; and building national capacity for monitoring and reporting on water resources, so that accurate information is available for decisions about the use, protection and management of water.

Water services

The strategic framework for water services provides a comprehensive summary of policy for the water services sector and sets out a framework for implementing policy over the next 10 years. The strategy defines the

department's role as sector leader with the following core responsibilities: policy, support, regulation, and information management. The current functions of infrastructure implementation and water services scheme operation are being transferred to local government and appropriate water services institutions. Procedures for putting the strategy into practice are being developed and implemented, and include the institutional reform of water service provision as well as regulatory and sector support strategies.

As a sector leader, the department is actively engaged in programmes, such as Project Consolidate, to improve sector water management capacity, and the integrated sustainable rural development programme and the urban renewal programme, to support economic growth and development.

Improving access to basic water supply and sanitation services and meeting government's targets is still a priority. Challenges include funding, better implementation capacity and sustainable management by water services authorities. Since the direct responsibility for infrastructure and its daily operation has moved from the department to the water service authorities, funding will in future come from the municipal infrastructure grant, the local government equitable share and the capacity-building grants.

The free basic water supply programme is well established, and coverage is progressively improving. The key focus now is to extend this to free basic sanitation.

Forestry

The department is moving from managing commercial, indigenous and community forests to its national authority role of developing and implementing policies, monitoring and evaluating programmes, and providing technical support.

The vision for forestry puts people at the centre, with social and economic development happening through



sustainable forestry. The department must create the necessary enabling conditions. The forestry enterprise development programme, the planned expansion of the forest estate and the need to improve livelihoods through forestry activities (through timber or non-timber forest products), are the cornerstones of the department's forestry activities. The department is dedicating resources to developing forestry information systems to underpin management decisions.

The process of transferring forests has progressed, an example being the transfer of the management of the Knysna complex to South African National Parks. Other indigenous forests will be dealt with in the near future.

Extensive work is currently being done to ensure that state plantations play a significant role in local social and economic development and poverty eradication.

- **Significant events that have taken place during the year**

- **Water resources management**

- A Compliance Monitoring and Enforcement Unit was established to ensure compliance to water related legislation. Since the establishment of this unit, a number of directives were issued and enforcement actions and prosecutions were taken particularly in the Free State, Western Cape, North West and Northern Cape. The Unit is using satellite images to monitor water use and to ensure compliance.

- The Department has launched a Water Allocation Reform programme (WAR) which is aimed at reallocating water to historically disadvantaged communities and individuals in order to address racial and gender biases that still exist in accessing water for productive purposes.

- **Water services**

- The Department played a significant role in the local government environment as sector leader, regulator, provider of information as well as the provision of

training and support. This support to municipalities was provided through various mechanisms including guidelines and tools, skills development, knowledge sharing, mentorship and direct hands on support particularly through the Project Consolidate Action Plan where 25 municipalities were provided with technical assistance on the following areas:

- Section 78 Process: this assisted municipalities in making decisions on appropriate Water Service Provider arrangements;
- Transfer of infrastructure to municipalities;
- Appraisal of Technical Reports for MIG;
- Development of Master Plans for sewerage systems;
- Water loss management strategies;
- Water quality monitoring systems;
- Completion and adoption of 34 WSDPs;
- Free Basic Water; and
- Water Services Authority checklist.

Forestry

The Department played a role in alleviating the saw timber shortage experienced by saw millers, who have previously obtained timber from Komatiland Forests, by making available a volume of 40 000 m³ through an open tender process from the Lowveld plantations.

As a result of a particularly bad fire season in 2005/06, almost all the forest companies in the industry including the Department were affected. Approximately 5 600 ha of the Departmental plantations were affected by fire. The Department commissioned a professional fire fighting agent to safeguard plantations and to mitigate future fire risks.

The final payment of R16.981 million was made to SAFCOL in accordance with the agreement



between the Department and SAFCOL for functions executed on behalf of the Department.

- **Comment on major projects undertaken or completed during the year**

During the year, the Nandoni Dam in Limpopo was completed and work continued on the raising of Flag Boshielo Dam. Construction is well underway on the Berg River dam (to supplement water to the Cape Metropolitan Council) and the Vaal River Eastern System Augmentation (to supplement water supplies to Eskom and Sasol). Planning is also well advanced on the proposed De Hoop dam on the Steelpoort River (to augment water supplies to the mines and the District Municipalities of Sekhukhune, Greater Tzaneba and Mogalakwena).

- **Spending trends**

- **Reasons for under/(over) spending:**

See notes to the Appropriation Statement.

- **Impact on programmes and service delivery**

The delay in the commencement and finalisation of projects as well as delays in the transfer of staff to municipalities due to the protracted nature of the negotiations had minimal impacts on the overall service delivery of the Department as many of the programmes are multi-year programmes and no services were disrupted.

The following actions have been taken to eliminate the recurrence of under spending:

- Intensified efforts to complete the Department's restructuring programme and fill key vacant positions;
- Ensuring that plans are timeously in place for the implementation of projects;
- Improved cash flow management; and
- Improved programme/project management.

2. Services rendered by the Department

2.1 The following services are rendered by the Department:

The main services rendered by the Department are related to:

- ensuring the availability of water at a national level to facilitate equitable and sustainable social and economic development;
- to ensure the efficient supply of water services at a local level; and
- to promote the sustainable management of forests.

2.2 Tariff policy

Water Resources:

The policy framework for water resources is laid down in chapter 5 of National Water Act, 1998. The raw water pricing strategy was established on 12 November 1999 by a notice in the Government Gazette. The first revision of the pricing strategy has been initiated and will be completed during 2006/7 for phased implementation from April 2007.

The pricing strategy currently only covers the following three consumptive water uses:

- Taking water from a water resource (underground or surface water);
- Storing water, abstraction from the dam or recharged aquifer will constitute the use. The annual refilling of dams constructed to enhance property values or for recreation, and which are located in important water-courses, will constitute the use and will be based on an estimation of evaporation losses; and
- Engaging in a stream flow reduction activity, such as afforestation.

The proposed pricing strategy for waste discharges and return flows will be dealt with in the revised pricing strategy.



Forestry:

Tariffs for the sale of forest products and for forestry services rendered by the Department are approved on an annual basis in terms Section 55 of the National Forest Act, 1998 (Act No. 84 of 1998) and Treasury regulations 7.3.1 and published in the local and national press.

2.3 Free services

Water resources

Schedule 1 of the National Water Act states the following uses need no authorisation and are thus not subject to pricing:

- water for reasonable domestic use;
- water for small gardening not for commercial purposes;
- the watering of animals within the grazing capacity of the land;
- storage and use of run-off water from a roof;
- water use in emergency situations;
- non-consumptive use of water for recreational purposes, under certain conditions; and
- discharging of water containing waste into a communal conduct controlled by another authorised person.

Other services:

Various technical and administrative support services were provided to water services and water resources institutions.

Inventories:

| | "Costing Method Used" | 2004/05 | 2005/06 |
|---|-----------------------|---------|---------|
| | | R'000 | R'000 |
| Stores on hand | Average price | 36 537 | 49 940 |
| Equipment on hand (A class accountable items) | Per item type | 175 044 | 0 |
| Total | | 211 581 | 49 940 |

3. Capacity constraints

The department continues to lose skilled personnel mainly due to movements in the sector and the influences of the market on private sector salaries. This is a major impediment to the acceleration of service delivery and economic growth. Where the Department is unable to immediately recruit suitable staff interim arrangements are made through secondments or the contracting of professional service providers. The Department also has an agreement with the People's Republic of Cuba to second engineers to the Department to facilitate service delivery and undertake on the job training.

The Department has also initiated partnerships with the Tshwane University of Technology and the Universities of the Western Cape, Free State and Cape Town to develop learning interventions to improve the skills-base of the Department. An education programme for school going learners is also being undertaken in partnership with Rand Water and the Water Research Commission.

The Department has developed a retention strategy which will be implemented during 2006/07 to address capacity constraints.

4. Utilisation of donor funds

During 2005/06 financial year were received to implement the Community Water Supply and Sanitation programme (CWSS) through the Masibambane Programme.

The details of the donor funds received are reflected in the notes to the Annual Financial Statements, Note 4, Annex 1N.

These funds were used for the following activities:

- The implementation of water and sanitation infrastructure projects;
- The capacity building and support to District and Local Municipalities, including project consolidate;
- Sector Collaboration and Support;



- General Mainstreaming, Environmental Management, Appropriate Technology, Civil Society Support and Communication;
- Programme Management Support;
- Support to SALGA and DPLG; and
- Sanitation awareness and acceleration.

5. Trading entities/public entities

5.1 Trading entities

The department operates the following trading entities:

Water trading account.

Equipment trading account.

These trading entities were established in terms of the old Exchequer Act, 1975 (Act 66 of 1975) and the Director-General is the Accounting Officer of both entities.

5.1.1 Water trading account

The aim of this trading account is to develop and implement catchment management plans and manage, operate and maintain government water schemes, regional bulk water supply and water services infrastructure.

5.1.2 Equipment trading account

The equipment trading account provides equipment for construction and maintenance of government water schemes.

5.2 Public entities

The following public entities report to the department.

5.2.1 Trans-Caledon Tunnel Authority (PFMA Schedule 2 Major Public Entity)

The Trans-Caledon Tunnel Authority was established in terms of the National Water Act (1998), and is a specialised liability management body for bulk water supply development in the most cost-effective manner to the benefit of the water consumer.

The authority was established in 1986 to implement and finance water works in South Africa emanating from the treaty on the Lesotho highlands water project, taking on government's responsibility for South Africa's portion of the costs for the water transfer component, the long-term funding and concomitant risk management on the project. Subsequently, the Minister of Water Affairs and Forestry extended the authority's mandate to drive and oversee the treasury management of Umgeni Water, implement and fund the Berg water project and the Vaal River eastern sub-system augmentation project. The authority is currently responsible for funding and implementing a number of projects in several provinces and also offers integrated treasury management and financial advisory services.

In August 2005, Cabinet approved the establishment of a National Water Resource Infrastructure Agency to ensure long-term water security for South Africa. The Department of Water Affairs and Forestry's water resource infrastructure branch and the Trans-Caledon Tunnel Authority will be integrated into the agency, formalising their long-standing co-operation. The integration will not affect the authority's obligations to financial markets, its project credit ratings and explicit government guarantees relating to the Lesotho highlands water project.

No grants are made to the authority, as it is funded from income on the sale of water from the Vaal River system, and shortfalls in revenue are funded through commercial loans. The long-term solvency of the authority is determined by its tariff methodology, income agreements and guarantees.

5.2.2 Water Research Commission (PFMA National Public Entity Schedule 3 – Part A)

Functions

The terms of reference of the Water Research Commission, established in accordance with the Water Research Act (1971), are to promote co-ordination, communication and co-operation in water research, to establish water



research needs and priorities from a national perspective, to fund prioritised research, and to promote the effective transfer, dissemination and application of research findings.

The Water Research Commission has five key strategic areas each providing an integrating framework for investment in addressing a portfolio of key water-related needs. The five areas are: water resource management; water-linked ecosystems; water use and waste management; water use in agriculture; and water-centred knowledge. The areas allow for multidisciplinary studies and are focused on solving problems related to national needs and supporting society and the water sector. While each of the areas is unique and mutually exclusive, they collectively cover the spectrum of water-related topics of strategic importance.

No grants are made to the commission as its work is funded by a levy on water users.

Accountability arrangements

In terms of the Public Financial Management Act, the Minister of Water Affairs and Forestry is responsible for the approval of the Commission's budget.

5.2.3 Water Boards (PFMA National Government Business Enterprises Schedule 3 – Part B)

Functions

Water boards have been established as service providers that report to the Minister of Water Affairs and Forestry. The boards manage water services in their supply areas and provide potable water at cost-effective prices. There are currently fifteen water boards. They have been set up as financially independent institutions, in terms of section 34(1) of the Water Services Act (1997), and must aim to be financially viable.

The impact of their financial performance on the Department of Water Affairs and Forestry has been limited.

Apart from providing seed funding for some of the newly formed water boards and operating subsidies where they have undertaken specific functions on behalf of the department, the department has only had to provide financial assistance in exceptional circumstances.

The individual water boards are listed in the table below.

Water Boards

| | | |
|---------------------|------------------------|------------------|
| Albany Coast Water | Ikangala Water | Overberg Water |
| Amatola Water | Lepelle Northern Water | Pelladrift Water |
| Bloem Water | Magalies Water | Rand Water |
| Botshelo Water | Mhlathuze Water | Sedibeng Water |
| Bushbuckridge Water | Namakwa Water | Umngeni Water |

Accountability arrangements

The water boards were established in terms of the Water Act, 1956 (Act 54 of 1956) and the Water Services Act, 1997 (Act 108 of 1997).

These boards are currently administered by the Water Services Act, 1997 (Act 108 of 1997). The Water Services Act requires water boards to submit Policy Statements, Business Plans and Annual Reports to the Minister of Water Affairs and Forestry, in terms of sections 39, 40 and 43 respectively.

In terms of this Act the Minister may direct a water board to amend its business plan or policy statement if aspects are not consistent with the Act or are deemed not to be in the best interests of the general population. The review of business plans takes place annually during which time each water board has to respond to issues raised in the Department's appraisal of their business plan.

In furtherance of the regulatory requirements, the Department monitors governance of water boards. The Act requires the Minister to consider the need for representation of Water Services Authorities, other interest groups and expertise required on the Board when



appointing members to the Board. The primary purpose of the Board is to govern the institution and to ensure the water board's compliance with the Act, and to promote and ensure that the water board's business plan and policy statement are implemented (section 38(1)).

In terms of section 32(b) water boards are required to enter into service provision agreements when performing its primary or other activities. These agreements are also intended to serve as regulatory mechanism, to regulate the relationship between the institutions.

In terms of the Public Finance Management Act, (PFMA) 1999, (Act 1 of 1999), Water Boards, as Schedule 3, Public Entities, must submit audited financial statements to National Treasury for each financial year in accordance with the generally accepted accounting practice. Further, in terms of the PFMA the accounting authority is the Board and its fiduciary responsibilities are spelt out in section 50 and 51 of the PFMA.

Water Boards have been set up to be financially independent institutions. In terms of section 34(1) of the Water Services Act water boards must strive, amongst others, to be financially viable. In this respect, they are required to repay and service their debts; recover their capital, operational and maintenance costs; make reasonable provision for depreciation of assets; recover the costs associated with the repayment of capital from revenues over time; and make reasonable provision for future capital requirements and expansions.

In terms of the Public Financial Management Act, the Minister of Water Affairs and Forestry is responsible for the approval of the budgets of the Water Boards.

5.3 Other entities

Although these entities are active in the water and Forestry sectors they are not public entities which report to the Minister of Water Affairs and Forestry

5.3.1 Komati River Basin Water Authority:

The Inkomati River Basin Development Project is a joint development between South Africa and Swaziland in terms of the treaty on the development and utilisation of the water resources of the Komati River basin, ratified in 1992. The purpose of the project is to promote rural development and alleviate poverty in the lower Inkomati Valley by increasing the productivity of the land through Integrated Water Resource Management (IWRM) and irrigated agriculture. In terms of the treaty, the Inkomati River Basin Water Authority (KOBWA) was established as a special purpose vehicle charged with managing and financing the project. The main focus of the project was the construction of the Driekoppies Dam in South Africa and the Maguga Dam in Swaziland. Both have been completed.

In terms of the treaty, funding of project costs was guaranteed by the South African government and the Department is responsible for payment of these costs.

5.3.2 Irrigation Boards and Water User Associations:

In terms of sections 61 and 62 of the National Water Act (1998), the new policy framework for financial assistance to water management institutions for irrigated agricultural development aims to promote initial access to irrigated agriculture and to improve sustainable irrigation development by subsidising emerging farmers.

Currently all irrigation boards are in the process of being transformed into water user associations to fall under the ambit of the National Water Act (1998). Because of the difficulties of the required stakeholder consultation, the process has been delayed considerably.

5.3.3 National Forest Recreation and Access Trust:

The object of the National Forest Recreation and Access Trust is to promote access to and the use of forests for recreation, education, culture or spiritual fulfillment.



In terms of section 41 (2) of the National Forests Act (84 of 1998), the Minister is the sole trustee of the Trust. The only source of revenue for the Trust is interest earnings.

6. Organisations to whom transfer payments have been made

All entities to which transfer payments have been made are reflected in the notes to the Annual Financial Statements, Note 9, Annex 1F, 1G, 1I, 1K and 1L.

Reasons for Transfer Payments

Grants to Municipalities:

Transfer payments are made to municipalities in accordance with:

- the exit strategy of the Community Water and Sanitation Programme (CWSS-P) from the department to Local Government (LG) as detailed in the Division of Revenue Act, i.e. the framework for conditional grants to local authorities for the department capital projects. Transfer payments are made to ensure that LG have funds to implement those projects identified in Water Service Development Plans (WSDPs); and
- The water services operating and transfer subsidy, which is intended to subsidise the operation and maintenance of water schemes owned and/or operated by the Department or by other agencies on behalf of the Department.

Accountability Arrangements

- Funds are transferred with the basis of a "Transfer Agreement" (contract between the department and the receiving institution). The transfer agreement is intended to ensure the effective and sustainable delivery of infrastructure in accordance with the required accountability aspects of the Public Finance Management Act and the Division of Revenue Act.

Departmental Agencies and Accounts :

Impala Water User Association (WUA)

DWAF had to pay shortfalls in instalments repayments as a result of some members of Impala WUA refusing to pay their instalments on a loan taken from Rand Merchant Bank. The loan is guaranteed by DWAF for an amount of R150 million. The basis of their refusal is a challenge to the National Water Act. The case will be heard in the Court of Appeal during November 2006. Also included in the above amount paid is an amount of R553 104 which is DWAF contribution to cover its agreed portion of the legal cost for the various court actions.

Other transfers:

Trading Accounts

Both trading accounts, namely, the Water Trading Account and the Equipment Trading Account are operating within the department and any losses must be made good from the Exchequer as an augmentation.

SAFCOL

The final payment of R16.981 million was made to SAFCOL in accordance with the agreement between the Department and SAFCOL for functions executed on behalf of the Department.

SAFCOL has finalised the transfer of ownership of the plantations in the Southern and Western Cape and the Stutterheim and Hogsback area in the Eastern Cape to private entities. The Department has entered into long term leases with both private entities MTO Forestry (Pty) Ltd and Amatola Forestry (Pty) Ltd. Funding associated with land conversion in the Southern and Western has also been partially resolved between the department and the receiving agencies. The Department entered into a two year delegation agreement with SAFCOL for the management of the areas not included in the MTO lease. The funds are used by SAFCOL to fund their forestry exit strategies at St Lucia and pay for any obligations arising from the Ministerial delegation in respect of some



13 000 ha land in the Southern and Western Cape that became available for transfers due to the implementation of the Cape Conversion Program. It is expected that the release of former plantation areas at St Lucia to proceed as scheduled for finalisation towards the end of 2007. These areas will be incorporated into the Greater St Lucia Wetlands Park in accordance with Cabinet's decision in this regard. The Department is giving further consideration to the Cape Exit Strategy and will in collaboration with other government departments pay attention to Cabinet's recommendations regarding these plantation areas' future management.

7. Public/private partnerships (PPP)

Work has been done on establishing value added industries through a public private partnership for the harvesting of invasive alien plants in order to recover some of the costs of clearing, while at the same time creating jobs over and above the ones created by the clearing operations. The project is aimed at the clearing of invasive alien plants from the coastal plains of the Eastern and Western Cape.

A framework has been prepared to guide the establishment of PPP's regarding the use of State owned dams.

8. Corporate governance arrangements

• Risk management approach

The risk assessment process has been concluded and risk facing the department have been identified. This was achieved by holding discussions with the Branches Managers within the department. Risk database profiles which were developed were also updated. The respective Branch Managers have the responsibility to manage the risk areas relevant to their areas of work. The regular updating of the risk assessment process is facilitated by the Directorate: Internal Audit.

• Fraud prevention policies

The fraud prevention policy which is a key element of effective and efficient internal control systems has been developed and is being implemented in the Department.

• Effectiveness of internal audit and audit committee

The Directorate: Internal Audit conducts its activities in accordance with the standards as laid down by the Institute of Internal Auditors. It provides assurance to management that internal controls are effective and that the identified risks are properly managed. The Audit Committee is functioning effectively. Members of the Audit Committee were appointed in terms of the Public Finance Management Act and are discharging their duties in accordance with the prescribed policies.

• Other governance structures, including management processes to minimise conflict of interest

Other committees such as the Executive Committee (EXCO), the Management Committee (MANCO) and the Departmental Control Committee (DCC) are functioning effectively and are achieving their objectives.

The Department has sound management structures in place to deal with flow of information and issues of conflict of interest.

• Implementation of the code of conduct:

The code of conduct has been developed and procedures are in place to deal with cases where irregularities occur.

• Safety, health and environment issues facing the organisation.

Issues of Health and Safety in the Department are being co-ordinated by a formally established structure and reports quarterly.



9. Discontinued activities/activities to be discontinued

The Department has been engaged in funding and operating community water supply and sanitation since 1994 in the Reconstruction and Development Programme and Community Water Supply and Sanitation programmes. The responsibility for direct funding and operation is being transferred to local government and the Department will in future focus on monitoring, support in technical assistance and capacity building, regulation and policy. The Department will however continue with those activities which are funded through the foreign donor assistance programme implemented through the Masibambane programme.

The process of transferring water services to water services institutions is nearing completing with majority of transfer agreements in place. Operational responsibility transfers to the municipalities in terms of a transfer agreement and the operating subsidy will eventually be phased out by the 2011/12. Most of these were inherited from the previous homelands.

The responsibility for the management of a total of 97 000 hectares of indigenous forests and forest land have been delegated to SANParks in the Knysna and Tsitsi-kamma area in terms of a 10 year delegation agreement.

The Department is in the process of transferring irrigation government water schemes to water user associations. Once this process is complete the Department will no longer be responsible for managing such schemes but will retain oversight over their operation where the WUAs are managing state-owned infrastructure.

10. New/proposed activities

Water Resources

The planned establishment of an agency to manage national water resource infrastructure, and regional and local institutions to manage water resources, will enable the department to move away from day-to-day water

resource management into its more appropriate role of policy development, regulation, planning, monitoring and providing institutional support.

Major tasks confronting the department in the medium term include: developing and testing a compulsory water use licensing strategy for allocating and re-allocating water to achieve equitable access and benefits; implementing appropriate institutional arrangements for optimally managing the Working for Water programme in line with the requirements of the National Environmental Management: Biodiversity Act (2004); developing, implementing and supporting catchment management agencies and the National Water Resources Infrastructure Agency; and building national capacity for monitoring and reporting on water resources, so that accurate information is available for decisions about the use, protection and management of water.

Water Services

The strategic framework for water services provides a comprehensive summary of policy for the water services sector and sets out a framework for implementing policy over the next 10 years. The strategy defines the department's role as sector leader with the following core responsibilities: policy, support, regulation, and information management. The current functions of infrastructure implementation and water services scheme operation are being transferred to local government and appropriate water services institutions. Procedures for putting the strategy into practice are being developed and implemented, and include the institutional reform of water service provision as well as regulatory and sector support strategies.

As a sector leader, the department is actively engaged in programmes, such as Project Consolidate, to improve sector water management capacity, and the integrated sustainable rural development programme and the urban renewal programme, to support economic growth and development.



Improving access to basic water supply and sanitation services and meeting government's targets is still a priority. Challenges include funding, better implementation capacity and sustainable management by water services authorities. Since the direct responsibility for infrastructure and its daily operation has moved from the department to the water service authorities, funding will in future come from the municipal infrastructure grant, the local government equitable share and the capacity-building grants.

The free basic water supply programme is well established, and coverage is progressively improving. The key focus now is to extend this to free basic sanitation.

Forestry

The department is moving from managing commercial, indigenous and community forests to its national authority role of developing and implementing policies, monitoring and evaluating programmes, and providing technical support.

The vision for forestry puts people at the centre, with social and economic development happening through sustainable forestry. The department must create the necessary enabling conditions. The forestry enterprise development programme, the planned expansion of the forest estate and the need to improve livelihoods through forestry activities (through timber or non-timber forest products), are the cornerstones of the department's forestry activities. The department is dedicating resources to developing forestry information systems to underpin management decisions.

The forest sector has significant potential for rural development and job creation in underdeveloped areas. The department has been working with other government departments to promote community-based afforestation in Eastern Cape and KwaZulu-Natal. Limpopo has also identified forestry as a growth opportunity. The forest

sector charter, initiated by the minister in 2005, will further develop the opportunities for social and economic development and Broad Based Black Economic Empowerment (BBBEE).

11. Events after the reporting date

None.

12. Progress with financial management improvement

While the BAS has been fully implemented in the Department, ongoing training is offered to officials to upgrade their skills in the application of the system in order to overcome the difficulties that have been experienced in the application of the transversal systems for the specific business needs of the Department with regard to the Trading Entity, the Department is implementing new ERP systems for the Trading Entity to enable reporting in accordance with GAAP.

The Department regularly reports and monitors the financial position through the Early Warning Reports and the Quarterly Reports. The Executive Authority is also informed on monthly about the financial position of the Department.

13. Performance information

The performance information will be outlined in annual report of the Department.

Approval

The annual financial statements have been approved by the Accounting Officer.



Jabulani Sindane
Director-general
31 May 2006



**REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE
FINANCIAL STATEMENTS OF VOTE 34 –
DEPARTMENT OF WATER AFFAIRS AND FORESTRY
FOR THE YEAR ENDED 31 MARCH 2006**

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 86 to 148 for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No 25 of 2004). The fixed asset opening balances have not been audited because of the timing of guidance from National Treasury to the departments relating to the treatment, valuation and disclosure of fixed assets. These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with *General Notice 544 of 2006*, issued in *Government Gazette* no. 28723 of 10 April 2006 and *General Notice 808 of 2006*, issued in *Government Gazette* no. 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

3. BASIS OF ACCOUNTING

The department's policy is to prepare financial statements on the modified cash basis of accounting determined by the National Treasury, as described in note 1.1 to the financial statements.

4. QUALIFICATION

4.1 Asset management

The completeness; accuracy and validity of additions disclosed in Annexure 4 could not be verified as:

- The reconciliation of the Basic Accounting System (BAS) used to process payments, the LOGIS system used for the ordering of assets and the manual asset register in Excel used for recording of assets was not performed,
- assets purchased in the current year could not be traced to the asset register and
- the physical existence of assets purchased in the current year could not be verified.

Furthermore, the fixed assets of the department were not adequately safeguarded as not all the assets were bar-coded to facilitate the identification of assets for asset verification. The audit also revealed that there was inconsistent use of LOGIS and manual asset registers in the regional offices of the department.

4.2 Independent checks and reconciliations

As a result of the lack of a proper management framework for performing independent checks and reconciliations, the following balances disclosed in the annual financial statements were not reconciled at year-end:

4.2.1 BAS and PERSAL reconciliation

The reconciliation between PERSAL and BAS in respect of personnel expenditure for the period 1 April 2005 to 31 March 2006 was not performed by the department.



Consequently, I was unable to verify the validity and accuracy of the amounts disclosed as part of the compensation of employees, which originated from BAS.

4.2.2 Commitments

The amount of R2,2 billion disclosed as commitments in note 22 to the annual financial statements could not be relied on, as the amount disclosed is the initial contracted value and does not take into account payments to date.

5. QUALIFIED AUDIT OPINION

In my opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraphs, the financial statements fairly present, in all material respects, the financial position of the Department of Water Affairs and Forestry at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the modified cash basis of accounting determined by the National Treasury of South Africa, as described in note 1.1 to the financial statements, and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA).

6. EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

6.1 Monitoring

As a result of the lack of a proper management monitoring framework no procedures were set by management to monitor the following:

- Adherence to section 43(4)(c) of the PFMA; an amount of R55 286 000 was shifted from the appropriation for capital expenditure to the appropriation for current payments in programme 3, without obtaining approval from the National Treasury. The irregular expenditure has been disclosed in note 27 to the annual financial statements.

- Adherence to section 38(c)(ii) of the PFMA with regard to preventing unauthorised, irregular and fruitless and wasteful expenditure; unauthorised expenditure amounting to R3 782 000 resulting from the exceeding of the budget for current payments and transfers and subsidies in programme 4 was incurred. The unauthorised expenditure has been correctly accounted for and is disclosed in note 10 to the annual financial statements.
- Review of the Environmental Implementation Plan (EIP) four years after the first date of implementation on 14 December 2001, as required by section 11(1) of the National Environmental Management Act, 1998 (Act No. 107 of 1998) (NEMA).

6.2 Performance information

In terms of section 20(2)(c) of the Public Audit Act, the performance of the department against the predetermined objectives is subject to auditing by the Auditor-General. The required information was not submitted for audit purposes.

6.3 SCOPA resolutions

A SCOPA hearing was held in 2005, but no resolution has been passed.

7. APPRECIATION

The assistance rendered by the staff of the Department of Water Affairs and Forestry during the audit is sincerely appreciated.

Shaheer Fakie

**Auditor-General
Pretoria
31 July 2006**



VOTE 34

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2006

The Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the Act and the Division of Revenue Act, Act 1 of 2005.

1. Presentation of the Financial Statements

1.1 Basis of preparation

The Financial Statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid or when the final authorisation for payment is effected on the system (by no later than 31 March of each year)..

1.2 Presentation currency

All amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the department.

1.3 Rounding

Unless otherwise stated all financial figures have been rounded to the nearest one thousand Rand (R'000).

1.4 Comparative figures

Prior period comparative information has been presented in the current year's financial statements. Where necessary

figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

A comparison between actual and budgeted amounts per major classification of expenditure is included in the appropriation statement.

2. Revenue

2.1 Appropriated funds

Appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments to the appropriated funds made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.

Total appropriated funds are presented in the statement of financial performance.

Unexpended appropriated funds are surrendered to the National/Provincial Revenue Fund, unless approval has been given by the National/Provincial Treasury to rollover the funds to the subsequent financial year. These rollover funds form part of retained funds in the annual financial statements. Amounts owing to the National/Provincial Revenue Fund at the end of the financial year are recognised in the statement of financial position.

2.2 Departmental revenue

All departmental revenue is paid into the National/Provincial Revenue Fund when received, unless otherwise stated. Amounts owing to the National/Provincial Revenue Fund at the end of the financial year are recognised in the statement of financial position.

2.2.1 Tax revenue

Tax revenue consists of all compulsory unrequited amounts collected by the department in accordance with laws and or regulations (excluding fines, penalties & forfeits).

Tax receipts are recognised in the statement of financial performance when received.

2.2.2 Sales of goods and services other than capital assets

The proceeds received from the sale of goods and/or the provision of services is recognised in the statement of financial performance when the cash is received.

2.2.3 Fines, penalties & forfeits

Fines, penalties & forfeits are compulsory unrequited amounts which were imposed by a court or quasi-judicial body and collected by the department. Revenue arising from fines, penalties and forfeits is recognised in the statement of financial performance when the cash is received.

2.2.4 Interest, dividends and rent on land

Interest, dividends and rent on land is recognised in the statement of financial performance when the cash is received.

2.2.5 Sale of capital assets

The proceeds received on sale of capital assets are recognised in the statement of financial performance when the cash is received.

2.2.6 Financial transactions in assets and liabilities

Repayments of loans and advances previously extended to employees and public corporations for policy purposes are recognised as revenue in the statement of financial performance on receipt of the funds. Amounts receivable at the reporting date are disclosed in the disclosure notes to the annual financial statements.

Cheques issued in previous accounting periods that expire before being banked are recognised as revenue in the statement of financial performance when the cheque becomes stale. When the cheque is reissued the payment is made from Revenue.

2.2.7 Gifts, donations and sponsorships (transfers received)

All cash gifts, donations and sponsorships are paid into the National/Provincial Revenue Fund and recorded as revenue in the statement of financial performance when received. Amounts receivable at the reporting date are disclosed in the disclosure notes to the financial statements.

All in-kind gifts, donations and sponsorships are disclosed at fair value in the annexures to the financial statements.

2.3 Local and foreign aid assistance

Local and foreign aid assistance is recognised in the financial records when notification of the donation is received from the National Treasury or when the department directly receives the cash from the donor(s). The total cash amounts received during the year is reflected in the statement of financial performance as revenue.

All in-kind local and foreign aid assistance are disclosed at fair value in the annexures to the annual financial statements

The cash payments made during the year relating to local and foreign aid assistance projects are recognised as expenditure in the statement of financial performance. A receivable is recognised in the statement of financial position to the value of the amounts expensed prior to the receipt of the funds.

A payable is raised in the statement of financial position where amounts have been inappropriately expensed using local and foreign aid assistance. Unutilised amounts are recognised in the statement of financial position.

3. Expenditure

3.1 Compensation of employees

Salaries and wages comprise payments to employees. Salaries and wages are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system



(by no later than 31 March of each year). Capitalised compensation forms part of the expenditure for capital assets in the statement of financial performance¹.

All other payments are classified as current expense.

Social contributions include the entities' contribution to social insurance schemes paid on behalf of the employee. Social contributions are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system.

3.1.1 Short term employee benefits

Short term employee benefits comprise of leave entitlements (capped leave), thirteenth cheques and performance bonuses. The cost of short-term employee benefits is expensed as salaries and wages in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the notes to the financial statements. These amounts are not recognised in the statement of financial performance.

3.1.2 Long-term employee benefits

3.1.2.1 Termination benefits

Termination benefits such as severance packages are recognised as an expense in the statement of financial performance as a transfer when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

3.1.2.2 Post employment retirement benefits

The department provides retirement benefits (pension benefits) for certain of its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are

¹ This accounting policy is only relevant where the department elects to capitalise the compensation paid to employees involved on capital projects

expensed when the final authorisation for payment to the fund is effected on the system (by no later than 31 March of each year). No provision is made for retirement benefits in the financial statements of the department. Any potential liabilities are disclosed in the financial statements of the National/Provincial Revenue Fund and not in the financial statements of the employer department.

The department provides medical benefits for certain of its employees. Employer contributions to the medical funds are expensed when the final authorisation for payment to the fund is effected on the system (by no later than 31 March of each year).

3.2 Goods and services

Payments made for goods and/or services are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). The expense is classified as capital if the goods and services were used on a capital project.

3.3 Interest and rent on land

Interest and rental payments are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). This item excludes rental for the use of buildings or other fixed structures.

3.4 Financial transactions in assets and liabilities

Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or underspending of appropriated funds. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but amounts are disclosed as a disclosure note.

All other losses are recognised when authorisation has been granted for the recognition thereof.



3.5 Unauthorised expenditure

When discovered unauthorised expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

Unauthorised expenditure approved with funding is recognised in the statement of financial performance when the unauthorised expenditure is approved and the related funds are received. Where the amount is approved without funding it is recognised as expenditure, subject to availability of savings, in the statement of financial performance on the date of approval.

3.6 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

3.7 Irregular expenditure

Irregular expenditure is recognised as expenditure in the statement of financial performance. If the expenditure is not condoned by the relevant authority it is treated as an asset until it is recovered or written off as irrecoverable.

3.8 Transfers and subsidies

Transfers and subsidies are recognised as an expense when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

3.9 Expenditure for capital assets

Payments made for capital assets are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

4. Assets

4.1 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.

4.2 Prepayments and advances

Amounts prepaid or advanced are recognised in the statement of financial position when the payments are made.

4.3 Receivables

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party.

Revenue receivable not yet collected is included in the disclosure notes. Amounts that are potentially irrecoverable are included in the disclosure notes.

4.4 Investments

Capitalised investments are shown at cost in the statement of financial position. Any cash flows such as dividends received or proceeds from the sale of the investment are recognised in the statement of financial performance.

Investments are tested for an impairment loss whenever events or changes in circumstances indicate that the investment may be impaired. Any impairment loss is included in the disclosure notes.

4.5 Loans

Loans are recognised in the statement of financial position at the nominal amount. Amounts that are potentially irrecoverable are included in the disclosure notes.



4.6 Inventory

Inventories on hand at the reporting date are disclosed at cost in the disclosure notes.

4.7 Asset Registers

Assets are recorded in an asset register, at cost, on receipt of the item. Cost of an asset is defined as the total cost of acquisition. Assets procured in previous financial periods, may be stated at fair value, where determinable, or R1, in instances where the original cost of acquisition or fair value cannot be established. No revaluation or impairment of assets is currently recognized in the asset register. Projects (of construction/development) running over more than one financial year relating to assets, are only brought into the asset register on completion of the project and at the total cost incurred over the duration of the project.

Annexure 4 and 5 of the disclosure notes, reflects the total movement in the asset register of assets with a cost equal to and exceeding R5000 (therefore capital assets only) for the current financial year. The movement is reflected at the cost as recorded in the asset register and not the carrying value, as depreciation is not recognized in the financial statements under the modified cash basis of accounting. The opening balance reflected on Annexure 4 and 5 will include items procured in prior accounting periods and the closing balance will represent the total cost of the register for capital assets on hand.

5. Liabilities

5.1 Payables

Recognised payables mainly comprise of amounts owing to other governmental entities. These payables are recognised at historical cost in the statement of financial position.

5.2 Lease commitments

Lease commitments represent amounts owing from the reporting date to the end of the lease contract. These commitments are not recognised in the statement of

financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

Operating and finance lease commitments are expensed when the payments are made. Assets acquired in terms of finance lease agreements are disclosed in the annexures to the financial statements.

5.4 Accruals

Accruals represent goods/services that have been received, but where no invoice has been received from the supplier at the reporting date, or where an invoice has been received but final authorisation for payment has not been effected on the system.

Accruals are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

5.5 Contingent liabilities

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 department; or

A contingent liability is 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.

Contingent liabilities are included in the disclosure notes.

5.6 Commitments

Commitments represent goods/services that have been approved and/or contracted, but where no delivery has taken place at the reporting date.

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

6. Net Assets

6.1 Capitalisation reserve

The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the statement of financial position for the first time in the current reporting period. Amounts are transferred to the National/Provincial Revenue Fund on disposal, repayment or recovery of such amounts.

6.2 Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made and recognised in a previous financial year becomes recoverable from a debtor.

7. Related party transactions

Related parties are departments that control or significantly influence the department in making financial and operating decisions. Specific information with regards to related party transactions is included in the disclosure notes.

8. Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the department.

Compensation paid to key management personnel including their family members where relevant, is included in the disclosure notes.

9. Public private partnerships

A public private partnership (PPP) is a commercial transaction between the department and a private party in terms of which the private party:

- Performs an institutional function on behalf of the institution; and/or
- acquires the use of state property for its own commercial purposes; and
- assumes substantial financial, technical and operational risks in connection with the performance of the institutional function and/or use of state property; and
- receives a benefit for performing the institutional function or from utilizing the state property, either by way of:
 - o consideration to be paid by the department which derives from a Revenue Fund;
 - o charges fees to be collected by the private party from users or customers of a service provided to them; or
 - o a combination of such consideration and such charges or fees.

A description of the PPP arrangement, the contract fees and current and capital expenditure relating to the PPP arrangement is included in the disclosure notes.

Approval

The Annual Financial Statements as attached have been approved by the Accounting Officer.



Jabulani Sindane
Director-General



APPROPRIATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

| Appropriation per programme | | | | | | | | | |
|---|------------------------|-------------------|----------|---------------------|--------------------|----------------|---|---------------------|--------------------|
| | 2005/06 | | | | | | | 2004/05 | |
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | Final Appropriation | Actual Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| 1. Administration | | | | | | | | | |
| Current payment | 344 092 | (26 024) | 9 799 | 327 867 | 249 738 | 78 129 | 76.2% | 266 780 | 241 259 |
| Transfers and subsidies | 967 | 20 000 | - | 20 967 | 8 820 | 12 147 | 42.1% | 4 990 | 22 366 |
| Payment for capital assets | 15 015 | 6 024 | - | 21 039 | 19 820 | 1 219 | 94.2% | 17 175 | 9 069 |
| 2. Water Resource Management | | | | | | | | | |
| Current payment | 659 572 | (24 400) | (8 451) | 626 721 | 534 771 | 91 950 | 85.3% | 540 157 | 642 387 |
| Transfers and subsidies | 654 030 | 24 400 | - | 678 430 | 670 480 | 7 950 | 98.8% | 770 130 | 657 866 |
| Payment for capital assets | 318 443 | - | (10 000) | 308 443 | 298 213 | 10 230 | 96.7% | 166 675 | 146 796 |
| 3. Water Services | | | | | | | | | |
| Current payment | 310 148 | 55 286 | (3 079) | 362 355 | 352 883 | 9 472 | 97.4% | 337 577 | 521 327 |
| Transfers and subsidies | 1 068 608 | - | - | 1 068 608 | 1 071 612 | (3 004) | 100.3% | 1 069 183 | 983 488 |
| Payment for capital assets | 149 218 | (55 286) | - | 93 932 | 86 503 | 7 429 | 92.1% | 154 600 | 56 544 |
| 4. Forestry | | | | | | | | | |
| Current payment | 389 644 | - | 8 401 | 398 045 | 398 542 | (497) | 100.1% | 406 951 | 392 257 |
| Transfers and subsidies | 17 504 | - | - | 17 504 | 17 785 | (281) | 101.6% | 53 552 | 71 347 |
| Payment for capital assets | 8 395 | - | - | 8 395 | 4 592 | 3 803 | 54.7% | 6 127 | 3 025 |
| 5. Theft and Losses | | | | | | | | | |
| Current payment | - | - | 3 330 | 3 330 | 3 329 | 1 | 100.0% | 29 215 | 29 215 |
| | | | | | | | | | |
| Subtotal | 3 935 636 | - | - | 3 935 636 | 3 717 088 | 218 548 | 94.4% | 3 823 112 | 3 776 946 |
| TOTAL | 3 935 636 | - | - | 3 935 636 | 3 717 088 | 218 548 | 94.4% | 3 823 112 | 3 776 946 |
| Reconciliation with Statement of Financial Performance | | | | | | | | | |
| Add: | | | | | | | | | |
| Departmental receipts | | | | 129 308 | | | | 88 508 | |
| Local and foreign aid assistance received | | | | 245 314 | | | | 125 362 | |
| Actual amounts per Statements of Financial Performance (Total revenue) | | | | 4 310 258 | | | | 4 036 982 | |
| Add: | | | | | | | | | |
| Local and foreign aid assistance | | | | | 172 062 | | | | 188 515 |
| Actual amounts per Statements of Financial Performance (Total expenditure) | | | | | 3 889 150 | | | | 3 965 461 |

APPROPRIATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2006 – continued

| Appropriation per economic classification | | | | | | | | | |
|--|---------------------------|----------------------|----------|------------------------|-----------------------|----------------|---|------------------------|-----------------------|
| | 2005/06 | | | | | | | 2004/05 | |
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | Final Appropriation | Actual expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| Current payments | | | | | | | | | |
| Compensation of employees | 789 612 | (20 000) | - | 769 612 | 681 111 | 88 501 | 88.5% | 662 005 | 602 656 |
| Goods and services | 912 239 | 24 862 | 6 670 | 943 771 | 854 665 | 89 106 | 90.6% | 887 955 | 1 193 707 |
| Interest and rent on land | 1 605 | - | - | 1 605 | 158 | 1 447 | 9.8% | 1 505 | 867 |
| Financial transactions in assets and liabilities | - | - | 3 330 | 3 330 | 3 329 | 1 | 100.0% | 29 215 | 29 215 |
| Transfers and subsidies | | | | | | | | | |
| Provinces and municipalities | 1 069 985 | 3 257 | - | 1 073 242 | 1 074 608 | (1 366) | 100.1% | 1 192 750 | 5 491 |
| Departmental agencies and accounts | 649 298 | 21 374 | - | 670 672 | 670 163 | 509 | 99.9% | 667 105 | 1 611 675 |
| Public corporations and private enterprises | - | - | - | - | 6 891 | (6 891) | 0.0% | 38 000 | 84 254 |
| Non-profit institutions | - | - | - | - | 2 | (2) | 0.0% | - | - |
| Households | 21 826 | 19 769 | - | 41 595 | 17 033 | 24 562 | 40.9% | - | 33 647 |
| Payments for capital assets | | | | | | | | | |
| Buildings and other fixed structures | 445 773 | (55 986) | (10 000) | 379 787 | 363 254 | 16 533 | 95.6% | 285 742 | 172 786 |
| Machinery and equipment | 32 077 | 320 | - | 32 397 | 32 381 | 16 | 100.0% | 46 143 | 31 218 |
| Biological or cultivated assets | 25 | - | - | 25 | 30 | (5) | 120.0% | 48 | 90 |
| Software and other intangible assets | 13 196 | 6 404 | - | 19 600 | 13 463 | 6 137 | 68.7% | 11 401 | 11 340 |
| Land and subsoil assets | - | - | - | - | - | - | 0.0% | 1 243 | - |
| Total | 3 935 636 | - | - | 3 935 636 | 3 717 088 | 218 548 | 94.4% | 3 823 112 | 3 776 946 |



DETAIL PER PROGRAMME 1: ADMINISTRATION FOR THE YEAR ENDED 31 MARCH 2006

| Programme per sub programme | 2005/06 | | | | | | | 2004/05 | |
|---------------------------------|------------------------|-------------------|--------------|---------------------|--------------------|---------------|---|---------------------|--------------------|
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | Final Appropriation | Actual Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| 1.1 Minister | | | | | | | | | |
| Current payment | 805 | 118 | | 923 | 923 | - | 100.0% | 791 | 955 |
| Transfers and subsidies | | | | - | | - | 0.0% | | 2 |
| 1.2 Management | | | | | | | | | |
| Current payment | 97 732 | | | 97 732 | 27 092 | 70 640 | 27.7% | 45 425 | 19 183 |
| Transfers and subsidies | 27 | 229 | | 256 | 256 | - | 100.0% | | 13 127 |
| Payment for capital assets | 175 | 36 | | 211 | 211 | - | 100.0% | 165 | 26 |
| 1.3 Corporate Services | | | | | | | | | |
| Current payment | 181 201 | (26 142) | 9 799 | 164 858 | 157 935 | 6 923 | 95.8% | 156 959 | 151 373 |
| Transfers and subsidies | 924 | 19 771 | | 20 695 | 8 557 | 12 138 | 41.3% | 4 981 | 9 233 |
| Payment for capital assets | 9 746 | (36) | | 9 710 | 8 491 | 1 219 | 87.4% | 9 720 | 4 127 |
| 1.4 Information Services | | | | | | | | | |
| Current payment | 64 354 | | | 64 354 | 63 788 | 566 | 99.1% | 63 605 | 69 748 |
| Transfers and subsidies | 16 | | | 16 | 7 | 9 | 43.8% | 9 | 4 |
| Payment for capital assets | 5 094 | 6 024 | | 11 118 | 11 118 | - | 100.0% | 7 290 | 4 916 |
| TOTAL | 360 074 | - | 9 799 | 369 873 | 278 378 | 91 495 | 75.3% | 288 945 | 272 694 |



DETAIL PER PROGRAMME 1: ADMINISTRATION FOR THE YEAR ENDED 31 MARCH 2006

| Economic Classification | 2005/06 | | | | | | | 2004/05 | |
|--------------------------------------|------------------------|-------------------|--------------|---------------------|--------------------|---------------|---|---------------------|--------------------|
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | Final Appropriation | Actual Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| Current payment | | | | | | | | | |
| Compensation of employees | 192 218 | (20 000) | 7 799 | 180 017 | 105 605 | 74 412 | 58.7% | 135 500 | 92 675 |
| Goods and services | 151 874 | (6 024) | 2 000 | 147 850 | 144 750 | 3 100 | 97.9% | 139 119 | 148 583 |
| Transfers and subsidies to: | | | | | | | | | |
| Provinces and municipalities | 453 | 24 | | 477 | 333 | 144 | 69.8% | 425 | 285 |
| Departmental agencies and accounts | 514 | | | 514 | | 514 | 0.0% | | 19 244 |
| Households | | 19 976 | | 19 976 | 8 490 | 11 486 | 42.5% | | 2 836 |
| Payment for capital assets | | | | | | | | | |
| Buildings and other fixed structures | 2 790 | 1 551 | | 4 341 | 5 151 | (810) | 118.7% | 2 500 | 1 452 |
| Machinery and equipment | | 177 | | 177 | 4 343 | (4 166) | 2453.7% | | 4 235 |
| Software and other intangible assets | 12 225 | 4 296 | | 16 521 | 9 706 | 6 815 | 58.7% | 11 401 | 3 384 |
| Land and subsoil assets | | | | - | | - | 0.0% | | |
| Total | 360 074 | - | 9 799 | 369 873 | 278 378 | 91 495 | 75.3% | 288 945 | 272 694 |



DETAIL PER PROGRAMME 2: WATER RESOURCE MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2006

| Programme per sub programme | 2005/06 | | | | | | | 2004/05 | |
|--|------------------------|-------------------|----------|---------------------|--------------------|----------|---|---------------------|--------------------|
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | Final Appropriation | Actual Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| 2.1 Equitable Supply | | | | | | | | | |
| Current payment | 146 766 | | (6 451) | 140 315 | 120 309 | 20 006 | 85.7% | 119 753 | 106 095 |
| Transfers and subsidies | 13 266 | (60) | | 13 206 | 8 533 | 4 673 | 64.6% | 71 431 | 68 789 |
| Payment for capital assets | 1 768 | (518) | | 1 250 | 575 | 675 | 46.0% | 922 | 1 351 |
| 2.2 Protection Policies | | | | | | | | | |
| Current payment | 47 148 | | | 47 148 | 33 865 | 13 283 | 71.8% | 32 593 | 38 219 |
| Transfers and subsidies | 34 | | | 34 | 27 | 7 | 79.4% | 52 | 24 |
| Payment for capital assets | 643 | | | 643 | 418 | 225 | 65.0% | 1 057 | 96 |
| 2.3 Institutional Regulations | | | | | | | | | |
| Current payment | 19 666 | | | 19 666 | 11 219 | 8 447 | 57.0% | 41 893 | 9 782 |
| Transfers and subsidies | 3 420 | | | 3 420 | 10 | 3 410 | 0.3% | | 9 |
| Payment for capital assets | 1 055 | 16 | | 1 071 | 1 071 | - | 100.0% | 150 | 114 |
| 2.4 Strategic Alignment | | | | | | | | | |
| Current payment | 115 708 | (3 500) | (2 000) | 110 208 | 87 576 | 22 632 | 79.5% | 101 169 | 83 040 |
| Transfers and subsidies | 72 | 60 | | 132 | 132 | - | 100.0% | 283 | 123 |
| Payment for capital assets | 6 905 | 502 | | 7 407 | 7 407 | - | 100.0% | 7 751 | 6 441 |
| 2.5 African Co-operation | | | | | | | | | |
| Current payment | 8 835 | 3 478 | | 12 313 | 10 578 | 1 735 | 85.9% | 7 256 | 5 464 |
| Transfers and subsidies | 15 | | | 15 | 4 | 11 | 26.7% | 120 414 | 3 |
| Payment for capital assets | 337 | | | 337 | 44 | 293 | 13.1% | 67 | 17 |
| 2.6 Water Resource Administration | | | | | | | | | |
| Current payment | 21 822 | 22 | | 21 844 | 21 439 | 405 | 98.1% | 16 702 | 14 998 |
| Transfers and subsidies | 77 | | | 77 | 44 | 33 | 57.1% | | 29 |
| Payment for capital assets | 424 | | | 424 | 130 | 294 | 30.7% | 505 | 23 |
| 2.7 Sustainable Supply | | | | | | | | | |
| Current payment | 64 308 | (24 400) | | 39 908 | 39 813 | 95 | 99.8% | 42 243 | 192 367 |
| Transfers and subsidies | 30 | | | 30 | 934 | (904) | 3113.3% | 16 | 23 479 |
| Payment for capital assets | 296 976 | (4 070) | (10 000) | 282 906 | 275 144 | 7 762 | 97.3% | 150 719 | 118 738 |

DETAIL PER PROGRAMME 2: WATER RESOURCE MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2006 – *continued*

| Programme per sub programme | 2005/06 | | | | | | | 2004/05 | |
|--|------------------------|-------------------|-----------------|---------------------|--------------------|----------------|---|---------------------|--------------------|
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | Final Appropriation | Actual Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| 2.8 Protection Measures | | | | | | | | | |
| Current payment | 3 190 | | | 3 190 | 2 148 | 1 042 | 67.3% | 2 028 | 2 164 |
| Transfers and subsidies | | | | - | 1 | (1) | 0.0% | | |
| Payment for capital assets | | | | - | | - | 0.0% | | 85 |
| 2.9 Institutional Development | | | | | | | | | |
| Current payment | 8 416 | 4 001 | | 12 417 | 12 494 | (77) | 100.6% | 7 088 | 9 152 |
| Transfers and subsidies | 24 | | | 24 | 42 | (18) | 175.0% | | 19 |
| Payment for capital assets | 1 170 | | | 1 170 | 189 | 981 | 16.2% | 109 | 285 |
| 2.10 Stakeholder Empowerment | | | | | | | | | |
| Current payment | 124 173 | (4 001) | | 120 172 | 108 586 | 11 586 | 90.4% | 100 071 | 99 308 |
| Transfers and subsidies | 309 | 223 | | 532 | 532 | - | 100.0% | 106 | 457 |
| Payment for capital assets | 8 454 | 2 620 | | 11 074 | 11 074 | - | 100.0% | 5 082 | 18 627 |
| 2.11 Water Resource Support | | | | | | | | | |
| Current payment | 99 540 | | | 99 540 | 86 743 | 12 797 | 87.1% | 69 361 | 81 798 |
| Transfers and subsidies | 8 006 | (223) | | 7 783 | 7 044 | 739 | 90.5% | 43 | 163 |
| Payment for capital assets | 711 | 1 450 | | 2 161 | 2 161 | - | 100.0% | 313 | 1 019 |
| 2.12 Operation of Water Resources | | | | | | | | | |
| Current payment | | | | - | 1 | (1) | 0.0% | | |
| Transfers and subsidies | 626 027 | 9 400 | | 635 427 | 635 427 | - | 100.0% | 575 250 | 562 236 |
| 2.13 Capital Equipment | | | | | | | | | |
| Transfers and subsidies | 2 750 | 15 000 | | 17 750 | 17 750 | - | 100.0% | 2 535 | 2 535 |
| TOTAL | 1 632 045 | - | (18 451) | 1 613 594 | 1 503 464 | 110 130 | 93.2% | 1 476 962 | 1 447 049 |



DETAIL PER PROGRAMME 2: WATER RESOURCE MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2006 – *continued*

| Economic Classification | 2005/06 | | | | | | | 2004/05 | |
|---|------------------------|-------------------|-----------------|---------------------|--------------------|----------------|---|---------------------|--------------------|
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | Final Appropriation | Actual Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| Current payment | | | | | | | | | |
| Compensation of employees | 234 420 | | (3 121) | 231 299 | 240 221 | (8 922) | 103.9% | 215 646 | 180 120 |
| Goods and services | 425 142 | (24 400) | (5 330) | 395 412 | 294 546 | 100 866 | 74.5% | 289 408 | 461 962 |
| Interest and rent on land | 10 | | | 10 | 1 | 9 | 10.0% | | 305 |
| Transfers and subsidies to: | | | | | | | | | |
| Provinces and municipalities | 3 427 | 207 | | 3 634 | 1 910 | 1 724 | 52.6% | 766 | 4 310 |
| Departmental agencies and accounts | 628 777 | 24 400 | | 653 177 | 653 182 | (5) | 100.0% | 648 950 | 634 208 |
| Public corporations and private enterprises | | | | - | 6 891 | (6 891) | 0.0% | | |
| Households | 21 826 | (207) | | 21 619 | 8 492 | 13 127 | 39.3% | | 19 350 |
| Payment for capital assets | | | | | | | | | |
| Buildings and other fixed structures | 297 584 | (2 221) | (10 000) | 285 363 | 273 124 | 12 239 | 95.7% | 277 115 | 116 293 |
| Machinery and equipment | 20 008 | 113 | | 20 121 | 21 683 | (1 562) | 107.8% | 43 834 | 22 858 |
| Software and other intangible assets | 851 | 2 108 | | 2 959 | 3 414 | (455) | 115.4% | | 7 643 |
| Land and subsoil assets | | | | - | - | - | 0.0% | 1 243 | |
| Total | 1 632 045 | - | (18,451) | 1 613 594 | 1 503 464 | 110 130 | 93.2% | 1 476 962 | 1 447 049 |



DETAIL PER PROGRAMME 3: WATER SERVICES FOR THE YEAR ENDED 31 MARCH 2006

| Programme per sub programme | 2005/06 | | | | | | | 2004/05 | |
|--|------------------------|-------------------|----------|---------------------|--------------------|----------|---|---------------------|--------------------|
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | Final Appropriation | Actual Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| 3.1 Provisioning Services | | | | | | | | | |
| Current payment | 2 999 | | | 2 999 | 3 301 | (302) | 110.1% | 6 084 | (1 851) |
| Payment for capital assets | | | | - | 34 | (34) | 0.0% | | 177 |
| 3.2 Water Sector Policies | | | | | | | | | |
| Current payment | 41 608 | 1 917 | (2 539) | 40 986 | 40 986 | - | 100.0% | 39 021 | 41 835 |
| Transfers and subsidies | 24 | | | 24 | 25 | (1) | 104.2% | 8 | 22 |
| Payment for capital assets | 702 | | | 702 | 410 | 292 | 58.4% | 1 043 | 311 |
| 3.3 Institutional Policies | | | | | | | | | |
| Current payment | 10 126 | (1 917) | (302) | 7 907 | 6 525 | 1 382 | 82.5% | 6 159 | 3 513 |
| Transfers and subsidies | 7 | | | 7 | 6 | 1 | 85.7% | | 5 |
| Payment for capital assets | | | | - | 64 | (64) | 0.0% | 100 | |
| 3.4 Transfer Policies | | | | | | | | | |
| 3.5 African Initiative | | | | | | | | | |
| Current payment | 192 | | | 192 | 195 | (3) | 101.6% | 178 | |
| 3.6 Water Services Administration | | | | | | | | | |
| Current payment | 9 403 | | (238) | 9 165 | 7 818 | 1 347 | 85.3% | 7 701 | 5 950 |
| Transfers and subsidies | 12 | | | 12 | 13 | (1) | 108.3% | 1 | 9 |
| Payment for capital assets | 62 | | | 62 | 36 | 26 | 58.1% | 116 | 18 |
| 3.7 Water and Sanitation Services | | | | | | | | | |
| Current payment | 15 043 | 102 200 | | 117 243 | 117 404 | (161) | 100.1% | 32 947 | 222 790 |
| Transfers and subsidies | | | | - | 3 002 | (3 002) | 0.0% | 81 243 | 19 165 |
| Payment for capital assets | 143 378 | (59 200) | | 84 178 | 80 044 | 4 134 | 95.1% | 141 728 | 40 791 |
| 3.8 Water Sector Support | | | | | | | | | |
| Current payment | 65 454 | | | 65 454 | 67 662 | (2 208) | 103.4% | 52 658 | 68 171 |
| Transfers and subsidies | 114 | | | 114 | 94 | 20 | 82.5% | 25 | 378 |
| Payment for capital assets | 1 792 | | | 1 792 | 580 | 1 212 | 32.4% | 3 256 | 334 |
| 3.9 Institutional Support | | | | | | | | | |
| Current payment | 39 892 | 5 389 | | 45 281 | 43 492 | 1 789 | 96.0% | 44 712 | 42 141 |
| Transfers and subsidies | 47 | | | 47 | 44 | 3 | 93.6% | 103 | (254) |
| Payment for capital assets | 2 306 | | | 2 306 | 1 458 | 848 | 63.2% | 7 791 | 7 226 |
| 3.10 Transfers | | | | | | | | | |
| Current payment | 6 796 | 3 637 | | 10 433 | 10 433 | - | 100.0% | 32 406 | 11 261 |
| Transfers and subsidies | - | | | - | 48 | (48) | 0.0% | 35 913 | 12 153 |
| Payment for capital assets | 17 | 3 914 | | 3 931 | 3 930 | 1 | 100.0% | | 5 046 |
| 3.11 African Participation | | | | | | | | | |
| Current payment | | | | - | | - | 0.0% | 608 | |



DETAIL PER PROGRAMME 3: WATER SERVICES FOR HE YEAR ENDED 31 MARCH 2006 – *continued*

| Programme per sub programme | 2005/06 | | | | | | | 2004/05 | |
|---|------------------------|-------------------|----------------|---------------------|--------------------|---------------|---|---------------------|--------------------|
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | Final Appropriation | Actual Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| 3.12 Water Services Support | | | | | | | | | |
| Current payment | 118 635 | (55 940) | | 62 695 | 55 067 | 7 628 | 87.8% | 115 103 | 127 517 |
| Transfers and subsidies | 71 | | | 71 | 47 | 24 | 66.2% | 28 | 147 |
| Payment for capital assets | 961 | | | 961 | (53) | 1 014 | -5.5% | 566 | 2 641 |
| 3.13 Operation of Water Services | | | | | | | | | |
| Transfers and subsidies | 1 068 333 | | | 1 068 333 | 1 068 333 | - | 100.0% | 951 862 | 951 863 |
| TOTAL | 1 527 974 | - | (3 079) | 1 524 895 | 1 510 998 | 13 897 | 99.1% | 1 561 360 | 1 561 359 |

| Economic Classification | 2005/06 | | | | | | | 2004/05 | |
|---|------------------------|-------------------|----------------|---------------------|--------------------|---------------|---|---------------------|--------------------|
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | Final Appropriation | Actual Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| Current payment | | | | | | | | | |
| Compensation of employees | 86 386 | | (3 079) | 83 307 | 85 022 | (1 715) | 102.1% | 66 526 | 78 648 |
| Goods and services | 223 762 | 55 286 | | 279 048 | 267 247 | 11 801 | 95.8% | 298 315 | 442 680 |
| Transfers and subsidies to: | | | | | | | | | |
| Provinces and municipalities | 1 065 582 | 3 026 | | 1 068 608 | 1 071 561 | (2 953) | 100.3% | 1 191 162 | |
| Departmental agencies and accounts | 3 026 | (3 026) | | - | - | - | 0.0% | 3 000 | 926 317 |
| Public corporations and private enterprises | | | | - | - | - | 0.0% | | 45 773 |
| Non-profit institutions | | | | - | 2 | (2) | 0.0% | | |
| Households | | | | - | 49 | (49) | 0.0% | | 11 397 |
| Payment for capital assets | | | | | | | | | |
| Buildings and other fixed structures | 145 399 | (55 316) | | 90 083 | 84 901 | 5 182 | 94.2% | | 54 915 |
| Machinery and equipment | 3 674 | 30 | | 3 704 | 2 115 | 1 589 | 57.1% | 2 309 | 1 388 |
| Biological or cultivated assets | 25 | | | 25 | | 25 | 0.0% | 48 | |
| Software and other intangible assets | 120 | | | 120 | 101 | 19 | 84.2% | | 241 |
| Total | 1 527 974 | - | (3 079) | 1 524 895 | 1 510 998 | 13 897 | 99.1% | 1 561 360 | 1 561 359 |



DETAIL PER PROGRAMME 4: FORESTRY FOR THE YEAR ENDED 31 MARCH 2006

| Programme per sub programme | 2005/06 | | | | | | | 2004/05 | |
|--|------------------------|-------------------|----------|---------------------|--------------------|----------|---|---------------------|--------------------|
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | Final Appropriation | Actual Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| 4.1 Plantation Restructuring | | | | | | | | | |
| Current payment | 821 | | | 821 | 256 | 565 | 31.2% | 776 | 36 |
| 4.2 Indigenous Forest Restructuring | | | | | | | | | |
| Current payment | 219 | | | 219 | 6 | 213 | 2.7% | 209 | 46 |
| Payment for capital assets | | | | - | 7 | (7) | 0.0% | | 19 |
| 4.3 Forestry Oversight | | | | | | | | | |
| Current payment | 14 331 | | (1 599) | 12 732 | 12 522 | 210 | 98.4% | 13 483 | 13 163 |
| Transfers and subsidies | 26 | | | 26 | 21 | 5 | 80.8% | 14 | 19 |
| Payment for capital assets | 386 | | | 386 | 309 | 77 | 80.1% | 430 | 2 |
| 4.4 African Forestry Liason | | | | | | | | | |
| Current payment | 669 | | | 669 | 767 | (98) | 114.6% | 658 | 529 |
| Transfers and subsidies | 4 | | | 4 | 1 | 3 | 25.0% | | 2 |
| Payment for capital assets | 24 | | | 24 | | 24 | 0.0% | | 1 |
| 4.5 Community Forestry | | | | | | | | | |
| Current payment | 109 | 1 058 | | 1 167 | 1 167 | - | 100.0% | 103 | 938 |
| Transfers and subsidies | | | | - | 3 | (3) | 0.0% | | 3 |
| 4.6 Forestry Management Support | | | | | | | | | |
| Current payment | 4 708 | 3 739 | | 8 447 | 8 447 | - | 100.0% | 4 495 | 3 463 |
| Transfers and subsidies | 7 | | | 7 | 10 | (3) | 142.9% | | 7 |
| Payment for capital assets | 85 | | | 85 | 82 | 3 | 96.5% | 39 | 200 |
| 4.7 Plantation Management | | | | | | | | | |
| Current payment | 269 131 | | | 269 131 | 265 754 | 3 377 | 98.7% | 273 237 | 274 430 |
| Transfers and subsidies | 17 217 | (16 981) | | 236 | 665 | (429) | 281.8% | 243 | 1 596 |
| Payment for capital assets | 2 673 | | | 2 673 | 3 721 | (1 048) | 139.2% | 2 351 | 1 958 |
| 4.8 Indigenous Forestry Management | | | | | | | | | |
| Current payment | 46 322 | | 10 000 | 56 322 | 72 727 | (16 405) | 129.1% | 63 941 | 66 717 |
| Transfers and subsidies | 186 | | | 186 | (2 943) | 3 129 | -1582.3% | 86 | 297 |
| Payment for capital assets | 3 291 | | | 3 291 | 102 | 3 189 | 3.1% | 2 516 | 562 |



DETAIL PER PROGRAMME 4: FORESTRY FOR THE YEAR ENDED 31 MARCH 2006 – continued

| Programme per sub programme | 2005/06 | | | | | | | 2004/05 | |
|---------------------------------------|------------------------|-------------------|--------------|---------------------|--------------------|--------------|---|---------------------|--------------------|
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | Final Appropriation | Actual Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| 4.9 Forestry Governance | | | | | | | | | |
| Current payment | 2 067 | | | 2 067 | 288 | 1 779 | 13.9% | 1 953 | 230 |
| Transfers and subsidies | | | | - | 1 | (1) | 0.0% | | 1 |
| Payment for capital assets | | | | - | 6 | (6) | 0.0% | | 2 |
| 4.10 Community Empowerment | | | | | | | | | |
| Current payment | 23 727 | | | 23 727 | 22 789 | 938 | 96.0% | 23 890 | 25 152 |
| Transfers and subsidies | 54 | | | 54 | 3 027 | (2 973) | 5605.6% | 54 | 48 |
| Payment for capital assets | 1 595 | | | 1 595 | 236 | 1 359 | 14.8% | 329 | 200 |
| 4.11 Forestry Support Services | | | | | | | | | |
| Current payment | 27 540 | (4 797) | | 22 743 | 13 819 | 8 924 | 60.8% | 24 206 | 7 553 |
| Transfers and subsidies | 10 | 16 981 | | 16 991 | 17 000 | (9) | 100.1% | 53 155 | 69 374 |
| Payment for capital assets | 341 | | | 341 | 129 | 212 | 37.8% | 462 | 81 |
| TOTAL | 415 543 | - | 8 401 | 423 944 | 420 919 | 3 025 | 99.3% | 466 630 | 466 629 |

| Economic Classification | 2005/06 | | | | | | | 2004/05 | |
|---|------------------------|-------------------|--------------|---------------------|--------------------|--------------|---|---------------------|--------------------|
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | Final Appropriation | Actual Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| Current payment | | | | | | | | | |
| Compensation of employees | 276 588 | | (1 599) | 274 989 | 250 263 | 24 726 | 91.0% | 244 333 | 251 213 |
| Goods and services | 111 461 | | 10 000 | 121 461 | 148 122 | (26 661) | 122.0% | 161 113 | 140 482 |
| Interest and rent on land | 1 595 | | | 1 595 | 157 | 1 438 | 9.8% | 1 505 | 562 |
| Transfers and subsidies to: | | | | | | | | | |
| Provinces and municipalities | 523 | | | 523 | 804 | (281) | 153.7% | 397 | 896 |
| Departmental agencies and accounts | 16 981 | | | 16 981 | 16 981 | - | 100.0% | 15 155 | 31 906 |
| Public corporations and private enterprises | | | | - | - | - | 0.0% | 38 000 | 38 481 |
| Households | | | | - | 2 | (2) | 0.0% | | 64 |
| Payment for capital assets | | | | | | | | | |
| Buildings and other fixed structures | | | | - | 78 | (78) | 0.0% | 6 127 | 126 |
| Machinery and equipment | 8 395 | | | 8 395 | 4 240 | 4 155 | 50.5% | | 2 737 |
| Biological or cultivated assets | | | | - | 30 | (30) | 0.0% | | 90 |
| Software and other intangible assets | | | | - | 242 | (242) | 0.0% | | 72 |
| Total | 415 543 | - | 8 401 | 423 944 | 420 919 | 3 025 | 99.3% | 466 630 | 466 629 |

DETAIL PER PROGRAMME 5: THEFT AND LOSSES FOR THE YEAR ENDED 31 MARCH 2006 – *continued*

| Programme per sub programme | 2005/06 | | | | | | | 2004/05 | |
|-----------------------------|------------------------|-------------------|----------|---------------------|--------------------|----------|---|---------------------|--------------------|
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | Final Appropriation | Actual Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| 5.1 Theft and Losses | | | | | | | | | |
| Current payment | | | 3 330 | 3 330 | 3 329 | 1 | 100.0% | 29 215 | 29 215 |
| TOTAL | | | 3 330 | 3 330 | 3 329 | 1 | 100.0% | 29 215 | 29 215 |

| Economic classification | 2005/06 | | | | | | | 2004/05 | |
|--|------------------------|-------------------|----------|---------------------|--------------------|----------|---|---------------------|--------------------|
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | Final Appropriation | Actual Expenditure |
| Current payment | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| Financial transactions in assets and liabilities | | | 3 330 | 3 330 | 3 329 | 1 | 100.0% | 29 215 | 29 215 |
| Total | | | 3 330 | 3 330 | 3 329 | 1 | 100.0% | 29 215 | 29 215 |

NOTES TO THE APPROPRIATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

1. Detail of transfers and subsidies as per Appropriation Act (after Virement):

Detail of these transactions can be viewed in note 8 (Transfers and subsidies) and Annexure 1 (E-L) to the Annual Financial Statements.

2. Detail of specifically and exclusively appropriated amounts voted (after Virement):

Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the Annual Financial Statements.

3. Detail on financial transactions in assets and liabilities

Detail of these transactions per programme can be viewed in note 7 (Financial transactions in assets and liabilities) to the Annual Financial Statements.



NOTES TO THE APPROPRIATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2006 – *continued*

4. Explanations of material variances from Amounts Voted (after Virement):

| 4.1 Per Programme | Final Appropriation | Actual Expenditure | Variance R'000 | Variance as a % of Final Appropriation |
|-------------------|---------------------|--------------------|----------------|--|
| Administration | 369 873 | 278 378 | 91 494 | 25 |

The saving is mainly attributed to the transfer of staff to municipalities which could not take place due to protracted negotiations with receiving municipalities and funds will be rolled over to 2006/07 financial year.

| Per Programme | Final Appropriation | Actual Expenditure | Variance R'000 | Variance as a % of Final Appropriation |
|---------------------------|---------------------|--------------------|----------------|--|
| Water Resource Management | 1 613 594 | 1 503 464 | 110 130 | 7 |

The saving is mainly attributed to vacant posts which could not be filled with suitable candidates as well as the appointment of Professional Service Providers (PSPs) which could not be appointed before the end of the financial year.

| Per Programme | Final Appropriation | Actual Expenditure | Variance R'000 | Variance as a % of Final Appropriation |
|----------------|---------------------|--------------------|----------------|--|
| Water Services | 1 524 895 | 1 510 998 | 13 897 | 0.91 |
| Forestry | 423 944 | 420 919 | 3 025 | 0.71 |

Insignificant variance: The saving is less than 2% per programme and therefore no reasons are provided as discussed with the office of the Audit General.



NOTES TO THE APPROPRIATION STATEMENT

— continued

FOR THE YEAR ENDED 31 MARCH 2006

| Per Economic classification | 2005/06 R'000 | 2004/05 R'000 |
|---|------------------|------------------|
| Current payment: | | |
| Compensation of employees | 88 501 | 59 349 |
| Goods and services | 89 106 | (305 752) |
| Interest and rent on land | 1 447 | 638 |
| Financial transactions in assets and liabilities | 1 | - |
| Transfers and subsidies: | | |
| Provinces and municipalities | (1 366) | 1 187 259 |
| Departmental agencies and accounts | 509 | (944 570) |
| Public corporations and private enterprises | 0 | (46 254) |
| Foreign governments and international organisations | (6 891) | - |
| Non-profit institutions | (2) | - |
| Households | 24 562 | (33 647) |
| Payments for capital assets: | | |
| Buildings and other fixed structures | 16 533 | 112 956 |
| Machinery and equipment | 16 | 14 925 |
| Heritage assets | 0 | - |
| Biological or cultivated assets | (5) | (42) |
| Software and other intangible assets | 6 137 | 61 |
| Land and subsoil assets | 0 | 1 243 |

STATEMENT OF FINANCIAL PERFORMANCE

AT 31 MARCH 2006

| | Note | 2005/06 R'000 | 2004/05 R'000 |
|---|------|------------------|------------------|
| REVENUE | | | |
| Annual appropriation | 1 | 3 935 636 | 3 823 112 |
| Departmental revenue | 2 | 129 308 | 88 508 |
| Local and foreign aid assistance | 3 | 245 314 | 125 362 |
| TOTAL REVENUE | | 4 310 258 | 4 036 982 |
| EXPENDITURE | | | |
| Current expenditure | | | |
| Compensation of employees | 4 | 681 111 | 602 656 |
| Goods and services | 5 | 854 665 | 1 193 707 |
| Interest and rent on land | 6 | 158 | 867 |
| Financial transactions in assets and liabilities | 7 | 3 329 | 29 215 |
| Local and foreign aid assistance | 3 | 150 485 | 180 882 |
| Total current expenditure | | 1 689 748 | 2 007 327 |
| Transfers and subsidies | 8 | 1 768 697 | 1 735 067 |
| Expenditure for capital assets | | | |
| Buildings and other fixed structures | 9 | 363 254 | 172 786 |
| Machinery and equipment | 9 | 32 381 | 31 218 |
| Biological or cultivated assets | 9 | 30 | 90 |
| Software and other intangible assets | 9 | 13 463 | 11 340 |
| Local and foreign aid assistance | 3 | 21 577 | 7 633 |
| Total expenditure for capital assets | | 430 705 | 223 067 |
| TOTAL EXPENDITURE | | 3 889 150 | 3 965 461 |
| SURPLUS/(DEFICIT) | | 421 108 | 71 521 |
| Add back unauthorised expenditure | 10 | 3 782 | |
| SURPLUS/(DEFICIT) FOR THE YEAR | | 424 890 | 71 521 |
| Reconciliation of Surplus/(Deficit) for the year | | | |
| Voted funds | 15 | 222 330 | 46 166 |
| Departmental Revenue | 16 | 129 308 | 88 508 |
| Local and foreign aid assistance | 3 | 73 525 | (63 153) |
| SURPLUS/(DEFICIT) FOR THE YEAR | | 424 890 | 71 521 |



STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2006

| | Note | 2005/06 R'000 | 2004/05 R'000 |
|--|------|------------------|------------------|
| ASSETS | | | |
| Current assets | | 632 749 | 383 093 |
| Unauthorised expenditure | 10 | 18 671 | 14 889 |
| Cash and cash equivalents | 11 | 255 617 | 179 596 |
| Prepayments and advances | 12 | 12 420 | 109 056 |
| Receivables | 13 | 333 706 | 48 162 |
| Local and foreign aid assistance receivable | 3 | 12 335 | 31 390 |
| Non-current assets | | 192 935 | 243 228 |
| Loans | 14 | 192 935 | 243 228 |
| TOTAL ASSETS | | <u>825 684</u> | <u>626 321</u> |
| LIABILITIES | | | |
| Current liabilities | | 630 195 | 378 584 |
| Voted funds to be surrendered to the Revenue Fund | 15 | 222 330 | 46 166 |
| Departmental revenue to be surrendered to the Revenue Fund | 16 | (1 024) | (47 641) |
| Bank overdraft | 17 | - | 197 067 |
| Payables | 18 | 349 238 | 177 538 |
| Local and foreign aid assistance repayable | 3 | 59 651 | 5 454 |
| TOTAL LIABILITIES | | <u>630 195</u> | <u>378 584</u> |
| NET ASSETS | | <u>195 489</u> | <u>247 737</u> |
| Represented by: | | | |
| Capitalisation reserve | | 192 935 | 243 228 |
| Recoverable revenue | | 2 554 | 4 509 |
| TOTAL | | <u>195 489</u> | <u>247 737</u> |

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 MARCH 2006

| | Note | 2005/06 R'000 | 2004/05 R'000 |
|--|------|------------------|------------------|
| Capitalisation Reserves | | | |
| Opening balance | | 243 228 | 282 014 |
| Transfers: | | (50 293) | (38 786) |
| Closing balance | | <u>192 935</u> | <u>243 228</u> |
| Recoverable revenue | | | |
| Opening balance | | 4 509 | 3 668 |
| Transfers | | (1 955) | 841 |
| Debts written off | 7.3 | (1 021) | (225) |
| Debts recovered (included in departmental revenue) | | (2 850) | (71) |
| Debts raised | | 1 916 | 1 137 |
| Closing balance | | <u>2 554</u> | <u>4 509</u> |
| TOTAL | | <u>195 489</u> | <u>247 737</u> |

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

| | Note | 2005/06 R'000 | 2004/05 R'000 |
|--|------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | 4 310 224 | 4 036 982 |
| Annual appropriated funds received | 1.1 | 3 935 636 | 3 823 112 |
| Departmental revenue received | | 129 274 | 88 508 |
| Local and foreign aid assistance received | 3 | 245 314 | 125 362 |
| Net (increase)/decrease in working capital | | (17 208) | 124 747 |
| Surrendered to Revenue Fund | | (128 857) | (667 785) |
| Current payments | | (1 689 748) | (2 007 327) |
| Transfers and subsidies paid | | (1 768 697) | (1 735 067) |
| Net cash flow available from operating activities | 19 | <u>705 714</u> | <u>(248 450)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for capital assets | | (430 705) | (223 067) |
| Proceeds from sale of capital assets | 2 | 34 | - |
| (Increase)/decrease in loans | | 50 293 | |
| (Increase)/decrease in investments | | - | 38 786 |
| Net cash flows from investing activities | | <u>(380 378)</u> | <u>(184 281)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase/(decrease) in net assets | | (52 248) | (37 945) |
| Net cash flows from financing activities | | <u>(52 248)</u> | <u>(37 945)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 273 088 | (470 676) |
| Cash and cash equivalents at the beginning of the period | | (17 471) | 453 205 |
| Cash and cash equivalents at end of period | 20 | <u>255 617</u> | <u>(17 471)</u> |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

1. Annual Appropriation

1.1 Annual Appropriation

Included are funds appropriated in terms of the Appropriation Act for National Departments (Voted funds) and Provincial Departments:**

| | Final Appropriation | Actual Funds Received | Funds not requested/ not received | Appropriation received 2004/05 |
|------------------------------|------------------------|--------------------------|---|--------------------------------------|
| Programmes | R'000 | R'000 | R'000 | R'000 |
| Administration | 369 873 | 369 873 | - | 288 945 |
| Water Resource Management | 1 613 594 | 1 613 594 | - | 1 476 962 |
| Water Services | 1 524 895 | 1 524 895 | - | 1 561 360 |
| Forestry | 423 944 | 423 944 | - | 466 630 |
| Theft and Losses | 3 330 | 3 330 | - | 29 215 |
| Total | <u>3 935 636</u> | <u>3 935 636</u> | <u>-</u> | <u>3 823 112</u> |

Provide explanation of material variances including whether or not application will be made for a rollover.

| | Note | 2005/06 R'000 | 2004/05 R'000 |
|--|------|------------------|------------------|
|--|------|------------------|------------------|

1.2 Conditional grants

| | | | |
|---|----------|-----------|---|
| Total grants received | Annex 1A | 1 068 333 | - |
| Provincial grants included in Total Grants received | | 1 068 333 | - |

** It should be noted that the Conditional grants are included in the amounts per the Total Appropriation in Note 1.1.



| | Note | 2005/06 R'000 | 2004/05 R'000 |
|--|------|------------------|------------------|
| 2. Departmental revenue to be surrendered to revenue fund | | | |
| Description (Specify material amounts separately) | | | |
| Tax revenue | | - | - |
| Sales of goods and services other than capital assets | 2.1 | 49 063 | 37 676 |
| Fines, penalties and forfeits | | 6 | 24 |
| Interest, dividends and rent on land | 2.2 | 31 652 | 28 866 |
| Sales of capital assets | 2.3 | 34 | - |
| Financial transactions in assets and liabilities | 2.4 | 48 553 | 21 942 |
| Total revenue collected | | 129 308 | 88 508 |
| Departmental revenue collected | | 129 308 | 88 508 |

2.1 Sales of goods and services other than capital assets

| | | | |
|--|--|---------------|---------------|
| Sales of goods and services produced by the department | | 48 861 | 36 779 |
| Other sales | | 48 861 | 36 779 |
| Sales of scrap, waste and other used current goods | | 202 | 897 |
| Total | | 49 063 | 37 676 |

2.2 Interest, dividends and rent on land

| | | | |
|--------------|--|---------------|---------------|
| Interest | | 31 444 | 28 422 |
| Rent on land | | 208 | 444 |
| Total | | 31 652 | 28 866 |

2.3 Sale of capital assets

| | | | |
|----------------------|--|-----------|----------|
| Other capital assets | | 34 | - |
| Total | | 34 | - |

| | Note | 2005/06 R'000 | 2004/05 R'000 |
|---|------|------------------|------------------|
| 2.4 Financial transactions in assets and liabilities | | | |
| Nature of loss recovered | | | |
| Loans | | 12 | 125 |
| Receivables | | 55 701 | |
| Other Receipts including Recoverable Revenue | | (7 160) | 21 817 |
| Total | | 48 553 | 21 942 |

3. Local and foreign aid assistance

3.1 Assistance received in cash from RDP

| | | | |
|------------------------|--|--------------|----------|
| Local | | | |
| Opening Balance | | - | 120 |
| Revenue | | 5 302 | |
| Expenditure | | 1 179 | 120 |
| Current | | 26 | 120 |
| Capital | | 1 153 | |
| Closing Balance | | 4 123 | - |

| | | | |
|------------------------|--|---------------|-----------------|
| Foreign | | | |
| Opening Balance | | (25 936) | 37 097 |
| Revenue | | 240 012 | 125 362 |
| Expenditure | | 170 883 | 188 395 |
| Current | | 150 459 | 180 762 |
| Capital | | 20 424 | 7 633 |
| Closing Balance | | 43 193 | (25 936) |

| | | | |
|------------------------|--|---------------|-----------------|
| Total | | | |
| Opening Balance | | (25 936) | 37 217 |
| Revenue | | 245 314 | 125 362 |
| Expenditure | | 172 062 | 188 515 |
| Current | | 150 485 | 180 882 |
| Capital | | 21 577 | 7 633 |
| Closing Balance | | 47 316 | (25 936) |

Analysis of balance

| | | | |
|--|--|---------------|-----------------|
| Local and foreign aid receivable | | 12 335 | 31 390 |
| Local and foreign aid payable to RDP fund/donors | | 59 651 | 5 454 |
| Closing balance | | 47 316 | (25 936) |



| | Note | 2005/06 R'000 | 2004/05 R'000 |
|---|------|------------------|------------------|
| 4. Compensation of employees | | | |
| 4.1 Salaries and Wages | | | |
| Basic salary | | 433 908 | 382 401 |
| Performance award | | 15 298 | 13 952 |
| Service Based | | 2 806 | 2 573 |
| Compensative/circumstantial | | 26 266 | 21 472 |
| Periodic payments | | 12 860 | 20 249 |
| Other non-pensionable allowances | | 94 936 | 75 837 |
| Total | | 586 074 | 516 484 |
| 4.2 Social contributions | | | |
| 4.2.1 Employer contributions | | | |
| Pension | | 64 494 | 55 847 |
| Medical | | 30 089 | 29 868 |
| UIF | | 261 | 257 |
| Bargaining council | | 191 | 198 |
| Official unions and associations | | 1 | 1 |
| Insurance | | 1 | 1 |
| Total | | 95 037 | 86 172 |
| Total compensation of employees | | 681 111 | 602 656 |
| Average number of employees | | 7 413 | 7 368 |
| 5. Goods and services | | | |
| Advertising | | 9 092 | 5 300 |
| Attendance fees (including registration fees) | | 3 492 | 3 666 |
| Bank charges and card fees | | 887 | 931 |
| Bore waterhole drilling | | 2 094 | (106) |
| Bursaries (employees) | | 3 963 | 5 672 |
| Communication | | 34 650 | 35 936 |
| Computer services | | 74 935 | 79 251 |
| Consultants, contractors and special services | | 237 583 | 569 491 |
| Courier and delivery services | | 806 | 768 |
| Tracing agents & Debt collections | | 33 | 18 |

| | Note | 2005/06 R'000 | 2004/05 R'000 |
|---|------|------------------|------------------|
| Drivers' licences and permits | | 38 | 30 |
| Entertainment | | 1 455 | 1 719 |
| External audit fees | 5.1 | 8 452 | 8 081 |
| Equipment less than R5000 | | 12 802 | 13 469 |
| Freight service | | 376 | 152 |
| Inventory | 5.2 | 201 783 | 191 080 |
| Legal fees | | 6 660 | 4 759 |
| Maintenance, repairs and running cost | | 13 000 | 30 074 |
| Medical Services | | 119 | 108 |
| Operating leases | | 33 207 | 84 218 |
| Personnel agency fees | | - | 8 |
| Photographic services | | 109 | 206 |
| Plant flowers and other decorations | | 316 | 549 |
| Printing and publications | | 498 | 1 459 |
| Professional bodies and membership fees | | 172 | 665 |
| Resettlement cost | | 1 805 | 2 472 |
| Subscriptions | | 94 | 96 |
| Taking over of contractual obligations | | - | 25 |
| Owned leasehold property expenditure | | 11 990 | 24 654 |
| Transport provided as part of the departmental activities | | 173 | 240 |
| Travel and subsistence | 5.3 | 182 963 | 119 840 |
| Venues and facilities | | 4 110 | 1 757 |
| Protective, special clothing & uniforms | | 211 | 791 |
| Training & staff development | | 6 761 | 6 328 |
| Water research/testing | | 36 | - |
| | | 854 665 | 1 193 707 |
| 5.1 External audit fees | | | |
| Performance audits | | 6 551 | 7 648 |
| Other audits | | 1 901 | 433 |
| Total external audit fees | | 8 452 | 8 081 |



| | Note | 2005/06 R'000 | 2004/05 R'000 |
|--------------------------------------|------|------------------|------------------|
| 5.2 Inventory | | | |
| Construction work in progress | | 105 529 | - |
| Domestic consumables | | 8 110 | 8 830 |
| Agricultural | | 3 440 | 108 683 |
| Food and Food supplies | | 3 156 | 1 768 |
| Fuel, oil and gas | | 19 355 | 20 816 |
| Laboratory consumables | | 2 297 | 1 881 |
| Other consumables | | 3 782 | 14 882 |
| Parts and other maintenance material | | 36 230 | 14 831 |
| Sport and recreation | | 10 | (2) |
| Stationery and printing | | 19 431 | 16 896 |
| Restoration and fittings | | 309 | 2 386 |
| Medical supplies | | 134 | 109 |
| | | <u>201 783</u> | <u>191 080</u> |

5.3 Travel and subsistence

| | | | |
|------------------------------|--|----------------|----------------|
| Local | | 177 868 | 115 743 |
| Foreign | | 5 095 | 4 097 |
| Total travel and subsistence | | <u>182 963</u> | <u>119 840</u> |

6. Interest and rent on land

| | | | |
|---------------------------------|--|------------|------------|
| Rent on land | | 158 | 867 |
| Total interest and rent on land | | <u>158</u> | <u>867</u> |

7. Financial transactions in assets and liabilities

| | | | |
|-----------------------------------|-----|--------------|---------------|
| Other material losses written off | 7.1 | 1 110 | 685 |
| Debts written off | 7.2 | 2 219 | 28 530 |
| Total | | <u>3 329</u> | <u>29 215</u> |

7.1 Other material losses

| | | | |
|---|--|--------------|------------|
| Nature of losses (Group major categories, but list material items) | | | |
| Vehicle accidents | | 69 | 427 |
| Other | | 1 030 | 12 |
| S&T advances | | 11 | 246 |
| Total | | <u>1 110</u> | <u>685</u> |

| | Note | 2005/06 R'000 | 2004/05 R'000 |
|---|------|------------------|------------------|
| 7.2 Debts written off | | | |
| Nature of debts written off (Group major categories, but list material items) | | | |
| Salary overpayment | | 299 | 342 |
| Tax debt | | 6 | 4 |
| Study debt | | 70 | 42 |
| Subsidised vehicles | | 2 | 235 |
| Subsistence and transport | | 1 | 2 |
| Kalahari East | | - | 6 895 |
| Kalahari West | | - | 19 714 |
| Dishonoured cheques | | 52 | 1 |
| Injambuli IB | | - | 400 |
| Gluckstadt | | - | 891 |
| Great Fish River | | 1 000 | - |
| Opzoek | | 34 | - |
| Suppliers | | 112 | - |
| Fraud | | 626 | - |
| Interest | | 7 | - |
| Telephone Debt | | 1 | - |
| State Guarantees | | 9 | - |
| Other | | - | 4 |
| Total | | <u>2 219</u> | <u>28 530</u> |

7.3 Recoverable revenue debts written off

(Total not included above)

(Group major categories, but list material items)

| | | |
|-------------------------------|----------------|--------------|
| Salary overpayments | (126) | (214) |
| Tax debt | (13) | (1) |
| Bursary | (86) | (10) |
| State guarantee | (19) | - |
| Fraud/Misconduct | (571) | - |
| S&T | (21) | - |
| Other | - | - |
| GG-Accidents | - | - |
| Telephone | (1) | - |
| Subsidised vehicle | (2) | - |
| Supplier disallowance | (68) | - |
| Dishonoured cheque | (53) | - |
| Fraud cashed warrant vouchers | (61) | - |
| Total | <u>(1 021)</u> | <u>(225)</u> |

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

ANNEXURE 1K

STATEMENT OF TRANSFERS TO NON-PROFIT ORGANISATIONS

| NON-PROFIT ORGANISATIONS | TRANSFER ALLOCATION | | | | EXPENDITURE | | 2004/05 |
|--------------------------|----------------------------|------------|-------------|-----------------|-----------------|----------------------------------|-------------------|
| | Adjusted Appropriation Act | Roll overs | Adjustments | Total Available | Actual Transfer | % of Available funds Transferred | Appropriation Act |
| | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 |
| Transfers | | | | | | | |
| Capital/Transfer | 2 | | | 2 | 2 | 100.0% | |
| | 2 | - | - | 2 | 2 | | - |
| Subsidies | | | | | | | |
| | - | - | - | - | - | | - |
| Total | 2 | - | - | 2 | 2 | | - |

ANNEXURE 1L

STATEMENT OF TRANSFERS TO HOUSEHOLDS

| HOUSEHOLDS | TRANSFER ALLOCATION | | | | EXPENDITURE | | 2004/05 |
|---------------------|----------------------------|------------|-------------|-----------------|-----------------|----------------------------------|-------------------|
| | Adjusted Appropriation Act | Roll Overs | Adjustments | Total Available | Actual Transfer | % of Available funds Transferred | Appropriation Act |
| | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 |
| Transfers | | | | | | | |
| H/H Social Benefits | | | 20 000 | 20 000 | 8 490 | 42.5% | 33 602 |
| H/H Security pmt | | | | | | | 45 |
| Capital/Transfer | 8 543 | | | 8 543 | 8 543 | 100.0% | |
| Subsidies | | | | | | | |
| Total | 8 543 | - | 20 000 | 28 543 | 17 033 | | 33 647 |



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

ANNEXURE 1M

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED

| NAME OF ORGANISATION | NATURE OF GIFT, DONATION OR SPONSORSHIP | 2005/06 | 2004/05 |
|----------------------|--|---------|---------|
| | | R'000 | R'000 |
| Received in cash | | | |
| Various companies | Health River Programme | 27 | |
| AM Muller | Teletransmission Inward International | 72 | |
| Subtotal | | 99 | |
| Received in kind | | | |
| DBSA | Activity kits for the Health River Programme | 50 | |
| Total | | 149 | |



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

ANNEXURE 1N

STATEMENT OF LOCAL AND FOREIGN AID ASSISTANCE RECEIVED

| NAME OF DONOR | PURPOSE | OPENING BALANCE R'000 | REVENUE R'000 | EXPENDITURE R'000 | CLOSING BALANCE R'000 |
|-------------------------|---|--------------------------|------------------|----------------------|--------------------------|
| Received in cash | | | | | |
| European Union | Water and sanitation services | (7 411) | 202 164 | 148 561 | 46 192 |
| United Kingdom | Water services (Masibambane programme) | (3 382) | | | (3 382) |
| Finland | Working for water | (7 669) | 64 | 335 | (7 940) |
| France | Community water supply and sanitation | (97) | 97 | | - |
| Ireland | Water and sanitation programme | (11 887) | 33 439 | 13 711 | 7 841 |
| Netherlands | Community water supply and sanitation | (944) | 944 | | - |
| Norway | Subsustainable development of ground water | 1 677 | 4 | 1 681 | - |
| Flanders | Water and sanitation for deep rural areas | 3 582 | | 4 595 | (1 013) |
| Republic of China | Community forestry | 195 | | | 195 |
| African Renaissance | Upgrading of Hydrometric Network in Lesotho | | 5 302 | 1 179 | 4 123 |
| Denmark | Community water supply and sanitation | | 1 300 | | 1 300 |
| Switzerland | Local Government capacity building | | 2 000 | 2 000 | |
| Subtotal | | (25 936) | 245 314 | 172 062 | 47 316 |
| Received in kind | | | | | |
| Local | | | | | |
| UNESCO | Technical assistance with capacity building | 10 | | | 10 |



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

| NAME OF DONOR | PURPOSE | OPENING BALANCE R'000 | REVENUE R'000 | EXPENDITURE R'000 | CLOSING BALANCE R'000 |
|-----------------|--|--------------------------|------------------|----------------------|--------------------------|
| Foreign | | | | | - |
| China: | Pipes and Water meters | 38 800 | 85 122 | | 123 922 |
| United Kingdom: | Forestry markets | 13 742 | | | 13 742 |
| United Kingdom: | Support to water services | 1 338 | 5 121 | | 6 459 |
| United Kingdom: | Strengthening Chief Directorate:Forestry | 1 105 | | | 1 105 |
| Japan: | Rural water supply | 31 319 | | | 31 319 |
| United Kingdom: | Corporate institutional transformation | | 8 807 | | 8 807 |
| United Kingdom: | Support to Water Resources Management | | 11 238 | | 11 238 |
| Subtotal | | 86 314 | 110 288 | | 196 602 |
| TOTAL | | 60 378 | 355 602 | 172 062 | 243 918 |

ANNEXURE 10

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE AND REMISSIONS, REFUNDS AND PAYMENTS MADE AS AN ACT OF GRACE FOR THE YEAR ENDED 31 MARCH 2006

| NATURE OF GIFT, DONATION OR SPONSORSHIP (Group major categories but list material items including name of organisation) | 2005/06 | 2004/05 |
|--|---------|---------|
| | R'000 | R'000 |
| Paid in cash | | |
| Gift for Minister of Zimbabwe and chairperson of ZINWA: O/E MTN Decoupage, VIV Frames and Salad servers | 1 | |
| | 1 | |
| TOTAL | 1 | |

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

ANNEXURE 2B

STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES AS AT 31 MARCH 2006

| Name of Public Entity | Nature of business | Cost of investment | | Net Asset value of Investment | | Amounts owing to Entities | | Amounts owing by Entities | |
|-------------------------------------|--|--------------------|---------|-------------------------------|---------|---------------------------|---------|---------------------------|---------|
| | | R'000 | | R'000 | | R'000 | | R'000 | |
| | | 2005/06 | 2004/05 | 2005/06 | 2004/05 | 2005/06 | 2004/05 | 2005/06 | 2004/05 |
| Controlled entities WATER BOARDS | | | | | | | | | |
| Albany Coast | Building of a stock drinking scheme | | | | | | | 290 | 301 |
| Bloem Water B | Purchase of the Caledon/Bloemfontein (Welbedacht Dam) Water scheme | | | | | | | 76 630 | 78 329 |
| Kalahari West | Construct a stock drinking scheme | | | | | | | 3 790 | 3 666 |
| Lepelle N/W (Duiwelskloof) | Purchase of the Duiwelskloof scheme | | | | | | | 735 | 779 |
| Lepelle N/W (Ebenezer) | Purchase of the Pietersburg Regional water supply scheme | | | | | | | - | 22 984 |
| Magalies | Purchase of the Wallmanstal and Temba purification works | | | | | | | 5 300 | 5 550 |
| Namakwa Water | Namakwa water split into 3 different parties each | | | | | | | 37 | 37 |
| Namakwa - De Beers | Namakwa water split into 3 different parties each | | | | | | | 2 206 | 2 215 |
| Namakwa Occ/Metorex | Namakwa water split into 3 different parties each | | | | | | | 1 578 | 1 578 |
| Namakwa - P/Consumer | Namakwa water split into 3 different parties each | | | | | | | 4 056 | 4 082 |
| Overberg Water | Purchase of the Duiwenhoks,Reunsveld East and West Scheme | | | | | | | 30 228 | 32 630 |
| Sedibeng Water Balkfontein | Purchase of the Balkfontein and Sand river Government water Scheme | | | | | | | 4 696 | 5 902 |
| Sedibeng Water | Purchase of the Balkfontein and Sand river Government water Scheme | | | | | | | 5 751 | 6 680 |
| Umgeni 1 | Purchase of Mooi Umgeni Pipeline Scheme | | | | | | | - | 711 |
| White river valley | Purchase of Prinmkop dam and Lonmere dam | | | | | | | 702 | 778 |



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

| Name of Public Entity | Nature of business | Cost of investment | | Net Asset value of Investment | | Amounts owing to Entities | | Amounts owing by Entities | |
|---------------------------|--------------------|--------------------|---------|-------------------------------|---------|---------------------------|---------|---------------------------|---------|
| | | R'000 | | R'000 | | R'000 | | R'000 | |
| | | 2005/06 | 2004/05 | 2005/06 | 2004/05 | 2005/06 | 2004/05 | 2005/06 | 2004/05 |
| IRRIGATION BOARDS | | | | | | | | | |
| Agterkliphoogte (3) | For irrigation | | | | | | | 99 | 109 |
| Bossieveld 2 | For irrigation | | | | | | | 1 291 | 1 410 |
| Zandrifft | For irrigation | | | | | | | 6 | 11 |
| Buffelsjagts (1) | For irrigation | | | | | | | 10 | 30 |
| Buffelsjagts (2) | For irrigation | | | | | | | 22 | 64 |
| Buffelsjagts (3) | For irrigation | | | | | | | 84 | 16 |
| Ceres Rooikloof (1) | For irrigation | | | | | | | 31 | 50 |
| Ceres Rooikloof (2) | For irrigation | | | | | | | 66 | 106 |
| Ceres Kockedouw (2) | For irrigation | | | | | | | 10 | 18 |
| Ceres Kockedouw (1) | For irrigation | | | | | | | 34 | 65 |
| Cogmanskloof | For irrigation | | | | | | | 155 | 2 991 |
| Groenland (1) | For irrigation | | | | | | | 323 | 432 |
| Groenland (2) | For irrigation | | | | | | | 2 009 | 2 043 |
| Grooteiland Klipdrift (1) | For irrigation | | | | | | | 1 | - |
| Grooteiland Klipdrift (4) | For irrigation | | | | | | | 13 | 18 |
| Grooteiland Klipdrift (5) | For irrigation | | | | | | | 2 | 2 |
| Groothoek (4) | For irrigation | | | | | | | 29 | 30 |
| Groothoek (3) | For irrigation | | | | | | | 8 | 7 |
| Groothoek (5) | For irrigation | | | | | | | - | 6 |
| Hexriver (1) | For irrigation | | | | | | | - | 22 |
| Hoekoe (3) | For irrigation | | | | | | | 6 | 8 |
| Hoekoe (4) | For irrigation | | | | | | | 2 | 3 |
| Hoekoe (1) | For irrigation | | | | | | | 5 | 8 |
| Hoekoe (2) | For irrigation | | | | | | | 3 | 5 |
| Klaasvoogds (2) | For irrigation | | | | | | | 60 | 70 |
| Klaasvoogds (1) | For irrigation | | | | | | | 137 | 160 |
| Klaasvoogds (3) | For irrigation | | | | | | | 20 | 23 |
| Kingna (2) | For irrigation | | | | | | | 68 | 71 |

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

| Name of Public Entity | Nature of business | Cost of investment | | Net Asset value of Investment | | Amounts owing to Entities | | Amounts owing by Entities | |
|----------------------------|--------------------|--------------------|---------|-------------------------------|---------|---------------------------|---------|---------------------------|---------|
| | | R'000 | | R'000 | | R'000 | | R'000 | |
| | | 2005/06 | 2004/05 | 2005/06 | 2004/05 | 2005/06 | 2004/05 | 2005/06 | 2004/05 |
| Nooitgedacht (2) | For irrigation | | | | | | | 18 | 27 |
| Nooitgedacht (3) | For irrigation | | | | | | | 31 | 33 |
| Noord Agter Paarl (2) | For irrigation | | | | | | | | |
| Noord Agter Paarl (3) | For irrigation | | | | | | | - | 10 |
| Noord Agter Paarl (1) | For irrigation | | | | | | | 971 | 2 462 |
| Palmiet (1) | For irrigation | | | | | | | 38 | 71 |
| Palmiet (2) | For irrigation | | | | | | | 63 | 76 |
| Perdeberg (1) | For irrigation | | | | | | | 3 176 | 3 282 |
| Perdeberg (2) | For irrigation | | | | | | | - | 29 |
| Riebeeck-Kasteel (1) | For irrigation | | | | | | | - | 9 |
| Riebeeck-Kasteel (2) | For irrigation | | | | | | | - | 6 |
| Suid Agter Paarl (1) | For irrigation | | | | | | | 1 201 | 1 256 |
| Uitnood (1) | For irrigation | | | | | | | 637 | 644 |
| Uitnood (2) | For irrigation | | | | | | | 9 | 10 |
| Vier-en-twintigriviere (1) | For irrigation | | | | | | | 12 | 13 |
| Vier-en-twintigriviere (3) | For irrigation | | | | | | | 34 | 46 |
| Vier-en-twintigriviere (4) | For irrigation | | | | | | | - | 11 |
| Kanoneiland (3) | For irrigation | | | | | | | - | 1 546 |
| Sondagsrivier (1) | For irrigation | | | | | | | 23 | 43 |
| Sondagsrivier (2) | For irrigation | | | | | | | 1 | 1 |
| Sondagsrivier (3) | For irrigation | | | | | | | 3 | 3 |
| Sondagsrivier (4) | For irrigation | | | | | | | 10 | 12 |
| Sondagsrivier (5) | For irrigation | | | | | | | 5 | 6 |
| Illovo | For irrigation | | | | | | | 247 | 263 |
| Ixopo | For irrigation | | | | | | | 817 | 848 |
| Sterkspruitrivier | For irrigation | | | | | | | 99 | 1 030 |
| Umlaas (2) | For irrigation | | | | | | | 506 | 511 |
| Low's Creek | For irrigation | | | | | | | 31 | 51 |
| Malelane (1) | For irrigation | | | | | | | 270 | 291 |
| Sabierivier (2) | For irrigation | | | | | | | 27 | 39 |
| Sabierivier (1) | For irrigation | | | | | | | 14 | 20 |



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

| Name of Public Entity | Nature of business | Cost of investment | | Net Asset value of Investment | | Amounts owing to Entities | | Amounts owing by Entities | |
|-----------------------|--------------------|--------------------|---------|-------------------------------|---------|---------------------------|---------|---------------------------|---------|
| | | R'000 | | R'000 | | R'000 | | R'000 | |
| | | 2005/06 | 2004/05 | 2005/06 | 2004/05 | 2005/06 | 2004/05 | 2005/06 | 2004/05 |
| Sabierivier (3) | For irrigation | | | | | | | 7 | 10 |
| Sabierivier (4) | For irrigation | | | | | | | 5 | 8 |
| Sabierivier (5) | For irrigation | | | | | | | - | - |
| Sandrivier (1) | For irrigation | | | | | | | 46 | 59 |
| Sandrivier (2) | For irrigation | | | | | | | 25 | 30 |
| White River Est. | For irrigation | | | | | | | 5 | 19 |
| Georges Valley (3) | For irrigation | | | | | | | 1 | 1 |
| Pusela | For irrigation | | | | | | | 5 | 8 |
| Bellair | For irrigation | | | | | | | 36 | 41 |
| Bo-Doornrivier | For irrigation | | | | | | | 11 | 13 |
| Bossieveld (1) | For irrigation | | | | | | | 59 | 64 |
| Brandwag | For irrigation | | | | | | | 99 | 108 |
| Buffelskloof (2) | For irrigation | | | | | | | 112 | 117 |
| Buffelskloof (1) | For irrigation | | | | | | | 6 | 10 |
| Calitzdorp (1) | For irrigation | | | | | | | 41 | 56 |
| Dwariga | For irrigation | | | | | | | 25 | 31 |
| Doornrivier (3) | For irrigation | | | | | | | 6 | 8 |
| Elandskaroo | For irrigation | | | | | | | - | 37 |
| Gamkarivier (1) | For irrigation | | | | | | | 21 | 25 |
| Gamkarivier (3) | For irrigation | | | | | | | 74 | 84 |
| Gamkarivier (2) | For irrigation | | | | | | | 11 | 12 |
| Hexriver (2) | For irrigation | | | | | | | 21 | 22 |
| Hooprivier (2) | For irrigation | | | | | | | 22 | 22 |
| Jan du Toits (2) | For irrigation | | | | | | | 3 | 4 |
| Jan du Toits (1) | For irrigation | | | | | | | 8 | 8 |
| Keurkloof | For irrigation | | | | | | | 43 | 51 |
| Krommerivier (1) | For irrigation | | | | | | | 21 | 23 |
| Krommerivier (2) | For irrigation | | | | | | | 1 | 2 |
| Krommerivier (4) | For irrigation | | | | | | | 56 | 58 |
| Krommerivier (3) | For irrigation | | | | | | | 23 | 24 |
| La Motte (4) | For irrigation | | | | | | | - | 2 |



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

| Name of Public Entity | Nature of business | Cost of investment | | Net Asset value of Investment | | Amounts owing to Entities | | Amounts owing by Entities | |
|---------------------------|--------------------|--------------------|---------|-------------------------------|---------|---------------------------|---------|---------------------------|---------|
| | | R'000 | | R'000 | | R'000 | | R'000 | |
| | | 2005/06 | 2004/05 | 2005/06 | 2004/05 | 2005/06 | 2004/05 | 2005/06 | 2004/05 |
| Langeberg | For irrigation | | | | | | | 4 | 16 |
| Leeu Gamka | For irrigation | | | | | | | 2 | 3 |
| Nonnarivier | For irrigation | | | | | | | 1 | 1 |
| Noree (2) | For irrigation | | | | | | | 1 | 1 |
| Noree (3) | For irrigation | | | | | | | 9 | 10 |
| Nuyrivier (1) | For irrigation | | | | | | | 97 | 103 |
| Opzoek | For irrigation | | | | | | | - | 34 |
| Overhex (2) | For irrigation | | | | | | | 11 | 14 |
| Riebeeck Kasteel (4) | For irrigation | | | | | | | - | 22 |
| Stettyn | For irrigation | | | | | | | 5 | 7 |
| Suid Agter Paarl (2) | For irrigation | | | | | | | 182 | 189 |
| Vier-en-twintigrivier (2) | For irrigation | | | | | | | - | 90 |
| Van Wyksdorp | For irrigation | | | | | | | 102 | 106 |
| Kanoneiland (2) | For irrigation | | | | | | | 281 | 295 |
| Kanoneiland (1) | For irrigation | | | | | | | 15 | 17 |
| Louterwater (1) | For irrigation | | | | | | | 4 | 7 |
| Renfield | For irrigation | | | | | | | 34 | 37 |
| Tierpoort | For irrigation | | | | | | | 922 | 939 |
| Mzalanyoni | For irrigation | | | | | | | 16 | 180 |
| Sondagsrivier (Eland) | For irrigation | | | | | | | 327 | 347 |
| Umlaas (1) | For irrigation | | | | | | | 139 | 135 |
| Umlaas (3) | For irrigation | | | | | | | 224 | 242 |
| Curlews (Manchester) | For irrigation | | | | | | | 371 | 380 |
| Curlews (5) | For irrigation | | | | | | | 2 | 4 |
| De Rust | For irrigation | | | | | | | 187 | 198 |
| Eureka | For irrigation | | | | | | | 607 | 650 |
| Komatirivier (1) | For irrigation | | | | | | | 180 | 193 |
| Komatirivier (3) | For irrigation | | | | | | | 144 | 154 |
| Komatirivier (2) | For irrigation | | | | | | | 196 | 209 |
| Manchester Noordwyk (2) | For irrigation | | | | | | | 185 | 1 907 |
| Malelane (2) | For irrigation | | | | | | | 134 | 143 |



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

| Name of Public Entity | Nature of business | Cost of investment | | Net Asset value of Investment | | Amounts owing to Entities | | Amounts owing by Entities | |
|----------------------------|---|--------------------|---------|-------------------------------|---------|---------------------------|---------|---------------------------|---------|
| | | R'000 | | R'000 | | R'000 | | R'000 | |
| | | 2005/06 | 2004/05 | 2005/06 | 2004/05 | 2005/06 | 2004/05 | 2005/06 | 2004/05 |
| Ranch Karino (4) | For irrigation | | | | | | | 266 | 364 |
| Ranch Karino (1) | For irrigation | | | | | | | 78 | 90 |
| Ranch Karino (2) | For irrigation | | | | | | | 36 | 41 |
| Ranch Karino (3) | For irrigation | | | | | | | 23 | 39 |
| Trans Elands | For irrigation | | | | | | | 73 | 76 |
| Schweizer Reneke | For irrigation | | | | | | | 18 | 19 |
| Sterkwater (2) | For irrigation | | | | | | | - | 1 |
| Whiter Water Major | Purchase of Da Gama Dam | | | | | | | - | 2 035 |
| Haarlem | Dam and pipelines | | | | | | | 5 252 | 6 880 |
| Hexvalley | Purchase of Sandrift Government Water Scheme | | | | | | | 5 011 | 5 818 |
| Great Fish River | Guaranteed payments | | | | | | | - | 4 789 |
| MUNICIPALITIES | | | | | | | | | |
| Amajuba District Ethekweni | Purchase of portion of the Ngagane Regional water supply scheme | | | | | | | 22 442 | 22 406 |
| Ethekweni | Purchase of Hammersdale water distribution scheme | | | | | | | 630 | 714 |
| Ngwathe (Heilbron) | Purchase of Heilbron pipeline | | | | | | | 57 | 58 |
| Oudtshoorn | Purchase of loan in respect of Municipality dam | | | | | | | 41 | 92 |
| Saldanha | Purchase of Stompneus reservoir | | | | | | | 210 | 229 |
| West Coast District | Purchase of Berg river (Saldanha) and Berg river (Swartland) | | | | | | | 4 887 | 5 360 |
| Subtotal | | - | - | - | - | - | - | 192 935 | 243 250 |
| Total | | - | - | - | - | - | - | 192 935 | 243 250 |



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

ANNEXURE 3A

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2006 – LOCAL

| Guarantor institution | Guarantee in respect of | Original guaranteed capital amount | Opening balance 1 April 2005 | Currency revaluation | Guarantee issued during the year | Guarantee repayments during the year | Closing balance 31 March 2006 | Guarantee interest year ended 31 March 2006 | Realised losses not recoverable |
|------------------------------|-------------------------|------------------------------------|------------------------------|----------------------|----------------------------------|--------------------------------------|-------------------------------|---|---------------------------------|
| | | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Stannic | Motor vehicles | | | | | | | | |
| | Snr.Officials | 788 | 215 | | | 215 | - | | |
| | Subtotal | | | | | | - | | |
| | | 788 | 215 | | | 215 | | | |
| | Housing | | | | | | | | |
| VSB Mutual Bank | Loans | 154 | 154 | | 28 | | 182 | | |
| Old Mutual (NEDB/PERM) | Loans | 1 410 | 1 410 | | | 38 | 1 372 | | |
| Old Mutual Fin.Ltd | Loans | 101 | 101 | | | | 101 | | |
| Peoples Bank (NBS) | Loans | 515 | 515 | | | | 515 | | |
| Peoples Bank (NBC) (FID) | Loans | 260 | 260 | | | | 260 | | |
| Green Start H/Loans | Loans | 31 | 31 | | | | 31 | | |
| Ned bank (Boe) | Loans | 49 | 49 | | | | 49 | | |
| Ned bank LTD | Loans | 272 | 272 | | 54 | 8 | 318 | | |
| NP Dev. Corp | Loans | 16 | 16 | | | | 16 | | |
| Ithala Bank | Loans | 46 | 46 | | | | 46 | | |
| Hlano Fin. Serv. | Loans | 4 | 4 | | | | 4 | | |
| Meeg Bank | Loans | 4 | 4 | | | | 4 | | |
| Standard Bank | Loans | 1 625 | 1 625 | | 71 | 49 | 1 647 | | |
| ABSA | Loans | 3 174 | 3 174 | | 231 | 396 | 3 009 | | |
| Mpumalanga | Loans | 16 | 16 | | | | 16 | | |
| African Bank(Unique Finance) | Loans | 85 | 85 | | | | 85 | | |
| Saambou | Loans | 729 | 729 | | | 36 | 693 | | |
| Stanbo | Loans | 7 | 7 | | | | 7 | | |
| FNB | Loans | 712 | 712 | | | 65 | 647 | | |
| Free State Development Corp. | Loans | 44 | 44 | | | | 44 | | 9 |
| | Subtotal | 9 254 | 9 254 | | 384 | 592 | 9 046 | - | 9 |



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

| Guarantor institution | Guarantee in respect of | Original guaranteed capital amount | Opening balance 1 April 2005 | Currency revaluation | Guarantee issued during the year | Guarantee repayments during the year | Closing balance 31 March 2006 | Guarantee interest year ended 31 March 2006 | Realised losses not recoverable |
|-------------------------------------|---|------------------------------------|------------------------------|----------------------|----------------------------------|--------------------------------------|-------------------------------|---|---------------------------------|
| | | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| | Other | | | | | | | | |
| KOBWA (18) | DBSA Driekoppies Dam | 488 401 | 443 748 | | | 12 910 | 430 838 | 21 811 | |
| KOBWA (21) | Hambros bond issue Maguga Dam | 380 000 | 405 313 | | | - | 405 313 | 50 625 | |
| KOBWA (27) | Gensec Bank Maguga Dam | 165 000 | 170 549 | | | 6 469 | 164 080 | 15 742 | |
| KOBWA | Rand Merchant Bank Maguga Dam | 380 000 | 380 948 | | | 11 309 | 369 639 | 34 851 | |
| KOBWA | Nedcor Bank Maguga Dam | 233 000 | 240 445 | | | 7 255 | 233 190 | 19 666 | |
| Land Bank (30) | Financing of water projects by WUA's | 150 000 | 64 432 | | | 19 817 | 44 615 | 22 285 | |
| Land Bank (28) | Kalahari East Water Board | 77 400 | 15 975 | | 277 | | 16 252 | 277 | |
| Land Bank (29) | Unzinkulwana WUA | 500 | 295 | | 37 | | 332 | 36 | |
| Loan to LHDA (1) Repayment phase | Development Bank of Southern Africa (DBSA)-Contract 2484/1 Butha-Buthe Villiage engineering works | 22 700 | 11 160 | | | 1 218 | 9 942 | 1 561 | |
| Loan to LHDA (2) Repayment phase | DBSA-Contract 2744/1 Civil Construction training | 910 | - | | | - | - | - | |
| Loan to LHDA (3) Fully repaid | DBSA-Contract 2744/3 Civil Construction training | 248 | - | | | | | | |
| Loan to LHDA (4) repaid | Fully DBSA-Contract 3729/1 Accounting and Financial Management System | 3 050 | - | | | | | | |
| Loan to LHDA (5) Repayment phase | DBSA-9589/1 Planning and construction of LHWP entrance roads and reservoir crossing | 8 854 | 1 741 | | | 1 741 | - | 317 | |
| Loan to LHDA (6) Fully repaid | DBSA- 2653/1 Basic infrastructure for communities affected by Construction | 1 840 | | | | | | | |
| Loan to LHDA (7) Drawdown phase | ABSA Bank Ltd CMA Phase 4 | 100 000 | 17 417 | | | 17 417 | - | 6 557 | |
| Loan to LHDA (8) repaid | Fully (Sechold Ltd) Investec Money Market | 200 000 | | | | | | | |
| Loan to LHDA (9) Fully repaid | ABSA Money Market | 350 000 | | | | | | | |
| Loan to LHDA (10) Fully repaid | Standard Bank of SA Limited Money Market | 350 000 | | | | | | | |

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

| Guarantor institution | Guarantee in respect of | Original guaranteed capital amount | Opening balance 1 April 2005 | Currency revaluation | Guarantee issued during the year | Guarantee repayments during the year | Closing balance 31 March 2006 | Guarantee interest year ended 31 March 2006 | Realised losses not recoverable |
|---|--|------------------------------------|------------------------------|----------------------|----------------------------------|--------------------------------------|-------------------------------|---|---------------------------------|
| | | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Loan to LHDA (11) Fully repaid | Ned perm Bank | 100 000 | | | | | - | | |
| Loan to LHDA (12) Fully repaid | RMB Money Market | 100 000 | | | | | - | | |
| Loan to the TCTA (13) Repayment phase and drawdown phase | Call bills & Capital project bills. Issued in the money market | 4 000 000 | 1 974 161 | | | 433 961 | 1 540 200 | 3 869 | |
| Loan to LHDA (15) Fully repaid | DPSA-Contract 9589/2 | 145 443 | | | | | - | | |
| Loan to LHDA (16) Fully repaid | DPSA-Contract 10753 | 58 379 | | | | | - | | |
| Loan to LHDA (17) Draw | CMA-V RMB | 100 000 | | | | | - | | |
| Loan to the TCTA (14) Repayment phase and drawdown phase | Holders of Lesotho Highlands Water Projects Bonds (New Consolidated Guarantee) | 21 000 000 | 16 939 585 | | | 2 201 371 | 14 738 214 | 360 633 | |
| Loan to LHDA | DBSA-2868/1 | 2 700 | 2 141 | | | 135 | 2 006 | | |
| | Total | 28 418 425 | 20 677 910 | | 314 | 2 713 603 | 17 954 621 | 538 230 | |

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2006 – FOREIGN

| Guarantor institution | Guarantee in respect of | Original guaranteed capital amount | Opening balance 1 April 2005 | Currency revaluation | Guarantee issued during the year | Guarantee repayments during the year | Closing balance 31 March 2006 | Guarantee interest year ended 31 March 2006 | Realised losses not recoverable |
|--|---|------------------------------------|------------------------------|----------------------|----------------------------------|--------------------------------------|-------------------------------|---|---------------------------------|
| | | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Loan to LHDA (OSL 23) Repayment phase | HSBC Investment Bank (Commercial Loan) | 207 956 | 138 278 | (121 243) | 39 | 2 274 | 14 800 | 74 | |
| Loan to LHDA (OSL 24) Drawdown Phase | HSBC Investment Bank (Export Credit) | 112 961 | 68 541 | (60 140) | 64 | 1 129 | 7 336 | 69 | |
| Loan to LHDA (OSL 27) Drawdown Phase | EIB | 80 830 | 75 938 | (179) | | 5 612 | 70 147 | 153 | |



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

| | | | | | | | | | |
|--|---|-------------------|-------------------|------------------|------------|------------------|-------------------|----------------|----------|
| Loan to LHDA (OSL 26) Repayment phase OSL 26 Contact A OSL 26C | EIB | 355 652 | 79 626 | (69 824) | | 627 | 9 175 | 45 | |
| Loan to LHDA (OSL 25) Drawdown Phase | | 280 170 | 101 848 | (85 652) | | 3 600 | 12 596 | 149 | |
| Loan to LHDA (OSL 22) Repayment phase | | 39 535 | | | | | - | | |
| Loan to TCTA (FXL 01) Repayment phase | AKA Ausfuhrkredit- Gesellschaft mbH (Export credit) | 37 550 | | | | | - | | |
| Loan to TCTA (FXL 02) Repayment phase | Kreditanstalt fur Wiederaufbau (Export credit) | 18 775 | | | | | - | | |
| Loan to TCTA (FXL 08) Repayment phase | EIB | 45 000 | 321 521 | (6 735) | | 24 214 | 290 572 | 5 888 | |
| | Subtotal | 1 178 429 | 785 752 | (343 773) | 103 | 37 456 | 404 626 | 6 378 | |
| | Total | 29 606 896 | 21 463 131 | (343 773) | 801 | 2 751 866 | 18 368 293 | 544 608 | 9 |
| | | | | | | | | | |

*Note: Increase / Decrease i.r.o. Foreign Guarantees due to Currency Depreciation / Appreciation

Note:

- (1) Guaranteed institution – Name of the institution in respect of whose liabilities the guarantee was issued, e.g. Telkom, Land Bank, etc.
- (2) Guaranteed in respect of – Examples would be Motor Vehicles, Housing, capital market loan 1/96, water purification plants, access roads to water project ST5, etc.
- (3) Guaranteed capital amount – Capital amount for which the guarantee was issued and which appears on the guarantee documents.
- (4) Opening balance – Capital amounts outstanding at 1 April 2005 in respect of the guarantee amount is shown here (face value of bond / loan). This amount must not include guaranteed interest.
- (5) Currency revaluation – The difference due to exchange rate movements on the opening balances.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

- (6) Guarantee drawdowns during the year – The total amount in respect of drawdowns on a guaranteed loan during the financial year is shown here.
 - (7) Guarantee repayments during the year – The total amount in respect of a guaranteed loan repayment during the financial year is shown here.
 - (8) Closing balance – The capital amount outstanding at 31 March 2006 in respect of the guaranteed amount is shown here (face value of bond / loan). This amount must not include guaranteed interest.
 - (9) Guaranteed interest outstanding – Where interest is also guaranteed, interest of the guaranteed amount as from the last date of interest until 31 March 2006 is shown here. This amount must be disclosed separately and not be included in the opening or closing balances.
 - (10) Realised losses i.e. claims paid out – Losses realised in respect of claims paid out are to be shown here. As in the case of a housing loan to an official, a guarantee claim paid out is not necessarily a loss to the State, seeing that the amount paid out can be recovered from the person in question. If such an amount cannot be recovered and has been written-off, it is regarded as a loss.
- : Guaranteed exposure – The sum of closing balance and guaranteed interest outstanding and should be disclosed in the disclosure notes.



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

ANNEXURE 3B

STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2006

| Nature of Liability | Opening Balance 01/04/2005 R'000 | Liabilities incurred during the year R'000 | Liabilities paid/ cancelled/reduced during the year R'000 | Liabilities recoverable(Provide details hereunder) R'000 | Closing Balance 31/03/2006 R'000 |
|-------------------------------|--|--|--|---|---|
| Claims against the department | | | | | |
| Cosmic Paints CC&I | 6 000 | | 6 000 | | - |
| D de Villiers and others | 300 | 100 | | | 400 |
| Aquatic Weed Control | 2 953 | | | | 2 953 |
| M Tshwandalani | 19 | | | | 19 |
| D Mongwe & 71 Others | 7 983 | 50 | | | 8 033 |
| Concor Construction | 30 000 | 3 000 | | | 33 000 |
| Individual claims (12) | 3 000 | 5 | 1 500 | | 1 505 |
| AH Conley | - | 130 | | | 130 |
| T Mgwaba | 1 065 | 100 | | | 1 165 |
| JSW van der Heyst | 875 | | | | 875 |
| Group 5 Construction | 18 865 | | | | 18 865 |
| Schoombee | 6 891 | | | | 6 891 |
| AIS Farming | 55 | | | | 55 |
| JJ Scheepers | 266 | | | | 266 |
| N Jekubeni | 14 | | | | 14 |
| N Qindisa | 19 | | | | 19 |
| J P Vermaak | 1 | | | | 1 |
| C Strauss | 6 | | | | 6 |
| Stirling Baptist Church | 68 | | | | 68 |
| Estate Late Namadodzi | 316 | | | | 316 |
| N Matodzi | 33 | | | | 33 |
| Inclenon DPI (Pty) Ltd | 25 | | | | 25 |
| L Lubisi | 27 | | | | 27 |
| LMS Sawmill | 2 285 | | 2 285 | | - |
| JJ Kruger | 23 | | | | 23 |
| M Briesies | 171 | | | | 171 |

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

| Nature of Liability | Opening Balance | Liabilities incurred during the year | Liabilities paid/ cancelled/reduced during the year | Liabilities recoverable(Provide details hereunder) | Closing Balance |
|---|-----------------|--------------------------------------|--|--|-----------------|
| | 01/04/2005 | | | | 31/03/2006 |
| | R'000 | | R'000 | R'000 | R'000 |
| Theo la Grange Trust | 855 | | | | 855 |
| PJF Fouche | 337 | | 337 | | - |
| FD Jourdan | 208 | | 208 | | - |
| TR Collier | 266 | | | | 266 |
| Tripple "SSS" | | 313 | | | 313 |
| HJ Durr | | 4 200 | | | 4 200 |
| D Dalling | | 365 | | | 365 |
| Anglo Gold Mine LTD v DWAF and others | | 50 | | | 50 |
| Louis Hatting v Dwaf | | 93 | | | 93 |
| Maris v DWAF | | 117 | | | 117 |
| J Nkuna | | 51 | | | 51 |
| Naude v DWAF | | 102 | | | 102 |
| M and SJ Buffler v Kungwini Municipality and DWAF | | 272 | | | 272 |
| Group Five PTY LTD | | 65 030 | | | 65 030 |
| Harmony Gold Mining Company v DWAF and others | | 48 100 | | | 48 100 |
| Subtotal | 82 926 | 122 078 | 10 330 | - | 194 674 |
| Total | 82 926 | 122 078 | 10 330 | - | 194 674 |



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

ANNEXURE 4 CAPITAL TANGIBLE ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006

| | Opening balance | Additions | Disposals | Closing balance |
|--|--------------------|----------------|-----------|--------------------|
| | R'000 | R'000 | R'000 | R'000 |
| BUILDING AND OTHER FIXED STRUCTURES | 2 343 | 363 254 | - | 365 597 |
| Non-residential buildings | | 277 417 | - | 277 417 |
| Other fixed structures | 2 343 | 85 837 | - | 88 180 |
| MACHINERY AND EQUIPMENT | 49 031 | 32 381 | - | 81 412 |
| Transport assets | 341 | 1 | - | 342 |
| Computer equipment | 17 859 | 14 712 | - | 32 571 |
| Furniture and office equipment | 9 566 | 3 134 | - | 12 700 |
| Other machinery and equipment | 21 265 | 14 534 | - | 35 799 |
| CULTIVATED ASSETS | | | | |
| Cultivated assets | | 30 | - | 30 |
| TOTAL CAPITAL ASSETS | 51 374 | 395 665 | - | 447 039 |



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

ANNEXURE 4.1

ADDITIONS MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006

| | Cash R'000 | In-Kind R'000 | Total R'000 |
|--|---------------|------------------|----------------|
| BUILDING AND OTHER FIXED STRUCTURES | 363 254 | - | 363 254 |
| Non-residential buildings | 277 417 | | 277 417 |
| Other fixed structures | 85 837 | | 85 837 |
| MACHINERY AND EQUIPMENT | 32 381 | - | 32 381 |
| Transport assets | 1 | | 1 |
| Computer equipment | 14 712 | | 14 712 |
| Furniture and office equipment | 3 134 | | 3 134 |
| Other machinery and equipment | 14 534 | | 14 534 |
| CULTIVATED ASSETS | 30 | | 30 |
| Cultivated assets | | | |
| TOTAL CAPITAL ASSETS | 395 665 | - | 395 665 |

ANNEXURE 4.2

DISPOSALS MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006

| | Carrying Amount R'000 | Cash R'000 | Profit/(loss) on Disposal R'000 |
|--------------------------------|-----------------------------|---------------|---------------------------------------|
| MACHINERY AND EQUIPMENT | - | 34 | 34 |
| Other machinery and equipment | | 34 | 34 |
| TOTAL CAPITAL ASSETS | - | 34 | 34 |



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

ANNEXURE 4.3 CAPITAL TANGIBLE ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2005

| | Additions | Disposals | Total Movement |
|--|----------------|------------|-------------------|
| | R'000 | R'000 | R'000 |
| BUILDING AND OTHER FIXED STRUCTURES | 172 786 | - | 172 786 |
| Dwellings | 117 241 | | 117 241 |
| Non-residential buildings | 1 496 | | 1 496 |
| Other fixed structures | 54 049 | | 54 049 |
| MACHINERY AND EQUIPMENT | 31 218 | 387 | 30 831 |
| Transport assets | 185 | 115 | 70 |
| Computer equipment | 11 464 | 61 | 11 403 |
| Furniture and office equipment | 1 889 | | 1 889 |
| Other machinery and equipment | 17 680 | 211 | 17 469 |
| CULTIVATED ASSETS | | | |
| Cultivated assets | 90 | | 90 |
| TOTAL CAPITAL ASSETS | 204 094 | 387 | 203 707 |



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

ANNEXURE 5

SOFTWARE AND OTHER INTANGIBLE ASSETS MOVEMENT SCHEDULE AS AT 31 March 2006

| | Opening balance | Additions | Disposals | Closing balance |
|---|--------------------|---------------|-----------|--------------------|
| | R'000 | R'000 | R'000 | R'000 |
| Patents, Copyrights, Brand Names & Trademarks | 81 | 31 | - | 112 |
| Computer Software | 14 711 | 10 990 | - | 25 701 |
| Service & Operating Rights | 13 662 | 2 442 | - | 16 104 |
| Fishing Quotas | 8 108 | - | - | 8 108 |
| Utility rights | 5 554 | 2 442 | - | 7 996 |
| TOTAL | 28 454 | 13 463 | - | 41 917 |

ANNEXURE 5.1

ADDITIONS MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006

| | Cash | In-Kind | Total |
|---|---------------|----------|---------------|
| | R'000 | R'000 | R'000 |
| Patents, Copyrights, Brand Names & Trademarks | 31 | | 31 |
| Computer Software | 10 990 | | 10 990 |
| Service & Operating Rights | 2 442 | - | 2 442 |
| Utility rights | 2 442 | | 2 442 |
| TOTAL | 13 463 | - | 13 463 |



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

ANNEXURE 5.3

CAPITAL INTANGIBLE ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2005

| | Additions | Disposals | Total Movement |
|---|---------------|-----------|-------------------|
| | R'000 | R'000 | R'000 |
| BUILDING AND OTHER FIXED STRUCTURES | | | |
| Patents, Copyrights, Brand Names & Trademarks | 81 | | 81 |
| Computer Software | 5 705 | | 5 705 |
| Service & Operating Rights | | | |
| Utility rights | 5 554 | - | 5 554 |
| TOTAL | 11 340 | - | 11 340 |



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

ANNEXURE 6

INTER-GOVERNMENT RECEIVABLES

| Government Entity | Confirmed balance outstanding | | Unconfirmed balance outstanding | | Total | |
|---|-------------------------------|------------|---------------------------------|------------|------------|------------|
| | 31/03/2006 | 31/03/2005 | 31/03/2006 | 31/03/2005 | 31/03/2006 | 31/03/2005 |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Department | | | | | | |
| National Department of Public Enterprises | | | 6 | 6 | 6 | 6 |
| National Department of Environmental Affairs and Tourism | | | - | 16 | - | 16 |
| Provincial Government: Limpopo Legislature: Office of the Secretary | | | 12 | 33 | 12 | 33 |
| Provincial Government: Premier Eastern Cape | | | 35 | 7 | 35 | 7 |
| National Department: Correctional Services | | | 5 | 6 | 5 | 6 |
| National Department of Public Works | | | 57 | 205 | 57 | 205 |
| Office of the President | | | - | 46 | - | 46 |
| South African National Defence Force | | | 43 | 21 | 43 | 21 |
| Provincial Government: Agriculture & Land Affairs: Eastern Cape | | | 20 | 42 | 20 | 42 |
| Provincial Department: Agriculture, Conservation & Dev: North West | | | 13 | 13 | 13 | 13 |
| Provincial Government: Welfare: Eastern Cape | | | - | 16 | - | 16 |
| Prov Government: Agriculture, Conservation, Environment: Gauteng | | | 13 | 8 | 13 | 8 |
| Prov Government Health: KZN | | | 14 | 4 | 14 | 4 |
| Prov Gov: Traditional & Local Affairs: KZN | | | 2 | 14 | 2 | 14 |
| Provincial Government: Finance & Economic Development: Limpopo | | | 7 | 15 | 7 | 15 |
| Provincial Government: Public Works: Limpopo | | | 30 | 31 | 30 | 31 |
| Provincial Government: Education: Mpumalanga | | | 6 | 28 | 6 | 28 |
| Provincial Government: Local Government & Traffic Mpumalanga | | | 2 | 22 | 2 | 22 |
| Prov Government: Community Safety: Western Cape | | | - | 14 | - | 14 |
| Advance for Implementing Agent (WFW Cape Town) | | | 9 | 1 100 | 9 | 1 100 |
| Advance for SANP | | | - | (32) | - | (32) |
| Department of Public Enterprises | | | - | 6 | - | 6 |
| South African Management & Development Institute (SAMDI) | | | 4 | 9 | 4 | 9 |
| Public Service Commission | | | - | 12 | - | 12 |
| National Department: Trade & Industry | | | 4 | 22 | 4 | 22 |
| National Department: Minerals & Energy | 606 | | - | 614 | 606 | 614 |
| Provincial Government: Agriculture, Environment Affairs: KZN | | | - | 24 | - | 24 |
| Provincial Government: Health: Free State | | | - | 8 | - | 8 |
| Statistics South Africa | | | 17 | 36 | 17 | 36 |



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

| | | | | | | |
|---|--|--|-----|--------|-----|--------|
| South African Revenue Services | | | - | 17 908 | - | 17 908 |
| National Department: Agriculture | | | 9 | 46 | 9 | 46 |
| Provincial Department: Tourism, Environ&Eco: Free State | | | 11 | 11 | 11 | 11 |
| Provincial Government: Health: Limpopo | | | 54 | 28 | 54 | 28 |
| National Department: Education | | | 8 | 18 | 8 | 18 |
| National Department: Ministry of Intelligence | | | 79 | 79 | 79 | 79 |
| National Youth Commission | | | 18 | 19 | 18 | 19 |
| Departmental Debt: State Attorney Pretoria | | | - | (18) | - | (18) |
| Departmental Debt: State Attorney Pretoria | | | (1) | (985) | (1) | (985) |
| Departmental Debt: State Attorney Pretoria | | | (1) | (8) | (1) | (8) |
| Departmental Debt: A M Fourie | | | - | (5) | - | (5) |
| Payment from Main to Trading Account | | | - | 3 | - | 3 |
| Payment from Main to Trading Account | | | - | 5 | - | 5 |
| DWAF Bursary Refund | | | - | 5 | - | 5 |
| Payment from Main to Trading Account | | | - | (438) | - | (438) |
| Departmental Debt: State Attorney Pretoria | | | - | 1 003 | - | 1 003 |
| Payment from Main to Trading Account | | | - | (1) | - | (1) |
| Payment from Main to Trading Account | | | - | (1) | - | (1) |
| Payment from Main to Trading Account | | | - | (1) | - | (1) |
| Payment from Main to Trading Account | | | - | 15 | - | 15 |
| Provincial Department: Health & Welfare: Eastern Cape | | | 30 | 14 | 30 | 14 |
| Provincial Department: Social Welfare & Development: KZN | | | - | 5 | - | 5 |
| Prov Department: Local Government & Housing: Limpopo | | | 22 | 22 | 22 | 22 |
| Provincial Department: Cultural Affairs & Sport: Western Cape | | | - | 10 | - | 10 |
| Departmental Debt: Gabriel M J M | | | - | 20 | - | 20 |
| Companies & Intellectual Property Office | | | - | 5 | - | 5 |
| National Department: Social Development | | | 20 | (32) | 20 | (32) |
| National Department: Public Service & Administration | | | 90 | 112 | 90 | 112 |
| National Department of Agriculture | | | 9 | - | 9 | - |
| Advance For Implementing Agent | | | - | - | - | - |
| National Department:Housing | | | 7 | - | 7 | - |
| Provincial Government:Public Works | | | - | - | - | - |
| National Department: Government Communication(GCIS) | | | 750 | - | 750 | - |
| National Youth Commission (NON) | | | 4 | - | 4 | - |
| South African Police Service | | | 35 | - | 35 | - |
| Provincial Government:Sport&Recreation:Gauteng | | | 52 | - | 52 | - |

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

| | | | | | | |
|---|-----|---|---------|--------|---------|--------|
| Provincial Government:Health:Gauteng | | | 10 | - | 10 | - |
| Prov Government: Transport & Public Works:Gauteng | | | 26 | | 26 | - |
| Prov Gov:Education & Culture:KZN | | | 15 | | 15 | - |
| Provincial Government: Local Gov & Housing: Limpopo | | | 22 | | 22 | - |
| Prov Gov: Health:Northern Cape | | | 3 | | 3 | - |
| National Prosecuting Authority (NON) | | | 4 | - | 4 | - |
| National Department | | | (8) | | (8) | - |
| Tsunami | | | (1) | | (1) | - |
| VAALCO | | | 55 | | 55 | - |
| Provincial Government Health Services:Free State | | | 20 | | 20 | - |
| Prov Gov: Agriculture: Free State | | | 4 | | 4 | - |
| National Department:Transport | | | 3 | | 3 | - |
| Prov Gov Transport: Limpopo | | | 16 | | 16 | - |
| Prov Gov Education North West | | | 13 | | 13 | - |
| Prov Gov Sport& Recreation: Western Cape | | | 9 | | 9 | - |
| Matching Field 1273 | | | (6) | | (6) | - |
| Prov Gov: Housing& Land Administration: Mpumalanga | | | 9 | | 9 | - |
| Prov Gov Shared Services Center:Gauteng | | | 24 | | 24 | - |
| National Department: Health | | | 32 | | 32 | - |
| National Department: Environmental Affairs | | | 20 | | 20 | - |
| National Department: Land Affairs | | | 76 | | 76 | - |
| National Department: Gov Printers | | | 4 | | 4 | - |
| Payment from Main to Trading Account | | | | 7 | - | 7 |
| National Department Justice & Conditional Development | | | 23 | | 23 | - |
| | 606 | - | 1 868 | 20 192 | 2 474 | 20 192 |
| Other Government Entities | | | | | | |
| Vat Clearings | | | 10 084 | | 10 084 | - |
| Flag Boshielo | | | 168 571 | | 168 571 | - |
| Berg Water | | | 79 066 | | 79 066 | - |
| Mooi Umgeni | | | 10 | | 10 | - |
| Hartbeespoort | | | 2 952 | | 2 952 | - |
| | - | - | 260 683 | - | 260 683 | - |
| TOTAL | 606 | - | 262 551 | 20 192 | 263 157 | 20 192 |



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

ANNEXURE 7

INTER-GOVERNMENT PAYABLES

| GOVERNMENT ENTITY | Confirmed balance outstanding | | Unconfirmed balance outstanding | | TOTAL | |
|--|-------------------------------|------------|---------------------------------|------------|------------|------------|
| | 31/03/2006 | 31/03/2005 | 31/03/2006 | 31/03/2005 | 31/03/2006 | 31/03/2005 |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| DEPARTMENTS | | | | | | |
| Current | | | | | | |
| Departement of Education | | | | | 6 | - |
| Department of Health | | | | | 15 | - |
| Department of Justice and Constitutional Development | | | 5 | | | - |
| Subtotal | - | - | 5 | - | 21 | - |
| Non-current | | | | | | |
| | | | | | - | - |
| | | | | | - | - |
| | | | | | - | - |
| Subtotal | - | - | - | - | - | - |
| Total | - | - | 5 | - | 21 | - |



Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa.

Operational Review

The purpose of the Water Trading Account of the Department of Water Affairs and Forestry is to ensure the availability of water to key water users in South Africa in an efficient, cost-effective and sustainable way. This is done by managing infrastructure, planned and built using the Departmental and other resources, to meet evolving water use requirements in terms of national policy.

The water trading account is divided into four components. These are designed to reflect the type of service provided and also the probable future institutional homes of the activity concerned. The four sub-accounts are:

- Integrated Catchment Management,
- Integrated Systems,
- Bulk water Supply and
- Water Services

The Water Trading Account is divided into four components

- **Component 1: Integrated Water Resource Management:** This component funds the implementation of water resources management activities in each water management area, including resource quality management, control and authorisation of water use, and promotion of water conservation measures. It also includes the portion of the Working for Water budget that is derived from revenue from water users.
- **Component 2: Integrated Systems:** Where locally available water resources in a particular area cannot meet the demand, water is transferred from water-rich areas. The management, operation and maintenance

of these schemes as integrated systems, as well as the revenue collected from water users, are reflected in this component. One example of this is the Vaal River system where a number of dams and pipelines are operated as one inter-linked system.

- **Component 3: Bulk Water Supply:** A number of water resources schemes (dams) are operated as stand-alone schemes and do not form part of an integrated system. The supply of water is mostly in bulk to different water-user groups, but the agricultural sector is by far the largest consumer. Expenditure in this component covers operations and maintenance as well as management costs, and revenue is earned through the sales of water, mostly in bulk.
- **Component 4: Water Services:** In 1994, a number of schemes (water and sanitation) were transferred from the former homelands to the Department. More than 7 million people are currently served through these schemes, and the operation, maintenance and management costs are reflected in this component. These schemes are currently being transferred to local government and this component of the water trading account will be closed.

Two main sources of funding are currently available to cover spending under the water trading account. The first is a revenue stream generated by a water resource management charge levied on all registered water users (component 1). The second is revenue collected through the sale of water in bulk to various institutions and individuals (components 2 and 3). Any shortfall is funded through allocations from the Vote 34.

The implementation of the national water pricing strategy will further improve the financial state of the water trading account. New tariffs structures in some areas have already resulted in improved cost recovery.



MANAGEMENT REPORT OF WATER TRADING ACCOUNT FOR THE YEAR ENDING 31 MARCH 2006

Working for Water

The Working for Water Programme which is undertaken under the Integrated Water Resources Management sub-account undertakes a number of functions in addition to removing alien vegetation that impacts on water resources. These include the promotion of bio-diversity and nature conservation and the provision of certain welfare services, as well as research and policy formulation. The Working for Water programme has continued to clear invasive alien vegetation and do follow-up clearance and has been particularly successful in training and providing work for women, young people and the disabled. Annual targets for the future include 150 000ha of initial clearance and 500 000ha to 750 000ha of follow-up clearance, thereby creating 10 000 to 12 000 person years of employment for up to 30 000 people. This activity will be transferred to the main account Vote 34 in the 2006/07 financial year.

Major projects undertaken during the year

The Berg Water Project (BWP) is being built to augment the water supplies from the Western Cape Water System by 81 million m³ to 523 million m³ per year by 2007. It will be integrated with the Rivieronderend-Berg River Government Water Scheme. The Minister of Water Affairs and Forestry directed Trans-Caledon Tunnel Authority (TCTA) in terms of section 103(2) of the National Water Act, 1998 to fund and implement the BWP as an agent for the Department. TCTA has entered into an Implementation Agreement with the Department who has a Raw Water Supply Agreement with the City of Cape Town. These two agreements will govern the funding, implementation and raw water supply and payment for the BWP. On completion the Project will be operated and maintained by the Department as part of the Western Cape Water System.

Cabinet approved the Olifants River Water Resources Development Project which includes the construction of a dam on the farm De Hoop which is scheduled for completion in 2010. The prime purpose of the scheme is to provide water for mining activities in the region (mostly in the vicinity of Sekhukhune,

Tubatse and Mogalakwena areas), and thereby stimulating much needed economic growth in one of the poorest parts of the country. The Project will also create significant employment opportunities as well as enable the supply of safe potable water to thousands of poor rural households. Detailed planning of the Project as well as the environmental impact assessment has been completed, and the design of the dam is at an advanced stage. Construction of the first elements could commence early in 2006. A preliminary phase of the project, the raising of the Flag Boshelo dam, is already nearing completion.

An implementation agreement has also been concluded with the TCTA to construct and fund the Vaal River Eastern System Augmentation Project. Construction of this project which will augment the supplies to ESKOM and SASOL has already commenced.

Revenue Generation and Collection

Revenue from the water resources management charge, intended to fund the activities of the catchments management agencies, has progressively increased since the introduction of the charge in 2002, and stood at a little less than 79 per cent of potential revenue at the end of 2003/04. The intention is to increase this to 98 per cent of potential revenue by 2008/09, and where necessary take appropriate action against defaulting water users. Good progress has been made in collecting these charges, which are intended to fund catchment management areas.

Revenue in the Integrated Systems and Bulk Water Supply components is determined in terms of the National Water Pricing Policy. The long-term goal is to maximise revenue to achieve full cost recovery to cover all operating costs.

Spending and Augmentation on the trading account

Currently, only the integrated systems sub-account generates a surplus. The Water Service component is primarily funded by augmentation from the main account Vote 34.



MANAGEMENT REPORT OF WATER TRADING ACCOUNT FOR THE YEAR ENDING 31 MARCH 2006

Tariff policy for Water Resources

The policy framework for water resources is laid down in chapter 5 of National Water Act, 1998. The raw water pricing strategy was established on 12 November 1999 by a notice in the Government Gazette. The first revision of the pricing strategy has been initiated and will be completed during 2006/7 for phased implementation from April 2007.

The pricing strategy currently only covers the following three consumptive water uses:

- Taking water from a water resource (underground or surface water);
- Storing water, abstraction from dam or recharged aquifer will constitute the use. The annual refilling of dams constructed to enhance property values or for recreation, and which are located in important water-courses, will constitute the use and will be based on an estimation of evaporation losses; and
- Engaging in a stream flow reduction activity, such as afforestation.

The proposed pricing strategy for waste discharges and return flows will be dealt with in the revised pricing strategy.

Progress with Financial Management Improvement

While the BAS has been fully implemented in the Department, ongoing training is offered to officials to upgrade their skills in the application of the system.

In order to overcome the difficulties that have been experienced in the application of the transversal systems for the specific business needs of the Department with regard to the Trading Entity, the Department is implementing new ERP systems for the Trading Entity to enable reporting in accordance with GAAP. This new system will be brought into operation during 2006/07.

The Department regularly reports and monitors the financial position through the Early Warning Reports and the Quarterly Reports. The Executive Authority is also informed on monthly about the financial position of the Department.

Approval

The annual financial statements have been approved by the Accounting Officer.



Jabulani Sindane
Director-General
31 May 2006



REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF WATER TRADING ACCOUNT (WTA) FOR THE YEAR ENDED 31 MARCH 2006

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 154 to 155 for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 40(2) of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999) (PFMA). These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with *General Notice 544 of 2006*, issued in *Government Gazette* no. 28723 of 10 April 2006 and *General Notice 808 of 2006*, issued in *Government Gazette* no. 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

3. QUALIFICATION

3.1 Financial statements

The trading account's financial statements need to be prepared in accordance with Statements of Generally Accepted Accounting Practice (GAAP), but the recording of the transactions are done on the Basic Accounting System, which is a cash recording system. This system does not provide for any accrual accounting and the relevant journal entries and as a result, information from manual and various computer systems are used to compile the financial statements. The Annual Financial Statements fundamentally departs from the reporting requirements of GAAP.

The lack of an appropriate, documented and approved policy and procedure framework lead to control weaknesses reported below;

The following transactions could not be supported with documentation:

- R 324 million for revenue generated from rendering of services.
- R 13 million for other exchange revenue
- R 12 million for provision against revenue

The amount of R 45,1 billion disclosed as property, plant and equipment – Water Resources in the financial statements could not be substantiated with an asset register. Journal entries of R 6,7 million could not be validated with supporting documentation. The following matters were noted regarding assets;

- Additions for the year could not be traced to the asset register,
- Asset register does not indicate the location or bar-code of some of the assets, the verification of assets from the asset to the register and visa versa could not be performed, as a result the physical verification of assets could not be done,

MANAGEMENT REPORT OF WATER TRADING ACCOUNT FOR THE YEAR ENDING 31 MARCH 2006

3.2 Non adherence to accounting framework

Non-adherence to the requirements of the South African Statements of Generally Accepted Accounting Practice (GAAP) resulted in the following misstatements:

- Accounts receivable had been understated with R 540 million and Revenue had been understated with R 329 million. These amounts include unexplained differences of R 249 million between the regional accrual listings and the amounts disclosed in the financial statements.
- The impairment of debtors amounting to R 161 million had not been done in terms of IAS 39 and an additional provision of R 216 million had been made that was not disclosed.

4. DISCLAIMER OF AUDIT OPINION

Because of the significance of the matters in the preceding paragraph, I do not express an opinion on the financial statements.

5. EMPHASIS OF MATTER

Without further qualifying the audit opinion, attention is drawn to the following matters:

5.1 Lack of a policy framework

The inadequate policies and procedures also resulted in the following failures to adhere to the requirements of the PFMA and the Treasury Regulations(TR).

- The framework for Supply Chain Management had not been adhered to (TR16).
- The general ledger bank account was in overdraft in contravention of Treasury Regulation 19.3.2
- The requirements of section 16 of the Division of Revenue Act 2003 were not adhered to by the municipalities that receive grants and WTA had not monitored the adherence to the requirements.

5.2 Performance information

In terms of section 20(2)(c) of the Public Audit Act, the performance of the department against the predetermined objectives is subject to auditing by the Auditor-General. The required information was not submitted for audit purposes.

6. APPRECIATION

The assistance rendered by the staff of the Water Trading Account during the audit is sincerely appreciated.



N. Manik for Auditor-General

Pretoria

31 July 2006



AUDITOR-GENERAL



Balance Sheet at 31 March 2006

| ASSETS | Note | 2006 R'000 | 2005 R'000 |
|-------------------------------------|-----------|-------------------|-------------------|
| Non-current assets | | 45 300 718 | 50 081 906 |
| Intangible assets | 8 | 12 | 28 |
| Property, plant and equipment | 9/9.1/9.2 | 45 300 706 | 50 081 878 |
| Current assets | | 972 355 | 830 961 |
| Inventory | | 18 728 | 17 932 |
| Accounts receivable | 7 | 953 627 | 813 029 |
| TOTAL ASSETS | | <u>46 273 073</u> | <u>50 912 867</u> |
| LIABILITIES | | | |
| Non-current liabilities | | - | - |
| Current liabilities | | 957 880 | 958 671 |
| Bank overdraft | 6 | 35 025 | 349 282 |
| Provisions | 10 | 199 000 | 249 015 |
| Accounts payable | 11 | 723 855 | 360 374 |
| EQUITY | | 45 315 193 | 49 954 196 |
| Capitalisation reserve | 16 | 47 786 871 | 51 886 946 |
| Accumulated deficit/surplus | | (2 471 678) | (1 932 750) |
| TOTAL EQUITY AND LIABILITIES | | <u>46 273 073</u> | <u>50 912 867</u> |

Income Statement

For the Year Ended 31 March 2006

| | Note | 2006 R'000 | 2005 R'000 |
|---------------------------------|------|------------------|--------------------|
| Revenue | 2 | 4 674 521 | 3 820 336 |
| Direct operating expenditure | | (1 640 210) | (1 618 224) |
| Operating expenses | | (3 282 499) | (5 399 660) |
| Administrative expenditure | | (292 132) | (323 914) |
| Deficit from trading activities | 3 | (540 320) | (3 521 462) |
| Net investment income | 4 | 1 392 | 4 664 |
| Net deficit for the period | | <u>(538 928)</u> | <u>(3 516 798)</u> |



Statement of Changes in Equity

For the Year Ended 31 March 2006

| | Note | 2006 R'000 | 2005 R'000 |
|--|------|-------------------|-------------------|
| Accumulated deficit | | | |
| Opening balance | | (1 932 750) | 620 461 |
| Deficit for the period as previously stated | | (538 928) | (3 516 798) |
| Impact of restatement of assets | | - | - |
| Impact of restatement of accounts receivable balance | | - | - |
| Revaluation reserve recognised | | - | 963 587 |
| Closing balance | | (2 471 678) | (1 932 750) |
| Revaluation reserve | | | |
| Opening balance as previously stated | | 51 886 946 | 52 642 505 |
| Revaluation reserve on valuation of assets | | 443 275 | 208 028 |
| Reserve realised on transfer of scheme assets | | (4 543 350) | (963 587) |
| Revaluation reserve as previously stated | 16 | 47 786 871 | 51 886 946 |
| Impact of restatement of assets | | - | - |
| Restated closing balance | | 47 786 871 | 51 886 946 |
| TOTAL EQUITY AND RESERVES | | 45 315 193 | 49 954 196 |

Cash Flow Statement

For the Year Ended 31 March 2006

| | Note | 2006 R'000 | 2005 R'000 |
|---|------|--------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customers | | 2 910 345 | 2 495 580 |
| Government grant | | 1 608 065 | 1 356 017 |
| Cash paid to suppliers and employees | | (6 796 097) | (3 976 519) |
| Cash flows utilised in operations | 12 | (2 277 687) | (124 922) |
| Interest received | 4 | 1 392 | 4 664 |
| Net cash flows from operating activities | | (2 276 295) | (120 258) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to property plant and equipment | 8/9 | (985 915) | (10 421) |
| Proceeds from sale of property plant and equipment | | 3 576 467 | - |
| Net cash flows from investing activities | | 2 590 552 | (10 421) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from loans | | - | - |
| Net increase/(decrease) in cash and cash equivalents | | 314 257 | (130 679) |
| Cash and cash equivalents at beginning of period | | (349 282) | (218 603) |
| Cash and cash equivalents at end of period | 6 | (35 025) | (349 282) |



Accounting Policies

1. Basis for preparation

The financial statements have been prepared in accordance with South African Statement of Generally Accepted Accounting Practice, except where specifically indicated, using historical cost as modified by the revaluation of property, plant and equipment. The financial statements are prepared on a going concern basis.

1.1 Revenue

Sales which exclude value added taxes are recorded when service has been rendered and invoice issued. Commission from Water Research Levy collection is recognised when the department collects cash on behalf of Water Research Commission.

Interest income is recognised on a time proportion basis taking account of the principal outstanding and the effective rate over the period to maturity when it is determined that such income will accrue to the department.

1.2 Government grants

Government grants are recorded as deferred income when they become receivable and are then recognised as income on a systematic basis over the period necessary to match the grants with the related costs that they are intended to compensate.

1.3 Property, plant and equipment

All items of property plant and equipment are initially recorded at cost or replacement cost. Property, plant and equipment is carried at cost or replacement value less accumulated depreciation. Depreciation is calculated on a straight-line basis over the expected useful lives of

the assets. The estimated useful lives of the assets are as follows:

| | |
|--------------------------------|---------------|
| Infrastructure assets: Roads | 15 – 25 years |
| Infrastructure assets: Water | 25 – 50 years |
| Dwellings: Mobile homes | 4 – 5 years |
| Buildings: | 25 – 30 years |
| Computer equipment: | 3 years |
| Office equipment and furniture | 5 years |
| Appliances | 5 years |
| Machinery and equipment | 5 years |
| Tools | 2 years |
| Protective clothing | 1 year |

Replacement cost is based on valuation that is done every ten years. Increases in carrying value arising on revaluation are credited directly to a revaluation reserve. On disposal of the previous revalued property, plant and equipment any amount relating to that asset remaining in the revaluation reserve is transferred to retained earnings.

Repairs and maintenance are generally charged to expenses during the financial period in which they are incurred. However, major renovations are capitalised and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the trading entity. Major renovations are depreciated over the remaining useful life of the related asset.

1.4 Financial Instruments

Receivables are carried at the original invoice amount less provision made for impairment of these receivables. Such provision for impairment of receivables is established



NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

if there is objective evidence that the department will not be able to collect all amounts due according to the original terms of receivables. Receivables for services delivered are recognised in the balance sheet as a current asset and as revenue in the income statement since the financial statements are prepared on an accrual basis of accounting and supported by a separate disclosure in the notes to enhance the usefulness of the financial statements.

Payables are carried at the fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier. Payables for services delivered are recognised in the balance sheet as current liabilities and as expenditure in the income statement as the financial statements are prepared on an accrual basis of accounting and supported by a separate disclosure in the notes to enhance the usefulness of the financial statements.

1.5 Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Water that is sold is classified as a service rendered instead of being classified as inventory since there is no value that can be attached to water.

At each balance sheet date the department reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset the recoverable amount

is determined for the cash-generating unit to which the asset belongs.

1.6 Provisions

A provision is a liability of uncertain timing or amount which is recognised when trading entity has a present legal or constructive obligation as a result of past events when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

1.7 Leases

Leases where a significant portion of the risks and rewards of ownership are transferred to the lessee are classified as finance leases.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When operating lease is terminated before the end of the lease term, any payments required to be made by the lessor by way of penalties are recognised as an expense in the period in which termination takes place.

1.8 Contingent liabilities

The amount of contingent liabilities represents all outstanding litigation against the trading entity at the end of the financial year. Where the trading entity expects part of the provision to be reimbursed under the insurance contract the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits is accrued for and recorded in the income statement in the reporting period in which it occurs.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy for these benefits or resigns. The department recognises termination benefits when it is demonstrably committed either to terminate the employment of current employee(s) according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the balance sheet date are discounted to present value.

Retirement benefits

The department provides retirement benefits for its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Once the department has paid the contributions, the department has no further payment obligations.

Medical benefits

The department provides medical benefits for its employees through defined benefit plans. These benefits are funded by employer and/or employee contributions. No provision is made for medical benefits in the financial statements of the department. Post-retirement medical benefits for retired civil servants are recognised in the financial statements during the period in which they occur.

1.10 Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

1.11 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities in the balance sheet.

1.12 Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

| | 2006 | 2005 |
|----------------------------------|------------------|------------------|
| Note | R'000 | R'000 |
| 2. Revenue | | |
| Revenue comprises the following: | | |
| Sale of water | 3 050 943 | 2 455 230 |
| Government grants | 1 608 065 | 1 356 017 |
| Other income | 15 513 | 9 089 |
| | <u>4 674 521</u> | <u>3 820 336</u> |

Government grants were unconditionally granted to the department in order to cover operating expenditure. The department did not receive any other form of assistance from the state during the period under review.

3. Deficit from trading activities

The following were (added)/deducted in arriving at the deficit from operations:

| | | |
|-----------------------------------|---------|---------|
| Personnel expenditure | 701 240 | 727 409 |
| Professional and special services | 481 879 | 420 131 |
| Transfer payments | 412 754 | 436 225 |
| Repairs and maintenance | 165 318 | 95 765 |
| Consumable stock | 50 119 | 85 603 |
| Operating lease expenses | 8 220 | 5 415 |

| | 2006 | 2005 |
|--------------------------------|-----------|-----------|
| Note | R'000 | R'000 |
| Depreciation and amortisation: | 1 223 743 | 1 245 235 |
| Vehicles | 283 | 50 |
| Tools | 868 | 101 |
| Scientific instruments | 345 | 410 |
| Furniture | 538 | 438 |
| Computer equipment | 2 164 | 1 839 |
| Office equipment | 197 | 582 |
| Appliances | 516 | 438 |
| Boreholes | 138 | 131 |
| Buildings | 313 | 302 |
| Water resources assets | 1 019 197 | 1 017 039 |
| Water services assets | 196 577 | 220 713 |
| Clothing and protective gear | 355 | 1 106 |
| Machinery and equipment | 2 240 | 2 070 |
| Amortisation | 12 | 16 |

| | | |
|----------------------------------|--------------|------------------|
| Loss on transfer of fixed assets | - | 922 508 |
| Audit fees | 1 399 | 1 345 |
| Current year audit fees | <u>1 399</u> | <u>1 345</u> |
| Impairment loss | - | 1 267 676 |
| Internal receivables | - | 1 010 |
| External receivables | 3.1 | <u>1 266 666</u> |
| Realised revaluation reserve | - | (963 587) |
| Unallocated deposits | 3.2 | 70 216 |
| | | 894 516 |



NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

| Note | 2006 R'000 | 2005 R'000 |
|------|---------------|---------------|
|------|---------------|---------------|

3.1 Water service receivables written off

During the year an amount of Rnil (2005: R1 266 666 000) pertaining to water services receivables was written off. This was due to the fact that subsequent to the department having billed some water users, specific funds were made available in terms of DORA (Division of Revenue Act). These funds were specifically intended to fund the operations of these water services schemes. In order to avoid double charging it was necessary for the department to write off the amounts that had been billed to water services customers.

3.2 Unallocated Deposits

The Department has installed a SAP billing module to manage revenue on an accrual basis to replace the transversal BAS which only operates on a cash basis. Due to problems in the interface with the transversal systems, transaction identification information was lost. The resulting unallocated receipts of R70 216 000 (2005 : R894 516 000) are being reconciled manually.

4. Investment Income

Investment income comprises the following:

| | | |
|-------------------|--------------|--------------|
| Interest received | 1 423 | 4 693 |
| Interest paid | (31) | (29) |
| | <u>1 392</u> | <u>4 664</u> |

5. Operating Leases

The department's future minimum lease payments under non-cancellable operating leases are as follows:

| | | |
|-----------------------|---------------|---------------|
| Not later than 1 year | 8 347 | 5 427 |
| 2 - 5 years | 12 432 | 8 486 |
| | <u>20 779</u> | <u>13 913</u> |

| Note | 2006 R'000 | 2005 R'000 |
|------|---------------|---------------|
|------|---------------|---------------|

6. Cash and cash equivalents

| | | |
|----------------|----------|-----------|
| Bank overdraft | (35 025) | (349 282) |
|----------------|----------|-----------|

7. Receivables – current

| | | | |
|------------------------------------|-----|----------------|----------------|
| Trade receivables | | 709 507 | 518 041 |
| Amounts owing by other departments | 7.1 | 155 850 | 165 548 |
| Staff debtors | | 773 | 567 |
| Other debtors | 7.2 | 1 703 | 17 425 |
| VAT debtor | | 85 119 | 111 101 |
| Advances | | 675 | 347 |
| | | <u>953 627</u> | <u>813 029</u> |

7.1 Amounts owing by other departments

| Nature of Advance | Department | 2006 R'000 | 2005 R'000 |
|-------------------|-------------------------------------|----------------|----------------|
| Services rendered | National Departments | 385 | 287 |
| Services rendered | Eastern Cape | 3 903 | 3 903 |
| Services rendered | Western Cape | 719 | 1 243 |
| Services rendered | Northern Cape | - | 74 |
| Service rendered | Gauteng | 1 956 | - |
| Service rendered | Northern Cape | 154 | - |
| Service rendered | Public Entities | 148 588 | 154 867 |
| Services rendered | Other international organisations | (391) | 3 481 |
| Services rendered | Household and non-profit institutes | 536 | - |
| Services rendered | KwaZulu Natal | - | 1 693 |
| | | <u>155 850</u> | <u>165 548</u> |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

| Note | 2006 R'000 | 2005 R'000 |
|------------------------------------|---------------|---------------|
| 7.2 Other debtors | | |
| Disallowance account | 135 | 3 |
| Payroll deduction debtors | - | 12 |
| Transport payment suspense account | - | 6 058 |
| Telephone control | - | 4 174 |
| Other | 1 568 | 7 178 |
| | <u>1 703</u> | <u>17 425</u> |

8. Intangible assets-Computer software (Externally acquired)

At year end:

| | | |
|--------------------------------|-----------|-----------|
| Cost | 52 | 52 |
| Less: accumulated amortisation | (40) | (24) |
| Net book value | <u>12</u> | <u>28</u> |

Movement for the period can be summarised as follows:

| | | |
|------------------------|-----------|-----------|
| Opening net book value | 28 | 19 |
| Additions | 6 | 25 |
| Amortisation charge | (22) | (16) |
| Closing net book value | <u>12</u> | <u>28</u> |

9. Property, plant and equipment – 2006

| | Cost R'000 | Accumulated Depreciation R'000 | Net book Value R'000 |
|------------------------------|---------------|--------------------------------------|----------------------------|
| Owned assets | | | |
| Appliances | 1 163 | (1 031) | 132 |
| Boreholes | 1 382 | (290) | 1 092 |
| Clothing and protective gear | 1 478 | (1 461) | 17 |
| Buildings | 3 125 | (671) | 2 454 |
| Computer equipment | 6 998 | (4 394) | 2 604 |
| Furniture | 3 274 | (1 494) | 1 780 |
| Machinery and equipment | 20 135 | (4 783) | 5 496 |
| Office equipment | 1 370 | (845) | 525 |
| Scientific instruments | 1 927 | (794) | 1 133 |
| Tools | 2 873 | (969) | 1 904 |
| Vehicles | 1 397 | (348) | 1 049 |
| Total assets | <u>45 122</u> | <u>(17 080)</u> | <u>28 042</u> |

A summary of fixed assets movements during the year is set out below:

| Year ended 31 March 2006 | Opening net book value | Additions R'000 | Dispo- sals R'000 | Depreciation R'000 | Closing net book value R'000 |
|------------------------------|---------------------------|--------------------|-------------------------|-----------------------|------------------------------------|
| Owned assets at cost | | | | | |
| Appliances | 20 | 628 | - | (516) | 132 |
| Boreholes | 1 117 | 113 | - | (138) | 1 092 |
| Clothing and protective gear | 13 | 359 | - | (355) | 17 |
| Buildings | 2 635 | 132 | - | (313) | 2 454 |
| Computer equipment | 2 747 | 2 021 | - | (2 164) | 2 604 |
| Furniture | 1 163 | 1 155 | - | (538) | 1 780 |
| Machinery and equipment | 4 224 | 13 368 | - | (2 240) | 5 496 |
| Office equipment | 613 | 109 | - | (197) | 525 |
| Scientific instruments | 1 471 | 7 | - | (345) | 1 133 |
| Tools | 31 | 2 741 | - | (868) | 1 904 |
| Vehicles | 164 | 1 168 | - | (283) | 1 049 |
| Total assets | <u>14 198</u> | <u>21 801</u> | <u>-</u> | <u>(7 957)</u> | <u>28 042</u> |



NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

9. Property, plant and equipment – 2005

| Description | Cost R'000 | Accumulated Depreciation R'000 | Net book Value R'000 |
|------------------------------|---------------|--------------------------------------|----------------------------|
| Owned assets | | | |
| Appliances | 535 | (515) | 20 |
| Boreholes | 1 268 | (151) | 1 117 |
| Clothing and protective gear | 1 119 | (1 106) | 13 |
| Buildings | 2 993 | (358) | 2 635 |
| Computer equipment | 4 977 | (2 230) | 2 747 |
| Furniture | 2 119 | (956) | 1 163 |
| Machinery and equipment | 6 767 | (2 543) | 4 224 |
| Office equipment | 1 261 | (648) | 613 |
| Scientific instruments | 1 921 | (450) | 1 471 |
| Tools | 132 | (101) | 31 |
| Vehicles | 229 | (65) | 164 |
| Total assets | 23 321 | (9 123) | 14 198 |

A summary of fixed assets movements during the year is set out below:

| Year ended 31 March 2005 | Opening net book value R'000 | Additions R'000 | Disposals R'000 | Depreciation R'000 | Closing net book value R'000 |
|------------------------------------|------------------------------------|--------------------|--------------------|-----------------------|------------------------------------|
| Owned assets at cost | | | | | |
| Appliances | 232 | 225 | - | (437) | 20 |
| Boreholes | 1 248 | - | - | (131) | 1 117 |
| Clothing and protective gear | - | 1 119 | - | (1 106) | 13 |
| Buildings | 1 396 | 1 541 | - | (302) | 2 635 |
| Computer equipment | 1 914 | 2 672 | - | (1 839) | 2 747 |
| Furniture | 735 | 866 | - | (438) | 1 163 |
| Machinery and equipment | 4 632 | 1 662 | - | (2 070) | 4 224 |
| Office equipment | 376 | 819 | - | (582) | 613 |
| Scientific instruments | 605 | 1 276 | - | (410) | 1 471 |
| Tools | - | 132 | - | (101) | 31 |
| Vehicles | 131 | 83 | - | (50) | 164 |
| Total assets | 11 269 | 10 395 | - | (7 466) | 14 198 |



NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

9.1 Property plant and equipment – Water Resources – 2006

This is a summary of the water resources items of property, plant and equipment that were revalued at the beginning of the 1999 financial year. These fixed assets were initially brought into the accounting records at their depreciated net replacement cost on 1 April 2003. The summary of these assets is as follows:

| Description | Opening net cost R'000 | Accumulated Depreciation R'000 | Net book value R'000 |
|------------------------|---------------------------|--------------------------------------|----------------------------|
| Dams and weirs | 22 261 982 | (1 015 376) | 21 246 606 |
| Pump stations | 250 850 | (20 259) | 230 591 |
| Steel pipelines | 4 369 653 | (422 266) | 3 947 387 |
| Canals | 11 679 517 | (644 864) | 11 034 653 |
| Reservoirs | 238 081 | (15 924) | 222 157 |
| Water treatment works | 245 283 | (10 200) | 235 083 |
| Buildings: Residential | 306 145 | (24 920) | 281 225 |
| Tunnels | 4 285 966 | (200 360) | 4 085 606 |
| Buildings: Office | 96 478 | (7 853) | 88 625 |
| Concrete pipelines | 1 334 185 | (69 884) | 1 264 301 |
| Total assets | 45 068 140 | (2 431 906) | 42 636 234 |

A summary of property, plant and equipment movements during the year is set out below:

| Description | Opening balance R'000 | Additions R'000 | Disposals R'000 | Depreciation R'000 | Net book value R'000 |
|------------------------|-----------------------------|--------------------|--------------------|-----------------------|----------------------------|
| Dams and weirs | 20 765 376 | 964 108 | - | (482 877) | 21 246 607 |
| Pump stations | 238 543 | - | - | (7 951) | 230 592 |
| Steel pipelines | 4 083 503 | - | - | (136 117) | 3 947 386 |
| Canals | 11 285 440 | - | - | (250 788) | 11 034 652 |
| Reservoirs | 227 206 | - | - | (5 049) | 222 157 |
| Water treatment works | 240 426 | - | - | (5 343) | 235 083 |
| Buildings: Residential | 288 436 | - | - | (7 211) | 281 225 |
| Tunnels | 4 178 461 | - | - | (92 855) | 4 085 606 |
| Buildings: Office | 90 897 | - | - | (2 272) | 88 625 |
| Concrete pipelines | 1 293 035 | - | - | (28 734) | 1 264 301 |
| Total assets | 42 691 323 | 964 108 | - | (1 019 197) | 42 636 234 |

In 1999 Africon and KPMG, professional engineers and accountants respectively revalued water resources assets to a replacement value. These firms are independent in relation to the department. The carrying value of these assets at revaluation date was R'nil. In subsequent years, the department used the producer price index to determine the replacement value of water resources infrastructure assets.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

9.1 Property, plant and equipment – Water Resources – 2005

| Description | Opening net cost | Accumulated Depreciation | Net book value |
|------------------------|-------------------|--------------------------|-------------------|
| | R'000 | R'000 | R'000 |
| Dams and weirs | 21 297 874 | (532 498) | 20 765 376 |
| Pump stations | 250 850 | (12 307) | 238 543 |
| Steel pipelines | 4 369 653 | (286 150) | 4 083 503 |
| Canals | 11 679 517 | (394 077) | 11 285 440 |
| Reservoirs | 238 081 | (10 875) | 227 206 |
| Water treatment works | 245 283 | (4 857) | 240 426 |
| Buildings: Residential | 306 145 | (17 709) | 288 436 |
| Tunnels | 4 285 966 | (107 505) | 4 178 461 |
| Buildings: Office | 96 478 | (5 581) | 90 897 |
| Concrete pipelines | 1 334 185 | (41 150) | 1 293 035 |
| Total assets | 44 104 032 | (1 412 709) | 42 691 323 |

A summary of property, plant and equipment movements during the year is set out below:

| Description | Opening balance | Additions | Disposals | Depreciation | Net book value |
|------------------------|-----------------|-----------|-----------|--------------|----------------|
| | R'000 | R'000 | R'000 | | |
| Dams and weirs | 21 167 257 | 68 502 | - | (470 383) | 20 765 376 |
| Pump stations | 239 407 | 7 116 | - | (7 980) | 238 543 |
| Steel pipelines | 4 196 179 | 27 197 | - | (139 873) | 4 083 503 |
| Canals | 11 541 275 | 638 | - | (256 473) | 11 285 440 |
| Reservoirs | 205 198 | 26 568 | - | (4 560) | 227 206 |
| Water treatment works | 166 110 | 78 007 | - | (3 691) | 240 426 |
| Buildings: Residential | 295 832 | - | - | (7 396) | 288 436 |
| Tunnels | 4 273 426 | - | - | (94 965) | 4 178 461 |
| Buildings: Office | 93 228 | - | - | (2 331) | 90 897 |

| Description | Opening balance | Additions | Disposals | Depreciation | Net book value |
|---------------------|-------------------|----------------|-----------|--------------------|-------------------|
| | R'000 | R'000 | R'000 | | |
| Concrete pipelines | 1 322 422 | - | - | (29 387) | 1 293 035 |
| Total assets | 43 500 334 | 208 028 | - | (1 017 039) | 42 691 323 |

9.2 Property plant and equipment – Water Service - 2006

This is a summary of the water services items of property, plant and equipment that were revalued at the beginning of 2003/2004 financial year.

| Description | Net cost | Accumulated Depreciation | Net book Value |
|-----------------------------------|------------------|--------------------------|------------------|
| | R'000 | R'000 | R'000 |
| Boreholes | 192 411 | (31 135) | 161 276 |
| Bulk distribution pipes | 578 827 | (56 066) | 522 761 |
| Pump stations | 250 301 | (30 940) | 219 361 |
| Reservoirs | 579 190 | (51 562) | 527 628 |
| Reticulation | 701 598 | (134 872) | 566 726 |
| Sewage treatment plant | 209 614 | (29 669) | 179 945 |
| Surface water (Weir/run-of-river) | 215 022 | - | 215 022 |
| Water treatment plant | 285 677 | (41 966) | 243 711 |
| Total assets | 3 012 640 | (376 210) | 2 636 430 |

A summary of fixed assets movements during the year is set out below:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

| Description | Opening balance | Additions | Disposals | Depreciation | Net book value |
|-----------------------------------|------------------|-----------|--------------------|------------------|------------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| Boreholes | 416 671 | - | (238 172) | (17 223) | 161 276 |
| Bulk distribution pipes | 1 435 672 | - | (883 661) | (29 250) | 522 761 |
| Pump stations | 631 686 | - | (396 164) | (16 161) | 219 361 |
| Reservoirs | 1 335 869 | - | (781 037) | (27 204) | 527 628 |
| Reticulation | 2 009 859 | - | (1 373 948) | (69 185) | 566 726 |
| Sewage treatment plant | 426 506 | - | (231 846) | (14 715) | 179 945 |
| Surface water (Weir/run-of-river) | 454 095 | - | (239 073) | - | 215 022 |
| Water treatment plant | 665 999 | - | (399 451) | (22 837) | 243 711 |
| Total assets | 7 376 357 | - | (4 543 352) | (196 575) | 2 636 430 |

In April 2003, internal professional engineers revalued water service assets to a replacement value. The carrying value of these assets at revaluation date was R'nil.

During the current year water services infrastructure assets acquired in prior periods, and not accounted for in the respective periods, were identified. These assets were included in the current year records at a value of R 443 275 433.01 and will be depreciated in accordance with stated accounting policies in subsequent periods.

9.2 Property plant and equipment – Water Service - 2005

| Description | Net cost | Accumulated Depreciation | Net book Value |
|-----------------------------------|------------------|--------------------------|------------------|
| | R'000 | R'000 | R'000 |
| Boreholes | 430 583 | (13 912) | 416 671 |
| Bulk distribution pipes | 1 462 488 | (26 816) | 1 435 672 |
| Pump stations | 646 465 | (14 779) | 631 686 |
| Reservoirs | 1 360 227 | (24 358) | 1 335 869 |
| Reticulation | 2 075 546 | (65 687) | 2 009 859 |
| Sewage treatment plant | 441 460 | (14 954) | 426 506 |
| Surface water (Weir/run-of-river) | 454 095 | - | 454 095 |
| Water treatment plant | 685 128 | (19 129) | 665 999 |
| Total assets | 7 555 992 | (179 635) | 7 376 357 |

A summary of fixed assets movements during the year is set out below:

| Description | Opening balance | Additions | Disposals | Depreciation | Net Book Value |
|-----------------------------------|------------------|-----------|------------------|------------------|------------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| Boreholes | 542 359 | - | (105 093) | (20 595) | 416 671 |
| Bulk distribution pipes | 1 622 655 | - | (154 702) | (32 281) | 1 435 672 |
| Pump stations | 723 606 | - | (73 792) | (18 128) | 631 686 |
| Reservoirs | 1 540 113 | - | (173 653) | (30 591) | 1 335 869 |
| Reticulation | 2 268 880 | - | (182 824) | (76 197) | 2 009 859 |
| Sewage treatment plant | 450 350 | - | (8 335) | (15 509) | 426 506 |
| Surface water (Weir/run-of-river) | 579 590 | - | (125 495) | - | 454 095 |
| Water treatment plant | 833 103 | - | (139 693) | (27 411) | 665 999 |
| Total assets | 8 560 656 | - | (963 587) | (220 712) | 7 376 357 |



NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

| | Note | 2006 R'000 | 2005 R'000 |
|-------------------------------|------|---------------|---------------|
| 10. Provisions | | | |
| Opening balance | | 249 015 | 244 804 |
| Raised during the period | | 199 000 | 249 015 |
| Leave pay provision | 15 | 182 432 | 223 353 |
| Municipality refund provision | | 11 979 | - |
| Bonus provision | 15 | 4 589 | 25 662 |
| Utilised during the period | | (249 015) | (244 804) |
| Closing balance | | 199 000 | 249 015 |

11. Accounts payable

| Description | | |
|------------------------------------|----------------|----------------|
| Amounts owing to other departments | 239 | 538 |
| Other trade payables | 590 856 | 41 295 |
| WRF payables | - | 3 411 |
| TCTA | 132 760 | 315 130 |
| | <u>723 855</u> | <u>360 374</u> |

12. Cash flows utilised in operations

| | | |
|--|--------------------|--------------------|
| Net (deficit) as per Income Statement | (538 928) | (3 516 798) |
| Interest received | (1 392) | (4 664) |
| | <u>(540 320)</u> | <u>(3 521 462)</u> |
| Adjusted for: | 1 223 743 | 3 367 348 |
| Impairment of receivables | - | 2 163 192 |
| Realised revaluation reserve | - | (963 587) |
| Depreciation and amortisation | 1 223 743 | 1 245 235 |
| Loss on transfer of schemes | - | 922 508 |
| Adjusted for non-cash items | (3 133 182) | (1 195 393) |
| Working capital changes | 172 072 | 1 224 585 |
| Net cash flow utilised in operating activities | <u>(2 277 687)</u> | <u>(124 922)</u> |

| | Note | 2006 R'000 | 2005 R'000 |
|---|------|----------------|------------------|
| 13. Cash generated (utilised) to (increase)/decrease working capital | | | |
| Decrease/(Increase) in receivables | | (140 598) | 1 201 940 |
| - current | | | |
| Increase payables | | 313 466 | 13 589 |
| Decrease/(Increase) in inventories | | (796) | 9 056 |
| | | <u>172 072</u> | <u>1 224 585</u> |

14. Commitments

| | | |
|---------------------------------|---------------|---------------|
| Capital expenditure | | |
| Approved and contracted/ordered | 11 755 | 19 479 |
| Total Commitments | <u>11 755</u> | <u>19 479</u> |

15. Employee benefits

| | | |
|-------------------|----------------|----------------|
| Leave entitlement | 182 432 | 223 353 |
| Thirteenth cheque | - | 21 339 |
| Performance bonus | 4 589 | 4 323 |
| | <u>187 021</u> | <u>249 015</u> |

16. Revaluation reserve

| | | |
|---|-------------------|-------------------|
| Opening balance | 51 886 946 | 52 642 505 |
| Revaluation reserve raised on revaluation of assets | 443 275 | 208 028 |
| Effect of transfer of assets to schemes | (4 543 350) | (963 587) |
| Closing balance | <u>47 786 871</u> | <u>51 886 946</u> |

17. Contingent Liability

A VAT audit is being conducted by SARS, subject to the findings of this audit there is a possibility of VAT being owed to SARS.

MANAGEMENT REPORT OF WATER TRADING ACCOUNT FOR THE YEAR ENDING 31 MARCH 2006

Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa.

Operation Overview

The business of Equipment Trading Account is to provide equipment for the construction and maintenance of government water schemes. The tariffs on rental equipment are based on recovery of a usage charge and the maintenance of the equipment. No profit margin is built into the rental tariffs.

This operation supports Departmental activities and revenue collection does not present any problems as hire of equipment is mainly done within the operations of the Department.

Revenue increased by 15.5% because of increase in demand for equipment rental created by increase in construction and maintenance projects.

Progress with Financial Management Improvement

While the BAS has been fully implemented in the Department, ongoing training is offered to officials to upgrade their skills in the application of the system.

In order to overcome the difficulties that have been experienced in the application of the transversal systems for the specific business needs of the Department with regard to the Trading

Entity, the Department is implementing new ERP systems for the Trading Entity to enable reporting in accordance with GAAP.

The Department regularly reports and monitors the financial position through the Early Warning Reports and the Quarterly Reports. The Executive Authority is also informed on monthly about the financial position of the Department.

Approval

The annual financial statements have been approved by the Accounting Officer.



Jabulani Sindane
Director-General

31 May 2006



REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF EQUIPMENT TRADING ACCOUNT (ETA) FOR THE YEAR ENDED 31 MARCH 2006

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 170 to 171, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 40(2) of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999) (PFMA). These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with *General Notice 544 of 2006*, issued in *Government Gazette* no. 28723 of 10 April 2006 and *General Notice 808 of 2006*, issued in *Government Gazette* no. 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

3. QUALIFICATION

3.1 Financial statements

The trading account's financial statements need to be prepared in accordance with Statements of Generally Accepted Accounting Practice (GAAP) but the recording of the transactions are done on the Basic Accounting System, which is a cash recording system. This system does not provide for any accrual accounting and the relevant journal entries and as result, unsupported information from manual and various computer systems are used to compile the financial statements. The Annual Financial Statements fundamentally departs from the reporting requirements of GAAP

Due to inadequate monitoring of the document management process, documentation supporting transactions in ETA to the value of R335 million could not be presented for audit purposes.

3.2 Inadequate Monitoring

Material non compliance in respect of the PFMA and Treasury Regulations (TR) was identified as irregular expenditure amounting to R 31 million has been incurred as the ETA entered into finance leases without the approval of the Minister of Finance as required by section 66 of the PFMA and TR 13.2.5. The irregular expenditure had not been disclosed as required by sections 40(3) (b) and 55(2) (b).

3.4 Fixed assets

The asset register that was used to support the Annual Financial Statements did not meet the requirements of the fixed assets policy as;

- assets disclosed in the register with no acquisition cost

- acquisitions for the year could not be traced to invoices
- incorrect treatment of additions resulted in assets being overstated with R31,4 million

4. **DISCLAIMER OF AUDIT OPINION**

Because of the significance of the matters in the preceding paragraph, I do not express an opinion on the financial statements.

5. **MATTER OF EMPHASIS**

Without further qualifying the audit opinion, attention is drawn to the following matter:

5.1 **Follow-up information systems audit of the audit of the general computer controls for the Construction Equipment Management System**

Due to inadequate policies and procedures in respect of access, the programmer had access to the production programs and documented and approved change control management policies and procedures did also not exist.

Furthermore program version control was not automated. Unauthorised changes to programs could therefore occur that could compromise the integrity of the data.

The above weaknesses may impact on the integrity of the data within the Construction Equipment Management System.

The department is in the process of implementing SAP to address the problem.

5.2 **Performance information**

In terms of section 20(2)(c) of the Public Audit Act, the performance of the department against the predetermined objectives is subject to auditing by

the Auditor-General. The required information was not submitted for audit purposes.

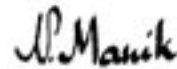
5.3 **Inadequate Monitoring**

Material non compliance in respect of the PFMA and Treasury Regulations (TR) was identified due to the lack of monitoring:

TR section 19.2.3 determines that while a trading entity is allowed to open a bank account, the entity may not run an overdraft. The Annual Financial Statements for 2005/2006 discloses the bank balance as being in overdraft of R 1, 3 million.

6. **APPRECIATION**

The assistance rendered by the staff of the Equipment Trading Account during the audit is sincerely appreciated.



N Manik for Auditor-General

Pretoria

31 July 2006



AUDITOR-GENERAL



INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

| | Note | 2006 R'000 | 2005 R'000 |
|-------------------------|------|---------------|---------------|
| Revenue | 2 | 56 559 | 58 071 |
| Other income | 3 | 23 977 | 11 622 |
| Interest received | | 24 | 12 |
| | | <u>80 560</u> | <u>69 705</u> |
| Operating expenses | 8 | (78 148) | (37 321) |
| Net profit for the year | | <u>2 412</u> | <u>32 384</u> |

BALANCE SHEET AS AT 31 MARCH 2006

| | Note | 2006 R'000 | 2005 R'000 |
|-------------------------------------|------|----------------|---------------|
| ASSETS | | | |
| Non-current assets | | | |
| Plant and equipment | 5 | 201 547 | 62 471 |
| Current assets | | | |
| Cash and cash equivalents | 4 | (1 225) | 3 867 |
| Accounts receivable | 9 | 19 508 | 4 209 |
| TOTAL ASSETS | | <u>219 830</u> | <u>70 547</u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Retained earnings | | 70 747 | 68 335 |
| Revaluation reserve | | 597 | 597 |
| Current liabilities | | | |
| Accounts payable | | 148 486 | 1 615 |
| TOTAL EQUITY AND LIABILITIES | | <u>219 830</u> | <u>70 547</u> |

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2006

| | Revaluation Reserve R'000 | Capital Augmentation R'000 | Retained Earnings R'000 | TOTAL R'000 |
|---|---------------------------------|----------------------------------|-------------------------------|----------------|
| Balance at 1 April 2004 (Restated) | 516 | 2 500 | 171 935 | 174 951 |
| Effect of restatement (Government Grant) | - | - | (284) | (284) |
| Effect of restatement on fixed assets | - | - | (106 101) | (106 101) |
| Capital augmentation written off | - | (2 500) | | (2 500) |
| Depreciation written off | - | - | (29 599) | (29 599) |
| Restated Retained Earnings 2004 | <u>516</u> | - | <u>35 951</u> | <u>36 467</u> |
| Net profit for the year | - | - | 32 384 | 32 384 |
| Revaluation on assets | 81 | - | - | 81 |
| Balance at 31 March 2005 | <u>597</u> | - | <u>68 335</u> | <u>68 932</u> |
| Net profit for the year | - | - | 2 412 | 2 412 |
| Balance at 31 March 2006 | <u>597</u> | - | <u>70 747</u> | <u>71 344</u> |

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

| | Notes | 2006 R'000 | 2005 R'000 |
|--|-------|-----------------|-----------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customer | 10 | 59 335 | 57 507 |
| Interest received | | 24 | 12 |
| Cash paid to suppliers and employees | | (18 392) | (27 252) |
| Interest Paid | | (4) | (16) |
| Net cash inflow from operating activities | 6 | <u>40 963</u> | <u>30 251</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Additions to fixed assets | 7 | (51 999) | (38 203) |
| Proceeds on sale of fixed assets | 3 | 5 944 | 9 087 |
| Net cash outflow from investing activities | | <u>(46 055)</u> | <u>(29 116)</u> |
| Net cash inflow from financing activities | | - | - |
| Net increase/(decrease) in cash and cash equivalents | | (5 092) | 1 135 |
| Cash and cash equivalents at the beginning of the year | | 3 867 | 2 732 |
| Cash and cash equivalents at the end of the year | | <u>(1 225)</u> | <u>3 867</u> |



NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

BASIS OF PREPARATION

1. Accounting Policies

The financial statements have been prepared in accordance with South African statements of Generally Accepted Accounting Practice, except where specifically indicated. The financial statements have been prepared on a historical cost basis.

The financial statements incorporate the following principal accounting policies, which were incorporated during the current financial year:

1.1. Revenue

Rental income and maintenance revenue excluding Value Added Taxes are recognised and recorded in the financial statements on the date the service is rendered to a customer.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and effective rate over the period to maturity, when it is determined that income will accrue to equipment account.

Vote funds are the amounts appropriated to the trading entity in accordance with the final budget known as capital augmentation.

Revenue from sale of equipment is recognised in the income statement when the risk and rewards are transferred to the buyer of equipment.

1.2. Property, plant and equipment

Property, plant and equipment is carried at book value while industrial and synthetic drilling diamonds are carried at market value. The revaluation of drilling diamonds is done by a professional valuator on an annual basis.

1.3. Depreciation

Depreciation on plant and equipment for the equipment trading account is written off at the rate of 12,5 % per annum and vehicles at 20% per annum. Drilling diamonds are depreciated at a rate of 50% per annum on straight-line method.

1.4. Revaluation surplus

Surplus on valuation of equipment is transferred directly to a revaluation reserve. Valuation surplus released on sale is transferred from the revaluation reserve to retained earnings.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

1.5. Financial instruments

Receivables are carried at the original invoice amount less provision made for the impairment of receivables is established if there is objective evidence that the Equipment Trading Account will not be able to collect the amounts due according to the original terms of the receivables. Receivables for services rendered are recognised in the balance sheet as a current asset and as income in the income statement as the financial statements are prepared on an accrual basis of accounting and supported by separate disclosure in the notes to enhance the usefulness of the financial statements.

Payables are carried at the fair of the consideration to be paid in future for services that have been supplied and invoiced or formally agreed with the supplier. Payables for services delivered are recognised in the balance sheet as a current liabilities and as expenditure in the income statement as the financial statements are prepared on an accrual basis of accounting and supported by a separate disclosure in the notes to enhance the usefulness of the financial statements.

Investment deposit is classified as current asset as they can be realised anytime within twelve months of the balance sheet date.

1.6. Impairment loss

At each balance sheet date, the equipment trading account reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If the recoverable amount of the asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its revalued amount. Impairment losses are immediately recognised as an expense, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under the standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, provided the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

1.7. Investment income

Interest receivable on the investment deposit with the Corporation for Public Deposits is not accounted for on the Equipment Trading Account. The interest receivable is paid directly to Treasury and is not recognised as revenue as it is not available for use on the equipment trading account.

1.8. Government grant

Government grants are recorded as deferred income when they become receivable and are then recognised as income on a systematic basis over the period necessary to match the grants with the related costs which they are intended to compensate.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

1.9. Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The comparative figures shown in these financial statements are limited to the figures shown in the previous year's audited financial statements and such other comparative figures that the department may reasonably have available for reporting.

| | 2006 R'000 | 2005 R'000 |
|---|----------------|---------------|
| 2. Revenue | | |
| Rental of equipment with book value | 38 598 | 36 507 |
| Rental of equipment without book value | 17 387 | 15 034 |
| Maintenance costs collected | 574 | 514 |
| Main account and water trading account | - | 4 493 |
| Main account | - | 1 522 |
| | <u>56 559</u> | <u>58 071</u> |
| 3. Other income | | |
| Capital Augment | 15 000 | - |
| Government grant | 3 034 | 2 535 |
| Profit from sale of equipment | 5 943 | 9 087 |
| | <u>23 977</u> | <u>11 622</u> |
| 4. Cash with Paymaster-General | | |
| Bank account | (1 325) | 3 767 |
| Investment deposit | 100 | 100 |
| | <u>(1 225)</u> | <u>3 867</u> |
| 5. Property, Plant and Equipment | | |
| Equipment | | |
| Cost | 242 060 | 71 442 |
| Acc Depreciation | (40 513) | (8 971) |
| Net book value | <u>201 547</u> | <u>62 471</u> |
| Total plant and equipment | <u>201 547</u> | <u>62 471</u> |

Property, plant and equipment : 2006

A summary of fixed assets movements during the year is set out below:

| Year ended 31 March 2006 | Opening net book value R'000 | Additions R'000 | Depre- ciation R'000 | Accumu- lated depre_ ciation R'000 | Closing net book value R'000 |
|--------------------------------|---------------------------------------|--------------------|----------------------------|--|------------------------------------|
| Equipment | 62 390 | 179 670 | (31 543) | (40 513) | 201 547 |

Work in Progress to the value of R 1 337 000 is included in additions. This has not been depreciated.

Property, plant and equipment: 2005

A summary of fixed assets movements during the year is set out below:

| Year ended 31 March 2006 | Opening net book value R'000 | Additions R'000 | Depre- ciation R'000 | Accumu- lated depre_ ciation R'000 | Closing net book value R'000 |
|--------------------------------|---------------------------------------|--------------------|----------------------------|--|------------------------------------|
| Equipment | 33 158 | 38 203 | (7 283) | (8 971) | 62 390 |

| | 2006 R'000 | 2005 R'000 |
|--------------------------------------|----------------|---------------|
| Drilling diamonds | | |
| Carrying value | 81 | 827 |
| Depreciation | (41) | (211) |
| Accumulated depreciation | - | (616) |
| Disposal | (40) | |
| Revaluation on diamonds | - | 81 |
| Carrying value at end of year | - | 81 |
| Synthetic diamonds | - | 81 |
| Total carrying value | <u>201 547</u> | <u>62 471</u> |

All Drilling Diamonds were sold at year end. Drilling diamonds were valued by Atlas Copco (Pty) Ltd. who are independent professional valuers. They used the market price indices at 31 March 2005 to determine the replacement cost. The movement on revaluation reserve is shown as follows:

| | | |
|---|------------|------------|
| Opening balance | 597 | 516 |
| Revaluation reserve raised on revaluation of assets | - | 81 |
| Closing balance | <u>597</u> | <u>597</u> |

6. Cash generated by operations

| | | |
|---|---------------|---------------|
| Net profit | 2 412 | 32 384 |
| Adjusted for : | | |
| Depreciation | 31 584 | 7 494 |
| Non-cash item - debtor | - | 2 500 |
| Proceeds on sale of plant and equipment | - | (9 087) |
| Increase/decrease in debtors | (15 299) | (855) |
| Increase/decrease in creditors | 146 871 | (2 396) |
| Interest received (not operations) | (24) | (12) |
| Interest Paid | 4 | 16 |
| Theft and Losses | 57 | 944 |
| Non Cash items | (124 662) | (737) |
| | <u>40 943</u> | <u>30 251</u> |

| | 2006 R'000 | 2005 R'000 |
|--|-----------------|-----------------|
| 7. Additions to plant and equipment | | |
| New equipment | (43 487) | (38 203) |
| Rebuilt equipment | (8 512) | - |
| | <u>(51 999)</u> | <u>(38 203)</u> |

8. Expenditure

The following items have been charged in arriving at the operating profit :

| | | |
|-------------------------------|---------------|---------------|
| Depreciation | 31 584 | 7 494 |
| Maintenance costs | 17 035 | 18 274 |
| Bank charges | 4 | 16 |
| Theft and Losses | 57 | 944 |
| Central construction workshop | - | 1 615 |
| Rebuilt Cost | - | 8 978 |
| Other Operating Expenditure | 29 468 | - |
| | <u>78 148</u> | <u>37 321</u> |

9. Accounts Receivable

| | | |
|-----------------------|---------------|--------------|
| Exchequer account | 3 757 | 3 740 |
| Water trading account | 751 | 753 |
| Government grant | - | (284) |
| Capital Augmentation | 15 000 | - |
| | <u>19 508</u> | <u>4 209</u> |

10. Cash Received from Customers

| | | |
|--|---------------|---------------|
| Rental of equipment with book value | 38 639 | 36 508 |
| Rental of equipment without book value | 17 387 | 15 034 |
| Maintenance cost | 559 | 514 |
| Government Grants | 2 750 | 4 751 |
| Main Account | - | 700 |
| | <u>59 335</u> | <u>57 507</u> |



**REPORT OF THE AUDITOR-GENERAL TO
PARLIAMENT ON THE FINANCIAL STATEMENTS OF
THE NATIONAL FOREST RECREATION AND
ACCESS TRUST
FOR THE YEAR ENDED 31 MARCH 2006**

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 178 to 179 for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with *General Notice 544 of 2006*, issued in *Government Gazette* no. 28723 of 10 April 2006 and *General Notice 208 of 2006*, issued in *Government Gazette* no.28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

3. BASIS OF ACCOUNTING

The trust's policy is to prepare the financial statements on the entity specific basis of accounting described in note 1 to the financial statements.

4. AUDIT OPINION

In my opinion, the financial statements have been prepared, in all material respects, in accordance with the basis of accounting described in note 1 to the financial statements.

5. MATTER OF EMPHASIS

Without further qualifying the audit opinion, attention is drawn to the following matter:

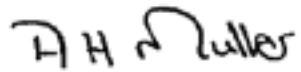
Operations of the National Forest Recreation and Access Trust

In terms of the National Forest Act, 1998 (Act No 84 of 1998) the National Forest Recreation and Access Trust was established with effect from 1 April 1999. During the 1999/2000 financial year the National Hiking Way Fund was dissolved. An amount of R 1, 669, 293 was transferred from the fund to the trust. The Trust remained dormant since inception. Formal approval by the Minister of Water Affairs & Forestry to commence with the operational activities has not been given.

As per SCOPA's ninety-fourth report of 2003, the department was to seek clarity from National Treasury as to whether the trust should be listed as a public entity. The National Treasury's response was that the trust did not meet the listing requirements of Public Entity in terms of the Public Finance Management Act but no further attempt appears to have been made to resolve the status of the Trust.

6 APPRECIATION

The assistance rendered by the staff of Department of Water Affairs and Forestry during the audit is sincerely appreciated.



AH Muller for Auditor-General
Pretoria
21/7/2006



BALANCE SHEET AS AT 31 MARCH 2006

| | <i>Note</i> | 2005/06 R | 2004/05 R |
|-------------------------------------|-------------|--------------|--------------|
| ASSETS | | | |
| Current assets | | 3 176 410 | 2 969 140 |
| Amounts immediately recoverable | | 3 173 681 | 2 966 411 |
| Cash with Paymaster-General | | 2 729 | 2 729 |
| TOTAL ASSETS | | 3 176 410 | 2 969 140 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Capital Fund | 2 | 3 176 410 | 2 969 140 |
| TOTAL EQUITY AND LIABILITIES | | 3 176 410 | 2 969 140 |

Department of Water Affairs
and Forestry
Pretoria.

Dr. T.L. Simelane
Accounting Officer
National Forest Recreation
and AccessTrust

**INCOME STATEMENT FOR THE YEAR ENDED
31 MARCH 2006**

| | <i>Note</i> | 2005/06 R | 2004/05 R |
|--------------------------------|-------------|--------------|--------------|
| Income | | | |
| Investment income | | 207 270 | 214 492 |
| Expenses | | | |
| | | - | - |
| Net income for the year | | 207 270 | 214 492 |



**STATEMENT OF CHANGES IN EQUITY FOR
THE YEAR ENDED 31 MARCH 2006**

| | Accumulated Profit | TOTAL |
|---------------------------------|--------------------|------------------|
| | R | R |
| Balance at 1 April 2003 | 2 513 321 | 2 513 321 |
| Interest received | 241 327 | 241 327 |
| Balance at 31 March 2004 | 2 754 648 | 2 754 648 |
| Balance at 1 April 2004 | 2 754 648 | 2 754 648 |
| Interest received | 214 492 | 214 492 |
| Balance at 31 March 2005 | 2 969 140 | 2 969 140 |
| Balance at 1 April 2005 | 2 969 140 | 2 969 140 |
| Interest received | 207 270 | 207 270 |
| Balance at 31 March 2006 | 3 176 410 | 3 176 410 |

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

| | Note | 2005/06 | 2004/05 |
|---|------|------------------|------------------|
| | | R | R |
| Cash flows from operating activities | | | |
| Interest received | | 207 270 | 214 492 |
| Cash generated by operations | | 207 270 | 214 492 |
| Cash flows from investing activities | | | |
| Increase in investment | | (207 270) | (214 492) |
| Net cash outflow from investing activities | | (207 270) | (214 492) |
| Net cash inflow from financing activities | | | |
| Net decrease/decrease in cash and cash equivalents | | - | - |
| Cash and cash equivalents at the beginning of the year | | 2 729 | 2 728 |
| Cash and cash equivalents at the end of the year | | 2 729 | 2 728 |



NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

BASIS OF PREPARATION

1. Accounting Policies

1.1. The financial statements are, unless indicated otherwise, prepared on a historical cost basis according to the under mentioned policy which, in all significant respects, is applied consistently.

1.2. Income is acknowledged on a cash basis.

1.3. Cash and bank

The Fund does not have a formal counter party policy, but the credit risk in respect of cash resources is limited as the counter party is a high quality credit institution with a sound reputation. Fund management considers that the carrying amount of cash and bank approximates to their fair value.

1.4. Investment risk management

The Corporation for Public Deposits (CPD) manages the investments of the Fund. The CPD is independent from the Fund and has a sound reputation. The investment strategy is to maximise long-term growth and return on the investment portfolio while maintaining a low level of risk within the portfolio. In order for this objective to be achieved, significant investments include government bonds, bills and securities, deposits and cash. Of the total investments, approximately 21% are held in deposits and cash.

1.5. Price risk

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

1.6. Interest rate risk

Investments in the form of bills, bonds and securities held by the Fund will normally be exposed to interest rate risk. Since these investments are held to maturity, they are not unduly exposed to interest rate risk.

1.7. Other risks

Cash flow and liquidity risks of the Fund are minimal as the majority of investments are held in cash and deposits. The Fund does not have any foreign accounts receivables, foreign accounts payable or derivative market instruments.

| | <i>Note</i> | 2005/06 R | 2004/05 R |
|--------------------------------------|-------------|------------------|------------------|
| 2. Capital fund | | | |
| Balance at the beginning of the year | | 2 969 140 | 2 754 648 |
| Net income for the year | | 207 270 | 214 492 |
| Balance at the end of the year | | <u>3 176 410</u> | <u>2 969 140</u> |