

# Part D: Annual Financial Statements



## PART D: ANNUAL FINANCIAL STATEMENTS OF THE DEPARTMENT OF WATER AFFAIRS AND FORESTRY FOR THE YEAR ENDED 31 MARCH 2007

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## DEPARTMENT OF WATER AFFAIRS AND FORESTRY VOTE 34

### REPORT OF THE ACCOUNTING OFFICER FOR THE YEAR ENDED 31 MARCH 2007

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

##### 1.1 Important policy decisions and strategic issues facing the Department

The Department of Water Affairs and Forestry (the Department) 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 Department responds to critical issues regarding the management of water resources and the sustainable supply of water, sanitation and forestry services in ways that will contribute to the social and economic development of our people. Municipalities are at the centre of all of Government's efforts to improve the quality of life of all citizens and the Department will continue to support local government in all aspects of their work.

The Department's role is to create an environment in which local government is better able to fulfil its constitutional mandate and improve service delivery. There must be greater collaboration between the Department, the Department of Provincial and Local Government (DPLG), provincial departments responsible for local government, health, education, agriculture and housing and other sector departments to ensure an integrated and comprehensive approach to supporting local government in the spirit of the Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005). Project Consolidate forms the basis of this foundation and the Department will continue to work with the South African Local Government Association (SALGA) in developing joint policies and support programmes in order to respond to the needs of municipalities.

In terms of this support role the Department has developed a Water Services Authority (WSA) checklist, which is used to check the ability of each WSA to

fulfil its legislative mandate in regard to water services. The nature of problems experienced by municipalities requires that the Department is able to both respond to crisis situations and also to establish the needs of municipalities and provide support. The checklist helps to identify the type of support needed in order for the Department to deliver quality services and to provide proactive support. This action also supports programmes to ensure that water supply and sanitation targets are met.

As regulator, the Department must ensure that municipalities adhere to standards and will continue to ensure that drinking water quality monitoring programmes are improved. The quality of water, both supplied to consumers and waste discharged back into water resources, depends on the quality of the treatment facilities. Although the development of policy for water services infrastructure development is the Department's regulatory responsibility, the Department will continue to assist local government to improve their water services development plans and ensure that there is adequate planning for the management, operation, maintenance, refurbishment and upgrading of infrastructure.

Furthermore there is a need to assist municipalities understand other opportunities beyond water supply and sanitation, particularly in respect of the development opportunities in the water resources and forestry sectors.

The forestry 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 the Eastern Cape and KwaZulu-Natal. Limpopo has also identified forestry as a growth opportunity. The forestry sector charter, initiated in 2005, will further develop the opportunities for social and economic development and Broad-based Black Economic Empowerment (BBBEE). Most of the aims of the Charter need to be implemented at local level. The National Forests Act, 1998 makes provision for material and financial assistance to communities involved in or wanting to enter the forestry sector.

The process for the establishment of an agency to manage National Water Resources Infrastructure (NWRI) is under way. A fundamental principle in the National Water Resource Strategy (NWRS) is the involvement and participation of local people and institutions in the management of water resources. It is in this context that the Department is involved in the institutional reform process through the establishment of Catchment Management Agencies (CMAs) to ensure better management of water resources, equitable allocation and the efficient and cost-effective provision of water. This will enhance the involvement and empowerment of communities, and ensure greater efficiency

in the management of water resources. Given the central position of Local Government in the water supply chain, they will be supported to play a prominent role in the work of water resource management institutions.

The Human Resources Programme is one of the most important focus areas in the Department. The current service delivery gaps in human resources management present special strategic management challenges. In response to these challenges the Department has started with the implementation of a turnaround strategy which is fundamental to supporting the successful achievement of the strategic objectives of the Department.

The Department is addressing the problem of imminent technical skills shortage through the establishment of a Learning Academy which will be an incubator for critical skills development for the Department and the Sector. The desired impact of the Academy is to secure an adequate supply of relevant technical skills in engineering and science to meet the anticipated skills demand in the Department and the Sector.

At the regional and international level, the Department continues to implement existing bilateral and multilateral agreements to foster co-operation aimed at regional integration and development within the context of NEPAD and the strategic objective of contributing towards a better world.

### **1.1.1 Water services**

The strategic framework for water services provides the overarching policy framework for the water services sector. Because of new developments, including an expanded definition of water services, the Water Services Act, 1997 is being reviewed and amended to modernise the regulatory framework. Strategies in support of the strategic framework are being developed and implemented. This includes the institutional reform of water service provision, regulatory and sector support strategies.

### **1.1.2 Strategic alignment and capacity building**

Strategic alignment is critical to the functioning of the water services sector, which spans all three spheres of government and includes agencies and public entities. Water summits were held in all provinces to align the Department's planning processes with those of provincial departments and municipalities resulting in a joint needs analysis and the prioritising of activities like the emerging farmer projects in the Eastern Cape.

The Department's human resource development strategy aims to increase the number of people from previously disadvantaged communities acquiring technical skills in the water and forestry sectors in line with the progressive implementation of the 2025 capacity building strategy.



### 1.1.3 Restructuring programme

The restructuring programme separates the regulatory and implementation functions of the Department. All implementation functions will be devolved to the appropriate levels of government and service delivery entities. Significant progress has been made in the past two years with implementing the restructuring programme, in particular the transfer of Department-owned water services schemes and operations to water services authorities (municipalities). The expected 10-year timeframe for establishing fully operational catchment management agencies implies a continuous and long-term transition for the Department. The National Water Resources Infrastructure Agency is to take over national water resources infrastructure such as large dams, and interfacing transfer schemes will be established in 2008.

The Department continues to transfer the management of indigenous forests to appropriate institutions and carry out the necessary policy and regulatory functions for the sustainable management of all forest resources.

### 1.1.4 Water resource management

The effective management of water, a scarce resource in South Africa, is pivotal for equity in distribution and access. The Department is putting in place new institutional arrangements for water resource management which will be decentralised to regional and local levels for greater public participation and improved efficiencies.

### 1.1.5 Forestry

The Forestry Laws Amendment Act, 2005 (Act No. 35 of 2005) was promulgated by the President in March 2006. The amended act aims to extend the Minister's regulatory powers and to provide for criminal sanctions over the destruction of protected forests. The BBBEE forestry charter will be finalised in early 2007 and will further develop opportunities for social and economic development and BBBEE. The Department is also looking at how the forestry sector can create jobs.

## 1.2 Significant events that have taken place during the year

### 1.2.1 Universal access to water and sanitation services

Providing access to basic water and sanitation services is a core priority for the Department and the rate of delivery at local government level is a concern. In March 2006, 60% of the backlog in water services and 40% in sanitation had been eradicated. By December 2006, 10 million households had access to water services since the basic services programme began in 1994. In 2006/07, the Department concentrated its efforts on supporting local government by providing better technical assistance and revising the regulatory framework

to improve institutional efficiency under Project Consolidate. Setting up the National Water Resource Infrastructure Agency is being accelerated and the agency is due to be fully operational by April 2008. It will centralise the development and operation of the national water infrastructure to broaden access to water and sanitation services.

The Department will continue to implement the drinking water quality regulations to make sure that all South Africans have access to potable water.

### 1.2.2 Building the economy and creating jobs in the water and forestry sectors

The roll-out of the water allocation reform programme will result in water resources for productive purposes being transferred to historically disadvantaged communities as well as the promotion of BBBEE. Faster and less resource intensive water authorisation processes, which adhere to the full requirements of the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003), will help sustainable economic and social development.

The completion and subsequent implementation of the BBBEE forestry charter should create an economically enabling environment for implementing the Forestry Enterprise Development (FED) programme. In support of the programme, the department has transferred forests to management agencies, developed an afforestation strategy, and included forestry as a key growth sector in provincial growth and development strategies. Rural livelihoods will be improved through forestry activities like the expansion of the forest estate and the economic benefits derived from timber and non-timber products.

### 1.2.3 Transforming the water and forestry sectors for improved service delivery

Separating the Department's regulatory and implementation functions will, over the next three years, improve governance and service delivery. The Department is currently setting up catchment management agencies and reforming existing water institutions as part of its 10-year restructuring plan. The three catchment management agencies that were set up in 2006 have contributed to localising the water resource management functions and improving public participation in the water sector.

### 1.2.4 Increased awareness of the challenges faced by Africa in the water sector

By participating in international events, such as the World Summit on Sustainable Development in 2002, the Department has drawn attention to the challenges and funding constraints faced by Africa in the water sector and created awareness in the international donor community of the need for

financing large scale infrastructure projects on the continent. The Department continues to further the aims and objectives of the New Partnership for Africa's Development (NEPAD) through its participation in the African Ministerial Council on Water, a technical committee of the African Union.

### **1.3 Comment on major projects undertaken or completed during the year**

Spending on infrastructure is expected to increase from R801 million to R1.9 billion, driven by the additional allocations for: the Olifants River Water Resources Development Project (De Hoop Dam) and related bulk distribution infrastructure; the dam safety rehabilitation programme; and the initial financing of the National Water Resources Infrastructure Agency.

The funds for the implementation phase of the De Hoop Dam project will be fully provided for in the Department's budget development project. For subsequent phases, a portion of the funding will be provided from the financial markets, which will be determined together with commercial user costs. A similar arrangement will be applied for the Mokolo River water resources augmentation project, for which an estimated 75% of the estimated total cost of R1.9 billion will be attributable to commercial users. Funds to complete bulk rural water supply works, including the Inyaka water treatment works, the Nandoni water treatment works and the Hluhluwe Scheme, are to be fully provided from the National Revenue Fund.

Funding for new dams, such as the Nwamitwa Dam, the Mzimkulu Off-Channel Storage Dam and the Zalu Dam, intended to improve water supply to users, is fully provided for in existing baseline allocations. Funding for rehabilitating dams to ensure safety will continue throughout the MTEF period.

### **1.4 Spending trends**

#### **1.4.1 Reasons for under/(over) spending:**

See notes to the Appropriation Statement.

#### **1.4.2 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;
- Ensuring the efficient supply of water services at a local level; and
- Promoting the sustainable management of forests.

### **2.2 Tariff policy**

#### **2.2.1 Water Resources:**

The policy framework for water resources is laid down in chapter 5 of the 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 completed and implemented by a Notice in the Government Gazette for 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 for waste discharges and return flows will be implemented after a money bill has been approved and relevant section of the National

Water Act 1994, is amended and dealt with in the revised pricing strategy.

### **2.2.2 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 Forests Act, 1998 and Treasury regulations 7.3.1 and published in the local and national press.

## **2.3 Free services**

### **2.3.1 Water resources**

Schedule 1 of the National Water Act, 1998 states that 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 conduit controlled by another authorised person.

### **2.3.2 Other services:**

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

### **2.3.3 Inventories:**

See notes to the financial statements.

## **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 employment 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 is addressing the problem of imminent technical skills shortage through the establishment of a Learning Academy which will be an incubator for critical skills development for the Department and the Sector. The desired impact of the Academy is to secure an adequate supply of relevant technical skills in engineering and science to meet the anticipated skills demand in the Department and the Sector.

## **4. UTILISATION OF DONOR FUNDS**

During the 2006/07 financial year, donor funds 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 3, Annex 1N.

These funds were used for the following activities:

- The implementation of water and sanitation infrastructure projects;
- 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 previously operated the following two trading entities:

- Water trading account; and
- Equipment trading account.

### **5.1.1 Water trading account**

This trading entity was established in terms of the old Exchequer Act, 1975 (Act No. 66 of 1975) and the Director-General is the Accounting Officer. The Equipment Trading Account has now been closed and consolidated with the 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. Equipment for the construction and maintenance of Government Water Schemes is also provided from this account

## **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 (TCTA) is a government owned liability management entity, established by the Minister in December 1986, initially to implement the South African portion of the Lesotho Highlands water project and to take over government's responsibility for long-term funding and risk management.

Subsequently, the TCTA's mandate was expanded to:

- Implement and finance the Berg water project;
- Implement and finance the Vaal River Eastern Sub-system Augmentation Project; (VRESAP)
- Provide treasury and financial advisory services to the Department of Water Affairs and Forestry and water management institutions, such as Umgeni; and
- Provide advisory and financial services on Phase II of the Olifants River Water Resources Development Project.

The creation of the National Water Resource Infrastructure Agency through the phased integration of the TCTA and the Department's infrastructure branch is expected to be completed in 2008.

In implementing its projects, the TCTA leverages private sector involvement, develops institutional arrangements for risk allocation, and ensures that all suppliers meet the required socio-economic objectives.

No grants are made to the authority as it is funded by income from 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 strategic objective of the Water Research Commission, established in accordance with section 2 of the Water Research Act, 1971 (Act No. 34 of 1971), is 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 to address a portfolio of key water related needs: 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 area is unique, all areas collectively cover the spectrum of strategically important water related topics.

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, 1999 the Minister of Water Affairs and Forestry is responsible for the approval of the Commission's budget.

### **5.2.3 Catchment Management Agencies (PFMA National Public Entity Schedule 3 – Part A)**

Chapter 7 of the National Water Act, 1998 makes provision for the progressive establishment of catchment management agencies for delegating water resources management to the regional or catchment level and for involving local communities in decision making. The act requires the progressive development of a national water resources strategy that provides the framework for national water resources management and guides the establishment of catchment management agencies in defined water management areas. In addition, the act requires the progressive development of a catchment management strategy for each water management area by each catchment management agency. The agencies are service delivery agencies and are listed in the Public Finance Management Act, 1999 Schedule 3A, as they are established.

So far, the Inkomati Catchment Management Agency has been established and is operational, with a Governing Board, a Chief Executive and first line managers in place. The Department is negotiating the transfer of staff who perform agency functions from the Mpumalanga regional office to the agency. R3.5 million of seed and operational funds have been transferred for start up operations. In 2007/08, the agency will need an estimated R3.5 million supporting funding for operational costs.

The Mvoti to Umzimkulu, the Crocodile West Marico and the Breede catchment management agencies have been established and are expected to be operational in 2007/08. Seed and operational funds amounting to R9 million need to be transferred to these agencies in 2006/07.

Agencies have been established in the Thukela, Usutu to Mhlathuze, Gouritz and Olifants-Doorn water management areas. Processes to nominate the governing boards will begin in 2007/08 and appointments are expected before the end of the year. Requirements for financial support would need to be met in 2008/09.

#### **5.2.4 Water Boards (PFMA National Government Business Enterprises Schedule 3 – Part B)**

##### **Functions**

Water Boards that report to the Minister have been established. The Boards manage water services in their supply areas and provide potable water at cost effective prices. There are currently 15 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 objectives of new policy on Water Boards are to increase their representivity, to rationalise their areas of service and subsequently reunify services, and eventually to extend the mandate of Water Boards to provide a second tier water utility framework over most of South Africa. This tier would be primarily responsible for supplying treated bulk water on a commercial basis.

The impact of the Boards' financial performance on the Department has been limited. Apart from providing seed funding for some of the newly formed Boards and operating subsidies where they have undertaken specific functions on behalf of the Department, financial assistance is only given in exceptional circumstances. The following Water Boards are subsidised for operations and maintenance costs: Botshelo Water, Magalies Water, Sedibeng Water, Bushbuckridge Water and Lepelle Northern Water. These Boards operate water schemes on behalf of the Department in mostly rural areas, which still have to be transferred to municipalities. The Department is providing management funding to Ikangala Water Board.

To be financially independent, the Water Boards 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 of the repayment of capital from revenues over time; and make reasonable provision for future capital requirements and expansions. 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	Umgeni Water

##### **Accountability arrangements**

The Water Boards were established in terms of the Water Act, 1956 (Act No. 54 of 1956) and the Water Services Act, 1997.

These boards are currently administered by the Water Services Act, 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) a Water Board is required to enter into service provision agreements when performing its primary or other activities. These agreements are also intended to serve as a regulatory mechanism to regulate the relationship between the institutions.



In terms of the Public Finance Management Act 1999, Water Boards, as Schedule 3, Public Entities, must submit audited financial statements to National Treasury for each financial year in accordance with 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 this Act.

Water Boards have been set up to be financially independent institutions. In terms of section 34(1) of the Water Services Act, 1997 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 Finance Management Act, 1999, 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 Komati River Basin Water Authority is a statutory body established in terms of the treaty on water resources of the Komati River basin entered into between South Africa and Swaziland. It is governed by the Joint Water Commission, whose members are officials from both governments.

The Komati River Basin Water Authority was responsible for financing, building, operating and maintaining the water resources infrastructure in the Nkomati River basin, comprising the Driekoppies Dam in South Africa and the Maguga Dam in Swaziland, with ancillary works.

The construction of Driekoppies Dam was secured through a loan of R488.4 million from the Development Bank of South Africa, which bears interest of 10% a year, payable biannually in arrears. The capital is payable in 40 equal biannual instalments from March 2001. The liability is secured by a 100% guarantee from the South African government.

The loan of R165 million, structured by a promissory note as agreed by the South African and Swazi governments, is an additional facility to complete the Maguga Dam. It bears interest of 13.1% a year, payable biannually in arrears. The capital and interest are repayable in 30 biannual instalments from June 2002. The liability is fully guaranteed by the South African government. The Swazi government guarantees 40% per cent of the loan to South Africa.

#### **5.3.2 Irrigation Boards and Water User Associations:**

Water User Associations are established in terms of chapter 8 of the National Water Act, 1998 for localised users to manage their water use jointly and in a more integrated way. The act requires that all irrigation boards formed under previous legislation must transform into Water User Associations.

In terms of sections 61 and 62 of the Act, 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. Due to the difficulties of the required stakeholder consultations, as well as to various policy adjustments, the process has been delayed considerably. Of the 279 irrigation boards, some 68 have been transformed into 38 Water User Associations. A further 23 new Water User Associations have been established, most of which are focused on emerging farmers.

In 2005/06, nine Water User Associations were established, six of which were new and three transformed from irrigation boards. The new associations are: Spruit River and Houdenbeks River, Western Cape; Nzhelele, Mutale and Mutshimbwe, Limpopo; and uPhongolo Dam, KwaZulu-Natal. The Western Cape associations include commercial and resource-poor farmers, while the Limpopo associations are made up of resource-poor farmers only. The transformed irrigation boards are Vanwyksdorp and Groenland, Western Cape, and Umlaas, KwaZulu-Natal. All three include resource-poor farmers, and local government is represented on all three management committees.

There are presently a number of Water User Associations using government guaranteed loans with a total value of R300 million. The majority are servicing their debt without threatening the sustainability of their cash flows.

### 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 fulfilment. In terms of section 4(2) of the National Forests Act, 1998, the Minister is the sole trustee of the Trust. The only source of revenue for the Trust is interest earnings.

## 6. ORGANISATIONS TO WHICH TRANSFER PAYMENTS WERE MADE

All entities to which transfer payments have been made are reflected in the notes to the Annual Financial Statements, Note 8, Annex 1E,1F, 1G, 1I, 1J 1K and 1L.

### 6.1 Reasons for Transfer Payments

#### 6.1.1 Grants to Municipalities:

Transfer payments are made to municipalities in accordance with 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 on 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, 2006 (Act No. 2 of 2006).

#### 6.1.2 Departmental Agencies and Accounts: Impala Water User Association (WUA)

The Department had to pay shortfalls in instalment 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 the Department for an amount of R150 million. The basis of their refusal is a challenge to the National Water Act, 1998. 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 the Department's contribution to cover its agreed portion of the legal cost for the various court actions.

#### 6.1.3 Other transfers: Trading Accounts

The Water Trading Account operates within the Department and any losses must be made good from the Exchequer as an augmentation.

## 7. PUBLIC/PRIVATE PARTNERSHIPS (PPPs)

Work has been done on establishing value added industries through a public private partnership (PPP) 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 PPPs regarding the use of State owned dams.

## 8. CORPORATE GOVERNANCE ARRANGEMENTS

### 8.1 Risk management approach

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

### 8.2 Fraud prevention policies

The Fraud Prevention Plan (September 2005), which is a key element of effective and efficient internal control systems, has been developed and is being implemented in the Department.

### 8.3 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, 1999 and are discharging their duties in accordance with the prescribed policies.

#### **8.4 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.

#### **8.5 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.

#### **8.6 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 which reports quarterly.

### **9. DISCONTINUED ACTIVITIES/ACTIVITIES TO BE DISCONTINUED**

The process of transferring water services to water services institutions is nearing completion with the 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 2011/12. Most of these were inherited from the previous homelands.

The Department is in the process of transferring government irrigation 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 operations where the WUAs are managing state-owned infrastructure.

### **10. NEW/PROPOSED ACTIVITIES**

#### **10.1 Water Resources**

The water allocation reform programme was formally launched in April 2005. A public consultation process was followed on the approach to implementation,

and the process of linking the programme with complementary programmes in the Departments of Agriculture (agricultural support) and Land Affairs (land redistribution) was begun. Tools to facilitate water allocation and planning are being developed, and regional implementation plans are being compiled.

The process of validating registered water use has continued, focusing on catchment management areas scheduled for the piloting of the water allocation reform programme. Validation of registered water use was completed in the Inkomati, Olifants and Upper Vaal water management areas, and in the catchments of the Mhlathuze, Jan Dissels (Olifants-Doring), and Mokolo (Limpopo) rivers. The verification of claimed existing lawful use is in progress in all of these catchments areas. The development of draft allocation plans for the Umhlathuze catchment area and the Inkomati water management area has begun and should be completed by the end of 2007/08.

Approximately 150 cases of unlawful water use were dealt with, a number of directives issued, and prosecutions and other appropriate enforcement actions undertaken in the Free State, Western Cape, North West and Northern Cape.

The proposed revision of the 1999 water pricing strategy was completed, and the revised strategy approved by the Minister of Finance. The revised strategy will replace the current one at the beginning of 2007/8.

Between April and December 2006, 244 water use licences were issued for abstracting, impeding or diverting the flow of water in a watercourse and for afforestation, compared to 254 in 2005/06.

Support to resource-poor farmers took the form of rehabilitating irrigation schemes in Eastern Cape, subsidising operation and maintenance costs in KwaZulu-Natal, Northern Cape and Western Cape, and constructing rainwater harvesting tanks in 26 villages in four provinces.

Water conservation and demand management initiatives were undertaken in a number of municipalities, including support for developing and implementing water conservation and water demand management business plans by: Emfuleni Local Municipality, the City of Johannesburg, Ekurhuleni Metro, City of Tshwane and Mogale City (Gauteng); Matjhabeng (Free State); Lephalale Local Municipality (Limpopo); and under way in Umkhanyakude and Zululand district municipalities (KwaZulu-Natal). Regulations for water conservation and water demand management and a water use efficiency information system are currently being implemented to regulate the inefficient use of water and provide monitoring information. This is being done in every province and for all water management area levels.

The Department continued to provide temporary employment through the poverty alleviation programmes. From 1 April to 31 December 2006 it provided:

- Working for Water: 20 422 people, 1 401 974 person days, including about 100 000 training days
- Working on Fire: 1 550 people; 243 273 person days, including 69 339 training days
- Working for Wetlands: 2 186 people; 17 419 person days, including 17 022 training days.

A number of multi-year planning studies have started, including four to develop water management strategies for four large metropolitan areas – Cape Town, greater Johannesburg, Johannesburg-Pretoria, and Buffalo City. Measures to improve the management of the lower Orange River system are being investigated in partnership with Namibia.

The coverage of the National Microbial and Eutrophication Monitoring Programme was extended and designs for radiological, toxicological and sediment monitoring programmes are under way.

The first ministerial meeting of the Orange-Senqu River Commission (involving Botswana, Lesotho, Namibia and South Africa, which all share the Orange River) was held in Lesotho in September 2005. In August 2006, South Africa agreed to host the commission secretariat. The Limpopo River Commission will be formally established as soon as the governments of the four basin-sharing countries (Botswana, Mozambique, South Africa and Zimbabwe) have ratified the agreement to establish the commission.

Cabinet approved the establishment of the National Water Resources Infrastructure Agency in 2005, and the Department is drafting the enabling legislation – the National Water Resources Infrastructure Agency Limited Bill. As an interim measure, a new national water resource infrastructure branch was established in the Department.

The Governing Board and Chief Executive Officer for the Inkomati Catchment Management Agency were appointed. Three other agencies (in the Breede, Crocodile West/Marico and Mvoti-Mzimkulu water management areas) have been established.

The Nandoni water treatment works is 75% completed. Implementation and funding agreements have been concluded with the TCTA for the Berg water project and the Vaal River eastern sub-system augmentation project to increase

water supplies to Eskom and Sasol. The construction of the Berg River Dam is 67% complete and due to be finished by the end of 2007 at an estimated cost of R1.6 billion.

## 10.2 Water Services

Implementation of the strategic framework for water services, as approved by Cabinet in 2003, continues. Various strategies, including those on institutional reform, regulation and support are being developed. The drafting process of the National Water Services Bill, which replaces the Water Services Act, 1997 has begun.

A comprehensive strategy for support to the water sector was developed and approved in 2006/07. The strategy aims to increase the skills pool in the water sector and improve the capacity, systems and procedures of water services authorities to progressively ensure efficient, economical and sustainable access to water services for all consumers.

The regulatory strategy is likely to be approved early in 2007. Although the strategy is still in draft format, drinking water quality regulations are being implemented and some progress has also been made with developing economic and contract regulations. When implemented, the strategy will regulate and support local government and other water services institutions. An institutional reform framework for water service institutions is also being developed, and agreement on an implementation strategy has been reached with sector stakeholders. Final approval should be given in 2007.

As part of its general support strategy, the Department provides continued support to municipalities through capacity building interventions, research, technical assistance and sectoral co-ordination. It has also provided direct assistance to local governments in crisis by developing turnaround plans in conjunction with municipalities and their water service providers.

A strategic assessment of the water sector was initiated to identify strengths, weaknesses and future strategic direction, and the municipal guidelines on ensuring water services to residents on privately owned land was completed.

With the Department of Health, the Department worked on a project to develop a national health and hygiene strategy for water and sanitation services. This was done through a consultative process with all stakeholders. The final draft is awaiting approval by the Department of Health.



The Department is responsible for monitoring the compliance of Water Boards with prescribed legislation, and over the past year, the Department has invested in improving its monitoring and oversight capacity. It launched initiatives to provide financial and technical assistance to Water Boards experiencing difficulties. A major challenge is making sure that Water Boards enter into appropriate long-term service level agreements with their customers, as required by section 78 of the Local Government: Municipal Structures Amendment Act, 2000 (Act No. 33 of 2000).

The Department has continued to support municipalities in delivering basic water and sanitation services, focusing mainly on project and programme management support, drinking water quality management, planning, and information management. Project Consolidate has been used as a vehicle for support to local government, and through this initiative engineers and other technical experts have been deployed and seconded to municipalities to help with service delivery.

### 10.3 Forestry

Cabinet decided to hold back on the privatisation of Komatiland Forests for the foreseeable future. The Department, together with the Departments of Public Enterprises, Land Affairs and National Treasury, and the South African Forestry Company Limited (SAFCOL), as sole shareholder in Komatiland Forests, agreed to a forestry lease transaction between the state, represented by the Department, and Komatiland Forests. The agreement will pave the way for the payment of lease rentals by Komatiland Forests to the state, which will then be made available to land claimant communities upon the successful settlement of their claims. It is expected that the lease will start in January 2008.

The Department approved the policy that guides category B and C plantation transfers. The plantations are packaged into economic business units before transfer. Planning for the transfer of several plantations in Limpopo, Mpumalanga and KwaZulu-Natal has been completed. Specific attention is being given to the transfer of Injaka Plantation in Mpumalanga due to the imminent settlement of two land claims over the state forest areas.

Over 420 000 hectares of mountain catchments, previously designated as state forest land, have been released for transfer to Western Cape in 2006/07, with another 98 000 hectares of coastal grassland and forest areas at St Lucia for transfer and incorporation into the Department of Environmental Affairs and Tourism's Isimangaliso Wetland Park Authority. The Department is at an advanced stage of negotiations with provincial governments about transferring some 144 000 hectares of indigenous forests to Eastern Cape, KwaZulu-Natal

and Mpumalanga. It is expected that an additional 10 000 hectares will be transferred to Limpopo in 2007/08.

Major achievements of the forestry programme included the passing of the Forestry and Fire Laws Amendment Bill by Parliament, developing guidelines supporting the National Forests Act's licensing provisions, approval and development of a compliance and enforcement policy, and finalising the national forest programme framework. A national list of protected tree species and a list of champion trees were approved by the Minister, gazetted, and publicised in the media.

The sustainable management of state plantations is continuing in preparation for the transfer to other beneficiaries. Numerous and extensive fires on plantations, particularly in KwaZulu-Natal, have necessitated extraordinary marketing of affected timber resources. Also of strategic importance is the reduction of temporary unplanted areas, which has continued subject to available resources and favourable weather conditions.

The BBBEE Forestry Charter has been completed and agreed upon with the sector and will be finalised in early 2007. This is the most significant achievement in forestry, since it captures all the key national priorities for the sector, as identified in the Accelerated and Shared Growth Initiative for South Africa (Asgi-SA), the Joint Initiative on Priority Skills Acquisition (JIPSA), and the last two State of the Nation addresses, which specifically called for a strategy for the forest, timber, and paper and pulp sectors.

A strategic environmental assessment was prepared for water management area 12, which includes most of the afforestable land in the Eastern Cape. The assessment identified at least 100 000 hectares of land which could be afforested sustainably, taking into account environmental, economic and social opportunities and constraints. Strategic interventions will facilitate this development including: commissioning a biodiversity plan for the province; close monitoring and management of the afforestation licensing process; establishing a special purpose vehicle (Asgi-SA Eastern Cape (Pty) Ltd) to drive the implementation of the forestry programme; and finalising forestry development protocols to guide all role players on best practices.

Applications for afforestation have increased dramatically, from 800 hectares in 2004 to 1 000 hectares in 2005 and 5 500 hectares in 2006/07.

## 11. EVENTS AFTER THE REPORTING DATE

No significant events occurred after the reporting date.

## 12. PROGRESS WITH FINANCIAL MANAGEMENT IMPROVEMENT

While the Basic Accounting System (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 has, with effect from 3 October 2006, implemented a new enterprise resource planning system (SAP) for the Trading Entity to enable reporting in accordance with Generally Accepted Accounting Principles (GAAP).

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

## 13. PERFORMANCE INFORMATION

The performance information has been submitted.

## 14. APPROVAL

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



**Moshibudi Rampedi**  
**Acting Director-General**  
**25 September 2007**

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE NO. 34 - DEPARTMENT OF WATER AFFAIRS AND FORESTRY FOR THE YEAR ENDED 31 MARCH 2007

## REPORT ON THE FINANCIAL STATEMENTS

### INTRODUCTION

1. I have audited the accompanying financial statements of the Department of Water Affairs and Forestry (DWAF) which comprise the statement of financial position as at 31 March 2007, appropriation statement, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 119 to 187.

### RESPONSIBILITY OF THE ACCOUNTING OFFICER FOR THE FINANCIAL STATEMENTS

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes:
  - designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

### RESPONSIBILITY OF THE AUDITOR-GENERAL

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 40(2) of Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended by Act 29 of 1999, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards

on Auditing and General Notices 646 and 647 of 2007, issued in Government Gazette No. 29919 of 25 May 2007. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.
6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### BASIS OF ACCOUNTING

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

### BASIS FOR QUALIFIED OPINION

#### Property, plant and equipment

9. The department embarked on an exercise to compile a fixed asset register. Due to the extensive asset base and complexities facing the department, this exercise had not been completed adequately by the time of the audit. In addition, the physical verification of assets to the register could not be performed and in certain cases assets procured during the financial year could not be traced to the asset register.

Accordingly, the amounts of R2.189 billion disclosed as property, plant and equipment in note 28 and R53.276 million disclosed as intangible capital assets in note 29 to the annual financial statements could not be substantiated with an adequate fixed asset register. I have therefore

been unable to obtain adequate assurance regarding the validity, completeness and accuracy of the amounts disclosed in the financial statements.

### Loans, receivables and capitalisation reserve

10. An amount of R41.309 million was included in the loans, receivables and capitalisation reserve balances in the statement of financial position. This amount could not be substantiated. As a result loans, receivables and/or the capitalisation reserve could be misstated. This was due to an inadequate monitoring of the take-on balances from the previous manual system.

### Cash and cash equivalents

11. The Bank Exception Account, which is a suspense account used by the department for recording unidentified deposits, amounted to R13.064 million at year-end and was included as part of cash and cash equivalents in the statement of financial position. Not all deposits could be identified timeously by the department as a result of inadequate information. As a result, cash and cash equivalents, receivables and revenue could be misstated.

### Disclosure and other matters

12. Due to a lack of supporting systems in the department to facilitate recording of the necessary information, the following was noted:

- **Accruals**  
The amount of R18.890 million disclosed as accruals in note 22 to the annual financial statements was not complete and accurate, as a material number of invoices relating to services received before year-end were not included. Furthermore, there were instances where invoices paid before year-end were included in the accrual listing. The amount of the misstatement could not be determined.
- **Commitments**  
The amount of R277.920 million disclosed as commitments in note 21 to the annual financial statements was not complete and accurate, as material amounts for contracts awarded and orders placed were not included. Moreover, there were instances where amounts relating to contracts that had expired were included as part of commitments and amounts included could not be substantiated.

Furthermore, commitments for periods longer than one year were not disclosed correctly and in other instances the accumulative expenditure was not deducted from the amounts disclosed.

- **Related parties**  
The department has no proper system or controls in place to quantify or record related party transactions. Accordingly, no disclosure of related party relationships and transactions was made in the notes to the financial statements as required by the framework prescribed by National Treasury.

### Trust – financial information

13. The financial information of the National Forest Recreation and Access Trust for the 2005-06 financial year was included in the financial statements of the department as no separate financial reporting system existed for the trust. As a result, payables and cash and cash equivalents in the prior year were overstated by an amount of R3.175 million.

### Qualified opinion

14. In my opinion, except for the effects of the matters referred to in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Department of Water Affairs and Forestry as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with the modified cash basis of accounting determined by the National Treasury and in the manner required by the PFMA, as described in note 1 of the accounting policies.

### OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

### MATTERS OF GOVERNANCE

#### Expenditure trends

15. The expenditure for the last two months of the year amounted to 28 per cent of the total expenditure. Expenditure was not monitored on a continuous basis during the year. As a result, substantial expenditure increases towards the end of the year had the effect of avoiding the surrendering of unutilised funds.

#### Segregation

16. Inadequate segregation between the main and trading account existed due to the lack of a formal structure and related processes for the trading entity. As a result, a significant number of journals were processed to allocate expenditure between the main and trading account.



## Governance

17. I could not rely on the work of internal audit as planned, as the internal audit reports relating to the work performed on the planned areas of reliance were not completed timeously.

## NON-COMPLIANCE WITH APPLICABLE LEGISLATION

### Division of Revenue Act

18. Due to inadequate planning and budgeting, the transfer agreements with municipalities were not timeously finalised to facilitate the transfers in terms of the Division of Revenue Act, 2006 (Act No. 2 of 2006) (DoRA). As a result, amounts were not always transferred to municipalities according to the allocations of schedules 6 and 7 of DoRA.

As a result of a lack of monitoring and control mechanisms in the department, evidence could not be provided that the performance of programmes funded or partially funded was evaluated in terms of section 25 (6) of DoRA. Furthermore, the annual report of the department did not indicate the extent to which the capacity of any municipality was improved in terms of section 12.3 of DoRA.

### Public Finance Management Act

19. No assurance could be obtained from the department that the eight municipalities to whom advances were made amounting to R49.673 million, included in the prepayments and advances line item in the statement of financial position, had effective, efficient and transparent financial management and internal control systems as required by section 38(1)(j) of the PFMA.

### Departmental policies and procedures

20. The following instances of non-compliance with departmental financial rules relating to the administration of debt, which were due to the inadequate administration and monitoring of these debts, were noted:
- Included in debtors were long outstanding balances that had shown no movement since 2002 and 2003.
  - Debtors were not handed over to the state attorney within 14 days after second reminder.
  - Employees were not terminated timeously on PERSAL upon resignation or death, with the result that 47 per cent of staff debtor balances related to salary overpayments.

## State guarantees

21. Due to a lack of monitoring, instances were identified where employees whose services were terminated were still reflected in the list of state guarantees, as these guarantees were not cancelled with the financial institutions.

## Performance audit reports issued during the year

22. A performance audit was performed on the provision of sanitation services. This performance audit will be tabled separately when finalised.

## Value for money matters

23. The department's human resource plan had not been approved at the time of the audit, although it had a vacancy rate of approximately 19.32 per cent for the year under review.

## Material corrections made to the financial statements submitted for audit

24. The following material corrections were made during the audit process to the financial statements submitted for audit on 31 May 2007, due to inadequate or lack of financial reporting systems:
- An adjustment of R16.980 million was made to increase commitments.
  - R3.435 million relating to financial information of the Trust was taken out of payables and cash & cash equivalents.
  - A provision for irrecoverable loan balances amounting to R36.847 million was made in note 30 to the annual financial statements.

## SCOPA resolutions

25. A hearing attended by SCOPA and the department was held on 13 March 2007. At the date of finalisation of this report the draft resolutions with regard to the 2005-06 financial period had not been adopted.

## Delay in finalisation of audit

26. Due to the national public sector strike action during June 2007, the finalisation of the audit for the 2006-07 financial year was delayed until the date of this report.

## OTHER REPORTING RESPONSIBILITIES

### Reporting on performance information

27. I have audited the performance information as set out on pages 119 to 187.

### Responsibility of the accounting officer

28. The accounting officer has additional responsibilities as required by section 40(3)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the department.

### Responsibility of the Auditor-General

29. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007.

30. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

31. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit conclusions reported below.

### Audit findings

The following deficiencies were noted due to a lack of documented policies and procedures to govern the collection, recording and reporting of performance information:

32. No policies and procedures existed to facilitate effective monitoring, evaluation and corrective action, in contravention of Treasury Regulation 5.3.
33. The financial statements of the department included the performance information of the Water Trading Account as the Water Trading Account did not have separate information. Clearly defined objectives for the department and trading entity were not included in the strategic plan of the department to facilitate proper reporting.
34. Several inconsistencies appeared in the objectives of the strategic plan, budget and annual report. Not all objectives could be measured in terms of percentage of completion, timing, quantity and quality.
35. Information reported in the annual report could not be verified against the predetermined objectives as set out in the strategic plan. Information reported in quarterly reports could not be substantiated by source documents such as closeout reports, feasibility study reports, attendance register of training courses and minutes of meetings.

## APPRECIATION

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



P Bhana for Auditor-General

Pretoria

31 August 2007



A U D I T O R - G E N E R A L

# DEPARTMENT OF WATER AFFAIRS AND FORESTRY VOTE 34

## ACCOUNTING POLICIES for the year ended 31 March 2007

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, 1999 ( Act No. 1 of 1999) (as amended by Act No. 29 of 1999), and the Treasury Regulations issued in terms of the Act and the Division of Revenue Act, 2006 ( Act No. 2 of 2006).

### 1. PRESENTATION OF THE FINANCIAL STATEMENTS

#### 1.1 Basis of preparation

The Financial Statements have been prepared using the 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.

#### 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.

#### 1.5 Comparative figures – Appropriation statement

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

### 2. REVENUE

#### 2.1 Appropriated funds

Appropriated and adjusted 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. 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. Amounts receivable at the reporting date are disclosed in the disclosure notes to the annual financial statements.

##### 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 and 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 and forfeits**

Fines, penalties and 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.

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.

Forex gains are recognised on payment of funds.

**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 as revenue when notification of the assistance is received from the National Treasury or when the Department directly receives the cash from the donor(s).

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. The value of the assistance expensed prior to the receipt of the funds is recognised as a receivable in the statement of financial position.

Inappropriately expensed amounts using local and foreign aid assistance and any unutilised amounts are recognised as payables 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 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 performance<sup>1</sup>.

All other payments are classified as current expense.

Social contributions include the employer's 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 payment is effected on the system.

**3.1.1 Short term employee benefits**

Short term employee benefits comprise leave entitlements (including 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 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 disclosure notes to the financial statements. These amounts are not recognised in the statement of financial performance.

<sup>1</sup>This accounting policy is only relevant where the Department elects to capitalise the compensation paid to employees involved on capital projects.



### **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 (to households) when the 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 expensed when the 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 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 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 for a capital project or an asset of R5 000 or more is purchased. All assets costing less than R5 000 will also be reflected under goods and services.

### **3.3 Interest and rent on land**

Interest and rental payments are recognised as an expense in the statement of financial performance when the 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. If it is not possible to distinguish between payment for the use of land and the fixed structures on it, the whole amount is recorded under goods and services.

### **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 under-spending 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.

Forex losses are recognised on payment of funds.

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 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 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 when the cash is received.

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 disclosure note 36.

### 4.5 Loans

Loans are recognised in the statement of financial position at the nominal amount when cash is paid to the beneficiary. Loan balances are reduced when cash repayments are received from the beneficiary. Amounts that are potentially irrecoverable are included in disclosure note 30.

### 4.6 Inventory

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

### 4.7 Capital assets

A capital asset is recorded on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the capital asset may be stated at fair value. Where fair value cannot be determined, the capital asset is included in the asset register at R1.

Projects (of construction/development) running over more than one financial year relating to assets, are only capitalised as assets on completion of the project and at the total cost incurred over the duration of the project.

Disclosure Notes 28 and 29 reflect the total movement in the asset register for the current financial year.

## 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 and disclosure notes to the financial statements.

### 5.3 Accruals

Accruals represent goods/services that have been received, but no invoice has been received from the supplier at the reporting date, or 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.

### 5.4 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.

### 5.5 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 in a previous financial year becomes recoverable from a debtor in the current financial year.

## 7. RELATED PARTY TRANSACTIONS

Related parties are Departments that control or significantly influence entities 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 utilising 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.

**DEPARTMENT OF WATER AFFAIRS AND FORESTRY  
VOTE 34**

**APPROPRIATION STATEMENT** for the year ended 31 March 2007

Appropriation per programme									
	2006/07							2005/06	
	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
<b>1. Administration</b>									
Current payment	459 844	(11 950)	28 078	475 972	460 644	15 328	96.8%	327 867	249 738
Transfers and subsidies	742	11 950	16 471	29 163	28 826	337	98.8%	20 967	8 820
Payment for capital assets	49 084	-	(11 824)	37 260	37 259	1	100.0%	21 039	19 820
<b>2. Water Resource Management</b>									
Current payment	1 042 810	(27 747)	(46 677)	968 386	966 801	1 585	99.8%	626 721	534 771
Transfers and subsidies	1 040 007	142 347	(10 103)	1 172 251	871 887	300 364	74.4%	678 430	670 480
Payment for capital assets	154 450	(114 600)	(6 057)	33 793	33 791	2	100.0%	308 443	298 213
<b>3. Water Services</b>									
Current payment	823 374	95 724	39 340	958 438	958 438	-	100.0%	362 355	352 883
Transfers and subsidies	599 142	(95 724)	1 979	505 397	471 573	33 824	93.3%	1 068 608	1 071 612
Payment for capital assets	42 450	-	(17 299)	25 151	24 747	404	98.4%	93 932	86 503
<b>4. Forestry*</b>									
Current payment	439 161	(12 807)	(192)	426 162	423 811	2 351	99.4%	398 045	398 542
Transfers and subsidies	226	12 807	-	13 033	13 029	4	100.0%	17 504	17 785
Payment for capital assets	9 013	-	(4 160)	4 853	4 400	453	90.7%	8 395	4 592
<b>5. Thefts and Losses</b>									
Current payment	-	-	10 444	10 444	10 444	-	100.0%	3 330	3 329
<b>Subtotal</b>	<b>4 660 303</b>	<b>-</b>	<b>-</b>	<b>4 660 303</b>	<b>4 305 650</b>	<b>354 653</b>	<b>92.4%</b>	<b>3 935 636</b>	<b>3 717 088</b>

Appropriation per programme									
	2006/07							2005/06	
	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
<b>TOTAL</b>	4 660 303	-	-	4 660 303	4 305 650	354 653	92.4%	3 935 636	3 717 088
<b>Reconciliation with Statement of Financial Performance</b>									
<b>Add:</b>									
Departmental receipts				183 624				129 308	
Local and foreign aid assistance received				239 229				245 314	
<b>Actual amounts per Statements of Financial Performance (Total revenue)</b>				5 083 156				4 310 258	
<b>Add:</b>									
Local and foreign aid assistance					285 675				172 062
<b>Actual amounts per Statements of Financial Performance (Total expenditure)</b>					4 591 325				3 889 150

\*Due to budget restructuring, comparative figures cannot be aligned to the current year's programme structure



**DEPARTMENT OF WATER AFFAIRS AND FORESTRY  
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**APPROPRIATION STATEMENT** for the year ended 31 MARCH 2007

Appropriation per economic classification									
	2006/07							2005/06	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
Adjusted	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	1 281 231	(17 699)	(18 791)	1 244 741	1 226 416	18 325	98.5%	769 612	681 111
Goods and services	1 482 257	61 763	39 340	1 583 360	1 582 431	929	99.9%	943 771	854 665
Interest and rent on land	1 701	(844)	-	857	847	10	98.8%	1 605	158
Financial transactions in assets and liabilities	-	-	10 444	10 444	10 444	-	100.0%	3 330	3 329

Appropriation per economic classification									
	2006/07							2005/06	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
Adjusted	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Transfers and subsidies</b>									
Provinces and municipalities	501 711	(95 752)	-	405 959	386 680	19 279	95.3%	1 073 242	1 074 608
Departmental agencies and accounts	1 002 069	117 225	8 347	1 127 641	827 377	300 264	73.4%	670 672	670 163
Foreign governments and international organisations	3 500	-	-	3 500	3 500	-	100.0%	-	-
Public corporations and private enterprises	102 234	34 307	-	136 541	121 703	14 838	89.1%	-	6 891
Non-profit institutions	-	150	-	150	150	-	100.0%	-	2
Households	30 603	15 450	-	46 053	45 905	148	99.7%	41 595	17 033
<b>Payments for capital assets</b>									
Buildings and other fixed structures	139 899	(115 373)	(772)	23 754	23 567	187	99.2%	379 787	363 254
Machinery and equipment	98 723	(656)	(32 183)	65 884	65 271	613	99.1%	32 397	32 381
Biological or cultivated assets	-	-	-	-	-	-	0.0%	25	30
Software and other intangible assets	16 375	1 429	(6 385)	11 419	11 359	60	99.5%	19 600	13 463
<b>Total</b>	<b>4 660 303</b>	<b>-</b>	<b>-</b>	<b>4 660 303</b>	<b>4 305 650</b>	<b>354 653</b>	<b>92.4%</b>	<b>3 935 636</b>	<b>3 717 088</b>

**DEPARTMENT OF WATER AFFAIRS AND FORESTRY  
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**DETAIL PER PROGRAMME 1: ADMINISTRATION** for the year ended 31 March 2007

Programme per subprogramme	2006/07							2005/06	
	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
<b>1.1 Minister</b>									
Current payment	887	191	-	1 078	1 078	-	100.0%	923	923
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets	-	-	-	-	-	-	0.0%	-	-
<b>1.2 Management</b>									
Current payment	88 941	(2 563)	(18 791)	67 587	53 533	14 054	79.2%	97 732	27 092
Transfers and subsidies	28	(7)	16 471	16 492	16 434	58	99.6%	256	256
Payment for capital assets	185	1 310	-	1 495	1 494	1	99.9%	211	211
<b>1.3 Corporate Services</b>									
Current payment	201 655	(1 429)	9 776	210 002	209 830	172	99.9%	164 858	157 935
Transfers and subsidies	697	11 957	-	12 654	12 390	264	97.9%	20 695	8 557
Payment for capital assets	10 666	583	-	11 249	11 249	-	100.0%	9 710	8 491
<b>1.4 Information Services</b>									
Current payment	69 382	(191)	37 093	106 284	105 182	1 102	99.0%	64 354	63 788
Transfers and subsidies	17	-	-	17	2	15	11.8%	16	7
Payment for capital assets	38 233	(1 893)	(11 824)	24 516	24 516	-	100.0%	11 118	11 118
<b>1.5 Property Management</b>									
Current payment	98 979	(7 958)	-	91 021	91 021	-	100.0%	-	-
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets	-	-	-	-	-	-	0.0%	-	-
<b>Total</b>	<b>509 670</b>	<b>-</b>	<b>32 725</b>	<b>542 395</b>	<b>526 729</b>	<b>15 666</b>	<b>97.1%</b>	<b>369 873</b>	<b>278 378</b>

Economic Classification	2006/07							2005/06	
	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
<b>Current payment</b>									
Compensation of employees	208 702	(61 095)	(18 791)	128 816	113 495	15 321	88.1%	180 017	105 605
Goods and services	251 142	49 145	46 869	347 156	347 149	7	100.0%	147 850	144 750
<b>Transfers and subsidies to:</b>									
Provinces and municipalities	122	-	-	122	98	24	80.3%	477	333
Departmental agencies and accounts	620	-	-	620	356	264	57.4%	514	-
Households	-	11 950	16 471	28 421	28 372	49	99.8%	19 976	8 490
<b>Payment for capital assets</b>									
Buildings and other fixed structures	2 957	2 503	-	5 460	5 459	1	100.0%	4 341	5 151
Machinery and equipment	37 364	(4 409)	(7 392)	25 563	25 563	-	100.0%	177	4 343
Software and other intangible assets	8 763	1 906	(4 432)	6 237	6 237	-	100.0%	16 521	9 706
<b>Total</b>	<b>509 670</b>	<b>-</b>	<b>32 725</b>	<b>542 395</b>	<b>526 729</b>	<b>15 666</b>	<b>97.1%</b>	<b>369 873</b>	<b>278 378</b>

**DEPARTMENT OF WATER AFFAIRS AND FORESTRY  
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**DETAIL PER PROGRAMME 2: WATER RESOURCES MANAGEMENT** for the year ended 31 March 2007

Programme per subprogramme	2006/07							2005/06	
	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
<b>2.1 Equitable Supply</b>									
Current payment	124 579	97 547	-	222 126	220 935	1 191	99.5%	140 315	120 309
Transfers and subsidies	12 315	2 988	(7 028)	8 275	8 256	19	99.8%	13 206	8 533
Payment for capital assets	1 637	6	-	1 643	1 643	-	100.0%	1 250	575
<b>2.2 Protection Policies</b>									
Current payment	31 307	3 801	-	35 108	35 108	-	100.0%	47 148	33 865
Transfers and subsidies	7	-	-	7	4	3	57.1%	34	27
Payment for capital assets	598	(6)	(214)	378	378	-	100.0%	643	418
<b>2.3 Institutional Regulations</b>									
Current payment	18 787	(874)	-	17 913	17 913	-	100.0%	19 666	11 219
Transfers and subsidies	7 021	-	-	7 021	7 004	17	99.8%	3 420	10
Payment for capital assets	752	-	(634)	118	118	-	100.0%	1 071	1 071
<b>2.4 Strategic Alignment</b>									
Current payment	133 425	(37 287)	-	96 138	96 076	62	99.9%	110 208	87 576
Transfers and subsidies	360	(191)	-	169	54	115	32.0%	132	132
Payment for capital assets	19 980	-	(4 108)	15 872	15 872	-	100.0%	7 407	7 407
<b>2.5 African Co-operation</b>									
Current payment	8 493	(1 920)	-	6 573	6 512	61	99.1%	12 313	10 578
Transfers and subsidies	3 521	-	-	3 521	3 500	21	99.4%	15	4
Payment for capital assets	85	-	(77)	8	8	-	100.0%	337	44
<b>2.6 Water Resource Administration</b>									
Current payment	21 779	1 864	-	23 643	23 643	-	100.0%	21 844	21 439
Transfers and subsidies	102	2	-	104	14	90	13.5%	77	44
Payment for capital assets	336	-	(77)	259	258	1	99.6%	424	130



Programme per subprogramme	2006/07							2005/06	
	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
<b>2.7 Sustainable Supply</b>									
Current payment	459 653	(101 504)	(14 051)	344 098	344 098	-	100.0%	39 908	39 813
Transfers and subsidies	713 799	139 248	(11 422)	841 625	541 528	300 097	64.3%	30	934
Payment for capital assets	114 742	(112 540)	-	2 202	2 201	1	100.0%	282 906	275 144
<b>2.8 Protection Measures</b>									
Current payment	1 929	(187)	-	1 742	1 742	-	100.0%	3 190	2 148
Transfers and subsidies	1	-	-	1	-	1	0.0%	-	1
Payment for capital assets	70	-	(65)	5	5	-	100.0%	-	-
<b>2.9 Institutional Development</b>									
Current payment	5 821	1 735	-	7 556	7 556	-	100.0%	12 417	12 494
Transfers and subsidies	3	31	-	34	32	2	94.1%	24	42
Payment for capital assets	850	(65)	(755)	30	30	-	100.0%	1 170	189
<b>2.10 Stakeholder Empowerment</b>									
Current payment	129 301	5 025	-	134 326	134 075	251	99.8%	120 172	108 586
Transfers and subsidies	167	283	-	450	450	-	100.0%	532	532
Payment for capital assets	10 683	537	-	11 220	11 220	-	100.0%	11 074	11 074
<b>2.11 Water Resource Support</b>									
Current payment	107 736	4 053	(32 626)	79 163	79 163	-	100.0%	99 540	86 743
Transfers and subsidies	51	(14)	-	37	37	-	100.0%	7 783	7 044
Payment for capital assets	4 717	(2 532)	(127)	2 058	2 058	-	100.0%	2 161	2 161
<b>2.12 Operation of Water Resources</b>									
Current payment	-	-	-	-	(20)	20	0.0%	-	1
Transfers and subsidies	302 660	-	8 347	311 007	311 008	(1)	100.0%	635 427	635 427
Payment for capital assets	-	-	-	-	-	-	0.0%	-	-
<b>2.13 Capital Equipment</b>									
Current payment	-	-	-	-	-	-	0.0%	-	-
Transfers and subsidies	-	-	-	-	-	-	0.0%	17 750	17 750
Payment for capital assets	-	-	-	-	-	-	0.0%	-	-
<b>Total</b>	<b>2 237 267</b>	<b>-</b>	<b>(62 837)</b>	<b>2 174 430</b>	<b>1 872 479</b>	<b>301 951</b>	<b>86.1%</b>	<b>1 613 594</b>	<b>1 503 464</b>

Economic Classification	2006/07							2005/06	
	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
<b>Current payment</b>									
Compensation of employees	272 461	(2 420)	-	270 041	268 728	1 313	99.5%	231 299	240 221
Goods and services	770 339	(25 327)	(46 869)	698 143	697 881	262	100.0%	395 412	294 546
Interest and rent on land	10	-	192	202	192	10	95.0%	10	1
<b>Transfers and subsidies to:</b>									
Provinces and municipalities	955	(28)	-	927	665	262	71.7%	3 634	1 910
Departmental agencies and accounts	1 001 449	117 225	8 347	1 127 021	827 021	300 000	73.4%	653 177	653 182
Foreign governments and international organisations	3 500	-	-	3 500	3 500	-	100.0%	-	-
Public corporations and private enterprises	3 500	21 500	-	25 000	24 997	3	100.0%	-	6 891
Non-profit institutions	-	150	-	150	150	-	100.0%	-	-
Households	30 603	3 500	(18 450)	15 653	15 554	99	99.4%	21 619	8 492
<b>Capital</b>									
Buildings and other fixed structures	117 850	(116 346)	(566)	668	666	2	99.7%	285 363	273 124
Machinery and equipment	29 508	3 210	(3 637)	29 081	29 081	-	100.0%	20 121	21 683
Software and other intangible assets	7 362	(1 464)	(1 854)	4 044	4 044	-	100.0%	2 959	3 414
<b>Total</b>	<b>2 237 267</b>	<b>-</b>	<b>(62 837)</b>	<b>2 174 430</b>	<b>1 872 479</b>	<b>301 951</b>	<b>86.1%</b>	<b>1 613 594</b>	<b>1 503 464</b>

**DEPARTMENT OF WATER AFFAIRS AND FORESTRY  
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**DETAIL PER PROGRAMME 3: WATER SERVICES** for the year ended 31 March 2007

Programme per subprogramme	2006/07							2005/06	
	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
<b>3.1 Provisioning Services</b>									
Current payment	2 999	445	-	3 444	3 444	-	100.0%	2 999	3 301
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets	-	-	-	-	-	-	0.0%	-	34
<b>3.2 Water Sector Policies</b>									
Current payment	43 951	(1 606)	-	42 345	42 345	-	100.0%	40 986	40 986
Transfers and subsidies	20	-	-	20	6	14	30.0%	24	25
Payment for capital assets	615	-	-	615	403	212	65.5%	702	410
<b>3.3 Institutional Policies</b>									
Current payment	10 839	(917)	-	9 922	9 922	-	100.0%	7 907	6 525
Transfers and subsidies	6	-	-	6	2	4	33.3%	7	6
Payment for capital assets	-	12	-	12	12	-	100.0%	-	64
<b>3.4 Transfer Policies</b>									
Current payment	-	-	-	-	-	-	0.0%	-	-
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets	-	-	-	-	-	-	0.0%	-	-
<b>3.5 African Initiative</b>									
Current payment	100	-	-	100	100	-	100.0%	192	195
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets	-	-	-	-	-	-	0.0%	-	-
<b>3.6 Water Services Administration</b>									
Current payment	10 130	(1 251)	-	8 879	8 879	-	100.0%	9 165	7 818
Transfers and subsidies	14	-	-	14	4	10	28.6%	12	13
Payment for capital assets	39	(10)	-	29	29	-	100.0%	62	36

Programme per subprogramme	2006/07							2005/06	
	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
<b>3.7 Water and Sanitation Services</b>									
Current payment	18 038	(777)	-	17 261	17 261	-	100.0%	117 243	117 404
Transfers and subsidies	44	-	-	44	1	43	2.3%	-	3 002
Payment for capital assets	50	7 924	(50)	7 924	7 924	-	100.0%	84 178	80 044
<b>3.8 Water Sector Support</b>									
Current payment	74 178	23 215	-	97 393	97 393	-	100.0%	65 454	67 662
Transfers and subsidies	127	-	3	130	27	103	20.8%	114	94
Payment for capital assets	1 019	2 128	(222)	2 925	2 925	-	100.0%	1 792	580
<b>3.9 Institutional Support</b>									
Current payment	45 447	(12 667)	-	32 780	32 780	-	100.0%	45 281	43 492
Transfers and subsidies	88	-	2	90	12	78	13.3%	47	44
Payment for capital assets	729	5 120	(654)	5 195	5 195	-	100.0%	2 306	1 458
<b>3.10 Transfers</b>									
Current payment	18 105	11 619	-	29 724	29 724	-	100.0%	10 433	10 433
Transfers and subsidies	5	5 281	617	5 903	5 903	-	100.0%	-	48
Payment for capital assets	85	64	(44)	105	(67)	172	63.8%	3 931	3 930
<b>3.11 African Participation</b>									
Current payment	300	(300)	-	-	-	-	0.0%	-	-
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets	-	-	-	-	-	-	0.0%	-	-
<b>3.12 Water Services Support</b>									
Current payment	105 254	(25 314)	-	79 940	79 940	-	100.0%	62 695	55 067
Transfers and subsidies	125	-	16	141	214	(73)	151.8%	71	47
Payment for capital assets	534	302	(136)	700	692	8	98.9%	961	(53)
<b>3.13 Operation of Water Services</b>									
Current payment	494 033	103 277	39 340	636 650	636 650	-	100.0%	-	-
Transfers and subsidies	598 713	(101 005)	1 341	499 049	465 404	33 645	93.3%	1 068 333	1 068 333
Payment for capital assets	39 379	(15 540)	(16 193)	7 646	7 634	12	99.8%	-	-
<b>Total</b>	<b>1 464 966</b>	<b>-</b>	<b>24 020</b>	<b>1 488 986</b>	<b>1 454 758</b>	<b>34 228</b>	<b>97.7%</b>	<b>1 524 895</b>	<b>1 510 998</b>

Economic Classification	2006/07							2005/06	
	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
<b>Current</b>									
Compensation of employees	526 741	63 218	-	589 959	589 959	-	100.0%	83 307	85 022
Goods and services	296 633	32 506	39 340	368 479	368 479	-	100.0%	279 048	267 247
<b>Transfers and subsidies</b>									
Provinces and municipalities	500 408	(95 724)	-	404 684	385 695	18 989	95.3%	1 068 608	1 071 561
Public corporations & private enterprises	98 734	-	-	98 734	83 899	14 835	85.0%	-	-
Non-profit institutions	-	-	-	-	-	-	0.0%	-	2
Households	-	-	1 979	1 979	1 979	-	100.0%	-	49
<b>Capital</b>									
Buildings and other fixed structures	19 362	(1 530)	(206)	17 626	17 442	184	99.0%	90 083	84 901
Machinery and equipment	22 838	543	(16 994)	6 387	6 227	160	97.5%	3 704	2 115
Biological or Cultivated assets	-	-	-	-	-	-	0.0%	25	-
Software and other intangible assets	250	987	(99)	1 138	1 078	60	94.7%	120	101
<b>Total</b>	<b>1 464 966</b>	<b>-</b>	<b>24 020</b>	<b>1 488 986</b>	<b>1 454 758</b>	<b>34 228</b>	<b>97.7%</b>	<b>1 524 895</b>	<b>1 510 998</b>



**DEPARTMENT OF WATER AFFAIRS AND FORESTRY  
VOTE 34**

**DETAIL PER PROGRAMME 4: FORESTRY** for the year ended 31 March 2007

Programme per subprogramme	2006/07							2005/06	
	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
<b>4.1 Forestry Oversight</b>									
Current payment	15 803	(1 559)	-	14 244	14 244	-	100.0%	821	256
Transfers and subsidies	13	-	-	13	5	8	38.5%	-	-
Payment for capital assets	442	-	(426)	16	16	-	100.0%	-	-
<b>4.2 Forestry Development</b>									
Current payment	10 074	(4 873)	-	5 201	5 201	-	100.0%	219	6
Transfers and subsidies	10	-	-	10	1	9	10.0%	-	-
Payment for capital assets	69	(41)	-	28	17	11	60.7%	-	7
<b>4.3 Fire Regulation &amp; Oversight</b>									
Current payment	4 562	(1 823)	-	2 739	2 739	-	100.0%	12 732	12 522
Transfers and subsidies	4	-	-	4	1	3	25.0%	26	21
Payment for capital assets	25	(12)	-	13	13	-	100.0%	386	309
<b>4.4 State Fores Trnsf &amp; Reg</b>									
Current payment	6 865	(3 630)	-	3 235	3 235	-	100.0%	669	767
Transfers and subsidies	8	-	-	8	-	8	0.0%	4	1
Payment for capital assets	100	(86)	-	14	14	-	100.0%	24	-
<b>4.5 State Forest Management</b>									
Current payment	2 092	(1 663)	-	429	429	-	100.0%	1 167	1 167
Transfers and subsidies	1	-	-	1	-	1	0.0%	-	3
Payment for capital assets	20	(20)	-	-	-	-	0.0%	-	-
<b>4.6 Forestry Management Support</b>									
Current payment	3 173	3 903	-	7 076	5 664	1 412	80.0%	8 447	8 447
Transfers and subsidies	11	200	-	211	202	9	95.7%	7	10
Payment for capital assets	60	184	-	244	244	-	100.0%	85	82

Programme per subprogramme	2006/07							2005/06	
	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
<b>4.7 Forestry Governance</b>									
Current payment	2 397	7 247	-	9 644	9 365	279	97.1%	269 131	265 754
Transfers and subsidies	-	-	-	-	1	(1)	0.0%	236	665
Payment for capital assets	-	5	-	5	5	-	100.0%	2 673	3 721
<b>4.8 Community Empowerment</b>									
Current payment	21 447	(1 133)	-	20 314	20 314	-	100.0%	56 322	72 727
Transfers and subsidies	19	-	-	19	6	13	31.6%	186	(2 943)
Payment for capital assets	389	(185)	-	204	204	-	100.0%	3 291	102
<b>4.9 Fire Governance</b>									
Current payment	2 537	(1 960)	-	577	577	-	100.0%	2 067	288
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	1
Payment for capital assets	-	-	-	-	-	-	0.0%	-	6
<b>4.10 State Forest Admin &amp; Oversight</b>									
Current payment	22 912	(739)	-	22 173	22 173	-	100.0%	-	-
Transfers and subsidies	36	-	-	36	-	36	0.0%	-	-
Payment for capital assets	345	(287)	-	58	58	-	100.0%	-	-
<b>4.11 Sustainable Forest Management</b>									
Current payment	309 928	(7 512)	(192 )	302 224	302 224	-	100.0%	23 727	22 789
Transfers and subsidies	92	12 607	-	12 699	12 801	(102)	100.8%	54	3 027
Payment for capital assets	7 061	(2 279)	(3 734)	1 048	606	442	57.8%	1 595	236
<b>4.12 Forestry Support Serv</b>									
Current payment	37 371	935	-	38 306	37 646	660	98.3%	22 743	13 819
Transfers and subsidies	32	-	-	32	12	20	37.5%	16 991	17 000
Payment for capital assets	502	2 721	-	3 223	3 223	-	100.0%	341	129
<b>Total</b>	<b>448 400</b>	<b>-</b>	<b>(4 352)</b>	<b>444 048</b>	<b>441 240</b>	<b>2 808</b>	<b>99.4%</b>	<b>423 944</b>	<b>420 919</b>

Economic Classification	2006/07							2005/06	
	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
<b>Current</b>									
Compensation of employees	273 327	(17 402)	-	255 925	254 234	1 691	99.3%	274 989	250 263
Goods and services	164 143	5 439	-	169 582	168 922	660	99.6%	121 461	148 122
Interest and rent on land	1 691	(844)	(192)	655	655	-	100.0%	1 595	157
<b>Transfers &amp; subsidies</b>									
Provinces & municipalities	226	-	-	226	222	4	98.2%	523	804
Dept agencies & accounts	-	-	-	-	-	-	0.0%	16 981	16 981
Public corporations & private enterprises	-	12 807	-	12 807	12 807	-	100.0%	-	-
Households	-	-	-	-	-	-	0.0%	-	2
<b>Capital</b>									
Buildings & other fixed structures	-	-	-	-	-	-	0.0%	-	78
Machinery & equipment	9 013	-	(4 160)	4 853	4 400	453	90.7%	8 395	4 240
Biological or Cultivated assets	-	-	-	-	-	-	0.0%	-	30
Software & other intangible assets	-	-	-	-	-	-	0.0%	-	242
<b>Total</b>	<b>448 400</b>	<b>-</b>	<b>(4 352)</b>	<b>444 048</b>	<b>441 240</b>	<b>2 808</b>	<b>99.4%</b>	<b>423 944</b>	<b>420 919</b>

**DEPARTMENT OF WATER AFFAIRS AND FORESTRY  
VOTE 34**

**DETAIL PER PROGRAMME 5: THEFT AND LOSSES** for the year ended 31 March 2007

Programme per subprogramme	2006/07							2005/06	
	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
<b>5.1 Thefts and Losses* Cur</b>									
Current payment	-	-	10 444	10 444	10 444	-	100.0%	3 330	3 329
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Payment for capital assets	-	-	-	-	-	-	0.0%	-	-
<b>Total</b>	-	-	10 444	10 444	10 444	-	100.0%	3 330	3 329

Economic Classification	2006/07							2005/06	
	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
<b>Current</b>									
Financial transactions in assets and liabilities	-	-	10 444	10 444	10 444	-	100.0%	3 330	3 329
<b>Total</b>	-	-	10 444	10 444	10 444	-	100.0%	3 330	3 329

## DEPARTMENT OF WATER AFFAIRS AND FORESTRY VOTE 34

### NOTES TO THE APPROPRIATION STATEMENT for the year ended 31 March 2007

#### 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 (A-K) 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.

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

4.1 Per Programme	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	
Administration	542 395	526 729	15 666	3%
The under spending is mainly attributed to the transfer of staff to municipalities which could not be completed due to protracted negotiations with receiving municipalities and funds will be rolled over to 2007/08 financial year.				
Water Resources	2 174 430	1 872 479	301 951	14%
The under spending is mainly attributed to the De Hoop Dam Project that could not commence as planned as a result of delays in finalising the Environmental Impact Assessment.				
Water Services	1 488 986	1 454 758	34 228	2%
The under spending is mainly due to delays in finalising transfer agreements with local government in respect of transfer of schemes.				
Forestry	444 048	441 240	2 808	1%
Insignificant variance				



#### 4.2 Per Economic Classification

	2006/07	2005/06
	R'000	R'000
<b>Current payment:</b>		
Compensation of employees	18 325	88 501
Goods and services	929	89 106
Interest and rent on land	10	1 447
Financial transactions in assets and liabilities	0	1
<b>Transfers and subsidies:</b>		
Provinces and municipalities	19 279	(1 366)
Departmental agencies and accounts	300 264	509
Foreign governments and international organisations	14 838	(6 891)
Non-profit institutions	0	(2)
Households	148	24 562
<b>Payments for capital assets:</b>		
Buildings and other fixed structures	187	16 533
Machinery and equipment	613	16
Biological or cultivated assets	0	(5)
Software and other intangible assets	60	6 137

## DEPARTMENT OF WATER AFFAIRS AND FORESTRY VOTE 34

### STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2007

	Note	2006/07 R'000	2005/06 R'000
<b>REVENUE</b>			
Annual appropriation	1	4 660 303	3 935 636
Departmental revenue	2	183 624	129 308
Local and foreign aid assistance	3	239 229	245 314
<b>TOTAL REVENUE</b>		<b>5 083 156</b>	<b>4 310 258</b>
<b>EXPENDITURE</b>			
<b>Current expenditure</b>			
Compensation of employees	4	1 226 416	681 111
Goods and services	5	1 582 431	854 665
Interest and rent on land	6	847	158
Financial transactions in assets and liabilities	7	10 444	3 329
Local and foreign aid assistance	3	270 984	150 485
<b>Total current expenditure</b>		<b>3 091 122</b>	<b>1 689 748</b>
<b>Transfers and subsidies</b>	8	<b>1 385 315</b>	<b>1 768 697</b>
<b>Expenditure for capital assets</b>			
Buildings and other fixed structures	9	23 567	363 254
Machinery and equipment	9	65 271	32 381
Biological or cultivated assets	9	-	30
Software and other intangible assets	9	11 359	13 463
Local and foreign aid assistance	3	14 691	21 577
<b>Total expenditure for capital assets</b>		<b>114 888</b>	<b>430 705</b>
<b>TOTAL EXPENDITURE</b>		<b>4 591 325</b>	<b>3 889 150</b>

	Note	2006/07 R'000	2005/06 R'000
<b>SURPLUS/(DEFICIT)</b>		<b>491 831</b>	<b>421 108</b>
Add back unauthorised expenditure	10	-	3 782
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>491 831</b>	<b>424 890</b>
<b>Reconciliation of Surplus/(Deficit) for the year</b>			
Voted Funds to be surrendered to the revenue fund	15	354 653	222 330
Departmental Revenue	2	183 624	129 308
Local and foreign aid assistance	3	(46 446)	73 252
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>491 831</b>	<b>424 890</b>

**DEPARTMENT OF WATER AFFAIRS AND FORESTRY  
VOTE 34**

**STATEMENT OF FINANCIAL POSITION**

for the year ended 31 March 2007

	Note	2006/07 R'000	2005/06 R'000
<b>ASSETS</b>			
<b>Current assets</b>		626 051	650 703
Unauthorised expenditure	10	18 671	18 671
Cash and cash equivalents	11	356 616	255 617
Prepayments and advances	12	60 505	12 420
Receivables	13	161 349	333 706
Loans	14	6 695	17 954
Local and foreign aid assistance receivable	3	22 215	12 335
<b>Non-current assets</b>		148 422	174 981
Loans	14	148 422	174 981
<b>TOTAL ASSETS</b>		<u>774 473</u>	<u>825 684</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		616 437	630 195
Voted funds to be surrendered to the Revenue Fund	15	354 652	222 330
Departmental revenue to be surrendered to the Revenue Fund	16	30 510	(1 024)
Payables	17	208 190	349 238
Local and foreign aid assistance repayable		-	59 651
Local and foreign aid assistance unutilised	3	23 085	-
<b>TOTAL LIABILITIES</b>		<u>616 437</u>	<u>630 195</u>
<b>NET ASSETS</b>		<u>158 036</u>	<u>195 489</u>

Note	2006/07 R'000	2005/06 R'000
<b>Represented by:</b>		
Capitalisation reserve	155 117	192 935
Recoverable revenue	2 919	2 554
<b>TOTAL</b>	<u>158 036</u>	<u>195 489</u>

## DEPARTMENT OF WATER AFFAIRS AND FORESTRY VOTE 34

### STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2007

	Note	2006/07 R'000	2005/06 R'000
<b>Capitalisation Reserves</b>			
Opening balance		192 935	243 228
Transfers		(37 818)	(50 293)
Closing balance		155 117	192 935
<b>Recoverable revenue</b>			
Opening balance		2 554	4 509
Transfers:			
Irrecoverable amounts written off	7.4	(395)	(1 021)
Debts recovered (included in departmental revenue)		(1 560)	(2 850)
Debts raised		2 320	1 916
Closing balance		2 919	2 554
<b>TOTAL</b>		158 036	195 489

## CASH FLOW STATEMENT

for the year ended 31 March 2007

	Note	2006/07 R'000	2005/06 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts			
Annual appropriated funds received	1.1	4 660 303	3 935 636
Departmental revenue received		183 151	129 274
Local and foreign aid assistance received	3	239 229	245 314
		5 082 683	4 310 224
Net (increase)/decrease in working capital		(16 776)	(17 208)
Surrendered to Revenue Fund		(374 421)	(128 857)
Current payments		(3 091 122)	(1 689 748)
Transfers and subsidies paid		(1 385 315)	(1 768 697)
<b>Net cash flow available from operating activities</b>	18	215 049	705 714
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets		(114 888)	(430 705)
Proceeds from sale of capital assets	2	473	34
(Increase)/decrease in loans		37 818	50 293
<b>Net cash flows from investing activities</b>		(76 597)	(380 378)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase/(decrease) in net assets		(37 453)	(52 248)
<b>Net cash flows from financing activities</b>		(37 453)	(52 248)
Net increase/(decrease) in cash and cash equivalents		100 999	273 088
Cash and cash equivalents at the beginning of the period		255 617	(17 471)
<b>Cash and cash equivalents at end of period</b>	19	356 616	255 617

# DEPARTMENT OF WATER AFFAIRS AND FORESTRY VOTE 34

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2007

### 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:

Programmes	Final Appropriation 2006/07	Actual Funds Received 2006/07	Funds not requested/ received 2006/07	Appropriation received 2005/06
	R'000	R'000	R'000	R'000
Administration	542 395	542 395	-	369 873
Water Resources Management	2 174 430	2 174 430	-	1 613 594
Water Services	1 488 986	1 488 986	-	1 524 895
Forestry	444 048	444 048	-	423 944
Thefts and Losses	10 444	10 444	-	3 330
<b>Total</b>	<b>4 660 303</b>	<b>4 660 303</b>	<b>-</b>	<b>3 935 636</b>

#### 1.2 Conditional grants

	Note	2006/07 R'000	2005/06 R'000
Total grants received	Annex 1A	-	1 068 333
Provincial grants included in Total Grants received		-	1 068 333

### 2. Departmental revenue to be surrendered to revenue fund Description

	Note	2006/07 R'000	2005/06 R'000
Sales of goods and services other than capital assets	2.1	51 379	49 063
Fines, penalties and forfeits	2.2	1	6
Interest, dividends and rent on land	2.3	27 507	31 652
Sales of capital assets	2.4	473	34
Financial transactions in assets and liabilities	2.5	104 264	48 553
<b>Total revenue collected</b>		<b>183 624</b>	<b>129 308</b>
Less: Departmental Revenue Budgeted		-	-
<b>Departmental revenue collected</b>		<b>183 624</b>	<b>129 308</b>

#### 2.1 Sales of goods and services other than capital assets

	2006/07 R'000	2005/06 R'000
Sales of goods and services produced by the department	51 365	48 861
Sales by market establishment	-	-
Administrative fees	-	-
Other sales	51 365	48 861
Sales of scrap, waste and other used current goods	14	202
<b>Total</b>	<b>51 379</b>	<b>49 063</b>

#### 2.2 Interest, dividends and rent on land and buildings

	2006/07 R'000	2005/06 R'000
Interest	27 446	31 444
Rent on land and buildings	61	208
<b>Total</b>	<b>27 507</b>	<b>31 652</b>

## 2.3 Sale of capital assets

	2006/07	2005/06
	R'000	R'000
Land and subsoil assets	-	-
Other capital assets	473	34
<b>Total</b>	<b>473</b>	<b>34</b>

## 2.4 Financial transactions in assets and liabilities Nature of recovery

	2006/07	2005/06
	R'000	R'000
Loans and advances	-	12
Repayment of Public Contributions	90 288	-
Receivables	-	55 701
Other Receipts including Recoverable Revenue	13 976	(7 160)
<b>Total</b>	<b>104 264</b>	<b>48 553</b>

## 3. Local and foreign aid assistance

### Assistance received in cash from RDP

	2006/07	2005/06
	R'000	R'000
<b>Local</b>		
Opening Balance	4 123	-
Revenue	-	5 302
Expenditure	-	1 179
Current	-	26
Capital	-	1 153
Closing Balance	4 123	4 123
<b>Foreign</b>		
Opening Balance	43 193	(25 936)
Revenue	239 229	240 012
Expenditure	285 675	170 883

	2006/07	2005/06
	R'000	R'000
Current	270 984	150 459
Capital	14 691	20 424
Closing Balance	(3 253)	43 193

### Total assistance

Opening Balance	47 316	(25 936)
Revenue	239 229	245 314
Expenditure	285 675	172 062
Current	270 984	150 485
Capital	14 691	21 577
Closing Balance	870	47 316

### Analysis of balance

Local and foreign aid receivable	22 215	12 335
Less: Local and foreign aid unutilised	(23 085)	-
Less: Local foreign aid payable to RDP fund/ donors	-	(59 651)
Closing balance	(870)	(47 316)

## 4. Compensation of employees

### 4.1 Salaries and Wages

	2006/07	2005/06
	R'000	R'000
Basic salary	928 898	433 908
Performance award	11 183	15 298
Service Based	1 258	2 806
Compensative/circumstantial	30 602	26 266
Periodic payments	8 883	12 860
Other non-pensionable allowances	122 860	94 936
<b>Total</b>	<b>1 103 684</b>	<b>586 074</b>

## 4.2 Social contributions

### 4.2.1 Employer contributions

	2006/07	2005/06
	R'000	R'000
Pension	87 354	64 494
Medical	35 640	30 089
UIF	1	261
Bargaining council	(263)	191
Official unions and associations	-	1
Insurance	-	1
<b>Total</b>	<b>122 732</b>	<b>95 037</b>
<b>Total compensation of employees</b>	<b>1 226 416</b>	<b>681 111</b>
Average number of employees	11 844	7 413

## 5. Goods and services

	Note	2006/07	2005/06
		R'000	R'000
Advertising		12 558	9 092
Attendance fees (including registration fees)		4 993	3 492
Bank charges and card fees		568	887
Bore waterhole drilling		71	2 094
Bursaries (employees)		12 867	3 963
Communication		47 726	34 650
Computer services		112 747	74 935
Consultants, contractors and special services		703 700	237 583
Courier and delivery services		1 249	806
Tracing agents & Debt collections		50	33
Drivers' licences and permits		130	38
Entertainment		4 337	1 455
External audit fees	5.1	12 214	8 452

	Note	2006/07	2005/06
		R'000	R'000
Equipment less than R5000		17 216	12 802
Freight service		34	376
Inventory	5.2	155 043	201 783
Legal fees		988	6 660
Maintenance, repairs and running costs		51 737	13 000
Medical Services		120	119
Municipal Services		107 186	-
Operating leases		17 217	33 207
Personnel agency fees		548	-
Photographic services		1 357	109
Plant flowers and other decorations		470	316
Printing and publications		1 071	498
Professional bodies and membership fees		47	172
Resettlement costs		2 200	1 805
Subscriptions		159	94
Owned leasehold property expenditure		6 025	11 990
Transport provided as part of the departmental activities		219	173
Travel and subsistence	5.3	289 406	182 963
Venues and facilities		2 746	4 110
Protective, special clothing & uniforms		1 006	211
Training & staff development		12 048	6 761
Water research/testing		2 378	36
<b>Total</b>		<b>1 582 431</b>	<b>854 665</b>

### 5.1 External audit fees

	Note	2006/07	2005/06
		R'000	R'000
Regulatory audits		8 671	6 318
Performance audits		2 519	641
Other audits		1 024	1 493
<b>Total</b>		<b>12 214</b>	<b>8 452</b>



## 5.2 Inventory

	2006/07	2005/06
	R'000	R'000
Construction work in progress	2 429	105 529
Domestic consumables	14 214	8 110
Agricultural	9 824	3 440
Food and Food supplies	4 432	3 156
Fuel, oil and gas	31 146	19 355
Laboratory consumables	2 845	2 297
Other consumables	34 853	3 782
Parts and other maintenance material	27 253	36 230
Sport and recreation	106	10
Stationery and printing	27 683	19 431
Restoration and fittings	96	309
Medical supplies	162	134
<b>Total</b>	<b>155 043</b>	<b>201 783</b>

## 5.3 Travel and subsistence

	2006/07	2005/06
	R'000	R'000
Local	280 636	177 868
Foreign	8 770	5 095
<b>Total</b>	<b>289 406</b>	<b>182 963</b>

## 6. Interest and rent on land

	2006/07	2005/06
	R'000	R'000
Interest expenses	-	-
Rent on land	847	158
<b>Total</b>	<b>847</b>	<b>158</b>

## 7. Financial transactions in assets and liabilities

	Note	2006/07	2005/06
		R'000	R'000
Material losses through criminal conduct			
- Theft	7.3	12	-
Other material losses written off	7.1	274	1 110
Debts written off	7.2	10 158	2 219
<b>Total</b>		<b>10 444</b>	<b>3 329</b>

### 7.1 Other material losses written off

	2006/07	2005/06
	R'000	R'000
<b>Nature of losses</b>		
Vehicle accidents	195	69
Other	-	1 030
S&T advances	79	11
<b>Total</b>	<b>274</b>	<b>1 110</b>

### 7.2 Debts written off

	2006/07	2005/06
	R'000	R'000
<b>Nature of debts written off</b>		
Transfer to debts written off		
Salary overpayment	443	299
Tax debt	49	6
Study debt	58	70
Subsidised vehicles	7	2
Subsistence and transport	4	1
Namakwa Private consumer	6 135	-
Namakwa OCC Metorex	2 542	-
Dishonoured cheques	897	52
Great Fish River	-	1 000

	2006/07	2005/06
	R'000	R'000
Opzoek	-	34
Suppliers	11	112
Fraud	10	626
Interest	-	7
Telephone debt	2	1
State guarantees	-	9
<b>Total</b>	<b>10 158</b>	<b>2 219</b>

### 7.3 Detail of theft

	2006/07	2005/06
	R'000	R'000
Laptops & Computers	9	-
Cellphones	1	-
Tools & Items	2	-
<b>Total</b>	<b>12</b>	<b>-</b>

### 7.4 Irrecoverable amounts written off

	2006/07	2005/06
	R'000	R'000
(Total not included above)		
Receivables written off	394	815
Salary overpayments	330	126
Tax debt	-	13
Bursary	59	86
State guarantees	-	19
Fraud/Misconduct	5	571
Loans written off	1	145
S&T	-	21
Telephone	1	1
Subsidised vehicle	-	2
Supplier disallowance	-	68
Dishonoured cheque	-	53

Other	-	61
Fraud cashed warrant vouchers	-	61
<b>Total</b>	<b>395</b>	<b>1 021</b>

## 8. Transfers and subsidies

		2006/07	2005/06
		R'000	R'000
Provinces and Municipalities	Annex 1E & 1F	386 680	1 074 608
Departmental agencies and accounts	Annex 1G	827 377	670 163
Foreign governments and international organisations	Annex 1J	3 500	-
Public corporations and private enterprises	Annex 1I	121 703	6 891
Non-profit institutions	Annex 1K	150	2
Households	Annex 1L	45 905	17 033
<b>Total</b>		<b>1 385 315</b>	<b>1 768 697</b>

## 9. Expenditure for capital assets

	Note	2006/07	2005/06
		R'000	R'000
Buildings and other fixed structures	28	23 567	363 254
Machinery and equipment	28	65 271	32 381
Biological or cultivated assets	28	-	30
Software and other intangible assets		11 359	13 463
Computer software	29	8 718	10 990
Patents, Licences, Copyright, Brand Names, Trademarks	29	-	31
Services And Operating Rights	29	-	2 442
Other Intangibles	29	2 641	-
<b>Total</b>		<b>100 197</b>	<b>409 128</b>

The following amounts have been included as project costs in Expenditure for capital assets

Compensation of employees	-	78 758
Goods and services	-	-
<b>Total</b>	-	<b>78 758</b>

## 10. Unauthorised expenditure

### Reconciliation of unauthorised expenditure

	2006/07	2005/06
	R'000	R'000
<b>Opening balance</b>	<b>18 671</b>	<b>14 889</b>
Unauthorised expenditure – current year	-	3 782
Unauthorised expenditure awaiting authorisation	18 671	18 671

An amount of R14 889 365 was approved as per Finance Act, Act No. 2 of 2007 on 31 March 2007 but has not been processed at year end.

## 11. Cash and cash equivalents

	2006/07	2005/06
	R'000	R'000
Consolidated Paymaster General Account	356 380	254 221
Cash receipts	185	(180)
Disbursements	(15)	1 507
Cash on hand	66	69
<b>Total</b>	<b>356 616</b>	<b>255 617</b>

## 12. Prepayments and advances

	2006/07	2005/06
	R'000	R'000
Travel and subsistence	1 231	2 687
Advances paid to other entities	59 274	9 733
<b>Total</b>	<b>60 505</b>	<b>12 420</b>

## 13. Receivables

	Note	Less than one year	One to three years	Older than three years	2006/07 Total	2005/06 Total
		R'000	R'000	R'000	R'000	R'000
Staff debtors	13.1	2 752	1 948	2 639	7 339	8 648
Other debtors	13.2	53 958	404	2 762	57 124	61 901
Inter-governmental receivables	Annex 4	9 703	82 782	4 401	96 886	263 157
<b>Total</b>		<b>66 413</b>	<b>85 134</b>	<b>9 802</b>	<b>161 349</b>	<b>333 706</b>

### 13.1 Staff Debtors

	2006/07	2005/06
	R'000	R'000
Salary overpayments	3 438	3 498
Tax debt	261	525
Bursary debt	1 557	1 363
Subsidised vehicles	-	390
State guarantees	347	291
T & S advance: Dom	416	24
GG Accidents	28	57
Housing subsidy	-	7
Misconduct	691	38
Telephone debt	45	58
Sal: Reversal control acc	471	2 373
Sal: Medical aid	1	12
Departmental debt	83	12
Sal: Reg Service Council	1	-
<b>Total</b>	<b>7 339</b>	<b>8 648</b>

## 13.2 Other debtors

	2006/07	2005/06
	R'000	R'000
Disallowance suppliers (Debt)	16	235
Dishonoured cheques (Debt)	2 216	2 734
Claims recoverable: Pub Entities	4 427	-
Disallowance damages and losses	-	195
Claims recoverable: F/Gov & Int. Org.	-	3 575
Claims recoverable: Limpopo	1 212	-
Transport payment suspense	532	14 278
Fraudulently cashed warrant vouchers (Debt)	46	43
Advances from Eastern Cape	6 311	-
Claims recover North West	391	390
Claims recover Western Cape	-	1 716
Disallowance miscellaneous	576	23
Disallowance dishonoured cheques	87	19
Tender Deposit	1	-
Debt account Loans objective & interest	41 309	38 693
<b>Total</b>	<b>57 124</b>	<b>61 901</b>

## 14. Loans

	2006/07	2005/06
	R'000	R'000
Public corporations	155 117	192 935
<b>Total</b>	<b>155 117</b>	<b>192 935</b>

### Analysis of Balance

Opening balance	192 935	243 228
New Issues	(29 172)	-
Repayments	(158 314)	(49 293)
Write-offs	(8 676)	(1 000)
<b>Closing balance</b>	<b>155 117</b>	<b>192 935</b>

	2006/07	2005/06
	R'000	R'000
Current portion of loans	6 695	17 954

## 15. Voted funds to be surrendered to the Revenue Fund

	2006/07	2005/06
	R'000	R'000
Opening balance	222 330	46 166
Transfer from Statement of Financial Performance	354 653	222 330
Paid during the year	(222 330)	(46 166)
<b>Closing balance</b>	<b>354 653</b>	<b>222 330</b>

Treasury informed the department on the 13th July 2007 that the roll-over of R314 million to the 2007/08 financial year was approved by the Minister of Finance.

## 16. Departmental revenue to be surrendered to the Revenue Fund

	2006/07	2005/06
	R'000	R'000
Opening balance	(1 024)	(47 641)
Transfer from Statement of Financial Performance	183 624	129 308
Paid during the year	(152 090)	(82 691)
<b>Closing balance</b>	<b>30 510</b>	<b>(1 024)</b>

Amount not used at end of project, which donors allow department to maintain should be paid over to the Revenue Fund.

## 17. Payables – current

		2006/07	2005/06		
		R'000	R'000	Total	Total
<b>Description</b>	<b>Notes</b>				
Advances received	17.1	(2 660)	92 504	89 844	258 014
Other payables	17.2	13 108	105 238	118 346	91 224

			2006/07	2005/06
<b>Total</b>	10 448	197 742	208 190	349 238

### 17.1 Advances received

	2006/07	2005/06
	R'000	R'000
Description		
WTA Mooi Umgeni	1 313	1 323
Advances from Public entities	1 074	858
Advances from Mpumalanga	40	241
Flag Boshielo Dam	-	171 250
Advances from Limpopo	4 238	-
Berg Water Project	78 978	80 798
Advances from Gauteng (Hartbeespoort)	4 201	3 544
<b>Total</b>	<b>89 844</b>	<b>258 014</b>

### 17.2 Other payables

	2006/07	2005/06
	R'000	R'000
Description		
Salary deduction disallowance account	1 784	7
Forestry leases: Advances from Public entities	99 743	76 087
Sal: ACB recalls: CA	26	9
Claims recoverable: Limpopo	-	6 503
Claims recoverable: F/Gov. & Int. Org.	2 578	-
Compensation Com. Contr. Acc	6 806	4 600
NRF & AT Funds	-	3 175
Claims recoverable: Eastern Cape	2	2
Claims recoverable: Gauteng	2 956	702
Claims recoverable: Northern Cape	1 328	57
Claims recoverable: Pub Entities	-	82
Claims recoverable: Western Cape	3 123	-
<b>Total</b>	<b>118 346</b>	<b>91 224</b>

### 18. Net cash flow available from operating activities

	2006/07	2005/06
	R'000	R'000
Net surplus/(deficit) as per Statement of Financial Performance	491 831	424 890
Add back non cash/cash movements not deemed operating activities	(276 782)	280 824
(Increase)/decrease in receivables – current	172 357	(285 544)
(Increase)/decrease in prepayments and advances	(48 085)	96 636
(Increase)/decrease in other current assets	(9 880)	15 273
Increase/(decrease) in payables – current	(141 048)	171 700
Proceeds from sale of capital assets	(473)	(34)
Expenditure on capital assets	114 888	430 705
Surrenders to Revenue Fund	(374 421)	(128 857)
Other non-cash items	9 880	(19 055)
<b>Net cash flow generated by operating activities</b>	<b>215 049</b>	<b>705 714</b>

### 19. Reconciliation of cash and cash equivalents for cash flow purposes

	2006/07	2005/06
	R'000	R'000
Consolidated Paymaster General account	356 380	254 221
Cash receipts	185	(180)
Disbursements	(15)	1 507
Cash on hand	66	69
<b>Total</b>	<b>356 616</b>	<b>255 617</b>

These amounts are not recognised in the Annual Financial Statements and are disclosed to enhance the usefulness of the Annual Financial Statements.

## 20. Contingent liabilities

	<i>Nature</i>	<i>Note</i>	<b>2006/07</b>	<b>2005/06</b>
<i>Liable to</i>			<b>R'000</b>	<b>R'000</b>
Housing loan guarantees	Employees	Annex 3A	11 379	9 046
Other guarantees		Annex 3A	19 411 504	18 359 247
Claims against the department		Annex 3B	212 197	194 674
Other departments (interdepartmental unconfirmed balances)		Annex 5	33	21
<b>Total</b>			<b>19 635 113</b>	<b>18 562 988</b>

## 21. Commitments

	<b>2006/07</b>	<b>2005/06</b>
	<b>R'000</b>	<b>R'000</b>
<b>Current expenditure</b>		
Approved and contracted	172 263	-
Approved but not yet contracted	57 549	-
	<b>229 812</b>	<b>-</b>
<b>Capital expenditure</b>		
Approved and contracted	31 128	2 228 347
Approved but not yet contracted	-	-
	<b>31 128</b>	<b>2 228 347</b>
<b>Total Commitments</b>	<b>260 940</b>	<b>2 228 347</b>

## 22. Accruals

	<b>2006/07</b>	<b>2005/06</b>		
	<b>R'000</b>	<b>R'000</b>		
<b>Listed by economic classification</b>				
	<b>30 Days</b>	<b>30+ Days</b>	<b>Total</b>	<b>Total</b>
Compensation of employees	78	269	347	175
Goods and services	10 823	6 260	17 083	24 815
Interest and rent on land	-	-	-	187

	<b>2006/07</b>	<b>2005/06</b>		
	<b>R'000</b>	<b>R'000</b>		
Transfers and subsidies	280	57	337	-
Buildings and other fixed structures	34	1	35	342
Machinery and equipment	962	26	988	8
Software and other intangible assets	97	3	100	89
<b>Total</b>	<b>12 274</b>	<b>6 616</b>	<b>18 890</b>	<b>25 616</b>

### Listed by programme level

	<b>Total</b>	<b>Total</b>	
Administrations	702	2 701	
Water Resource Management	6 672	13 833	
Water Services	9 856	6 941	
Forestry	1 660	2 141	
	<b>18 890</b>	<b>25 616</b>	
Confirmed balances with other departments	Annex 5	80	5
Confirmed balances with other government entities		-	-
<b>Total</b>	<b>80</b>	<b>5</b>	

## 23. Employee benefits

	<b>2006/07</b>	<b>2005/06</b>
	<b>R'000</b>	<b>R'000</b>
Leave entitlement	46 784	22 198
Thirteenth cheque	30 976	21 231
Performance awards	5 702	5 627
Capped leave commitments	230 434	131 996
<b>Total</b>	<b>313 896</b>	<b>181 052</b>

## 24. Lease Commitments

### Operating leases

2006/2007	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000
Not later than 1 year	-	62	-	62
Later than 1 year and not later than 5 years	-	40	-	40
Later than five years	-	-	-	-
<b>Total present value of lease liabilities</b>	-	102	-	102

2005/2006	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	-	-
Later than 1 year and not later than 5 years	-	-	-	-
Later than five years	-	-	-	-
<b>Total present value of lease liabilities</b>	-	-	-	-

### Finance leases

2006/2007	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	3 274	3 274
Later than 1 year and not later than 5 years	-	-	3 207	3 207
Later than five years	-	-	-	-
<b>Total present value of lease liabilities</b>	-	-	6 481	6 481

2005/2006	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	12 883	12 883
Later than 1 year and not later than 5 years	-	-	-	-
Later than five years	-	-	-	-
<b>Total present value of lease liabilities</b>	-	-	12 883	12 883

## 25. Receivables for departmental revenue

	2006/07	2005/06
	R'000	R'000
Sales of goods and services other than capital assets	2 752	1 048
<b>Total</b>	2 752	1 048

## 26. Irregular expenditure

### Reconciliation of irregular expenditure

	2006/07	2005/06
	R'000	R'000
Opening balance	55 341	55
Add: Irregular expenditure – current year	-	55 286
Less: Amounts condoned	55 286	-
Expenditure for capital assets	55 286	-
<b>Irregular expenditure awaiting condonement</b>	55	55 341
Current expenditure	-	-
Transfers and subsidies	-	-
Expenditure for capital assets	-	-



**Analysis of awaiting condonement per age classification**

Current	-	55 286
Prior years	55	55
<b>Total</b>	<b>55</b>	<b>55 341</b>

**27. Key management personnel**

	No. of Individuals	2006/07 R'000	2005/06 R'000
Political office bearers (provide detail below)	1	1 003	923
Officials			
Level 15 to 16	5	3 535	3 005
Level 14 (incl CFO if at a lower level)	3	1 417	1 927
Family members of key management personnel		-	-
<b>Total</b>		<b>5 955</b>	<b>5 855</b>

**28. Tangible Capital Assets**

**MOVEMENT IN TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2007**

	Opening balance Cost R'000	Additions Cost R'000	Transfers In Cost R'000	Disposals Cost R'000	Transfers Out Cost R'000	Closing Balance Cost R'000
<b>BUILDING AND OTHER FIXED STRUCTURES</b>	<b>365 597</b>	<b>23 567</b>	<b>3 012 640</b>	<b>(472)</b>	<b>(1 358 967)</b>	<b>2 042 365</b>
Non-residential buildings	277 417	5 728	-	(443)	-	282 702
Other fixed structures	88 180	17 839	-	(29)	-	105 990
Water Services	-	-	3 012 640	-	(1 358 967)	1 653 673

	Opening balance Cost R'000	Additions Cost R'000	Transfers In Cost R'000	Disposals Cost R'000	Transfers Out Cost R'000	Closing Balance Cost R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>81 412</b>	<b>65 271</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>146 683</b>
Transport assets	342	37	-	-	-	379
Computer equipment	32 571	44 060	-	-	-	76 631
Furniture and office equipment	12 700	2 847	-	-	-	15 547
Other machinery and equipment	35 799	18 327	-	(1)	-	54 125
<b>CULTIVATED AND BIOLOGICAL ASSETS</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30</b>
Cultivated assets	30	-	-	-	-	30
<b>TOTAL TANGIBLE ASSETS</b>	<b>447 039</b>	<b>88 838</b>	<b>3 012 640</b>	<b>(473)</b>	<b>(1 358 967)</b>	<b>2 189 077</b>

**28.1 ADDITIONS TO TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2007**

	Cash Cost R'000	Non-cash (Transfers) Cost R'000	Total Cost R'000
<b>BUILDING AND OTHER FIXED STRUCTURES</b>	<b>23 567</b>	<b>3 012 640</b>	<b>3 036 207</b>
Non-residential buildings	5 728	-	5 728
Other fixed structures	17 839	-	17 839
Water Services Assets	-	3 012 640	3 012 640

<b>MACHINERY AND EQUIPMENT</b>	<b>65 271</b>	<b>-</b>	<b>65 271</b>
Transport assets	37	-	37
Computer equipment	44 060	-	44 060
Furniture and office equipment	2 847	-	2 847
Other machinery and equipment	18 327	-	18 327
<b>TOTAL</b>	<b>88 838</b>	<b>3 012 640</b>	<b>3 101 478</b>

### 28.2 DISPOSALS OF TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2007

	<b>Sold (Cash)</b>	<b>Non-Cash</b>	<b>Non-Cash (Transfers)</b>	<b>Cash Received Actual</b>
	<b>Cost</b>	<b>Cost</b>	<b>Cost</b>	<b>Cost</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>BUILDING AND OTHER FIXED STRUCTURES</b>	<b>472</b>	<b>1 358 967</b>	<b>1 359 439</b>	<b>472</b>
Non-residential buildings	443	-	443	443
Other fixed structures	29	-	29	29
Water Services Assets	-	1 358 967	1 358 967	-
<b>MACHINERY AND EQUIPMENT</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>1</b>
Transport assets	-	-	-	-
Computer equipment	-	-	-	-
Furniture and office equipment	-	-	-	-
Other machinery and equipment	1	-	1	1
<b>TOTAL</b>	<b>473</b>	<b>1 358 967</b>	<b>1 359 440</b>	<b>473</b>

### 28.3 MOVEMENT IN TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2006

	<b>Opening balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Closing balance</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>BUILDING AND OTHER FIXED STRUCTURES</b>	<b>2 343</b>	<b>363 254</b>		<b>365 597</b>
Non-residential buildings	-	277 417	-	277 417
Other fixed structures	2 343	85 837	-	88 180
<b>MACHINERY AND EQUIPMENT</b>	<b>49 031</b>	<b>32 381</b>		<b>81 412</b>
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
<b>CULTIVATED AND BIOLOGICAL ASSETS</b>	<b>-</b>	<b>30</b>		<b>30</b>
Cultivated assets	-	30	-	30
<b>TOTAL TANGIBLE ASSETS</b>	<b>51 374</b>	<b>395 665</b>		<b>447 039</b>

## 29. Intangible Capital Assets

### MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2007

	Opening balance	Current Year Adjustments to prior year balances	Additions	Disposals	Closing Balance
	Cost	Cost	Cost	Cost	Cost
	R'000	R'000	R'000	R'000	R'000
COMPUTER SOFTWARE	25 701	-	8 718	-	34 419
PATENTS, LICENCES, COPYRIGHT, BRAND NAMES, TRADE-MARKS	112	-	-	-	112
SERVICES AND OPERATING RIGHTS	16 104	-	-	-	16 104
OTHER INTANGIBLES	-	-	2 641	-	2 641
<b>TOTAL INTANGIBLE ASSETS</b>	<b>41 917</b>	<b>-</b>	<b>11 359</b>	<b>-</b>	<b>53 276</b>

### 29.1 ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2007

	Cash Cost	Non-Cash Fair Value	Total Cost
	R'000	R'000	R'000
COMPUTER SOFTWARE	8 718	-	8 718
OTHER INTANGIBLES	2 641	-	2 641
<b>TOTAL</b>	<b>11 359</b>	<b>-</b>	<b>11 359</b>

### 29.2 MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2006

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
COMPUTER SOFTWARE	14 711	10 990	-	25 701
PATENTS, LICENCES, COPYRIGHT, BRAND NAMES, TRADEMARKS	81	31	-	112
SERVICES AND OPERATING RIGHTS	13 662	2 442	-	16 104
<b>TOTAL</b>	<b>28 454</b>	<b>13 463</b>	<b>-</b>	<b>41 917</b>

## 30. Provisions

	2006/07	2005/06
	R'000	R'000
<b>Potential irrecoverable debts</b>		
Other debtors	36 847	-
<b>Total</b>	<b>36 847</b>	<b>-</b>

**DEPARTMENT OF WATER AFFAIRS AND FORESTRY  
VOTE 34**

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS** for the year ended 31 March 2007

**ANNEXURE 1A  
STATEMENT OF CONDITIONAL GRANTS RECEIVED**

NAME OF DEPARTMENT	GRANT ALLOCATION 2006/07					SPENT 2006/07			2005/06	
	Division of Revenue Act/ Provincial Grants	Roll Overs	DORA Adjustments	Other Adjustments	Total Available	Amount received by department	Amount spent by department	% of available funds spent by department	Division of Revenue Act	Amount spent by department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Division of Revenue Act</b>										
Water Trading Account	-	-	-	-	-	-	-	-	-	1 068 333
	-	-	-	-	-	-	-	-	-	1 068 333

**ANNEXURE 1E  
STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES**

NAME OF MUNICIPALITY	GRANT ALLOCATION 2006/07				TRANSFER 2006/07		SPENT 2006/07			2005/06
	Division of Revenue Act/ Provincial Grants	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Division of Revenue Act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
<b>EASTERN CAPE</b>										
Buffalo City (EC125)	7 645		(1 368)	6 277	8 107	129.2%	8 107	5 198	64.12%	3 017
Amatole DM (DC12)	5 919		2 354	8 273	6 945	83.9%	6 945	3 986	57.39%	-
Chris Hani DM (DC13)	18 877		(14 957)	3 920	2 896	73.9%	2 896	2 875	99.27%	-

NAME OF MUNICIPALITY	GRANT ALLOCATION 2006/07				TRANSFER 2006/07		SPENT 2006/07			2005/06
	Division of Revenue Act/ Provincial Grants	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Division of Revenue Act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Ukhahlamba DM (DC14)	5 445		(1 849)	3 596	3 168	88.1%	3 168	3 168	100%	5 137
OR Tambo DM (DC15)	-		6 356	6 356	3 714	58.4%	3 714	3 014	81.15%	-
Alfred Nzo DM (DC44)	7 916		(6 339)	1 577	1 045	66.3%	1 045	1 045	100%	9 859
FREE STATE										
Kopanong (FS162)	-		536	536	536	100.0%	536	-	0%	-
Mangaung (FS172)	2 000		-	2 000	2 000	100.0%	2 000	-	0%	2 323
Maluti-a-Phofung (FS194)	23 324		66	23 390	23 449	100.3%	23 449	17 759	75.73%	24 226
Metsimaholo (FS204)	1 114		-	1 114	507	45.5%	507	507	100%	1 051
GAUTENG										
City of Tshwane	14 249		-	14 249	35 742	250.8%	35 742	13 742	38.45%	1 720
Kungwini (GT02b2)	-		2 124	2 124	-	0.0%	-	-	0%	-
Emfuleni (GT421)	-		-	-	9 550	0.0%	9 550	9 550	100%	-
KWAZULU NATAL										
EThekweni	1 477		(243)	1 234	1 234	100.0%	1 234	1 234	100%	1 393
Ugu DM (DC21)	517		718	1 235	1 235	100.0%	1 235	253	20.49%	582
Uthukela DM (DC23)	3 800		(716)	3 084	3 081	99.9%	3 081	2 366	76.79%	5 073
Umzinyathi DM (DC24)	1 725		(79)	1 646	1 672	101.6%	1 672	1 652	98.8%	1,571
Newcastle (KZ252)	3 179		877	4 056	4 056	100.0%	4 056	-	0%	7 768
Amajuba DM (DC25)	824		(135)	689	689	100.0%	689	689	100%	777

NAME OF MUNICIPALITY	GRANT ALLOCATION 2006/07				TRANSFER 2006/07		SPENT 2006/07			2005/06
	Division of Revenue Act/ Provincial Grants	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Division of Revenue Act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Zululand DM (DC26)	15 164		253	15 417	15 401	99.9%	15 401	15 401	100%	15 116
Umkhanyakude (DC27)	4 679		67	4 746	4 742	99.9%	4 742	4 742	100%	4 460
uMhlatuze (KZ282)	1 700		(1 700)	-	-	0.0%	-	-	0%	930
uThangulu DM (DC28)	295		314	609	609	100.0%	609	245	40.23%	-
iLembe DM (DC29)	2 850		450	3 300	3 300	100.0%	3 300	765	23.18%	2 194
Sisonke DM (DC43)	952		-	952	-	0.0%	-	-	0%	-
LIMPOPO										
Sekhukhune DM (DC47)	72 793		(20 352)	52 441	23 927	45.6%	23 927	15 000	62.69%	70 021
Mopani DM (DC33)	54 288		(4 952)	49 336	10 275	20.8%	10 275	-	0%	-
Vhembe DM (DC34)	41 049		-	41 049	7 217	17.6%	7 217	-	0%	-
Polokwane (NP354)	12 900		-	12 900	6 680	51.8%	6 680	2 600	38.92%	-
Capricorn DM (DC35)	30 687		6 460	37 147	13 742	37.0%	13 742	9 000	65.49%	-
Lephalale (NP362)	7 258		(4 198)	3 060	5 632	184.1%	5 632	5 632	100%	6 159
Mogalakwena (NP367)	26 730		(12 527)	14 203	13 386	94.2%	13 386	10 200	76.2%	-
Bohlabela (CBDC4)	-		-	-	-	0.0%	-	-	0%	50 531
MPUMALANGA										
Albert Luthuli (MP301)	-		5 724	5 724	5 724	100.0%	5 724	-	0%	-
Thembisile (MP315)	-		10 147	10 147	10 147	100.0%	10 147	-	0%	-

NAME OF MUNICIPALITY	GRANT ALLOCATION 2006/07				TRANSFER 2006/07		SPENT 2006/07			2005/06
	Division of Revenue Act/ Provincial Grants	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Division of Revenue Act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Dr JS Moroka (MP316)	24 904		-	24 904	21 266	85.4%	21 266	16 963	79.77%	30 880
Thaba Chweu (MP321)	-		1 576	1 576	1 270	80.6%	1 270	-	0%	-
Mbombela (MP322)	-		35 113	35 113	25 751	73.3%	25 751	23 158	89.93%	-
Nkomazi (MP324)	30 588		(509)	30 079	22 388	74.4%	22 388	22 388	100%	30 873
Bushbuckridge (MP325)	-		-	-	10 942	0%	12 285	12 285	100%	-
Ehlanzeni DM (DC32)	38 901		(38 901)	-	-	0.0%	-	-	0%	-
NORTHERN CAPE										
Moshaweng (NC451)	6 936		2 379	9 315	9 315	100.0%	9 315	8 853	95.04%	5 100
Ga-Segonyana (NC452)	4 044		-	4 044	4 044	100.0%	4 044	3 419	84.55%	3 225
Phokwane (NC094)	5 863		62	5 925	5 925	100.0%	5 925	3 320	56.03%	3 074
NORTH WEST										
Madibeng (NW372)	12 860		(3 288)	9 572	9 572	100.0%	9 572	9 572	100%	15 122
Moses Kotane (NW375)	-		14 640	14 640	14 640	100.0%	12 890	7 421	57.57%	-
Bophirima DM (DC39)	-		21 897	21 897	21 897	100.0%	16 326	13 269	81.28%	-
WESTERN CAPE										
Cederberg (WC012)	1,173		-	1 173	1 173	100.0%	1 173	1 125	95.91%	1 206
West Coast DM (DC1)	741		-	741	741	100.0%	6 724	741	11.02%	699
Oudtshoorn (WC045)	4,636		-	4 636	4 636	100.0%	4 636	4 363	94.11%	4 374

NAME OF MUNICIPALITY	GRANT ALLOCATION 2006/07				TRANSFER 2006/07		SPENT 2006/07			2005/06
	Division of Revenue Act/ Provincial Grants	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Division of Revenue Act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
	500 002	-	-	500 002	383 968		383 973	257 500		308 461

**Notes:**

- represents total DoRA Sch 6 – note that in certain cases, transfers made to Water Boards (see Annexure 1 I) – transfers to municipalities only represented herein
- in certain cases Schedule 6 was used by DWAF in-house (MP, EC, LP) – not reflected here
- 2005/06 DoRA represents Adjusted value

**ANNEXURE 1F  
STATEMENT OF UNCONDITIONAL GRANTS AND TRANSFERS TO MUNICIPALITIES**

NAME OF MUNICIPALITY	GRANT ALLOCATION 2006/07				TRANSFER 2006/07		SPENT 2006/07			2005/06
	Amount	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Total Available
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
RSC Levies	1 711	-	387	2 098	2 098	100.0%	-	-	0%	4 678
Vehicle licenses	-	-	614	614	614	100.0%	-	-	0%	1 072 212
	1 711	-	1 001	2 712	2 712		-	-		1 076 890



**ANNEXURE 1G  
STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS**

DEPARTMENT / AGENCY / ACCOUNT	TRANSFER ALLOCATION 2006/07				TRANSFER 2006/07		2005/06
	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
Water Trading Account	1 001 449	-	125 572	1 127 021	827 021	73.4%	1 703 760
Equipment Trading Account	-	-	-	-	-	0.0%	17 750
Impala WUA	-	-	-	-	-	0.0%	21 826
Vehicle Lic: Municipalities	-	-	-	-	-	0.0%	514
Capital/Transfer	-	-	-	-	-	0.0%	(1 071 022)
Skills Levy	620	-	-	620	356	57.4%	-
	1 002 069	-	125 572	1 127 641	827 377		672 828

**ANNEXURE 1I  
STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES**

NAME OF PUBLIC CORPORATION / PRIVATE ENTERPRISE	TRANSFER ALLOCATION 2006/07				EXPENDITURE 2006/07				2005/06
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Capital	Current	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000

**Public Corporations**

SAFCOL	-	-	-	-	-	0.0%	-	-	16 981
Capital/Transfer	-	-	-	-	-	0.0%	-	-	(10 090)
SARS	-	-	12 607	12 607	12 607	100.0%	-	12 607	-
SANBI	-	-	25 200	25 200	25 200	100.0%	-	25 200	-
Magalies Water Board	15 168	-	-	15 168	15 168	100%	-	15 168	-
Botshelo Water Board	34 066	-	-	34 066	33 543	98.5%	-	33 543	-

NAME OF PUBLIC CORPORATION / PRIVATE ENTERPRISE	TRANSFER ALLOCATION 2006/07				EXPENDITURE 2006/07				2005/06
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Capital	Current	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
Lepelle Water Board	45 000	-	-	45 000	30 685	68.2%	-	30 685	-
Lepelle Water Board	4 500	-	-	4 500	4 500	100%	-	4 500	-
<b>Total</b>	<b>98 734</b>	<b>-</b>	<b>37 807</b>	<b>136 541</b>	<b>121 703</b>		<b>-</b>	<b>121 703</b>	<b>6 891</b>

**ANNEXURE 1J  
STATEMENT OF TRANSFERS TO FOREIGN GOVERNMENT AND INTERNATIONAL ORGANISATIONS**

FOREIGN GOVERNMENT/ INTERNATIONAL ORGANISATION	TRANSFER ALLOCATION 2006/07				EXPENDITURE 2006/07			2005/06
	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	
<b>Transfers</b>								
Orange Senque Basin Commission (ORASECOM)	3 500	-	-	3 500	3 500	100.0%	-	
<b>Total</b>	<b>3 500</b>	<b>-</b>	<b>-</b>	<b>3 500</b>	<b>3 500</b>		<b>-</b>	

**ANNEXURE 1K  
STATEMENT OF TRANSFERS TO NON-PROFIT INSTITUTIONS**

NON-PROFIT INSTITUTIONS	TRANSFER ALLOCATION 2006/07				EXPENDITURE 2006/07			2005/06
	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	
<b>Transfers</b>								
Capital/Transfer	-	-	-	-	-	0.0%	2	
Swimming South Africa	-	-	150	150	150	100.0%	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>150</b>	<b>150</b>	<b>150</b>		<b>2</b>	

**ANNEXURE 1L  
STATEMENT OF TRANSFERS TO HOUSEHOLDS**

HOUSEHOLDS	TRANSFER ALLOCATION 2006/07				EXPENDITURE 2006/07		2005/06
	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
<b>Transfers</b>							
H/H Social benefits	-	-	27 515	27 515	27 367	99.5%	20 000
Capital/Transfer	-	-	-	-	-	0.0%	8 543
SANPARKS – Social benefits	-	-	1 481	1 481	1 481	100.0%	-
Financial Assistance to small scale farmers	30 175	-	22 101	52 276	8 074	15.4%	-
Inkomati Catchment Management Area	-	-	7 000	7 000	7 000	100.0%	-
Phokwane Municipality	-	-	631	631	631	100.0%	-
Moshaweng Municipality	-	-	1 352	1 352	1 352	100.0%	-
<b>Total</b>	<b>30 175</b>	<b>-</b>	<b>60 080</b>	<b>90 255</b>	<b>45 905</b>		<b>28 543</b>

**ANNEXURE 1M  
STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED**

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2006/07 R'000	2005/06 R'000
<b>Received in cash</b>			
Various companies	Health River Programme	-	27
AM Muller	Teletransmission inward International	-	72
Global Water Partnership (GWP)	Air ticket for attendance of GWP meeting in Stockholm	22	-
Subtotal		22	99
<b>Received in kind</b>			
DBSA	Activity kits for the Health River Programme	-	50
Rand Water	Baswa le Meetse	2	-
Umgeni Water	Sanitation Week	2	-
ABSA	Baswa le Meetse	65	-
Umgeni Water	Golfday	100	-
Mhlathuzi Water		50	-
Sedibeng Water		15	-
TCTA		30	-
MTN		15	-
Total South Africa	Arbor Week	1,000	-
Eskom	Water Week	300	-
Eskom	Women in Water	300	-
Subtotal		1 879	50
<b>Total</b>		<b>1 901</b>	<b>149</b>

- Totals do not form part of the totals as on the face of the Statement of Financial Performance

**ANNEXURE 1N  
STATEMENT OF LOCAL AND FOREIGN AID ASSISTANCE RECEIVED**

NAME OF DONOR	PURPOSE	OPENING BALANCE 1 April 2006 R'000	REVENUE R'000	EXPENDITURE R'000	CLOSING BALANCE 31 March 2007 R'000
<b>Received in cash</b>					
European Union	Water and sanitation services	46 192	170 327	237 410	(20 891)
United Kingdom	Water services (Masibambane programme)	(3 382)	5 440	2 058	-
Finland	Working for water	(7 940)	8 173	-	233
Ireland	Water and sanitation programme	7 841	41 067	35 625	13 283
Flanders	Water and sanitation for deep rural areas	(1 013)	3 822	4 134	(1 325)
Republic of China (195)	Community forestry	195	-	1	194
African Renaissance	Upgrading of Hydrometric Network in Lesotho	4 123	-	-	4 123
Denmark	Community water supply and sanitation	1 300	7 200	3 447	5 053
Switzerland	Local Government capacity building and knowledge sharing	-	3 200	3 000	200
<b>Subtotal</b>		<b>47 316</b>	<b>239 229</b>	<b>285 675</b>	<b>870</b>
<b>Received in kind</b>					
<b>LOCAL</b>					
Unesco	Technical assistance with capacity building	10	-	-	10
<b>FOREIGN</b>					
China:	Pipes and Water meters	123 922	35 900	-	159 822
United Kingdom:	Forestry markets	13 742	-	-	13 742
United Kingdom:	Support to water services	6 459	4 237	-	10 696
United Kingdom:	Strengthening Chief Directorate: Forestry	1 105	-	-	1 105
Japan:	Rural water supply	31 319	-	-	31 319

NAME OF DONOR	PURPOSE	OPENING BALANCE 1 April 2006 R'000	REVENUE R'000	EXPENDITURE R'000	CLOSING BALANCE 31 March 2007 R'000
United Kingdom:	Corporate institutional transformation	8 807	-	-	8 807
United Kingdom:	Support to Water Resources Management	11 238	6 742	-	17 980
DFID	Partners for Water and Sanitation	-	250	-	250
Netherlands Dutch VNG	Twinning Arrangement with Dutch Water Boards	-	600	-	600
<b>Subtotal</b>		196 602	47 729	-	244 331
<b>Total</b>		243 918	286 958	285 675	245 201

**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 2007**

NATURE OF GIFT, DONATION OR SPONSORSHIP	2006/07	2005/06
	R'000	R'000
<b>Paid in cash</b>		
National Grasslands Borne Programme (NGBP) managed by SA National Biodiversity Institute (SANBI)	100	-
Tree Planting Nature Day Programmes: Schools for Learners with Special Educational Needs	100	-
Gift for Minister of Zimbabwe and chairperson of ZINWA: O/E MTN Decoupage, VN frames and salad serves	-	1
<b>TOTAL</b>	200	1

**ANNEXURE 2B**
**STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES AS AT 31 MARCH 2007**

Name of Public Entity	Nature of business	Cost of investment R'000		Net Asset value of Investment R'000		Amounts owing to Entities R'000		Amounts owing by Entities R'000	
		2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
<b>Controlled entities</b>									
<b>WATER BOARDS</b>									
Albany Coast	Building of a stock drinking scheme							288	290
Bloem Water B	Purchase of the Caledon/Bloemfontein (Welbedacht Dam) Water scheme							(7)	76 630
Kalahari West	Construct a stock drinking scheme							3 628	3 790
Lepelle N/W (Duiwelskloof)	Purchase of the Duiwelskloof scheme							812	735
Lepelle N/W (Ebenezer)	Purchase of the Pietersburg Regional water supply scheme							28	-
Magalies	Purchase of the Wallmansthal and Temba purification works							8 532	5 300
Namakwa Water	Namakwa water split into 3 different parties each							-	37
Namakwa – De Beers	Namakwa water split into 3 different parties each							2 935	2 206
Namakwa – Occ/Metorex	Namakwa water split into 3 different parties each							-	1 578
Namakwa – P/Consumer	Namakwa water split into 3 different parties each							-	4 056
Overberg Water	Purchase of the Duiwenhoks, Reunsveld East and West scheme							30 228	30 228
Sedibeng Water Balkfontein	Purchase of the Balkfontein and Sand River Government water scheme							4 750	4 696
Sedibeng Water	Purchase of the Balkfontein and Sand River Government water scheme							5 972	5 751
White River Valley	Purchase of Prinmkop Dam and Lonmere Dam							757	702
<b>IRRIGATION BOARDS</b>									
Agterkliphoogte (3)	For irrigation							91	99
Bossieveld 2	For irrigation							1 484	1 291
Zandriff	For irrigation							6	6
Buffelsjagt (1)	For irrigation							-	10
Buffelsjagt (2)	For irrigation							-	22
Buffelsjagt (3)	For irrigation							1	84
Ceres Rooikloof (1)	For irrigation							11	31
Ceres Rooikloof (2)	For irrigation							23	66

Name of Public Entity	Nature of business	Cost of investment R'000		Net Asset value of Investment R'000		Amounts owing to Entities R'000		Amounts owing by Entities R'000	
		2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
Ceres Koekedouw (2)	For irrigation							-	10
Ceres Koekedouw (1)	For irrigation							4	34
Cogmanskloof	For irrigation							1 576	155
Groenland (1)	For irrigation							7	323
Groenland (2)	For irrigation							201	2 009
Grooteiland Klipdrif (1)	For irrigation							-	1
Grooteiland Klipdrif (4)	For irrigation							11	13
Grooteiland Klipdrif (5)	For irrigation							2	2
Groothoek (4)	For irrigation							29	29
Groothoek (3)	For irrigation							8	8
Hoekoe (3)	For irrigation							5	6
Hoekoe (4)	For irrigation							2	2
Hoekoe (1)	For irrigation							2	5
Hoekoe (2)	For irrigation							2	3
Klaasvoogds (2)	For irrigation							55	60
Klaasvoogds (1)	For irrigation							115	137
Klaasvoogds (3)	For irrigation							12	20
Kigna (2)	For irrigation							65	68
Nooitgedacht (2)	For irrigation							16	18
Nooitgedacht (3)	For irrigation							30	31
Noord Agter Paarl (1)	For irrigation							911	971
Palmiet (1)	For irrigation							13	38
Palmiet (2)	For irrigation							51	63
Perdeberg (1)	For irrigation							3 140	3 176
Perdeberg (2)	For irrigation							(39)	-
Suid Agter Paarl (1)	For irrigation							1 153	1 201
Uitnood (1)	For irrigation							609	637
Uitnood (2)	For irrigation							6	9
Vier-en-twintigriviere (1)	For irrigation							-	12
Vier-en-twintigriviere (3)	For irrigation							4	34
Kanoneiland (3)	For irrigation							15	-
Sondagsrivier (1)	For irrigation							6	23



Name of Public Entity	Nature of business	Cost of investment R'000		Net Asset value of Investment R'000		Amounts owing to Entities R'000		Amounts owing by Entities R'000	
		2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
Sondagsrivier (2)	For irrigation							-	1
Sondagsrivier (3)	For irrigation							-	3
Sondagsrivier (4)	For irrigation							4	10
Sondagsrivier (5)	For irrigation							1	5
Illovo	For irrigation							244	247
Ixopo	For irrigation							799	817
Sterkspruitrivier	For irrigation							992	99
Umlaas (2)	For irrigation							486	506
Low's Creek	For irrigation							8	31
Malelane (1)	For irrigation							345	270
Sabierivier (2)	For irrigation							24	27
Sabierivier (1)	For irrigation							12	14
Sabierivier (3)	For irrigation							6	7
Sabierivier (4)	For irrigation							3	5
Sandrivier (1)	For irrigation							53	46
Sandrivier (2)	For irrigation							28	25
White River Est.	For irrigation							5	5
Georges Valley (3)	For irrigation							13	1
Pusela	For irrigation							4	5
Bellair	For irrigation							38	36
Bo-Doornrivier	For irrigation							9	11
Bossieveld (1)	For irrigation							71	59
Brandwag	For irrigation							101	99
Buffelskloof (2)	For irrigation							110	112
Buffelskloof (1)	For irrigation							2	6
Calitzdorp (1)	For irrigation							(1)	41
Dwariga	For irrigation							21	25
Doornrivier (3)	For irrigation							4	6
Elandskaroo	For irrigation							82	-
Gamkarivier (1)	For irrigation							25	21
Gamkarivier (3)	For irrigation							87	74

Name of Public Entity	Nature of business	Cost of investment R'000		Net Asset value of Investment R'000		Amounts owing to Entities R'000		Amounts owing by Entities R'000	
		2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
Gamkarivier (2)	For irrigation							13	11
Hexrivier (2)	For irrigation							21	21
Hooprivier (2)	For irrigation							19	22
Jan du Toits (2)	For irrigation							4	3
Jan du Toits (1)	For irrigation							11	8
Keurkloof	For irrigation							36	43
Krommerivier (1)	For irrigation							26	21
Krommerivier (2)	For irrigation							2	1
Krommerivier (4)	For irrigation							71	56
Krommerivier (3)	For irrigation							30	23
Langeberg	For irrigation							-	4
Leeu Gamka	For irrigation							3	2
Nonnarivier	For irrigation							1	1
Noree (2)	For irrigation							-	1
Noree (3)	For irrigation							9	9
Nuyrivier (1)	For irrigation							94	97
Overhex (2)	For irrigation							10	11
Stettyn	For irrigation							-	5
Suid Agter Paarl (2)	For irrigation							176	182
Van Wyksdorp	For irrigation							102	102
Kanoneiland (2)	For irrigation							1 512	281
Kanoneiland (1)	For irrigation							275	15
Louterwater (1)	For irrigation							-	4
Renfield	For irrigation							34	34
Tierpoort	For irrigation							1 235	922
Mzalanyoni	For irrigation							156	16
Sondagsrivier (Eland)	For irrigation							325	327
Umlaas (1)	For irrigation							140	139
Umlaas (3)	For irrigation							241	224
Curlews (Manchester)	For irrigation							404	371
Curlews (5)	For irrigation							2	2
De Rust	For irrigation							208	187

Name of Public Entity	Nature of business	Cost of investment R'000		Net Asset value of Investment R'000		Amounts owing to Entities R'000		Amounts owing by Entities R'000	
		2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
Eureka	For irrigation							657	607
Komatirivier (1)	For irrigation							228	180
Komatirivier (3)	For irrigation							104	144
Komatirivier (2)	For irrigation							276	196
Manchester Noordwyk (2)	For irrigation							1 843	185
Malelane (2)	For irrigation							148	134
Ranch Karino (4)	For irrigation							232	266
Ranch Karino (1)	For irrigation							75	78
Ranch Karino (2)	For irrigation							39	36
Ranch Karino (3)	For irrigation							15	23
Trans Elands	For irrigation							90	73
Schweizer Reneke	For irrigation							22	18
White Water Manor	Purchase of Da Gama Dam							264	-
Haarlem	Dam and pipelines							9 357	5 252
Hexvalley	Purchase of Sandrif Government Water Scheme							5 462	5 011
Bleshoek	For irrigation							182	-
Impala	Guaranteed Payments							21 536	-
<b>MUNICIPALITIES</b>									
Amajuba District Ethekwini	Purchase of portion of the Ngagane Regional Water supply scheme							32 413	22 442
Ethekwini	Purchase of Hammersdale water distribution scheme							671	630
Ngwathe (Heilbron)	Purchase of Heilbron pipeline							63	57
Oudtshoorn	Purchase of loan in respect of Municipality dam							64	41
Saldanha	Purchase of Stompneus reservoir							242	210
West Coast District	Purchase of Berg river (Saldanha) and Berg river (Swartland)							4 848	4 887
<b>Total</b>		-	-	-	-	-	-	155 117	192 935

**ANNEXURE 3A  
STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2007 – LOCAL**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2006	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Currency revaluatins	Closing balance 31 March 2007	Guaranteed interest for year ended 31 March 2007	Realised losses not recoverable
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	<b>Housing</b>								
VSB Mutual Bank	Loans	154	182	19	33	-	168	-	-
Old Mutual (NEDB/PERM)	Loans	1 410	1 372	688	205	-	1 855	-	-
Old Mutual Fin. Ltd	Loans	101	101	110	30	-	181	-	-
Peoples Bank (NBS)	Loans	515	515	-	515	-	-	-	-
Peoples Bank (NBC)(FID)	Loans	260	260	178	29	-	409	-	-
Green Start H/loans	Loans	31	31	14	-	-	45	-	-
Nedbank (BoE)	Loans	49	49	31	-	-	80	-	-
Nedbank LTD	Loans	272	318	111	42	-	387	-	-
NP Dev. Corp	Loans	16	16	262	-	-	278	-	-
Ithala Bank	Loans	46	46	19	-	-	65	-	-
Hlano Fin. Serv.	Loans	4	4	5	-	-	9	-	-
Meeg Bank	Loans	4	4	-	-	-	4	-	-
Standard Bank	Loans	1 625	1 647	247	246	-	1 648	-	-
ABSA	Loans	3 174	3 009	1 828	622	-	4 215	-	-
Mpumalanga	Loans	16	16	29	-	-	45	-	-
African Bank (Unique Finance)	Loans	85	85	29	68	-	46	-	-
Saambou	Loans	729	693	-	693	-	-	-	-
Stanbo	Loans	7	7	-	-	-	7	-	-
FNB	Loans	712	647	220	167	-	700	-	-
Free State Development Corp.	Loans	44	44	86	-	-	130	-	-

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2006	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Currency revaluatins	Closing balance 31 March 2007	Guaranteed interest for year ended 31 March 2007	Realised losses not recoverable
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
BoE Bank Limited	Loans	-	-	13	-	-	13	-	-
First Rand Bank Inco NB	Loans	-	-	786	118	-	668	-	-
Nedbank LTD Inco NB	Loans	-	-	426	-	-	426	-	-
							-		
		9 254	9 046	5 101	2 768	-	11 379	-	-
	<b>Other</b>								
KOBWA (18)	DBSA Driekoppies Dam	488 401	430 838	-	24 809	-	406 029	10 576	-
KOBWA (21)	Hambros bond issue Maguga Dam	380 000	405 313	-	25 313	-	380 000	12 656	-
KOBWA (27)	Gensec Bank Maguga Dam	165 000	164 080	-	12 150	-	151 930	4 809	-
KOBWA	Rand Merchant Bank Maguga Dam	380 000	369 639	-	22 636	-	347 003	10 014	-
KOBWA	Nedcor Bank Maguga Dam	233 000	233 190	-	14 439	-	218 751	6 357	-
Land Bank (30)	Financing of water projects by WUA's	150 000	44 615	-	-	-	44 615	(1 379)	-
Land Bank (28)	Kalahari East Water Board	77 400	16 252	-	-	-	16 252	(199)	-
Land Bank (29)	Unzinkulwana WUA	500	332	-	-	-	332	84	-

**ANNEXURE 3A  
STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2007 – FOREIGN**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2006	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Currency revaluatins	Closing balance 31 March 2007	Guaranteed interest for year ended 31 March 2007	Realised losses not recoverable
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Loan to LHDA (1) Repayment phase	Development Bank of Southern Africa (DBSA)- Contract 2484/1 Butha-Buthe Village engineering works	22 700	9 942	-	663	-	9 279	556	-
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) Fully repaid	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	-	-	-	-	-	-	-
Loan to LHDA (6) Fully paid	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	-	-	-	-	-	-	-

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2006	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Currency revaluatins	Closing balance 31 March 2007	Guaranteed interest for year ended 31 March 2007	Realised losses not recoverable
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Loan to LHDA (8) Fully paid	(Sechold Ltd) Investec Money Market	200 000	-	-	-	-	-	-	-
Loan to LHDA (9) Fully paid	ABSA Money Market	350 000	-	-	-	-	-	-	-
Loan to LHDA (10) Fully paid	Standard Bank of SA Limited money market	350 000	-	-	-	-	-	-	-
Loan to LHDA (11) Fully paid	Nedperm Bank	100 000	-	-	-	-	-	-	-
Loan to LHDA (12) Fully paid	RMB Money Market	100 000	-	-	-	-	-	-	-
Loan to TCTA (13) Repayment phase and drawdown phase	Call bills & Capital project bills. Issued in the money market	4 000 000	1 540 200	-	543 250	-	996 950	4 026	-
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 TCTA (14) Repayment phase and drawdown phase	Holders of Lesotho Highlands Water Projects Bonds (New Consolidated Guarantee)	21 000 000	14 738 214	1 284 009	-	-	16 022 223	393 774	-
Loan to LHDA	DBSA – 2868/1	2 700	2 006	-	71	-	1 935	67	-
		28 418 425	17 954 621	1 284 009	643 331	-	18 595 299	441 341	-
	<b>Total</b>	28 427 679	17 963 667	1 289 110	646 099	-	18 606 678	441 341	-

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2006	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Currency revaluatins	Closing balance 31 March 2007	Guaranteed interest for year ended 31 March 2007	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)	248 831	111 211	-	28 788	38 697	121 120	862	-
Loan to LHDA (OSL 24) Drawdown phase	HSBC Investment Bank (Export Credit)	135 300	55 127	-	14 270	19 182	60 039	564	-
Loan to LHDA (OSL 27) Drawdown phase	EIB	96 718	70 148	-	5 612	-	64 536	200	-
Loan to LHDA (OSL 26) Repayment phase	EIB	425 557	-	-	-	-	-	-	-
OSL 26 EUR		106 389	68 944	-	6 500	20 050	82 494	406	-
OSL 26 ZAR		154 254	100 000	-	-	-	100 000	6 348	-
OSL 26 A		123 997	92 527	-	7 711	-	84 816	252	-
OSL 26 C		40 872	18 401	-	1 533	-	16 868	50	-
Loan to LHDA (OSL 25) Drawdown phase		327 375	78 573	-	24 182	11 543	65 934	1 385	-
Loan to LHDA (OSL 22) Repayment phase		46 196	-	-	-	-	-	-	-
Loan to TCTA (FXL 01) Repayment phase	AKA Ausfuhrkredit-Gesellschaft mbH (Export credit)	363 179	-	-	-	-	-	-	-
Loan to TCTA (FXL 02) Repayment phase	Kreditanstalt fur Wiederaufbay (Export credit)	181 590	-	-	-	-	-	-	-
Loan to TCTA (FXL 08) Repayment phase	EIB	435 229	290 572	-	24 214	-	266 358	7 068	-
<b>Total</b>		<b>2 685 487</b>	<b>885 503</b>	<b>-</b>	<b>112 810</b>	<b>89 472</b>	<b>862 165</b>	<b>17 135</b>	<b>-</b>

**TOTAL**

**Housing**

**11 379**

**Other – Local & Foreign**

**19 915 940**

**19 927 319**



\*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.
  - (3) Guaranteed capital amount – Capital amount of which the guarantee was issued and which appears on the guarantee documents.
  - (4) Opening balance – Capital amounts outstanding at 1 April 2006 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.
  - (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 guaranteed loan repayment during the financial year is shown here.
  - (8) Closing balance – The capital amount outstanding at 31 March 2007 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 2007 is shown here. This amount must be 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.

**ANNEXURE 3B  
STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2007**

Nature of Liability	Opening Balance 01/04/2006	Liabilities incurred during the year	Liabilities paid/cancelled/ reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing Balance 31/03/2007
	R'000	R'000	R'000	R'000	R'000
<b>Claims against the department</b>					
D de Villiers and others	400	-	-	-	400
Aquatic Weed Control	2 953	-	-	-	2 953
M Tshwandalani	19	-	-	-	19
D Mongwe & 71 Others	8 033	-	-	-	8 033
Concor Construction	33 000	-	-	-	33 000
Individual claims (12)	1 505	-	-	-	1 505
AH Conley	130	-	-	-	130
T Mgwaba	1 165	-	-	-	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
JP 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
JJ Kruger	23	-	-	-	23
M Briesies	171	-	-	-	171
Theo la Grange Trust	855	-	-	-	855
TR Collier	266	-	-	-	266
Triple "SSS"	313	-	50	-	263

Nature of Liability	Opening Balance 01/04/2006	Liabilities incurred during the year	Liabilities paid/cancelled/ reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing Balance 31/03/2007
	R'000	R'000	R'000	R'000	R'000
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
Marius v DWAF	117	-	-	-	117
J Nkuna	51	-	-	-	51
Naude v DWAF	102	-	-	-	102
M and SJ Buffer v Kungwini	272	-	122	-	150
Group Five PTY LTD	65 030	-	-	-	65 030
Harmony Gold Mining Company v DWAF and others	48 100	-	-	-	48 100
Mienies Municipality	-	3 000	-	-	3 000
Mdingi	-	190	-	-	190
Latakgomo	-	290	-	-	290
Nkuna	-	50	-	-	50
Khala	-	7 000	-	-	7 000
CC Bill	-	15	-	-	15
CN Polo	-	150	-	-	150
SA Promotional Gifts	-	7 000	-	-	7 000
<b>Total</b>	<b>194 674</b>	<b>17 695</b>	<b>172</b>	<b>-</b>	<b>212 197</b>

**ANNEXURE 4  
INTER-GOVERNMENT RECEIVABLES**

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2007	31/03/2006	31/03/2007	31/03/2006	31/03/2007	31/03/2006
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Department</b>						
National Department of Public Enterprises	18	-	6	6	24	6
National Department of Environmental Affairs and Tourism	-	-	75	-	75	-
Provincial Government: Limpopo Legislature: Office of the Secretary	-	-	15	12	15	12
Provincial Government: Premier Eastern Cape	-	-	16	35	16	35
National Department: Correctional Services	-	-	28	5	28	5
National Department of Public Works	-	-	97	57	97	57
Office of the President	-	-	19	-	19	-
South African National Defence Force	25	-	-	43	25	43
Provincial Government: Agriculture & Land Affairs: Eastern Cape	-	-	34	20	34	20
Provincial Department: Agriculture, Conservation & Dev. North West	-	-	13	13	13	13
Prov. Government: Agriculture, Conservation, Environment: Gauteng	-	-	-	13	-	13
Prov Government: Health: KZN	-	-	14	14	14	14
Prov Gov: Traditional & Local Affairs: KZN	-	-	3	2	3	2
Provincial Government: Finance & Economic Development: Limpopo	-	-	8	7	8	7

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2007	31/03/2006	31/03/2007	31/03/2006	31/03/2007	31/03/2006
	R'000	R'000	R'000	R'000	R'000	R'000
Provincial Government: Public Works: Limpopo	-	-	38	30	38	30
Provincial Government: Education: Mpumalanga	-	-	18	6	18	6
Provincial Government: Local Government & Traffic Mpumalanga	-	-	-	2	-	2
Prov Government: Community Safety: Western Cape	-	-	11	-	11	-
Advance for Implementing Agent (WFW Cape Town)	-	-	-	9	-	9
South African Management & Development Institute (SAMD)	-	-	-	4	-	4
National Department: Trade & Industry	-	-	-	4	-	4
National Department: Minerals & Energy	-	606	600	-	600	606
Provincial Government: Agriculture, Environment Affairs: KZN	-	-	7	-	7	-
Statistics South Africa	-	-	-	17	-	17
National Department: Agriculture	17	-	49	9	66	9
Provincial Department: Tourism, Environ & Eco: Free State	-	-	11	11	11	11
Provincial Government: Health: Limpopo	-	-	118	54	118	54
National Department: Education	-	-	-	8	-	8
National Department: Ministry of Intelligence	-	-	(3)	79	(3)	79
National Youth Commission	-	-	-	18	-	18

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2007	31/03/2006	31/03/2007	31/03/2006	31/03/2007	31/03/2006
	R'000	R'000	R'000	R'000	R'000	R'000
Departmental Debt: State Attorney Pretoria	-	-	(1)	(1)	(1)	(1)
Departmental Debt: State Attorney Pretoria	-	-	(1)	(1)	(1)	(1)
Provincial Department: Health & Welfare: Eastern Cape	-	-	79	30	79	30
Prov Department: Local Government & Housing: Limpopo	-	-	22	22	22	22
Provincial Department: Cultural Affairs & Sport: Western Cape	-	-	10	-	10	-
National Departments: Social Development	-	-	4	20	4	20
National Departments: Public Service & Administration	-	-	20	90	20	90
National Department of Agriculture	-	-	-	9	-	9
National Department: Housing	-	-	7	7	7	7
National Department: Government Communication (GCIS)	-	-	-	750	-	750
National Youth Commission (NON)	-	-	-	4	-	4
South African Police Service	37	-	-	35	37	35
Provincial Government: Sport & Recreation: Gauteng	-	-	-	52	-	52
Provincial Government: Health: Gauteng	-	-	10	10	10	10
Prov Government: Transport & Public Works: Gauteng	-	-	-	26	-	26

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2007	31/03/2006	31/03/2007	31/03/2006	31/03/2007	31/03/2006
	R'000	R'000	R'000	R'000	R'000	R'000
Prov Gov: Education & Culture: KZN	-	-	16	15	16	15
Provincial Government: Local Gov & Housing: Limpopo	-	-	30	22	30	22
Prov Gov: Health: Northern Cape	-	-	-	3	-	3
National Prosecuting Authority (NON)	-	-	-	4	-	4
National Department	-	-	(8)	(8)	(8)	(8)
Tsunami	-	-	-	(1)	-	(1)
VAALCO	-	-	55	55	55	55
Provincial Government Health Services: Free State	-	-	25	20	25	20
Prov Gov: Agriculture: Free State	-	-	-	4	-	4
National Department: Transport	-	-	3	3	3	3
Prov Gov Transport: Limpopo	-	-	-	16	-	16
Prov Gov Education North West	-	-	13	13	13	13
Prov Gov Sport & Recreation: Western Cape	-	-	-	9	-	9
Matching field 1273	-	-	-	(6)	-	(6)
Prov Gov: Housing & Land Administration: Mpumalanga	-	-	8	9	8	9
Prov Gov Shared Services Center: Gauteng	-	-	10	24	10	24
National Department: Health	15	-	-	32	15	32
National Department: Environmental Affairs	-	-	-	20	-	20

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2007	31/03/2006	31/03/2007	31/03/2006	31/03/2007	31/03/2006
	R'000	R'000	R'000	R'000	R'000	R'000
National Department: Land Affairs	-	-	17	76	17	76
National Department: Gov Printers	-	-	-	4	-	4
Payment from Main to Trading Account	-	-	-	23	-	23
National Department Justice & Constitutional Development	-	-	40	-	40	-
Prov Gov: Dept of Finance: Mpumalanga	-	-	35	-	35	-
National Treasury	6	-	-	-	6	-
South African Social Security Agency (SASSA)	-	-	38	-	38	-
National Department: Sport & Recreation	-	-	156	-	156	-
Prov Gov. Economic Affairs & Tourism: Eastern Cape	-	-	9	-	9	-
Prov. Gov. Roads & Transport: Limpopo	-	-	18	-	18	-
National Department: Provincial & Local Government	-	-	26	-	26	-
National Department Social Services & Population Development	-	-	11	-	11	-
	118	606	1 829	1 868	1 947	2 474
<b>Other Government Entities</b>						
Vat Clearings	-	-	14 349	10 084	14 349	10 084
Flag Boshielo	-	-	392	168 571	392	168 571
Berg Water	-	-	77 246	79 066	77 246	79 066
Mooi Umgeni	-	-	-	10	-	10
Working for Water Hartbeespoort	-	-	2 952	2 952	2 952	2 952
	-	-	94 939	260 683	94 939	260 683
<b>TOTAL</b>	118	606	96 768	262 551	96 886	263 157



**ANNEXURE 5  
INTER-GOVERNMENT PAYABLES**

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2007	31/03/2006	31/03/2007	31/03/2006	31/03/2007	31/03/2006
	R'000	R'000	R'000	R'000	R'000	R'000
<b>DEPARTMENTS</b>						
Current	-	-	-	-	-	-
Department of Education	-	-	-	6	-	6
Department of Health	-	-	-	15	-	15
Department of Justice and Constitutional Development	41	5	-	-	41	5
Western Cape: Environmental Affairs & Development Planning	15	-	-	-	15	-
Dept of Land Affairs	5	-	-	-	5	-
Dept of Public Works	19	-	-	-	19	-
Gauteng: Agriculture	-	-	27	-	27	-
Free State: Sports & Culture	-	-	6	-	6	-
<b>Total</b>	<b>80</b>	<b>5</b>	<b>33</b>	<b>21</b>	<b>113</b>	<b>26</b>

## WATER TRADING ACCOUNT

### REPORT OF THE ACCOUNTING OFFICER FOR THE YEAR ENDING 31 MARCH 2007

#### 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, the construction of new infrastructure 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
- Equipment

The Water Trading Account is divided into four components

- **Component 1: Integrated Water Resources 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: Equipment:** This provides for equipment for the construction and maintenance of Government Water Schemes. This component was previously reported separately as the Equipment Trading Account which was closed and consolidated with the Water Trading Account.

Two main sources of funding are currently available to cover spending under the water trading account;

- Revenue stream generated by a water resource management charge levied on all registered water users (component 1).
- 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 revised national water pricing strategy will further improve the financial state of the water trading account. The application of the revised tariff structures in some areas has already resulted in improved revenue.

#### Working for Water

The Working for Water Programme which is undertaken under the Integrated Water Resources Management Component 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 which is also funded through the Sub-programme Sustainable Supply of Vote 34 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.

#### Major projects undertaken during the year

Over the MTEF period, spending on infrastructure is expected to increase from R801 million to R1,9 billion, driven by the additional allocations for: the Olifants River Water Resources Development Project (De Hoop Dam) and related bulk distribution infrastructure; the dam safety rehabilitation programme; and the initial financing of the National Water Resources Infrastructure Agency.

The funds for the implementation phase of the De Hoop Dam project will be fully provided for in the department's budget for the Olifants River Water Resources Development Project. For subsequent phases, a portion of the funding will be provided from the financial markets in accordance with cost responsibility attributable to commercial users. A similar arrangement will be applied for the Mokolo River water resources augmentation project, for which an estimated 75 per cent of the estimated total cost of R1,9 billion will be attributable to commercial users. Funds to complete bulk rural water supply works, including the Inyaka water treatment works, the Nandoni water treatment works and the Hluhluwe scheme, are to be fully provided from the National Revenue Fund.

Funding for new dams, such as the Nwamitwa Dam, the Mzimkulu Off-Channel Storage Dam and the Zalu Dam, intended to improve water supply to users, is fully provided for in existing baseline allocations. Funding for rehabilitating dams to ensure safety will continue throughout the MTEF period.

In his 2003 State of the Nation address, the President announced the government's intention to build the De Hoop Dam and a bulk raw water distribution system to boost the water supply to municipalities and support the development of platinum mining and agriculture opportunities in Limpopo. The De Hoop Dam will have an 81 metre high wall and a storage capacity of 330 million m<sup>3</sup>. In June 2004, Cabinet approved the project, which consists of the following phases:

- Phase 1: Raising the wall of the Flag Boshielo Dam was completed in December 2006 at a cost of R250 million.
- Phase 2A: Design and construction of the De Hoop Dam is planned for completion in 2010 at an estimated cost of R1,3 billion.
- Phase 2B-H: Bulk abstraction and distribution systems, comprising of pump stations, pipelines, balancing weirs and related infrastructure, is planned to be mostly complete in 2011.

## 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.

The Department has commenced with a Revenue Management Re-engineering projects with the assistance of Private Sector specialists. This is a twelve month assignment and will inter alia include the following deliverables:

- Development of revenue policies;
- Development and implementation of business processes;
- Develop and implement appropriate structures at National and Regional Offices to manage revenue;
- Develop and implement costing strategies;
- Perform due diligence on all agreements with current water users;
- Preparation of service level agreements with agents performing business on behalf of the Department.

Spending and Augmentation on the trading account.

Currently, only the Integrated Systems Component generates a surplus.

## Tariff policy for Water Resources

The policy framework for water resources is laid down in chapter 5 of National Water Act, 1998 (Act No. 36 of 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 completed and implemented by a Notice in the Government Gazette for 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 for waste discharges and return flows will be implemented after a money bill has been approved and relevant section of the National Water Act is amended and dealt with in the revised pricing strategy.

### **Asset Management**

The department has commenced with a number Asset Management Reforms to ensure that it achieves the PFMA requirements and enhance accountability and transparency.

#### **Movable Assets:**

During 2006/07 the department embarked on the first phase of Asset Management Reform country wide, which involved the process of policy development, physical verification, bar coding, and recording of assets on the asset register and loading them on the ERP system (SAP) for the trading entity to able report in accordance to SA GAAP and to achieve accountability and transparency. Asset strategies were developed and approved. These deal with repairs and maintenance, disposal, acquisition and funding. There is still some work still to be done to improve the status of the movable asset register.

#### **Infrastructure (Immovable) Assets:**

For the year 2007/08 the department will continue with the second phase of the asset management project by focusing on the Infrastructure Asset Management reform country wide, in responding to both business and legislative needs that call for the improved management of water resources infrastructure by DWAF. The project will establish a system of Infrastructure Asset Management that addresses accounting compliance issues and informs the setting of water tariffs, but also, through specific interventions will achieve significant and sustainable improvement in asset management practice across the entire organization.

### **Progress with Financial Management Improvement**

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 has, with effect from 4 October 2006, implemented a new ERP system (SAP) for the Trading Entity to enable reporting in accordance with GAAP. It must be noted that while the Department has "cut over" to SAP, the Department used the transversal system of BAS from 1 April 2006 to 3 October 2006, at which stage all transactions were transferred to SAP and a comprehensive "SAP Take-on Reconciliation Process" was implemented. The implementation of SAP will enable the Department to fully comply with the provisions of the Public Finance Management Act and prepare the financial statements in accordance with the Generally Accepted Accounting Practice.

While SAP has been fully implemented in the Department, all officials operating on the system are required to undergo ongoing training to upgrade their skills in the application of the system.

The Department regularly reports and monitors the financial position. The Executive Authority is also informed about the financial position of the Department.

### **Approval**

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



**Moshibudi Rampedi**  
**ACTING DIRECTOR-GENERAL**  
**25 September 2007**

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE WATER TRADING ACCOUNT (WTA) FOR THE YEAR ENDED 31 MARCH 2007

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the accompanying financial statements of the Water Trading Account (WTA) which comprise the statement of financial position as at 31 March 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 196 to 205.

### Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) (as amended by Act No. 29 of 1999). This responsibility includes:
  - designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

### Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 40(2) of the Public Finance Management Act (PFMA), 1999 (Act No.1 of 1999) (as amended by Act No. 29 of 1999), my responsibility is to express an opinion on these financial statements based on my audit in accordance with the International Standards on Auditing. Because of the matters discussed in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Basis of accounting

4. The trading entity's policy is to prepare financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice and in the manner required by the National Treasury, as set out in note 1 to the financial statements.

### Basis for disclaimer of opinion

A lack of adequate business processes, inadequate capacity, challenges with the implementation of SAP and inadequate roles and responsibilities resulted in:

### 5. Property, plant and equipment

- 5.1 The amount of R39,768 billion disclosed as property, plant and equipment could not be substantiated with an adequate fixed asset register. The following matters were noted regarding assets:
  - 5.1.1 The SAP fixed asset register was not correctly programmed. As a result depreciation was overstated by approximately R1.638 billion. Moreover, for 30 765 assets the cost and accumulated depreciation were added together to arrive at the book value.
  - 5.1.2 The asset register did not indicate the location, bar-code and description of some of the assets; the verification of assets from the asset to the register and vice versa could not be performed and as a result assets could not be verified physically.
  - 5.1.3 Consumable items were recorded on the fixed asset register, with the result that the asset register was overstated by an unknown amount.
- 5.2 There were several material deviations from the accounting policies detailed in the notes to the financial statements when accounting for assets:
  - 5.2.1 Several assets that were bought for less than R5 000 were fully depreciated to R1 during the year. As a result accumulated depreciation was overstated by approximately R11.649 million.
  - 5.2.2 A total of 62 276 assets were initially reflected at a cost of R1 or RNIL in the asset register. Furthermore, an attempt was never made to determine the fair value of these assets. This led to an understatement of assets that could not be quantified.
  - 5.2.3 The reassessment of the useful life or residual value of assets was not performed at year-end for any of the assets indicated in the SAP fixed asset register.

**6. Revenue**

- 6.1 An amount of R545.266 million, described as BAS revenue adjustment on the trial balance, could not be substantiated.
- 6.2 Rental income which was recognised in the annual financial statements included rent received from other cost centres within the trading entity. As a result income was overstated by R52.782 million.
- 6.3 Due to insufficient controls and procedures in place it could not be determined which users should register with the trading entity and which users with water boards and municipalities. The trading entity had also not reconciled the quantities/volumes of water charged to the actual quantities/volumes of water used as per readings made by the trading account in terms of the policy framework. As a result, I could not get assurance as to the completeness of revenue recorded in the annual financial statements of the trading entity.

**7. Receivables**

- 7.1 Debtors were misstated, as unallocated deposits, amounting to R596.799 million, were set-off against debtors. No supporting documentation could be provided to substantiate these credit balances. As a result interest required, in terms of Treasury Regulation 11.5, to be charged on debtor balances annually could not be raised, as individual debtor balances were not fairly reflected.
- 7.2 Included in accounts receivable were credit balances amounting to R891.728 million. The validity of these credit balances could not be established.
- 7.3 The provision for the impairment of debtors amounting to R377.926 million, brought forward from the previous year, had not been made in terms of IAS 39 Financial instruments: Recognition and measurement. In addition the requirements of IAS 39 were not complied with during the year under review, due to the fact that the recoverability of individual debtors was not assessed, specifically debtors older than 181 days amounting to R556.966 million. Furthermore, no bad debts were written off against the provision although irrecoverable debtor balances were identified.
- 7.4 The discounting of trade receivables as required by Circular 9 and IAS 39 Financial instruments: Recognition and measurement had not been performed for the year under review.

**8. Bank and cash**

- 8.1 Balances reflected under cash and cash equivalents amounting to R29.500 million were not confirmed by the bank.
- 8.2 Where received, external confirmations revealed that not all bank accounts were brought into account and consolidated into the cash and cash equivalents line item in the annual financial statements.

**9. Payables**

- 9.1 Balances amounting to R34.012 million relating to uncleared suspense accounts were not substantiated with supporting documentation.
- 9.2 The reversal in the current year of a prior year accrual amounting to R222.821 million could not be substantiated with supporting documentation. The trading entity disclosed an amount of R11.622 million as accruals for goods and services in note 8 to the financial statements. The completeness and accuracy of accruals could not be determined.
- 9.3 A loan amounting to R501.697 million, payable to the department, could not be substantiated. This amount was also not reflected as a receivable in the financial statements of the department.

**10. Inventory**

- 10.1 Inventory was not accounted for in terms of the weighted average cost method as stipulated in the accounting policies, as the latest invoices were used to attach values to stock items. There were instances where invoices could not be submitted to substantiate the values placed on stock items.
- 10.2 Certain inventory stores should have been transferred from the main account to the trading account during the year, but no evidence could be obtained to verify the inclusion of these inventory balances at fair value in the accounting records of the trading entity.

**11. Leases**

- 11.1 Lease contracts could not be submitted to substantiate an amount of R58.490 million relating to expenditure in respect of operating leases disclosed as part of administrative expenditure in note 3. Due to the lack of supporting documentation, I could not ascertain whether the leases met the requirements of a finance lease or an operating lease. Furthermore, proper disclosure of leases as required by IAS 17 (AC 105) Leases was not made in the notes to the financial statements.

## 12. Related parties

- 12.1 The lack of an accounting policy on related parties constituted non-compliance with GAAP.
- 12.2 Related party relationships and transactions were not disclosed in the notes to the financial statements as required by IAS 24 (AC 124) Related party disclosures.

## 13. Other

- 13.1 Material transactions amounting to R9.259 billion extracted from various account balances disclosed under various components in the financial statements could not be substantiated with supporting documentation.

## 14. Revaluation reserve

- 14.1 The amount of R455.662 million disclosed as adjustments in note 4 to the financial statements and which formed part of R3.142 billion disclosed as a revaluation reserve related to asset take-on balances which could not be substantiated.

## 15. Reclassification of balances

- 15.1 In addition to audit adjustments, numerous material reclassifications of account balances occurred in the line items on the annual financial statements first submitted on 31 May 2007. No explanations or substantiating evidence was provided or submitted to substantiate the reclassifications in the following line items:
  - 15.1.1 Reclassification between other income and sale of goods amounting to R100.024 million.
  - 15.1.2 Receivables increased by R297.823 million.
  - 15.1.3 Other operating expenditure decreased by R668.435 million.

## Disclaimer of opinion

- 16. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have been unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Water Trading Account. Accordingly, I do not express an opinion on the financial statements.

## Emphasis of matters

I draw attention to the following matter:

## 17. Merger of Water Trading Account (WTA) and Equipment Trading Account (ETA)

- 17.1 On 1 April 2006, the ETA was merged with the WTA. Thus the ETA

did not exist as a separate entity in the year under review, although the activities of the ETA are still continuing and for financial reporting purposes form part of the WTA annual financial statements. As a result all opening balances of the ETA were transferred to the WTA on 1 April 2006 as disclosed in note 6 to the financial statements.

## OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

## 18. Internal control

### 18.1 Control activities

- 18.1.1 The following control activities over major general ledger accounts were not exercised:
  - 18.1.1.1 The reconciliation between the VAT control account and the VAT 201 forms was not performed for the year under review.
  - 18.1.1.2 Monthly BAS/SAP and Persal reconciliations were not performed timeously during the year under review. Individual monthly reconciliations also reflected unreconciled differences.
  - 18.1.1.3 The reconciliation between amounts transferred between the trading entity and the department was not performed. As a result, the amount disclosed as transfers received from the main account is R1,053 million more than the amount disclosed as transfers paid to the trading entity in the financial statements of the department.
- 18.1.2 Access to resources and records was not limited and accountability for their custody was not assigned, as evidenced by the lack of supporting documentation for the following:
  - 18.1.2.1 Additions to intangible assets amounting to R718 000
  - 18.1.2.2 Balances amounting to R1.745 million classified as sundry debtors
  - 18.1.2.3 Expenditure payments amounting to R3.504 million



- 18.1.3 Incorrect allocations  
Transactions were not properly classified and promptly recorded as evidenced by a significant amount of incorrect allocations noted during audit testing.
- 18.1.4 Segregation  
Inadequate segregation between the main and trading accounts existed due to the lack of a formal structure for the trading entity.
- 18.2 Information and communication  
Management had not developed and/or approved and communicated policies and procedures in the year under review for the following significant cycles affecting the financial reporting process:
  - 18.2.1 Revenue
  - 18.2.2 Debtor administration
  - 18.2.3 Asset and inventory management
  - 18.2.4 Bank and cash management
- 18.3 Review of SAP conversion process

During the review the most significant weaknesses identified were the following:

- Lack of control over assets and mapping table versions
- 18.3.1 A reconciliation between a sample of the asset registers compiled by the regions and the SAP system revealed significant shortcomings.
- 18.3.2 Stock balances were not transferred correctly to the SAP system.
- Quality of the asset and material master data
- 18.3.3 Assets were found that did not have descriptions, as well as assets with zero book values.
- 18.3.4 The reconciliation between the vendor master data and SAP data revealed vendors with different names and/or contact details and banking details between the source and target data, while some vendors did not have address details, or vendor names and banking details were duplicated.

- Acceptable methodologies, appropriate risk processes and generally accepted good practices were not followed.
- 18.3.5 No evidence could be found of an approved data migration strategy.
- 18.3.6 No evidence could be found to substantiate that a data critical risk assessment had been performed by management.
- 18.3.7 Roles and responsibilities were not clearly understood by the resources during the migration process.
- 18.4 Information systems auditing

#### General controls in the information technology environment

The information systems (IS) audit was completed in June 2007  
The most significant of the weaknesses identified during the audit were the following:

- 18.4.1 IS security policy and procedures and change control procedures were inadequately developed.
- 18.4.2 A comprehensive disaster recovery plan and a business continuity plan, and an IS strategic plan had not been developed.
- 18.4.3 The physical and environmental controls instituted to protect the organisation from unauthorised access being gained to sensitive terminals and the protection of information assets in the server room against high temperature and water damage were inadequate.
- 18.4.4 The backup and restoration procedures were inadequate.
- 18.4.5 Service level agreements had not been entered into with the service provider for the SAP project.
- A SAP R/3 post-implementation and authorisation review with an impact on the Water and Equipment Trading Account was completed in June 2006.
- The most significant weaknesses identified were the following:
- 18.4.6 The SAP licensing agreement had been breached, which could result in financial penalties.



- 18.4.7 Some roles created on the system allowed system-wide access, which could result in unauthorised transactions being executed.
- 18.4.8 A large number of roles (234) were identified that had been changed after being transported to production and for some of these roles transaction codes had been added that had not been approved in accordance with the blueprint. A number of users also had access allocations that had not been signed off on the blueprint. Without updated documentation it might be difficult to determine whether security measures had been implemented in accordance with management intentions.
- 18.4.9 The precautions taken against unauthorised access being gained through the default SAP identifications created at the time of the implementation, as well as through powerful SAP profiles, were inadequate.
- 18.4.10 Inadequate control over change control documentation and the lack of adequate change control procedures resulted in unauthorised changes being effected to the production environment.
- 18.4.11 Users were allowed access to sensitive and high-risk transactions and could consequently perform conflicting transactions on the system.
- 18.4.12 Application controls were not appropriately configured to prevent duplicate payments and unauthorised purchase orders from being processed.

## 19. Material non-compliance with applicable legislation

### 19.1 Treasury Regulations

- 19.1.1 Suspense accounts were not followed up and cleared on a regular basis as required by section 17.1.2.
- 19.1.2 The monthly financial reporting did not make provision for all amounts not yet cleared from clearing and suspense accounts as required by section 17.1.3.
- 19.1.3 The monthly information as required by section 40(4)(b) and (c) in respect of the trading entity was not included in the monthly report of the department.
- 19.1.4 The accounting officer of the department had not formulated a policy for the head of the trading entity as required by section 19.3.1.

19.1.5 Certain bank accounts forming part of cash and cash equivalents were in overdraft in contravention of section 19.3.2.

19.1.6 No approval was obtained for the implementation of SAP as required by section 17.3.1.

### 19.2 Public Service Act:

Performance bonuses paid were in excess of the 1,5% of the budgeted annual remuneration of employees. The excess amounted to R7,587 million. This is in contravention of chapter 1 (part VIII (F)) of the Public Service Act. No evidence of ministerial approval for the excess could be obtained.

### 19.3 Supply chain management:

There was general non-compliance with supply chain management principles and Treasury Regulation 16 as evidenced by inadequate supporting documentation on tender files.

20. Material corrections were made, during the audit process, to the financial statements submitted for audit on 31 May 2007.

## OTHER REPORTING RESPONSIBILITIES

### Reporting on performance information

21. I have audited the performance information as set out on pages 196 to 205.

### Responsibility of the accounting officer

22. The accounting officer has additional responsibilities as required by section 40(3)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the trading entity.

### Responsibility of the Auditor-General

23. Conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007.

- 24 In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
- 25 I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

#### Audit findings

26. Annual financial statements of the Water Trading Account do not include any performance information as it was reported on by the Department of Water Affairs and Forestry. Moreover, clearly defined objectives of the department and trading entity are not contained in the strategic plan of the department to facilitate proper reporting.

#### APPRECIATION

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



**P Bhana for Auditor-General**

**Pretoria**

**31 July 2007**

## WATER TRADING ACCOUNT

### STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2007

	Notes	2007 R'000	2006 R'000
<b>Revenue</b>		<b>4 339 353</b>	<b>3 301 083</b>
Sale of water		4 283 238	3 298 414
Rental income		56 115	2 669
<b>Cost of sales</b>		<b>(1 726 827)</b>	<b>(1 640 210)</b>
<b>Gross income</b>		<b>2 612 526</b>	<b>1 660 873</b>
<b>Other income</b>		<b>1 232 060</b>	<b>1 630 857</b>
Transfers and subsidies		710 140	1 608 065
Finance income		70	1 392
Other	2	521 850	21 400
<b>Income before expenditure</b>		<b>3 844 586</b>	<b>3 291 730</b>
Expenditure	3	(4 485 917)	(3 574 632)
<b>Deficit before taxation</b>		<b>(641 331)</b>	<b>(282 902)</b>
<b>Deficit for the year</b>		<b>(641 331)</b>	<b>(282 902)</b>

## WATER TRADING ACCOUNT

### STATEMENT OF FINANCIAL POSITION

as at 31 March 2007

	Notes	2007 R'000	2006 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	39 768 046	45 300 705
Intangible assets	5	637	12
<b>Current assets</b>		<b>2 865 399</b>	<b>1 193 357</b>
Inventory		19 885	18 729
Trade and other receivables	7	2 470 925	1 209 653
Cash and cash equivalents	8	374 589	(35 025)
<b>Total assets</b>		<b>42 634 082</b>	<b>46 494 074</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	776 461	723 854
Provisions	10	70 048	198 999
<b>Capital and reserves</b>		<b>41 787 573</b>	<b>45 571 221</b>
Accumulated deficit		(2 856 982)	(2 215 650)
Revaluation reserve		44 644 555	47 786 871
<b>Total equity and liabilities</b>		<b>42 634 082</b>	<b>46 494 074</b>

## WATER TRADING ACCOUNT

### STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2007

	Notes	Accumulated Deficit R'000	Revaluation Reserve R'000	Total Equity R'000
<b>Balance at 1 April 2005</b>		(1 932 748)	51 886 946	49 954 198
Deficit for the year as restated		(282 902)	-	(282 902)
Revaluation increase / (decrease) on property, plant and equipment		-	443 275	443 275
Released on disposal of investments		-	(4 543 350)	(4 543 350)
<b>Balance as at 31 March 2006</b>		(2 215 650)	47 786 871	45 571 221
Deficit for the year		(641 331)	-	(641 331)
Correction of error		(1)	-	(1)
Revaluation increase / (decrease) on property, plant and equipment		-	(3 142 316)	(3 142 316)
<b>Balance as at 31 March 2007</b>		<b>(2 856 982)</b>	<b>44 644 555</b>	<b>41 787 573</b>

## WATER TRADING ACCOUNT

### CASH FLOW STATEMENT

for the year ended 31 March 2007

	Notes	2007 R'000	2006 R'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		3 975 128	4 518 410
Cash paid to suppliers and employees		(3 495 981)	(6 796 097)
Cash generated / (utilised in) operations	12	479 147	(2 277 687)
Interest received		70	1 392
<b>Net cash inflows / (outflows) from operating activities</b>		<b>479 217</b>	<b>(2 276 295)</b>
<b>Cash flows from investing activities</b>			
Proceeds on disposal of:			
- Property, plant and equipment		-	3 576 467
Acquisition of:			
- Property, plant and equipment	13	(68 885)	(985 909)
- Intangible assets		(718)	(6)
<b>Net cash (outflows) / inflows from investing activities</b>		<b>(69 603)</b>	<b>2 590 552</b>
<b>Cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>409 614</b>	<b>314 257</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(35 025)</b>	<b>(349 282)</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>374 589</b>	<b>(35 025)</b>

## WATER TRADING ACCOUNT

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2007

#### 1. Accounting policies

##### 1.1. Basis of preparation

The financial statements have been prepared in accordance with South African Statements 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.

##### 1.2. 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.

##### 1.3. 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.

##### 1.4. 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 previously re-valued 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.

### 1.5. 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 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.

Payables are carried at the fair value of the consideration to be paid in future for goods or services that have 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.

### 1.6. 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 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 amount 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.

### 1.7. Provisions

A provision is a liability of uncertain timing and 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.

### 1.8. 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 an 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.

### 1.9. 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 where the reimbursement is virtually certain.

## 1.10. 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 the 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.

## 1.11. 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.

## 1.12. 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.

## 1.13. Comparative figures

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

	Note	2007 R'000	2006 R'000
<b>2. Other income</b>		<b>521 850</b>	<b>21 400</b>
Other income includes:			
- Surplus of assets over liabilities	6	219 212	-
- reversal of prior year's leave pay provision		116 099	-
- other		186 539	21 400
<b>3. Expenditure</b>		<b>4 485 917</b>	<b>3 574 632</b>
Expenditure includes			
- administrative expense		265 028	292 131
- staff costs		507 924	701 240
- audit fees		1 369	1 399
- transfers and subsidies paid		178 250	412 754
- depreciation		2 711 000	1 223 731
- other operating expenses		822 346	943 377

#### 4. Property, plant and equipment

Summary	31 March 2007			31 March 2006		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000s
Infrastructure assets	44 665 517	(5 300 010)	39 365 507	44 668 236	(2 401 853)	42 266 383
Buildings	405 856	(176 580)	229 276	405 748	(33 444)	372 304
Dwellings	380	(13)	367	-	-	-
Motor vehicles	679	(545)	134	1,397	(348)	1,049
Equipment	478 594	(314 252)	164 342	26 239	(6 609)	19 630
Furniture and fittings	11 249	(6 334)	4 915	4 644	(2 339)	2 305
Computer equipment	7 521	(4 016)	3 505	6 998	(4 394)	2 604
Water services	-	-	-	3 012 640	(376 210)	2 636 430
<b>Total</b>	<b>45 590 415</b>	<b>(5 822 369)</b>	<b>39 768 046</b>	<b>48 125 902</b>	<b>(2 825 197)</b>	<b>43 300 705</b>

Movement 2007	31 March 2006					31 March 2007	
	Carrying Value	Transfers to Main Account	Additions	Adjustments	Depreciation	Carrying Value	
	R'000	R'000	R'000	R'000	R'000	R'000	
Infrastructure assets	42 266 383	-	-	(259 719)	(2 641 157)	39 365 507	
Buildings	372 304	-	74	(118 819)	(24 283)	229 276	
Dwellings	-	-	380	-	(13)	367	
Motor vehicles	1 049	-	73	(968)	(20)	134	
Equipment	19 630	-	265 383	(78 116)	(42 555)	164 342	
Furniture and fittings	2 305	-	1 908	2 140	(1 438)	4 915	
Computer equipment	2 604	-	2 615	(180)	(1 534)	3 505	
Water services	2 636 430	(2 636 430)	-	-	-	-	
<b>Total</b>	<b>43 300 705</b>	<b>(2 636 430)</b>	<b>270 433</b>	<b>(455 662)</b>	<b>(2 711 000)</b>	<b>39 768 046</b>	

Movement 2006	31 March 2005				31 March 2006	
	Carrying value	Additions	Disposals	Depreciation	Carrying Value	
	R'000	R'000	R'000	R'000	R'000	
Infrastructure assets	42 310 139	967 321	-	(1 011 077)	42 266 383	
Buildings	381 968	132	-	(9 796)	372 304	
Dwellings	-	-	-	-	-	
Motor vehicles	164	1 168	-	(283)	1 049	
Equipment	8 728	14 003	-	(3 101)	19 630	
Furniture and fittings	1 776	1 264	-	(735)	2 305	
Computer equipment	2 747	2 021	-	(2 164)	2 604	
Water services	7 376 357	-	(4 543 352)	(196 575)	2 636 430	
<b>Total</b>	<b>50 081 879</b>	<b>985 909</b>	<b>(4 543 352)</b>	<b>(1 223 731)</b>	<b>45 300 705</b>	

#### 5. Intangible assets

##### 5.1 Computer software

Note	2007 R'000	2006 R'000
Cost at 31 March 2006	58	52
Additions	117	6
<b>Cost at 31 March 2007</b>	<b>175</b>	<b>58</b>
Accumulated amortisation at 31 March 2006	(46)	(24)
Amortisation / impairment for the year	(14)	(22)
<b>Accumulated amortisation / impairment at 31 March 2007</b>	<b>(60)</b>	<b>(46)</b>
<b>Carrying amount at 31 March 2007</b>	<b>115</b>	<b>12</b>

## 5.2 Other intangibles

	Note	R'000	R'000
Cost at 31 March 2006		-	-
Additions		601	-
<b>Cost at 31 March 2007</b>		<b>601</b>	<b>-</b>
Accumulated amortisation at 31 March 2006		-	-
Amortisation / impairment for the year		(79)	-
<b>Accumulated amortisation / impairment at 31 March 2007</b>		<b>(79)</b>	<b>-</b>
<b>Carrying amount at 31 March 2007</b>		<b>522</b>	<b>-</b>
<b>Total intangible assets</b>		<b>637</b>	<b>12</b>

## 6. Assets and liabilities transferred from the Equipment Trading Account

On 1 April 2006, the assets and liabilities of the Equipment Trading Account were transferred to the Water Trading Account. The effect of the transfer on the financial statements is summarised below:

	Note	R'000	R'000
<b>Assets</b>			
Property, plant and equipment			
Equipment at cost		240 724	-
Less: Accumulated depreciation		(40 513)	-
		200 211	-
Capital work in progress		1 337	-
<b>Total property, plant and equipment</b>		<b>201 548</b>	<b>-</b>

	Note	2007 R'000	2006 R'000
<b>Receivables</b>			
Exchequer Account		3 757	-
Water Trading Account		751	-
Capital Augmentation		15 000	-
<b>Total receivables</b>		<b>19 508</b>	<b>-</b>
Investment deposit		100	-
<b>Total assets</b>		<b>221 156</b>	<b>-</b>
<b>Liabilities</b>			
Bank overdraft		(1 325)	-
Exchequer rebuild WIP		(619)	-
<b>Total liabilities</b>		<b>(1,944)</b>	<b>-</b>
<b>Net assets</b>		<b>219 212</b>	<b>-</b>
Cost to the Water Trading Account		-	-
Surplus of assets over liabilities recognised in 'Other income'	2	219 212	-

## 7. Trade and other receivables

### 7.1 Trade receivables

	Note	R'000	R'000
Trade debtors		3 073 351	1 343 457
Less: Impairment of debtors		(437 145)	(377 926)
<b>Net trade receivables</b>		<b>2 636 206</b>	<b>965 531</b>



**7.2 VAT receivable** - 85,118

### 7.3 Other receivables

	Note	R'000	R'000
Claims recoverable		31 067	155 852
Unallocated deposits		(595 799)	-
Staff debt		4 101	908
Travel and subsistence		437	676
Other receivables		394 968	1 568
Advances		(55)	-
<b>Total net Other receivables</b>		<b>(165 281)</b>	<b>159 004</b>
<b>Total current receivables</b>		<b>2 470 925</b>	<b>1 209 653</b>

### 8. Cash and cash equivalents

	Note	R'000	R'000
Cash and balances with banks		374 498	(35 118)
Petty cash		91	93
<b>Total cash and equivalents</b>		<b>374 589</b>	<b>(35 025)</b>

### 9. Trade and other payables

	Note	R'000	R'000
Trade creditors		47 095	89 158
Accruals		12 174	-
TCTA		-	132 760
Owing to other departments		501 697	501 697
VAT Payable		155 299	-
Other		60 196	239
<b>Total trade and payables</b>		<b>776 461</b>	<b>723 854</b>

### 10. Provisions

#### Provision for employee benefits

##### 10.1 Performance bonus provision

	Note	2007 R'000	2006 R'000
Opening balance		(4 589)	(25 662)
Unused amounts reversed / utilised during the year		4 589	25 662
Provisions made during the year		(3 679)	(4 589)
<b>Performance bonus provision at end of year</b>		<b>(3 679)</b>	<b>(4 589)</b>

##### 10.2 Provision for leave

	Note	R'000	R'000
Opening balance		(182 432)	(223 353)
Unused amounts reversed / utilised during the year		182 432	223 353
Provisions made during the year		(66 333)	(182 432)
<b>Leave provision at end of year</b>		<b>(66 333)</b>	<b>(182 432)</b>

##### 10.3 Other provisions

	Note	R'000	R'000
Opening balance		(11 979)	-
Unused amounts reversed / utilised during the year		11 979	-
Provisions made during the year		(36)	(11 979)
<b>Total other provisions at end of year</b>		<b>(36)</b>	<b>(11 979)</b>
<b>Total provisions</b>		<b>(70 048)</b>	<b>(199 000)</b>

## 11. Prior period errors

### Nature

During the current period, it was discovered that revenue for the 2005 / 2006 financial year was understated by R 247.5 million.

This amount comprises misclassification of other income of R 8.5 million as revenue, sales blocked for billing and the March 2006 revenue that was invoiced in arrear during April 2006 which both amount to R 256 million which were not taken into account in the 2005/2006 financial statements.

The financial statements of 2005 / 2006 have been restated to correct this error. The effect of the restatement is summarised below and there is no effect in the current year's financial statements.

### Amount of error

	Note	R'000	R'000
Misclassification of other income as revenue		8 555	-
Sales blocked for billing at 31 March 2006		(16 698)	-
March 2006 revenue billed in arrear in April 2006		(239 329)	-
<b>Total</b>		<b>(247 742)</b>	<b>-</b>

### Effect of error on 31 March 2006 financial statements

#### On statement of financial performance

Increase in 'Sale of water' revenue at 31 March 2006	256 027
	<b>256 027</b>

#### On statement of financial position

Increase in Trade receivables at 31 March 2006	256 027
	<b>256 027</b>

## 12. Cash generated from / (utilised in) operations

	Note	2007 R'000	2006 R'000
<b>Deficit before tax</b>		(641 331)	(282 902)
Interest received		(70)	(1 392)
Non-cash movements / working capital changes			
- Depreciation		2 711 000	1 223 731
- Amortisation		93	22
- Increase in impairment provision of debtors		59 219	-
- Increase in payables		52 607	313 456
- Decrease in provision relating to employee costs		(128 951)	-
- Increase in receivables		(1 320 491)	(396 624)
- Increase in inventory		(1 156)	(796)
- Other non cash items		(251 773)	(3 133 182)
<b>Net cash flows from operating activities</b>		<b>479 147</b>	<b>(2 277 687)</b>

## 13. Acquisition of Property, Plant and Equipment

	Note	2007 R'000	2006 R'000
Total additions to Property, Plant and Equipment during the year		270 433	-
Less: Non-cash items			
Acquisition from Equipment Trading Account		(201 548)	-
<b>Cash acquisitions</b>		<b>68 885</b>	<b>-</b>

## 14. Operating lease commitments

	2007	2006
	R'000	R'000
At 31 March 2006, the department had the following outstanding commitments under non-cancellable operating leases:		
Up to 1 year	-	8 347
Between 2 and 5 years	-	12 432
More than 5 years	-	-
<b>Total commitments</b>	<b>-</b>	<b>20 779</b>

## 15. Capital commitments

	2007	2006
	R'000	R'000
Commitments for the acquisition of property, plant and equipment that is contracted for but not provided for in the financial statements	-	11 755

## 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 2007

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

- I have audited the accompanying financial statements of the National Forest Recreation and Access Trust which comprise the balance sheet as at 31 March 2007, income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 208 to 209.

#### Responsibility of the accounting officer for the financial statements

- The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity specific basis of accounting described in note 1 to the financial statements and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (as amended by Act No. 29 of 1999) and the Auditor-General Audit Circular 1 of 2005. This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

#### Responsibility of the Auditor-General

- As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
- I conducted my audit in accordance with the International Standards on Auditing and General Notices 646 and 647 of 2007, issued in Government Gazette No. 29919 of 25 May 2007. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

- An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.
- An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
- I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Basis of accounting

- The trust's policy is to prepare financial statements on the entity specific basis of accounting, as set out in accounting policy note 1 to the financial statements.

#### Opinion

- In my opinion the financial statements present fairly, in all material respects, the financial position of the National Forest Recreation and Access Trust as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with the entity specific basis of accounting, as set out in accounting policy note 1 to the financial statements and in the manner required by the PFMA.

#### OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

##### 10. Internal control

- Control environment  
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 R1 669 293 was transferred from the fund to the trust. The money is invested in the Corporation for Public Deposits. The balance as at 31 March 2007 was R3 435 311.

During our audit we identified that, except for interest received, the trust was still dormant and had been dormant since inception. In terms of section 42 of the National Forest Act, 1998 (Act No. 84 of 1998), the minister must do whatever is necessary to achieve the objective of the trust. A formal approval by the Minister of Water Affairs and Forestry to commence with the operational activities has not been given.

- Information and communication  
During our audit we identified that there was no separate financial reporting system for the National Forest Recreation and Access Trust and that the financial information relating to the trust was recorded in the trial balance of the Department of Water Affairs and Forestry's Vote account. We identified that this information was disclosed in both the department's and trust's financial statements for the prior year.

## OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

11. I have audited the performance information as set out on pages 208 to 209.

### Responsibilities of the accounting authority

12. The accounting officer has additional responsibilities as required by section 40(3)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the trading trust.

### Responsibility of the Auditor-General

13. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007.
14. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
15. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

### Audit findings

16. No separate performance targets were set for the trust, as the trust was dormant.

## APPRECIATION

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



**CE Simpson for Auditor-General  
Pretoria  
31 July 2007**

## THE NATIONAL FOREST RECREATION AND ACCESS TRUST

### STATEMENT OF FINANCIAL PERFORMANCE for the Year Ended 31 March 2007

	Note	2006/07 R'000	2005/06 R'000
Income		258 901	207 270
Investment income		258 901	207 270
Expenditure		-	-
<b>Net income for the year</b>		<b>258 901</b>	<b>207 270</b>

### STATEMENT OF FINANCIAL POSITION as at 31 March 2007

	Note	2006/07 R'000	2005/06 R'000
<b>Assets</b>			
Current Assets		3 435 311	3 176 410
Amounts immediately recoverable		3 432 582	3 173 681
Cash with Paymaster-General		2 729	2 729
		<b>3 435 311</b>	<b>3 176 410</b>
<b>Equity</b>			
Capital Fund	2	3 435 311	3 176 410
		<b>3 435 311</b>	<b>3 176 410</b>



Department of Water Affairs and Forestry, Pretoria  
M. Rampedi  
Accounting Officer  
National Forest Recreation And Access Trust

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2007

### 1. Accounting policy

1.1 The financial statements are, unless indicated otherwise, prepared on an 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 maximize 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.

## 1.8 Capitalization of Interest

Interest on the investment in the Corporation for Public Deposits must be capitalized to the investment.

## 2. Capital fund

	2007	2006
Note	R'000	R'000
Balance at the beginning of the year	3 176 410	2 969 140
Net income for the year	258 901	207 270
	<u>3 435 311</u>	<u>3 176 410</u>

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2007

	Accumulated Profit	Total
	R'000	R'000
<b>Balance 1 April 2003</b>	2 513 321	2 513 321
Interest received	241 327	241 327
<b>Balance 31 March 2004</b>	<u>2 754 648</u>	<u>2 754 648</u>
<b>Balance 1 April 2004</b>	2 754 648	2 754 648
Interest received	214 492	214 492
<b>Balance 31 March 2005</b>	<u>2 969 140</u>	<u>2 969 140</u>
<b>Balance 1 April 2005</b>	2 969 140	2 969 140
Interest received	207 270	207 270

<b>Balance 31 March 2006</b>	3 176 410	3 176 410
<b>Balance 1 April 2006</b>	3 176 410	3 176 410
Interest received	258 901	258 901
<b>Balance 31 March 2007</b>	<u>3 435 311</u>	<u>3 435 311</u>

## CASH FLOW STATEMENT

for the year ended 31 March 2007

	2007	2006
Note	R'000	R'000
Cash flows from operating activities		
Interest received	258 901	207 270
<b>Cash generated by operations</b>	<u>258 901</u>	<u>207 270</u>
Cash flows from investing activities		
Increase in investment	(258 901)	(207 270)
<b>Net cash outflow from investing activities</b>	<u>(258 901)</u>	<u>(207 270)</u>
Net increase in cash and cash equivalent	-	-
Cash and cash equivalent at the beginning of the year	2 729	2 728
<b>Cash and cash equivalent at the end of the year</b>	<u>2 729</u>	<u>2 728</u>

