

# DEPARTMENT OF WATER AFFAIRS AND FORESTRY



# ANNUAL REPORT 2005



water & forestry

Department:  
Water Affairs and Forestry  
REPUBLIC OF SOUTH AFRICA

## OUR VISION

We have a vision of a democratic, people-centred nation working towards human rights, social justice, equity and prosperity for all. We have a vision of a society in which all our people enjoy the benefits of clean water and hygienic sanitation services. We have a vision of water used carefully and productively for economic activities, which promote the growth, development and prosperity of the nation.

We have a vision of a land in which our natural forests and plantations are managed in the best interests of all.

We have a vision of a people who understand and protect our natural resources to make them ecologically stable and safeguard them for current and future generations.

We have a vision of a Department that serves the public loyally, meets its responsibilities with energy and compassion and acts as a link in the chain of integrated and environmentally sustainable development. We have a vision of development and co-operation throughout our region; of playing our part in the African Renaissance.

## OUR MISSION

The mission of the Department of Water Affairs and Forestry is to serve the people of South Africa by:

- Conserving, managing and developing our water resources and forests in a scientific and environmentally sustainable manner in order to meet the social and economic needs of South Africa, both now and in the future;
- Ensuring that water services are provided to all South Africans in an efficient, cost-effective and sustainable way;
- Managing and sustaining our forests, using the best scientific practice in a participatory and sustainable manner;
- Educating the people of South Africa on ways to manage, conserve and sustain our water and forest resources;

- Co-operating with all spheres of Government, in order to achieve the best and most integrated development in our country and region;
- Creating the best possible opportunities for employment, the eradication of poverty and the promotion of equity, social development and democratic governance.

## OUR VALUES

The Department of Water Affairs and Forestry is a loyal servant of the Government and the people of South Africa.

As public servants, our skills will, at all times, be used for the benefit of the people and for the reconstruction and development of our country in the spirit of Batho Pele (People First).

As management, our responsibility is to provide high quality transformational leadership and a disciplined work ethic and to promote a working culture for motivated, accountable and committed teamwork.

As citizens of the African continent, we are dedicated to long-term integrated regional security and co-operation, and to the spirit of the African Renaissance.

Our working environment is governed by the principles of representivity, equality, mutual respect and human development.

## CORE VALUES FOR TRANSFORMATION

We recognise that people are the cornerstone of the Department's success. Diversity is valued as a source of strength. We strive for a Department that fosters personal and professional growth and achievement.

We have the courage to change.

# REPORT OF THE DEPARTMENT OF WATER AFFAIRS AND FORESTRY

1 April 2004 – 31 March 2005

To the Minister of Water Affairs and Forestry.

I have pleasure in presenting this report on the work of the Department for the financial year ending 31 March 2005.



Mike Muller  
Director-General  
Department of Water Affairs and Forestry

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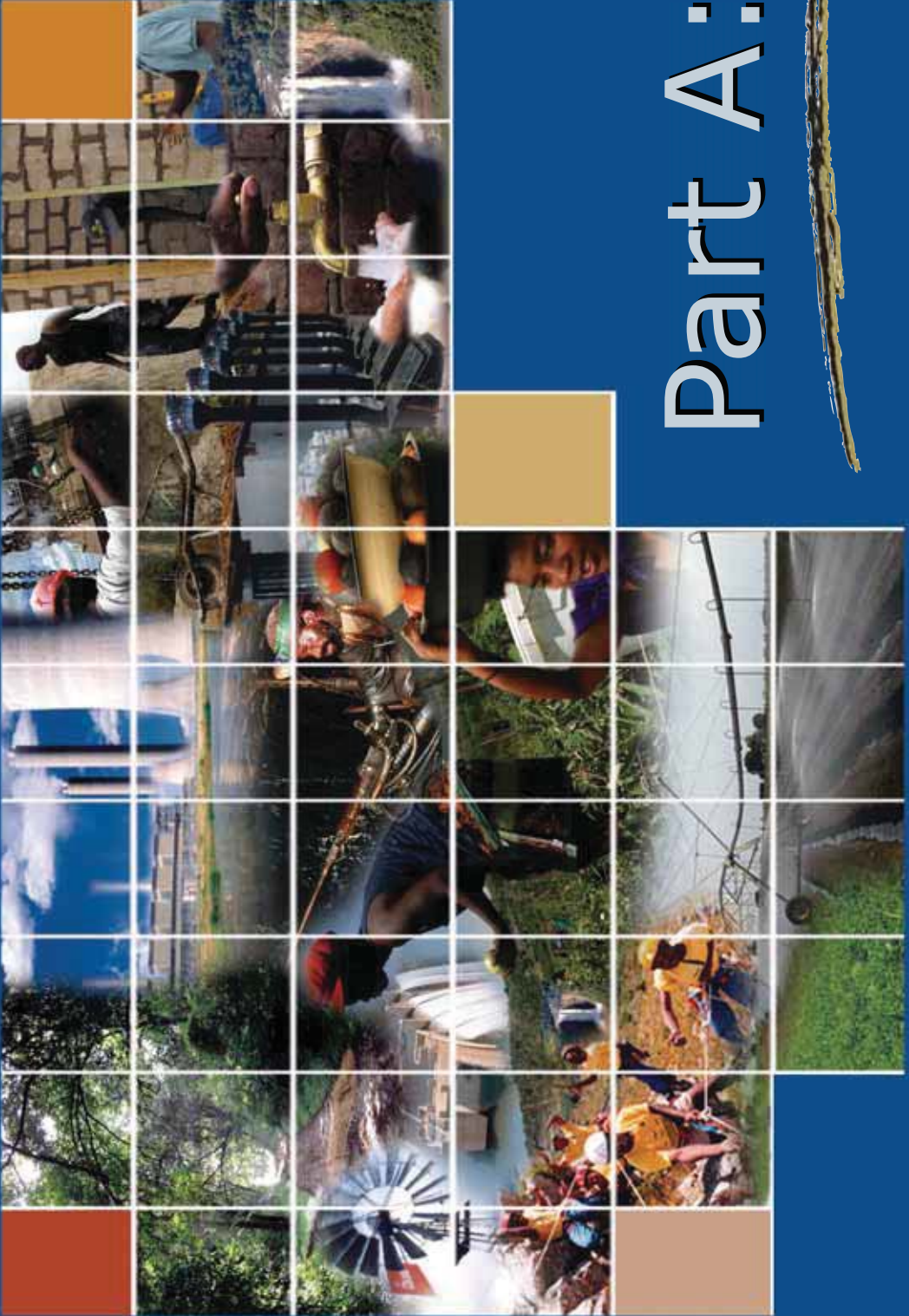
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# General Information

## Part A:



# INTRODUCTION

## The Department of the future emerges

The transformation of the Department of Water Affairs and Forestry reached a critical stage in the past year. The Department of the future is being born, with implementation of vital new functions such as water allocation reform, the regulation of municipal water services and the oversight of forestry ownership gaining momentum. The delivery has progressed well, with many operational functions such as water service delivery and indigenous forest management, transferred to more appropriate organisations during the year.

Nonetheless, the Department continued to take care of many of its older functions, still providing water services in some rural communities, operating government water schemes that serve commercial farmers and managing industrial plantations.

But staff can finally see an end in sight to the long process of restructuring and, despite its "triple tasks", the Department performed well, spending over 99% of its budget and contributing to many of the key priorities that were outlined by President Mbeki in his State of the Nation address.

## Investing in the first economy

One priority has been to contribute to the growth of the first economy through an R8 billion programme of investment to develop water resources infrastructure that will ensure water security in key areas. This is part of Government's drive to invest in infrastructure in support of economic growth and development.

Nandoni Dam in Limpopo was commissioned and construction began on the Berg River Water Project which will increase water supply to the Cape Peninsula. A major project to supply water for Eskom and Sasol's expansion in Mpumalanga has also been started. The first phase of the Olifants River Development Programme, the raising of the Flag Boshielo Dam in Limpopo, is progressing well while design of the next phase, the construction of a dam on the Steelport

tributary to supply mining developments and meet community needs, is well advanced and financing negotiations are underway.

Water resource management is guided by the 20 year view of the National Water Resource Strategy, which recognises the lengthy time needed to implement water resource development projects. As an example, following the conclusion of Phase 1B of the Lesotho Highlands Water Project, the Department immediately began preliminary work with our Lesotho counterparts on the feasibility of a possible Phase 2 to ensure water security for Gauteng and surrounding provinces beyond 2020.

The Department has sought to ensure that all these investments are aligned with Provincial Growth and Development Strategies and the Integrated Development Plans of local government as well as the National Spatial Development Framework.

Water management is as much about institutions as about infrastructure and this dimension has also received attention. The operation and development of the Department's major water resource infrastructure is being organised in a ring-fenced Branch, which may lead to the establishment of a stand-alone Water Resource Agency, a proposal for which will be tabled during 2005.

In a further step to implement the National Water Resource Strategy, the first Catchment Management Agency was formally proclaimed during the year for the Komati Water Management Area. This will enable water users and other stakeholders to take increasing responsibility for decisions on the management and allocation of water in their area and to ensure that it contributes optimally to social and economic development and equity.

## Meeting needs and creating opportunities in the second economy

In this focus on supporting the growth of the first economy, sight has not been lost of the other element of the Department's mandate, meeting the basic needs of all South Africans and creating opportunities for those in the second economy.



In the tiny hamlet of Soverby on the banks of the Orange River in the Northern Cape, we commemorated the supply by the Department of safe clean water to the 10 millionth recipient since 1994. The "Ten million in ten years" celebration was an historic moment in the Government's record of service delivery; it also symbolised the end of the Department's direct role in water service delivery as this responsibility has now been transferred to local government.

Working with other organs of Government, the Department achieved the President's target of 300 000 households served by improved sanitation, including the replacement of bucket toilets in 12 000 households. This will be further accelerated after the announcement of a special Municipal Infrastructure Grant (MIG) allocation to eradicate the remaining 220 000 bucket toilets by 2008. In addition, the clinic sanitation programme was substantially completed, 5 273 toilets were built to improve sanitation in 502 schools and, as important, health and hygiene programmes were incorporated into school curricula from grades 0 to 6.

The challenge of the second economy is not just to meet social needs. As important is to create opportunities for all those formerly excluded from the fruits of our society to participate fully in the country's economy.

Here, the Department has identified many opportunities, for productive livelihoods in farming and forestry. Less progress has been made in turning these opportunities into real activity. Many obstacles need to be overcome, working with other organs of state, notably a resolution to land tenure uncertainty, the provision of technical and financial support and ensuring that production opportunities for small-scale producers are matched by access to markets.

An encouraging step was the approval of the framework for supporting irrigation development by emerging farmers. A revised policy to assist historically disadvantaged households/farmers was approved by the Minister on 29 September 2004, and is being implemented. An important example was the Limpopo Government's initiative to rehabilitate and expand over 100 irrigation schemes, supported by the Department.

There has been a similar focus in forestry with ongoing work, in collaboration with provincial government agencies and the private sector, to develop afforestation opportunities in KwaZulu/Natal and the Eastern Cape. The initiation by Minister Sonjica of a Forestry Sector Charter process will contribute further to Broad Based Black Economic Empowerment in the sector.

In support of the second economy and poverty eradication, the Working for Water programme continued its impressive work. The programme, which is aligned with the Expanded Public Works Programme, provided 12 000 person years of temporary employment opportunities. Similarly, on the Department's water resource development projects, local communities are involved through systematic training and job creation efforts

### **Building a strong and efficient democratic state that serves the interests of the people**

Government's target is to ensure that everyone in South Africa has access to at least a basic water supply by 2008 and to basic sanitation by 2010. The challenge is not just to provide infrastructure but to achieve long term sustainability of services as well as healthy behaviour at the household level.

Since the actual delivery of the services is now done by Local Government, the Department's success depends on the effectiveness of municipalities. After funds for water supply and sanitation infrastructure were consolidated in the MIG, the Department has worked closely with national and provincial departments of Local Government to monitor and support municipalities and ensure that funds were used effectively and for the intended purpose.

The ongoing challenge is to help municipalities to plan the use of the resources they have for infrastructure programmes as well as for ongoing operation and maintenance of reliable, safe services. Detailed evaluation has showed that it will be difficult for many municipalities to meet targets for basic service provision as well as to maintain adequate services with the financial and human resources they have available. The situation is aggravated by community demands for higher levels of service than have been budgeted for in the Division of Revenue Act.

The task of supporting the municipalities requires Departmental staff to work with the plethora of programmes that seek to support local government. These include Project Consolidate, the Municipal Infrastructure Grant, the local government Capacity Building Grant, the Free Basic Services Programme, the Integrated Strategic Rural Development Programme/Urban Renewal Programme with its focus on the 21 key rural and urban development nodes as well as generic programmes such as the Expanded Public Works Programme and the Sustainable Human Settlements Programme.

This requires effective cooperation with other government agencies and Departmental officials have worked under the coordinating umbrella of the Department of Provincial and Local Government in a range of cooperative structures. Equally important has been the involvement of the regional offices in particular in local IDP and provincial PGDS processes.

### **Contributing to the African Renaissance and a better life for the peoples of Africa**

While the focus of the Department's work has been within the country, the Department continued to support Government's broad objectives beyond our borders.

In the SADC region, apart from continued operational cooperation with neighbours on shared river management, progress has been made with the SADC Hydrological Programme; SADC Hycos which the Department is implementing and for which a project manager has been appointed.

On the continent, the Department continued to support the Minister in her active role in the African Ministers Committee on Water (AMCOW). The African Water Facility, designed to channel funds to water projects in Africa under African political guidance, has been established at the African Development Bank. The WASH campaign continued to gain broad acceptance and support for the promotion of sanitation, including health and hygiene education.

Internationally, the Department worked closely with sister Departments in the UN Commission on Sustainable Development whose 12th and 13th sessions have focused on water supply and sanitation. The Department also contributed, through our

membership of the UN Millennium Project Task Team on Water and Sanitation and involvement with other global organisations, to place African water challenges firmly on the global development agenda.

### **Transforming the way we work - Support Services**

Although considerable improvements were made to financial management systems during the course of the year, the Department has still not fully implemented accrual accounting as required by National Treasury. The relevant business processes have been developed but, since no accrual enabled accounting system has yet been implemented for Government, the Department has had to develop an in-house SAP based accounting system to enable the trading accounts to comply with Generally Accepted Accounting Principles. This should have come on line on the 1st April 2005 but training of staff in the regional offices to implement the more demanding accrual system will only be completed at the end of 2005.

There have also been challenges in Corporate Services. Aside from the loss of DDG:Corporate Services – who was promoted to an HoD post in the Gauteng administration – the Human Resources Chief Directorate has suffered from a high turnover of senior managers over a period of years. This reflects, at least in part, the human resource challenges that face a large and complex department (with over 17 000 staff, the third largest in national government) while it undergoes significant restructuring.

To address the stresses and tensions caused by restructuring, the Transformation programme has paid particular attention to Change Management. As part of this, an extensive culture survey was conducted independently across the organisation. This found that the Department compared favourably against the other organisations (both public and private) that had been surveyed using the same methodology. While, as in any large organisation, there is obviously room for improvement, the results reflect the hard work that has been done by managers across the organisation to keep staff informed and engaged about the strategic direction that the Department is taking.

While concern has been expressed that staff turnover is too high as it is in some areas, particularly in key management functions:



- the figures show that generally, the reverse is the case. Table 5.3 of the Oversight Report shows that the overall turnover rate is just 7.3%, mostly due to retirement and death with only 2% due to actual resignations. This goes some way to explain a finding of the culture survey that younger people tended to be more frustrated by and negative about the organisation.

This has emphasised the need to continue with team building and management development. In this regard, the team building process which last year focused on senior management members of the Department's MANCO is now being expanded to middle management as well.

**Conclusion: the challenges of the second decade of democracy**

DWAF faces many challenges as sector leader in ensuring a common vision and approach in each of the three sectors for which it is responsible. To achieve water supply and sanitation targets and ensure that sustainable services are accessible to all will require massive efforts from all organs of government to support local government. The sanitation sector remains a particular challenge and there will have to be political mobilisation if the 2010 target is to be reached and the potential health benefits realised by the communities concerned.

Similarly, unleashing the potential that has been identified for plantation forestry and irrigated agriculture to contribute to improving the livelihoods of poor rural communities will require that we overcome the institutional and financial barriers.

This will require the Department to work in close harmony, internally and externally. So, in addition to thanking all managers and staff for another year of hard work, it is thus relevant to conclude by congratulating the Departmental choir who are, once again, National Champions.



Mike Muller  
Director-General Department of Water Affairs and Forestry



# INFORMATION ON THE MINISTRY

## Executive Authority

The Minister of the Department of Water Affairs and Forestry has Executive Authority over the 15 Water Boards, the Water Research Commission, the Trans-Caledon Tunnel Authority, the Irrigation Boards, Water Users Associations and Catchment Management Agencies.

## Bills to Parliament

One Bill was passed through both Houses of Parliament, namely the Water Services Amendment Bill which expands the area of operation of Water Boards to outside the borders of South Africa under certain conditions.

## Cabinet Memoranda

The Minister submitted the following Cabinet Memoranda:-

- 1 Water Resource Development in the Olifants River Catchment (Limpopo and Mpumalanga Provinces) in June 2004
- 2 Establishment of the National Water Resource Strategy in September 2004
- 3 Proposed Augmentation of the Eastern Sub-System of the Vaal River System in October 2004
- 4 Progress Report on the Proposed Establishment of a National Water Resource Infrastructure Agency in November 2004

## International Visits

Table 1

The Minister undertook the following international visits between the period 1 April 2004 and 31 March 2005:

DATE	VISIT
28 June – 3 July	The Minister attended the African Ministers' Council on water in Tunisia
11 – 18 September	The Minister attended The world urban forum in Barcelona
25 –30 September	The Minister undertook a Forestry visit to China
19 – 20 October	The Minister attended AMCOW in Gaborone - Botswana. She also attended the full AMCOW meeting that was also held in October in Uganda
26 - 27 November	The Minister attended the World Economic Forum's 14 <sup>th</sup> Africa Economic Summit in Mozambique
27 November – 06 December	The Minister attended the water sanitation hygiene (WASH) Global Forum in Senegal
4 – 7 January	Indonesia Tsunami disaster
29 January – 03 February	The Minister attended the FAO Conference on water for food and ecosystems in the Netherlands
4 – 5 February	The Minister attended the 2 <sup>nd</sup> Summit of heads of state on the conservation and sustainable management of central Africa's forest ecosystems in Brazzaville/Republic of Congo

# LEGISLATIVE MANDATE

## Policies

The Department is mandated –

- By the National Water Act, 1998 (Act No. 36 of 1998): to ensure that South Africa's water resources are protected, used, developed, conserved, managed and controlled in a sustainable and equitable manner, for the benefit of all persons. The Act establishes the National Government, acting through the Minister of Water Affairs and Forestry, as the public trustee of the nation's water resources, with power to regulate the use, flow and control of all water in the Republic.
- By the Water Services Act, 1997 (Act No. 108 of 1997): to create a developmental regulatory framework within which water services can be provided. The Act establishes water services institutions, and defines their roles and responsibilities. Schedule 4 of the Constitution of the Republic of South Africa vests the responsibility for water and sanitation services, limited to potable water supply systems and domestic wastewater and sewage disposal systems, in Local Government. However, the National Government has a constitutional responsibility to support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions, and also has the authority to see to their functions in respect of matters listed in Schedules 4 and 5 of the Constitution, by regulating the exercise by municipalities of their executive authority. The Water Services Act gives substance to these constitutional requirements and provisions, whilst acknowledging the authority of Local Government in respect of water services.
- By the National Forests Act, 1998 (Act No. 84 of 1998): to ensure that South Africa's forest resources (indigenous and plantation) are protected, used, developed, conserved,

managed and controlled in a sustainable and equitable manner, for the benefit of all. The administration of indigenous forest is however a concurrent competence between the National and Provincial Governments. When the Minister of Water Affairs and Forestry is certain that sufficient expertise, resources and administrative capacity exists in the Provinces, the Minister is empowered to assign or delegate to the Provinces the responsibility for managing indigenous forests.

- By the National Veld and Forest Fire Act, 1998 (Act No. 101 of 1998): to create a framework to prevent and combat veld, forest and mountain fires throughout the country and thereby limit and reduce the damage and losses caused by fires to life, fixed property, stock, crops, fauna and flora and veld in South Africa. In terms of the Constitution, fire fighting is a local government function, with Provincial and National Governments playing a facilitating role players, including Fire Protection Associations, which are established under the Act. The Department must also keep a record of fires, and develop a database capturing the statistics of fires and their impact on society.
- By section 20 of the Environment Conservation Act, 1989 (Act No. 73 of 1989), which gives DWAF the mandate to permit all landfill sites. Under the Environment Conservation Amendment Act, 2003 (Act No. 50 of 2003) this function is to be administered by the Department of Environmental Affairs and Tourism but transfer of the function has not yet taken place.



# PUBLIC ENTITIES REPORTING TO THE MINISTER OF WATER AFFAIRS AND FORESTRY

## (a) Trans-Caledon Tunnel Authority

The TCTA is governed by a board of directors to whom the Chief Executive and management report. Government control of the TCTA is exercised through the Minister's power to appoint all board members. The Director-General is a board member, as is an official of the Department of Finance. The TCTA is a public entity listed in schedule 2 of the Public Finance Management Act of 1999. In terms of section 3(b) of the Act, chapter 6 applies. In terms of section 49, the TCTA board is the accountable authority for purpose of the Act. The TCTA is authorised by the National Treasury to borrow R24 billion up to March 2006 for the LHWP and R1, 5 billion up to March 2006 for BWP. The borrowing limits are reviewed on a regular basis.

In terms of the 1986 treaty on the Lesotho Highlands Water Project (LHWP) between Lesotho and South Africa, South Africa was obliged to establish the Trans-Caledon Tunnel Authority (TCTA) to implement the project on the South African side. This was done under the 1956 Water Act. Since the completion of Phase 1A of the project, the TCTA's treaty functions have been limited to the operation and maintenance of the project on the South African side. This is a minor function, which does not require full-time staff. The main business of the TCTA was then to raise funds and manage liabilities on behalf of Government in respect of the project.

The establishment notice was completely revised by TCTA Government Notice 27 of 24 March 2000 under the National Water Act of 1998, which empowers the Minister of Water Affairs and

Forestry to direct the TCTA to undertake activities outside the scope of the Lesotho Highlands Water Project.

The TCTA is now also performing other functions related to the financing of water infrastructure in the context of specific projects and the Department's overall restructuring when so directed. Thus the TCTA was directed by the Minister in 2001 to undertake the treasury management function of Umgeni Water. In May 2002 the Minister directed the TCTA to implement the Berg Water Project (BWP), which will augment the water supply to the Western Cape Water System. TCTA has secured the funding facilities required to finance the BWP and has appointed consultants for the design and supervision of the construction of this project. Agreements between the Department and TCTA as well as the Department and the City of Cape Town respectively were drafted for the implementation and the supply of raw water, and were signed in April 2003. Mechanisms to comply with the environmental requirements related to the BWP were established. Construction of the dam commenced in July 2004 with the roads infrastructure being completed in January 2005.

In May 2004, TCTA was issued with a revised mandate to provide financial and treasury management services to Umgeni Water, other Water Boards, Water Management Institutions and the Department of Water Affairs and Forestry.

On 26 November 2004, TCTA was issued a mandate to implement and fund the Vaal River Eastern Sub-system Augmentation Scheme. Cabinet also approved assigning TCTA the task of advising on funding options for Phase 2 of the Olifants River Water Resource Development Projects (ORWRDP).

One of the options under consideration in a study on institutional options for the management of national water resources infrastructure is the phased integration of the resources of the TCTA and the Infrastructure Branch of DWAF into an Agency. Clarity on the way forward will be obtained during the next year.

### **(b) Komati River Basin Water Authority**

The Komati River Basin Authority (KOBWA) is a bi-national water authority of the Kingdom of Swaziland and the Republic of South Africa formed under the Treaty on the Development and utilization of the Water Resources of the Komati River Basin, ratified in 1992. KOBWA is tasked with the implementation of phase 1 of the Komati River Basin Development Project, which comprises the Driekoppies Dam (phase 1a) near Schoemansdal in South Africa and the Maguga Dam (phase 1b) near Pigg's Peak in Swaziland. The purpose of the project is to promote rural development and alleviate poverty in the lower Komati Valley by increasing the productivity of the land through irrigated agriculture. During the reporting period, the focus was on the operation and maintenance of the two dams with the objective of optimising the benefits from this shared water project while meeting the international obligations to Mozambique. Storage levels reached only 30% during the season due to drought in the catchment area. Low assurance water use had to be rationed.

Following a request from DWAF KOBWA took over the implementation of the Driekoppies Dam relocation program during 2004. KOBWA continued with the implementation of the monitoring and development programmes for the people who were affected by resettlement at the two dams. Development programmes included preparations for tourism related activities around the dams through the development of sustainable land utilisation plans. Transfers for 2004/2005 amounted to R173 million. An amount of R158.6 million was utilised to service the long term loans and R14.4 million for operational and maintenance expenses.

### **(c) Water Research Commission**

The Water Research Commission (WRC), classified as a Schedule 3A Public Entity under the Public Finance Management Act, was established in terms of the Water Research Act (Act No 34 of 1971) with the mandate to co-ordinate, promote, encourage, finance and manage research in respect of the occurrence, preservation,

utilisation, conservation, control, supply, distribution, purification, pollution or reclamation of water supplies or water resources. The WRC is given further responsibility to accumulate, assimilate and disseminate knowledge with regard to the results of such research and the application thereof, and to promote development work for the purposes of such application. To enable the WRC to carry out its mandate, the Water Research Act makes provision for a Water Research Fund to be administered by the WRC, the income of which is composed of rates and charges levied either on land irrigated, or on water supplied to users by the State, water boards and local authorities. During this reporting period R77 million was made available for research projects and research support services, including knowledge dissemination and technology transfer. Research projects of the WRC supported 465 post graduate students, of whom 274 were previously disadvantaged individuals (PDI's).

### **(d) Water Boards**

Chapter Six of the Water Services Act (No 108 of 1997) provides the legislative framework in which Water Boards operate. In terms of the Act, the primary activity of a Water Board is to provide water services to other water services institutions within its service area. Water Boards must enter into formal service provision agreements with the water service authorities (municipalities) in their service areas.

The role of Water Boards has transformed significantly since their inception. The changes brought about by various pieces of legislation have established Water Boards as public sector water service providers whose primary activity is to support municipalities, in meeting their constitutional mandate to provide water services to all South Africans.

This requires the Water Boards to enter into service provision agreements with municipalities, a process which requires agreement between both parties. Many Water Boards have developed good

relations with local municipalities but others have still not established formal agreements and there was continuing uncertainty as a result of Section 78 processes being undertaken in terms of the Municipal Structures Act. While, in general, financial performance and governance of Water Boards was good, problems have been experienced in Botshelo Water, Bushbuckridge, Ikangala and Bloem Water and interventions are ongoing.

The review of regional water services institutions continued during the year together with South African Local Government Association (SALGA), Department of Local Government (DPLG) and South African Association for Water (SAAWU) in order to clarify the future role and structure of Water Boards.

#### List of Water Boards

- 1 Albany Coast Water Board
- 2 Amatola Water Board
- 3 Bloem Water
- 4 Botshelo Water
- 5 Bushbuckridge Water Board
- 6 Ikangala Water
- 7 Lepelle Northern Water
- 8 Magalies Water
- 9 Mhlathuze Water
- 10 Namakwa Water
- 11 Overberg Water
- 12 Pelladriфт Water Board
- 13 Rand Water
- 14 Sedibeng Water
- 15 Umgeni Water





# Programme Performance

## Part B:



## PROGRAMME PERFORMANCE

### Vote 34

Table 2: Estimates of National Expenditure

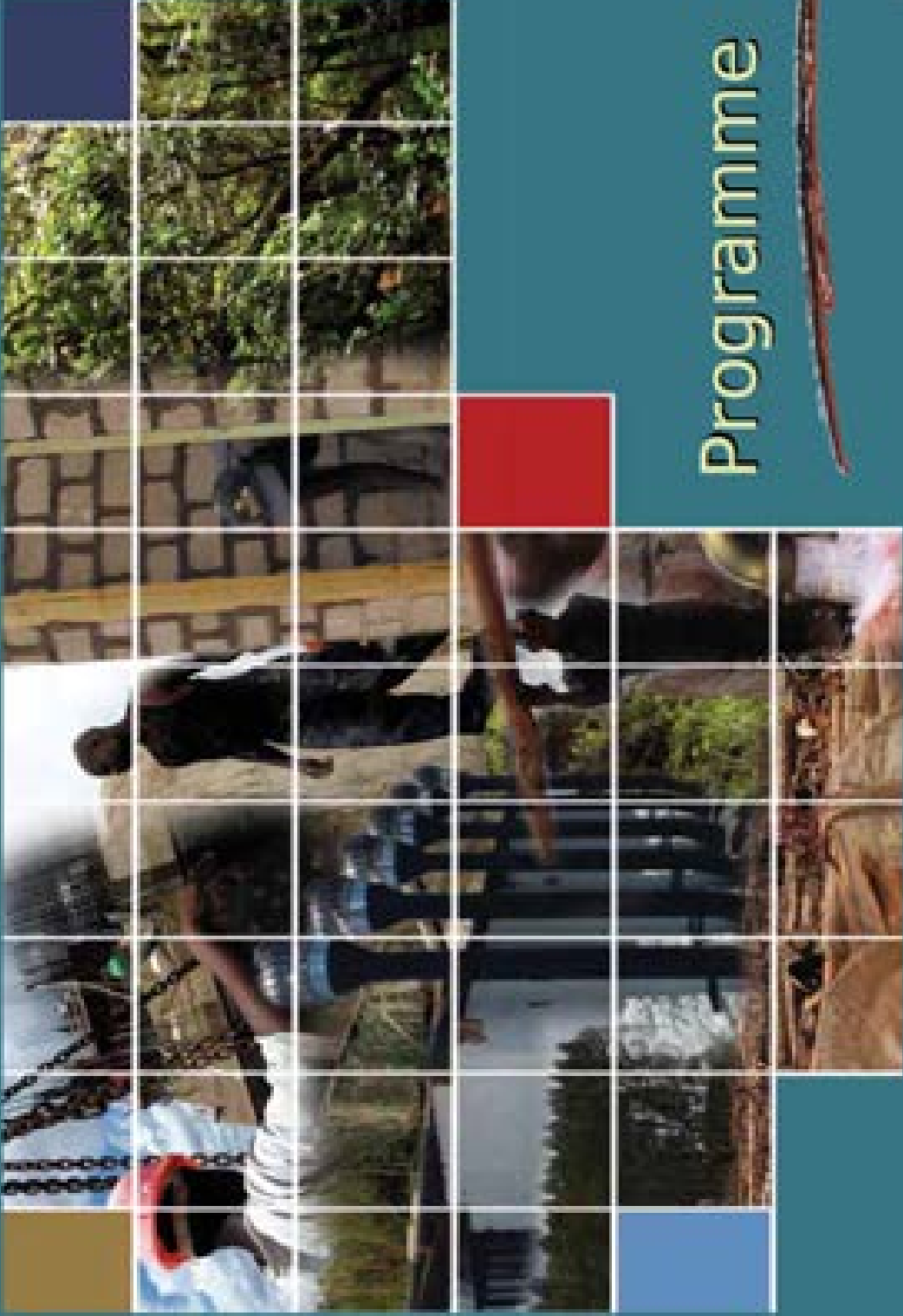
	2004/05	2005/06	2006/07
	To be appropriated		
MTEF allocations	R3 302 144 000	R3 542 412 000	R3 631 070 000
Statutory amounts	-	-	-
Responsible Minister	Minister of Water Affairs and Forestry		
Administering Department	Department of Water Affairs and Forestry		
Accounting Officer	Director-General of Water Affairs and Forestry		

#### Aim

The aim of the Department of Water Affairs and Forestry is to:-

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





# Administration

## Programme 1:



**Purpose:**  
To provide financial, human resource, information and management services, and general administrative support to the department.

## Administration

During the year under review, the department continued to enhance its service delivery to its internal and external clients. Branches of security were minimised as a result of putting in place effective security measures, and by implementing crime prevention strategies throughout the department.

The departmental communication strategy was developed in line with the Government Communication Framework.

The department did not experience any strike action as a result of its engagement and negotiations with its labour unions under the auspices of the Departmental Bargaining Chamber. Any strike action where person days were lost (1139), was as a result of external factors and stayaways and/or industrial action called by Trade Unions Federations or Unions in the Central Bargaining Council of the Public Service (PSCBC).

The department promoted transformation through various programmes that were rolled out within the department, through anti-racism campaigns, industrial theatre shows, culture surveys as well as the establishment of transformation structures.

The provisions of the PFMA were implemented, which included substantial progress on the separation of the trading account activities from the main Exchequer account activities. The procurement processes were organised in line with the Act and progress made on the implementation of accrual accounting including the development of a full asset management system.

### Aim

The programme provides for the management of the Department, including: policy formulation by the Minister and senior management; centralised administrative, legal and office support services; departmental personnel management and financial administration and information technology (IT).

## CORPORATE SERVICES

As the Department continued to focus on service delivery, the focus of the Corporate Services Branch have been to provide an excellent support function to the functional branches within the Department.

During the reporting period the Department experienced difficulties in filling senior human resource management positions. While significant improvements were made with regard to the financial management system, challenges of implementing effective systems throughout the Department continued to be addressed.

### Main Achievements

The Legal Services sub-programme provides legal support to the Department. The sub-programme's mandate includes the drafting of legislation, regulations, delegations, government notices and assignments. It also negotiates and drafts international agreements and contracts to ensure that State interests are protected. It manages, co-ordinates and deal with claims, court litigation and all other forms of legal action by and against the department in cooperation with the State Attorney and outside advocates. It assists the Department in the enforcement of legislation administered by the Department. It also gives the Department legal opinions or advice on any matter in order to ensure that its rights and obligations are exploited in terms of the Constitution, laws and best national and international legal practice and provides administrative support to the Water Tribunal.

The sub-programme fulfilled its mandate with the submission of the Water Care Regulations to the Chief State Law Adviser. The Water Services Amendment Bill was also promulgated. The Forestry Amendment Bill has been submitted to Parliament.

The Transformation sub-programme initiated, monitors and evaluate transformation programme within the Department in line with the White Paper on the Transformation of Public Service, Medium Term Strategic Objectives of government and other legislative imperatives. It is responsible for monitoring equity and fairness in all change processes of the Department, including restructuring.

This structure oversees representivity and supports transformational leadership in the Department. It provides guidance to other structures such as the Regional Transformation Fora. It also ensures that transformation activities are linked to the strategic planning process through organising the annual National Transformation Forum, which sets transformation priorities and monitor progress.

During the period under review the unit has managed to build a common understanding of the need to integrate transformation into the core business of the Department. The focus on transformation moved from a mostly internal focus into an external focus on how the Department contributes to the transformation of South Africa as a whole. The Department has made strides on promoting a non-racial and non-sexist organisation. Through its Anti-Racism campaigns the Department developed a partnership with the South African Human Rights Commission to assist in combating racism and xenophobia. Workshops on human rights, racism and diversity were held in all nine regions, and were attended by employees at various levels.

The Communication Services sub-programme: Representing the Department in Government Communication Cluster Structures, the chief directorate actively participated in Government related communication activities including participating in Government Communication Information Services and Government's Imbizo programmes.

Communication Services' key function is to support the Ministry and the Department in the areas of event management, public relations, marketing, media liaison, corporate communications, media production and overall advice pertaining to communication issues. Staff and public were kept informed about the department's policies, programmes campaigns and projects via internal newsletters Shutha and Hathi-Mandi, articles in the media, press releases, media interviews, press conferences, participation in exhibitions, awareness campaigns and an effective distribution of promotional material.

During the financial year, all communications and marketing activities executed by the chief directorate were guided by the State of Nation Address of 2004/05 and National Government's Communication Framework thereby contributing to Government's overall communication programme.

The coordination and implementation of campaigns such as Water and Arbor weeks, and other national campaigns such as 16 Days of Activism, Woman's month, Heritage and World Aids Days continued to be a major activity of the chief directorate with resounding successes marked by participation of the highest level in government.

The Corporate Planning sub-programme initiates and produces the Department's Strategic and Business plan and monitors the achievement of both plans. It is also responsible for the corporate assessment and Annual Reporting.

During the year under review the unit advised managers on the strategic planning processes, collated the strategic plan and business plan documents, and introduced the Corporate Assessment Solution (CAS) as means of monitoring corporate performance. The Directorate also compiled quarterly reports that highlighted progress against the Department's strategic plan.

The Human Resources sub-programme is responsible for human resource management, human resource development, labour relations and organisational and management structures.

In Human Resources Development, a strategy on implementation of the Work Place Skills plan was devised and will be implemented during 2005. The unit was involved in negotiations regarding the incorporation of the LGHSETA into the FSETA (non-water related skills programs and qualifications) and the ESETA (water related skills programmes and qualifications). Implementation of the learnership program began and a pilot project was developed for learnerships in water purification, waste water treatment and water reticulation. 163 staff development and 18 external bursaries were granted during the year. The unit improved on bursary administration

by introducing workflow processes and a management information system. A situational analysis report regarding ABET training and education was done to guide the way forward. The unit also initiated an Employee Assistance Program (EAP) in support of the Social plan and in collaboration with National Transfers.

The Human Resource Management unit has strengthened the pension management process, and implemented the Performance Management and Development Strategy. Recruitment and selection processes were enhanced. Increased support was provided to the restructuring process in line with Resolution 7 of 2002. The Human Resources Chief Directorate continues to provide support to managers.

The Labour Relations Management unit continues to effectively manage disputes, grievances and discipline. Training and capacity building of line managers to deal with the people management function continues. Labour Relations and Internal Audit collaborate effectively to address discipline, fraud and corruption. The unit has also successfully established a Dispute-Resolution Mediating Chamber as a tool to support sound employer-employee relations and to conclude collective agreements with unions.

The Organisational Management Support Unit completed the Job Evaluation Policy which was negotiated with organised labour and signed off by the unions. Support was provided to managers in developing and organisational structure that reflects the functions of the department.

The Administrations Management Unit is sub-divided into distinct divisions namely: - provisioning services, office services, protection services, land requirements and land usage, and transport. A key activity was the National Treasury procurement integration process, that was implemented successfully.

Security awareness campaigns on Emergency Procedures/ Occupational Health and Safety/Minimum Information Security

Standards were conducted in order to sensitise officials on security and safety measures.

Land and servitudes were successfully acquired, affected persons compensated, for the Usuthu-Vaal GWS, Secunda Weir (Breedse River GWS), Njelele GWS, Usuthu-Mogentsond Dam, and Vaal Damgana GWS.

Land is being acquired for the raising of the Flag Boshveldo Dam which acquisition should be finalised by end October 2005.

Approximately 36 applications for development around dams were received and co-ordinated.



Table 3: Key Outputs and Service Delivery Trends

Sub-Programme	Key Outputs	Service Delivery Indicators	Actual Performance
Communication Services	<p>To promote and enhance public awareness and understanding of departmental programmes, activities, opportunities and achievements</p> <p>To cultivate a communication culture conducive to ensuring effective communications</p> <p>The promotion of interaction between the Minister, Department and public</p>	<p>Development and implementation of a departmental communication strategy</p> <p>Communicate the Departmental communication policy</p> <p>Establishing good relationships with media</p> <p>Maintaining a good public image for the Department and Minister</p> <p>Engagement with the public via various mediums</p>	<p>The Departmental Communication Strategy were successfully implemented and measured by assessments of external coverage and perceptions</p> <p>The departmental communication policy was communicated across the organisation to ensure that all communication activities were guided by the policy. This involved workshops, briefings and dissemination of the policy</p> <p>A programme of engagement with media institutions including journalists was implemented. This involved meetings, briefings, presentations, dissemination of information as well as visits to projects and programmes</p> <p>A specific programme of community visits, Inbise's, openings of projects and campaigns was implemented. The use of print, electronic and community was central to these programmes</p> <p>A media monitoring service is provided daily to the Minister and Department</p> <p>A multi-media approach was used for all communication campaigns thus ensuring a widest possible reach. Emphasis was also placed on Inbise style engagement, out reach campaigns and community openings</p>
Legal Services	Maintenance of Legislation. Draft and process legislation	Legislation to be drafted in accordance with applicable precedents and processed timely to Parliament	<p>Water Care Regulations drafted and submitted to the Chief State Law Adviser for comment</p> <p>Regulations on water use for recreational purposes drafted and to be published for public comment. Water Services Amendment Bill promulgated</p> <p>General Authorizations in terms of Section 39 of the National Water Act published</p> <p>Forestry Amendment Bill drafted</p>

Sub-Programme	Key Outputs	Service Delivery Indicators	Actual Performance
Legal Services	Providing Legal Support in Law Enforcement	<p>Ensure that legal actions are properly co-ordinated and take place within a month</p> <p>Also ensure that rights and obligations of the Department are explained in terms of the Constitution, laws and best legal practice</p>	<ul style="list-style-type: none"> <li>• The Department continued with the yellowwood prosecution</li> <li>• Appearances in the Water Tribunal. Directives were issued against illegal water users</li> <li>• The Department initiated a number of legal actions against illegal occupiers of state land, mainly state forests</li> </ul>
Transformation	Continuation of the transformation process	<p>National Transformation Forum reviewed the strategy for 2005 and resolved to take a more external transformation focus</p> <p>The following themes were adopted for 2005:</p> <ul style="list-style-type: none"> <li>• Water Resources to promote growth and development</li> <li>• Water re-allocation to redress inequalities</li> <li>• Water Services ensure the sustainability of services</li> <li>• Poverty for the benefit of the rural poor</li> <li>• Transformation of Water Management Institutions</li> <li>• Rural transformation, including Black Economic Empowerment</li> <li>• Improving service delivery and people development</li> </ul>	<p>The Department has made strides through its Anti-Racism campaigns in partnership with the South African Human Rights Commission. Workshops on human rights, racism and diversity were held in all nine regions and it was well received and attended by most employees at various levels</p> <p>The establishment of transformation structures and re-engineering of governance structures has been finalised. Work is in progress to do capacity building to ensure effectiveness and efficiency and maximum participation</p> <p>The department has assessed transformation progress through suggestion boxes, hotline and direct enquiries to managers. An impact assessment has been conducted through a culture survey with ten dimensions</p> <p>The report has been discussed in governance structures of the department</p> <p>The outcome of the culture survey and other assessments will form an integral part of the Change Management Strategy</p>



Sub-Programme	Key Outputs	Service Delivery Indicators	Actual Performance
Transformation	Annual revision of the Employment Equity Plan as per the Employment Equity Act (1998)	Employment Equity Consultative Forum assesses progress made by Regions, Chief Directorates and Directorates quarterly	<p>Report submitted to the Department of Labour and the plan is being implemented by all Chief Directorates and Regional Offices</p> <p>The Department has made strides on black representivity at senior management level, but is still faced with the challenge on woman and disability representivity at the same level</p> <p>The Department is exploring various options to improve on its targets that includes headhunting, internship programmes as well as offering bursaries and promoting staff retention</p>
Human Resource Management	<p>HRM policy Framework produced</p> <p>Performance Management and Development Systems</p> <p>Recruitment and selection of staff</p> <p>Draft, Implement, Monitor, Review the Human Resource Plan</p>	<p>Standardised organisational practices applied</p> <p>All staff evaluated</p> <p>Staff recruited according to client identification</p> <p>HR Plan in process of establishment in terms of Public Service Regulations</p>	<p>Policy research, Development, Implementation, Monitoring, Evaluation and ensure Compliance</p> <p>PMOS Developed, Ensured Compliance and Implemented 1% pay progression and cash awards. Note: Figures to be confirmed with reference to tables 7.1 to 7.4</p> <p>Advertised posts and assisted with selection of staff, in compliance with parameters. Note: Figures to be confirmed with reference to table 6.3</p> <p>Phase 1 in Process</p> <p>Determining the HR Supply</p>
Human Resource Development	<p>Bursary Programme</p> <p>Implement ABET programme</p>	<p>Facilitated the allocation of bursaries and the administration processes for 2004</p> <p>Maintenance of existing bursaries</p> <p>Partnership with other government stakeholders to deliver ABET programme</p>	<p>A total of 163 internal and 18 external bursaries were awarded</p> <p>The total active bursary file maintained were:</p> <ul style="list-style-type: none"> <li>• 64 External and</li> <li>• 229 Internal Bursaries</li> </ul> <p>21 external students were placed in the Department on graduation</p> <p>Mohs signed in the Eastern Cape (Mol learners), Western Cape (177 learners) and Limpopo (1261 learners)</p>

Sub-Programme	Key Outputs	Service Delivery Indicators	Actual Performance
Human Resource Development	<p>Induction programme</p> <p>Diversity Management Training</p> <p>Leadership and Management Development</p> <p>Social Plan for workers affected by restructuring.</p>	<p>Induct and orientate new employees on the organisation</p> <p>Heightened awareness of human diversity and its implications in workplace functioning</p> <p>Trained competent leaders and manager within the department</p> <p>Conducted workshops in all regions that are affected by the restructuring process</p>	<p>9 Induction courses were presented Nationally for 2004/2005</p> <p>14 training sessions co-facilitated by DWAJ employees and the service providers</p> <p>201 employees on levels 5 to 8 have undergone an intensive 3-day diversity training course</p> <p>80 employees at level 9-12 attended 5 separate strategic management-training sessions, each session had a duration of 3 days</p> <p>9 employees at level 6-8 attended an Advance Management Development Programme co-facilitated by Pretoria University</p> <p>8 workshops were held in 4 regions, where the social plan was presented. Management, the affected employees and unions attended these workshops</p>
Labour Relations	<p>Labour Relations and solutions and advisory services</p> <p>Conflict, grievance and dispute resolution services</p> <p>Negotiation and Collective Bargaining</p> <p>Disciplinary investigations, Presiding Officer Services and Employer representative services in misconduct hearings</p>	<p>To manage and oversee Labour Relations in the department</p>	<p>The services rendered by Labour Relations endeavours to enhance the quality of people management and management decisions where such decisions affect DWAJ employees. This to ensure fairness and equity and in sync with the overall Public Service Labour Relations Sector</p> <ul style="list-style-type: none"> <li>• No strike actions were recorded during this reporting period</li> <li>• Transfer/restructuring supported yielded a number of successful transfers</li> <li>• Labour Relations guidelines to enhance employee relations management issued</li> </ul> <p>A LR Intranet Site with topical and timely LR Information were established</p> <p>A Departmental Chamber was established to provide a forum where the Department and Labour Unions are able to deal with labour rights and interest matters as far as they do not encroach on the activities of the PSCBC</p>



Sub-Programme	Key Outputs	Service Delivery Indicators	Actual Performance
Administration	<p><b>Land Matters</b> Acquisition of land and real rights, co-ordinate applications for development around State dams and transfer of Government water schemes</p> <p><b>Transport</b> Rendering of transport services for fleet, subsidised vehicles and travel booking services</p> <p><b>Protection Services</b> Manage and formulate policies in line with relevant acts and directives</p> <p>Conduct risk analysis security evaluation and approvals to create proper security structures and measures</p>	<p>Other directorates within DWAU, other departments, private professionals, land owners, applicants, water users associations and other affected persons</p> <p>Compliance of contracts with service providers</p> <p>Effective flight, road transport and travel booking services</p> <p>Monitor DWAU installations to ensure compliance with policies</p> <p>Execute efficient security structures and measures to combat threats/risks against DWAU installations</p>	<p>Acquired land and real rights timorously, co-ordinated and received applications and are in the process of transferring seven Government water schemes</p> <p>Ensured effective service delivery in line with policies, precripts and contracts</p> <p>Ensured compliance with prescribed legislation, policies, directives, rules and regulations. Encouraged the uniform implementation of crime prevention strategies throughout DWAU</p> <p>Determined security levels to ensure proper security structures and measures are in place/implemented to combat targeted crime levels and minimise risk</p>
Information Services	<p>South African Communication Security Services Act</p> <p>Availability of the maintained Operational Systems</p> <p>Availability of the Applications Systems</p>	<p>Executed secure information system for security equipment</p> <p>Continuous availability of the maintained Operational Systems</p> <p>Continuous availability of the Application Systems</p>	<p>Ensuring Compliance and Crypto Security</p> <p>100% Availability of the Operational Software</p> <p>Availability of the critical applications has improved dramatically: WAMS, REGIS etc</p>

## FINANCIAL ADMINISTRATION

### Main Achievements

The Departmental budget was simplified by restructuring from eight (8) programmes to four (4) thus making management and accountability clearer. The Branch was able to implement the provisions of the PFMA, which include separating the trading account activities from the main Exchequer account activities.

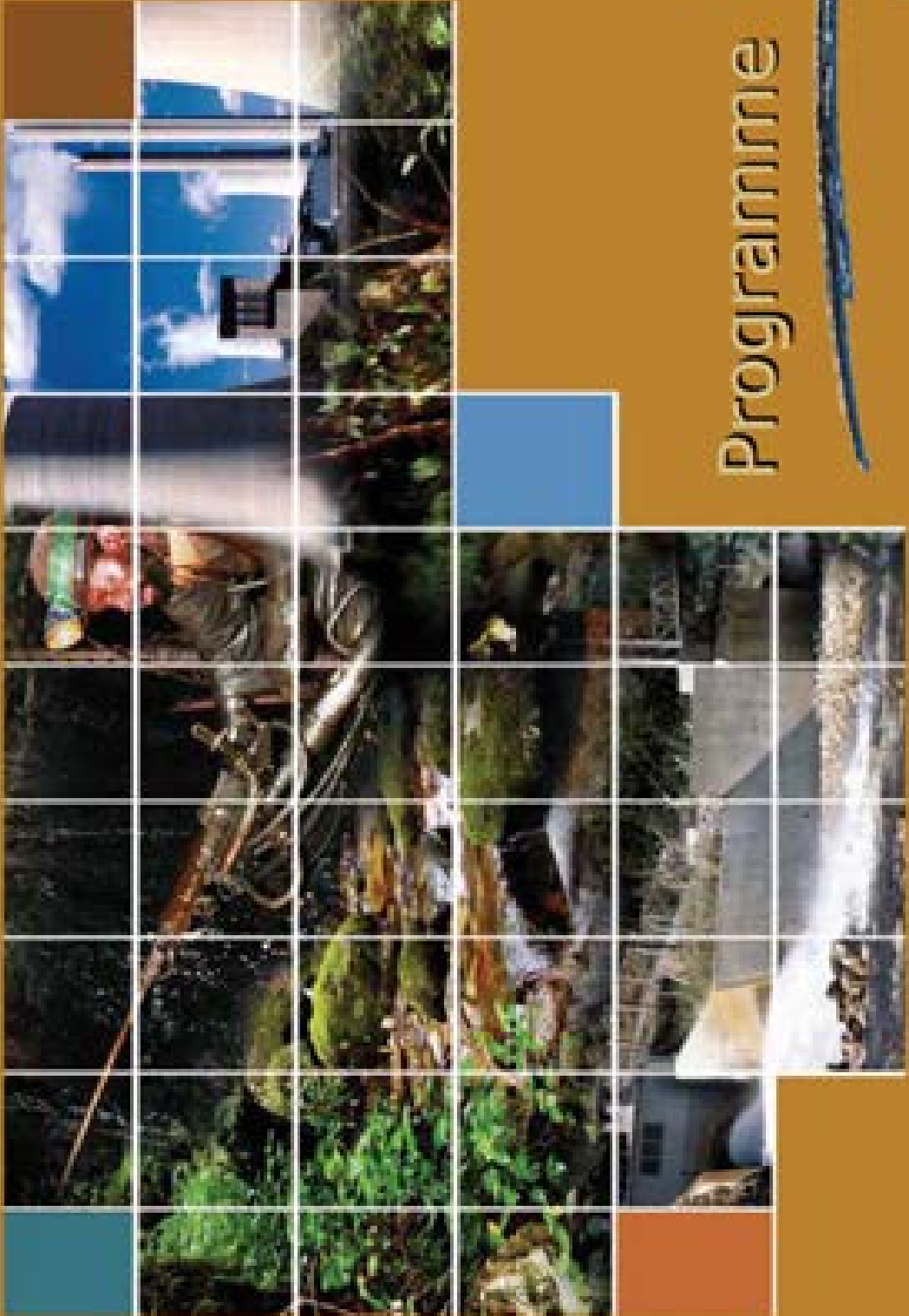
opening separate bank accounts for these different activities as well as implementing procurement processes in line with the Act.

The branch developed processes to implement accrual accounting including a full asset management system in accordance with the PFMA. The risks affecting the department have also been assessed and strategies have been developed to address them. A turn-around strategy was implemented to address the audit qualifications received in previous years.

Table 4: Key Outputs and Service Delivery Trends

Sub-programme	Outputs	Service delivery Indicators	Actual performance
Management accounting	Receipts issued for all months received Properly kept record of issued receipts Remunerative payments effected for interests rebilled Budgets prepared and submitted on time as prescribed by National Treasury Effective budget and expenditure control	A reconciled report of receipts and payments received Employees receiving their salaries, S&T and gratuity payments within a month of submitting claims Completed HTEF, EMT and Adjustment Estimates documents within prescribed time Issued salary advices and signed payrolls Monthly, quarterly and annual expenditure reports drawn	Received money for services rendered and issued receipts Implementation of SAP system to support accrual accounting is at an advanced stage Filed records for future use Payment made immediately after a claim has been lodged Salary advice slips and payrolls issued Budget timely submitted to National Treasury in the correct format Reports produced and regular discussions held and expenditure at 99% of allocations
Financial Accounting	Payments stubs Expenditure reports Annual Financial Statements for the Main and Trading Accounts	Accounts paid within a month of submitting claims Correctly prepared, audited and published annual financial statements	System available throughout the department Invoices paid within thirty (30) days of receipt Collected data and compiled the AFS

Sub-programme	Outputs	Service delivery Indicators	Actual performance
Supply Chain Management	Accounting Officer's Procurement Procedures, Manuals, Guidelines and Policies  An up-to-date departmental asset register	Reduced problems on the application of SCM policies and procedures Increased MOI and SMW participation rate Existence of an up to date departmental asset register	Procurement policies developed and posted on Intranet  Regular training and awareness campaigns on the SCM issues held  Assets recorded in the asset register regularly on acquisition Acquisitions verified Regularly valued and depreciated assets
Financial Consolidations and Co-ordination	Consolidated financial reports Training sessions/consultations conducted Number of training attendees	Availability of reports at specified intervals Shared financial information within and outside the Department  Skills assessment report Number of officials put on various financial training programmes Compliance with PFMA, Treasury Regulations, etc. by all officials within the Department	Collected, collated and consolidated financial information in required format Trained officials on financial management Developed appropriate intervention strategies to address particular issues Conducted regular financial skills audit Recommended development plans for each official based on the skills audit Rolled out comprehensive training
Internal audit	Annual audit programme  Risk assessment report Internal audit reports	Generation of different audit reports in accordance with the annual plan  Special projects investigated and reports generated	Planned and executed audit programmes  Conducted risk assessment process Reviewed objectives, controls and adequacy of departmental processes Planned and performed follow-up audits  Identified special projects to be undertaken Conducted audits as per special requests from management Investigated economic crimes and irregularities as reported through the departmental hotline



# Water Resources Management

## Programme 2:

**Purpose:**  
Ensure that the country's water resources are protected, used, developed, conserved, managed and controlled in a sustainable and equitable manner for the benefit of all people.

## State of Water Resources Report

### Rainfall

Although there were isolated and relatively brief occurrences of heavy rain in some parts of the country during the period, in general rainfall over much of the country was lower than the long-term average. Total rainfall less than 75% of the long-term average was recorded in the whole of Limpopo Province, the northern and coastal areas of KwaZulu-Natal, the western parts of the Free State and North West, the central and western parts of the Northern Cape, and the western parts of the Western Cape.

Figure 1a shows the percentage of normal rainfall over the country for the period April 2004 to March 2005, whilst Figure 1b shows the equivalent information for the previous 12 month period.

### Water Availability

2004/5 was the fourth consecutive year of sub-normal rainfall. This is reflected in the continuing decline in the total volume of water in storage in the country's major dams, graphically represented in Figure 2.

The absence of significant Rainfall events to recharge aquifers in recent years has also resulted in a fall in groundwater levels in most parts of the country. Much of the drought relief effort during the reporting period was focused on emergency water provision in municipalities where dependence on groundwater is high, and where the sources are falling or have failed.

At the end of March 2002 the volume of water stored stood at a little less than 90% of total national full supply capacity, but this had fallen to around 67% at end-March 2005. In the Western Cape, where dams were, on average, only 28% full at end-March after a mid-year wet season high of about 55%, the situation is particularly serious, and widespread restrictions on water use were imposed.

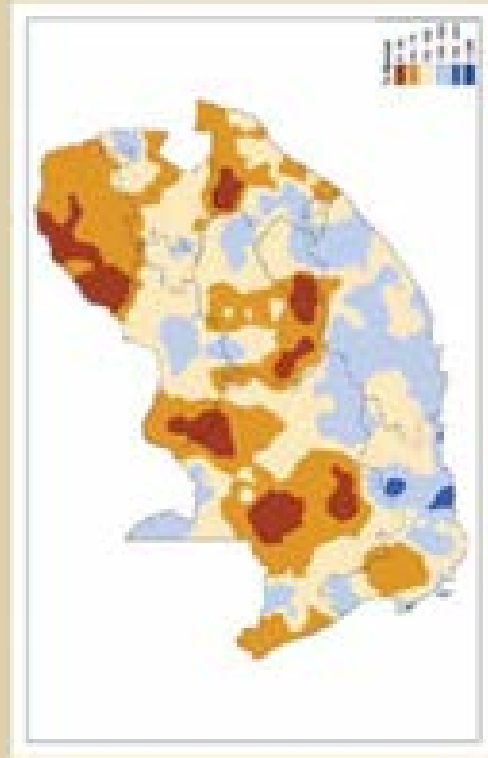


Figure 1a: Percentage of Normal Rainfall April 2004 to March 2005

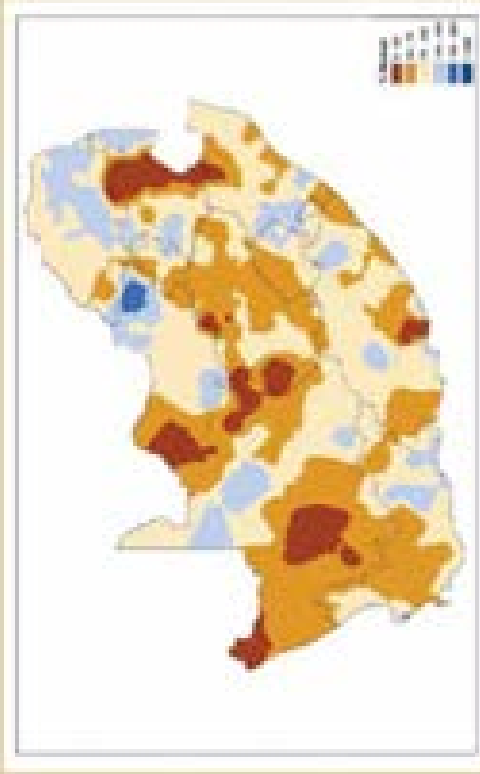


Figure 1b: Percentage of Normal Rainfall April 2003 to March 2004



While data is presented by province, it is important to note that some provinces are supplied with water by means of inter-basin transfers. Much of Gauteng's water, for instance, is supplied from the large dams in the Free State and Lesotho, and water can be transferred into Gauteng from the Thukela catchment in KwaZulu-Natal. Parts of the Eastern Cape also receive water from the Gariep Dam in the Free State. This flexibility does not, extend to the Western Cape, where solutions to the water shortages currently being experienced must be found within the area.

### Water use

Table 1 presents information on the volumes of water registered for use at the end of March 2005 in the three user sectors - forestry (stream flow reduction), agriculture (irrigation and livestock watering), and domestic/industrial - and also use in terms of Schedule 1 of the National Water Act, for which no charge is made.

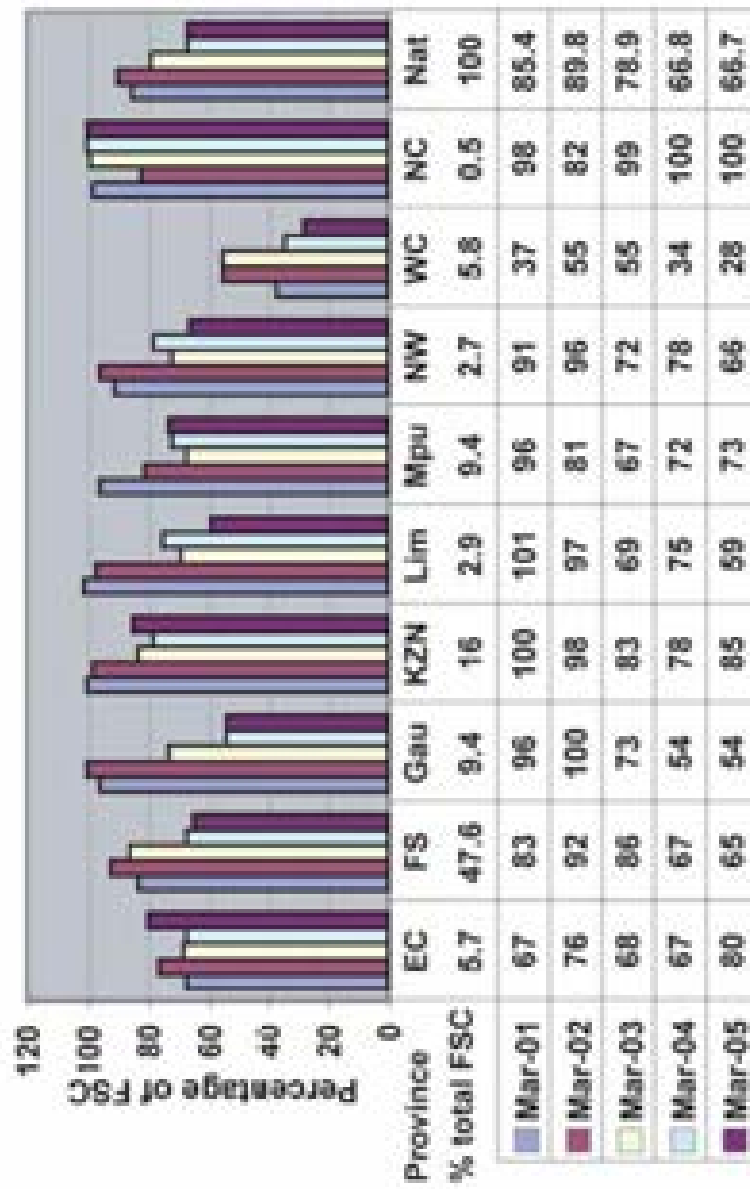


Figure 2: Water in storage as percentage of full supply capacity

Table 5: Annual registered water use at end-March 2005 (Thousands of cubic metres)

No	Water Management Area	Forestry	Agriculture: Irrigation/ Livestock Watering	Domestic/Industrial	Schedule 1 use
1	Limpopo	970	556 607	54 625	373
2	Lesotho/Letaba	35 467	425 993	42 215	15 193
3	Crocodile West- Marico	30	692 993	217 286	48 452
4	Olifants	27 191	695 103	245 941	31 615
5	Ekomaal	254 140	979 504	202 080	2 608
6	Uxuku-Mkhathuzi	343 666	601 633	262 369	1 374
7	Thukela	30 491	247 801	120 050	363
8	Upper Vaal	11	528 829	1 843 398	583
9	Middle Vaal	-	292 543	319 643	4
10	Lower Vaal	-	579 509	131 369	3 728
11	Mooi-Moimoku	192 800	217 292	405 883	4 593
12	Moemoube-Koedoesema	36 826	120 583	146 730	75 186
13	Upper Orange	-	768 688	96 523	-
14	Lower Orange	-	932 045	94 142	61
15	Fish-Tsitsikamma	18 169	1 222 933	142 654	10 224
16	Gouritz	9 979	412 704	64 179	255
17	Olifants/Doorn	117	403 966	4 343	966
18	Breede	6 495	836 203	52 916	3 289
19	Beeg	6 426	317 420	412 298	34 822
	<b>Totals</b>	<b>964 908</b>	<b>10 812 283</b>	<b>4 918 875</b>	<b>233 069</b>
			<b>Total</b>		<b>16 929 135</b>

Some existing water users have registered volumes higher than their actual use, in the expectation that their registered use figures will eventually be reflected in their licences. As these claims are validated, verified and formally authorised by licences this data will progressively more closely reflect actual water use across the country.

The figures in Table 1 exceed those presented in Chapter 2 of the National Water Resource Strategy, First Edition, 2004 (NWRFS), for two reasons. Firstly because of the over-registration discussed above, and secondly because the figures in the NWRFS are standardised to 90% assurance of supply to facilitate country-wide comparison. This results in under-estimation of water use in sectors that require assurance of supply less than 90%. This is particularly so for irrigated agriculture, which is also the biggest sectoral water user.

### Water restrictions

Restrictions on water use from surface water sources were imposed during the period as follows:

- Eastern Cape: 100% restriction imposed on industrial and domestic use and 25% restriction on agricultural use from Kouga Dam.
- Free State: Restrictions were imposed on water use from dams on rivers draining to the west. Industrial, domestic and agriculture were restricted by 85% of their allocations from Allensmire Dam. Restrictions on agricultural use were imposed at Kalkfontein (20%), Armenia (25%), Eriems (60%), Krugersdrift (70%), Egmont (95%) and Koppies (100%) dams.
- Gauteng: No restrictions were imposed.
- KwaZulu-Natal: No restrictions were imposed.
- Limpopo: Restrictions were imposed in the Letaba and Lovu/lu/Mutale catchments. Agricultural use was restricted by 50% on Mchelisie Dam, 60% on Albasini, 20% on Ebeneser, 50% on Magoebastad, and 20% on Tsaneqa. Industrial and domestic users were cautioned to use water sparingly to avoid restrictions.

- Mpumalanga: 40% restriction on agricultural use and 20% on industrial and domestic use from Bronkhorstpruit Dam in the Olifants River catchment. Use from elsewhere in the Olifants and Upper Olifants rivers was also restricted by 20%. A 60% restriction was imposed on agricultural use from surface and groundwater sources in the Inkomati Water Management Area.
- North West: Use from most dams was restricted by between 80 and 100%.
- Northern Cape: No restrictions were imposed on users from surface water storage.
- Western Cape: 20% restriction on all uses was maintained throughout most of the period, 100% restriction was imposed on agriculture towards the end of the period.

The situation is under continuous review throughout the country.

### Ecological Condition of Rivers

Biological monitoring presents a holistic and integrated picture of the condition of a river by monitoring the condition of the animals and plants that live in or near it, and which continuously experience - and therefore reflect - the cumulative effects of variations in flow rate and water quality over extended periods of time.

Since its inception in 1994 the River Health Programme has collected data on the biological attributes of 24 rivers or groups of rivers throughout the country. The catchments of the rivers, the combined areas of which represent a little more than a quarter of South Africa's total land area, range from rural to heavily urbanised and industrialised. Data on the condition of the river channels and banks, and the plants and animals that inhabit them, is being collected at a total of about 280 monitoring sites selected to represent as closely as possible the whole of the river system, that is, the mainstem channel and tributaries, from the headwaters to the estuary.

A preliminary analysis of the data collected indicates that 6% of the rivers studied are in an overall Natural condition, 22% are good, 44% are fair, and 28% are in a poor condition. Almost all the rivers surveyed have some parts that are in an overall poor condition, predominantly those situated in, or downstream of, urban and industrial areas. Conversely, overall Natural conditions are found in

the relatively small and sparsely populated parts of rivers upstream of major human activities. At present this analysis is very coarse, and does not distinguish among the various attributes that make up the overall characterisation. A more rigorous and comprehensive analysis of the data and trends is underway, the results of which will be presented in the Annual Report for 2005/6.



## Main Achievements

The purpose of water resources management is to ensure that the country's water resources are protected, used, developed, conserved, managed and controlled in a sustainable and equitable manner for the benefit of all people. The Programme's measurable objective is to ensure that water resources are allocated so that they promote social and economic development, maintain the reliable availability of water in sufficient quantities and of an appropriate quality to meet the needs of all consumers and meet international water-sharing agreements, whilst ensuring that water resources are protected to enable sustainable water use.

The Programme's activities are structured in a framework of key focus areas (KFAs) as follows:

- KFA 6: Ensure reliable and equitable supply of water for sustainable economic and social development including the eradication of poverty.
- KFA 7: Ensure the protection of water resources.
- KFA 8: Develop, implement and support effective water management institutions.
- KFA 9: Align staff, stakeholders and general public to a common vision for integrated water resources management (IWRM) and develop, capacitate and empower them to best practices.
- KFA 15: Promote integrated water resources management globally, particularly in Africa in support of NEPAD.

Some of the Programme's significant achievements during 2004/5 are described below, followed by a general summary of progress, in tabular format, against the intentions outlined in the Strategic Plan 2004/5.

The formal national framework for managing water resources was set in place when the National Water Resource Strategy, First

Edition, 2004, was approved by Cabinet in September 2004, and established by Government Notice in January 2005.

The publication of nine more Internal Strategic Perspectives - departmentally-prepared forerunners of the catchment management strategies that will be prepared by the catchment management agencies - completed the coverage of sub-national management strategies for all 19 water management areas. Steps were taken to improve liaison arrangements with provincial planning authorities to ensure alignment between water management strategies and provincial growth and development strategies.

The process of establishing new international, national and catchment-based water management institutions was progressed during the period, thereby moving the Department towards its ultimate role of sector policy maker and regulator by facilitating international cooperation in shared river basins, separating operational and regulatory functions, and decentralising the responsibility for managing water resources.

At international level an agreement to establish the Limpopo Basin Commission was signed by South Africa, Botswana, Zimbabwe and Mozambique, all of whom share the waters of the basin.

Other international developments included the conclusion of agreements with Lesotho - at ministerial level - to proceed with the feasibility study for the second phase of the Lesotho Highlands water project, and to undertake joint basin studies of the Maputo basin (with Mozambique) and the Limpopo basin (with Mozambique, Zimbabwe and Botswana). The pre-feasibility study for a joint South Africa-Namibia management plan for the Lower Orange River was substantially completed.

The Department began the process of separating the management and further development of national water resources infrastructure from its other activities with preparations for establishing a new Infrastructure Branch with effect from 1 April 2005. A study of institutional options for the management of water resource infrastructure in South Africa and preparation of a business case

for the establishment of a new public entity - the National Water Resource Infrastructure Agency - were commenced, and are on track for consideration by Cabinet early in the next financial year.

At water management area level the Inkomati Catchment Management Agency was established by Government Notice, and nominations for the governing board were submitted to the Minister by the advisory committee. The proposal to establish a CMA in the Breeds water management area was published for public comment in the Government Gazette. The Notice to establish a CMA in the Mvoti-Mzimba was approved by the Minister, and Notices to establish CMAs in the Crocodile West/Marico, Usutu-Mshathuze and Thukela water management areas were in advanced stages of preparation.

Ten new water user associations were established, and constitutions for a further four associations - for revitalised irrigation schemes in Limpopo Province - were in preparation. Ten existing irrigation boards were transformed into water user associations, and a further six transformation submissions were received for review and processing. Progress was made in arrangements to transfer operating and maintenance responsibilities for five government water schemes to water user associations - Boegoeberg, Kakamas, Lower Olifants, Sand-Vet and Van der Kloof - but there were delays in finalising staff transfer agreements in three of the schemes, whilst the other two requested deferral of transfer because they were experiencing drought-related difficulties.

The subsidy policy and programme of support to small-scale farmers was revised but targets for the number of farmers assisted were not achieved as implementation only commenced at the end of the reporting year.

The fourth consecutive year of sub-normal rainfall throughout most of the country necessitated continuing support to municipalities to deliver water services where sources - especially groundwater sources - had failed or were failing. In addition, construction of a pipeline to augment water supplies for industrial and industrial use was completed from the Rand Water supply system in Mamelodi to

Cullinan, and the extension to the Ekengala area was substantially completed. A pipeline between Morgenstond and Jericho dams, to augment water supplies to Eskom power stations on the eastern highveld, was also completed.

Other infrastructure developments included the finalisation of financing agreements for the funding of the Berg River Project in the Western Cape, where placing of embankment material and concrete to the outlet works commenced. The Olifants River Water Resources Development Project was approved by Cabinet, and design work on the De Hoop Dam on the Steelpoort River began. Design work also commenced on the pipeline from Vaal Dam, to improve assurance of supply to Eskom power stations and the SASOL complex in Mmabanaqa, after Cabinet approved the project. Work continued on the raising of Flag Boshelo Dam in Limpopo Province. Construction of the Nandoni Dam on the Leruphu River was completed during the year. Work on the associated water treatment works and distribution network continued.

A number of new policies and strategies on various aspects of water use were developed during the period. The draft Policy for Water Allocation Reform for South Africa, designed to achieve equity in access to the use of water resources, was finalised and a national programme of public consultation commenced. The Policy on Financial Assistance to Resource-poor Irrigation Farmers, which supplements the Water Allocation Reform programme by providing subsidies to new users to assist them to utilise their newly-acquired water, was approved by the Minister.

The ongoing drought has highlighted the vulnerability of groundwater resources to over-abstraction. A strategy to deal with unlawful water use by enforcing the conditions of use was piloted in delimitic areas on the East Rand of Gauteng, North West and Northern Cape provinces.

The lengthy process of validating registered water use and verifying claimed existing lawful use was substantially completed in the Upper and Lower Vaal catchments and commenced in the Mshathuze catchment.

The National Strategy for Water Conservation and Water Demand Management was finalised and published, together with subsidiary strategies for the Agriculture, Water Services, and Industry, Mining and Power Generation sectors. The Working for Water programme continued to address the problem of invasive alien vegetation by clearing around 142 500 hectares, following up on about 597 000 hectares of previously-cleared land, and provided about 12 000 person years of employment.

Work continued on the five-yearly review of the 1999 Water Pricing Strategy to, among other things, incorporate charges for waste discharge and the water research levy. After extensive consultation with key stakeholders a revised draft strategy was submitted to the Minister for approval prior to publication in the Government Gazette for public comment.

As part of measures to protect water resources, the requirements for a national system for classifying water resources were finalised and drafting has begun. High-confidence - "comprehensive" - preliminary Reserve determinations were initiated in four major catchments (Oifants/Doom, Komati, Letaba, Krugers/Sekake rivers) to support the water allocation reform programme, and lower confidence preliminary Reserve determinations were carried out in about 150 quaternary catchments to facilitate the evaluation of applications for water use licences. A number of baseline monitoring surveys and groundwater studies were initiated to support Reserve determinations.

A five-year plan was developed to facilitate the integration of all aspects of water resources monitoring, covering the quantity and quality of surface and groundwater, this was complemented by the development of improved methodologies to determine groundwater recharge, potential and use, and groundwater's interactions with surface water. The River Health Programme produced State of Rivers reports for the Buffalo (Eastern Cape), Crocodile West/Manico, Berg, Diep and Hout Bay rivers, bringing the total number of rivers and river systems studied by the programme to 24.



Table 6: Key Outputs and Service Delivery Trends

Key Focus Area (as per strategic plan)	Outputs	Service Delivery Indicators	Actual Performance
6. Ensure reliable and equitable supply of water for sustainable economic and social development including the eradication of poverty	Subsidy system for Water User Associations in respect of resource-poor farmers revised and 300 resource-poor farmers subsidised	Subsidy spent effectively	Subsidy Policy revised and approved for implementation  Subsidies granted to four groups of farmers (76 total) on the Lesotho Water User Association
	Water use strategy for poverty eradication and rural development finalised	Strategy approved by WUPMC and programme initiated	Draft Policy for Water Allocation Reform for South Africa to achieve equity in access to the use of water resources finalised after consultation with key stakeholders, and national programme of public consultation commenced
	Water use license applications evaluated with average turnaround time of six months	License applications processed within reasonable time	150 abstraction and 100 stream flow reduction license applications received, and processed within time frame
	Reconciliation options determined for compulsory licensing in 3 catchments	Approval by WUPMC	Models being set up for five catchments - modeling will be done during compulsory licensing  Studies commenced for Vaal, Western cape, Orange-River and Amatole systems
	Existing lawful use verified in nine catchments	Certification	Internal Strategic Perspectives (departmental fore-runners of catchment management strategies) completed for all 19 water management areas  Guidelines on verification of existing lawful use completed
	Water trading taking place within agreed policy and guidelines	Trades reported in Annual Report of DWAF	Validating of registered water use and verification of claimed existing lawful use substantially completed in the Vaal catchment, and commenced in the Mafikeng catchment, and commenced in the Mafikeng catchment  Guidelines on trading water use authorisations revised and approved  159 licenses surrendered to facilitate new applications (permanent trades), 11 in progress



Key Focus Area (as per strategic plan)	Outputs	Service Delivery Indicators	Actual Performance
<p>6. Ensure reliable and equitable supply of water for sustainable economic and social development including the eradication of poverty</p>	<p>Compliance with conditions of water use authorisations visibly enhanced</p> <p>100% compliance with infrastructure operating rules as determined</p> <p>Water supplied in accordance with agreements with users</p> <p>Revision of raw water pricing strategy incorporating Waste Discharge Charge System</p> <p>Water quality guidelines for use reviewed</p> <p>10% increase in water use efficiency on government water schemes</p> <p>Joint pre-commitment study on UHWPP further phases 50% completed</p> <p>Agreement between RSA and Namibia on Management Plan for Lower Orange River</p> <p>Joint study on Maputo River basin undertaken</p> <p>Demographic scenarios reviewed</p>	<p>Directives issued for clearly defined cases</p> <p>Operating rules to accommodate determined Reserve (RR) flows established</p> <p>Registration certificates in place</p> <p>Draft strategy approved by WSP/PMC</p> <p>Approved by WSP/PMC</p> <p>Measurable reduction in water use</p> <p>Agreement between the two countries</p> <p>Plan submitted to authorities</p> <p>Acceptance of report by Maputo Basin Permanent Technical Committee</p> <p>Report to WSP/PMC</p>	<p>Development of procedures to enforce conditions of use in general authorisations in licences finalised</p> <p>Approach piloted in delimited areas on the East Rand, and preparations in hand to curtail misuse in the North West and Northern Cape provinces</p> <p>Development of operating rules in progress for dams in catchments for which comprehensive Reserve determinations have been completed</p> <p>Commitments to bulk water users and water boards met</p> <p>Water supplied in accordance with drought conditions to agricultural users</p> <p>2009 Water Pricing Strategy revised to incorporate charges for waste discharge and the water research levy. Consulted with key stakeholders and submitted to the Minister for approval prior to publication in the Government Gazette for public comment</p> <p>Review and revision of guidelines for all sectors in progress</p> <p>The National Strategy for Water Conservation and Water Demand Management, and subsidiary strategies for the Agriculture, Water Services, and Industry, Mining and Power Generation sectors finalised and published</p> <p>Ministerial-level agreement with Lesotho to proceed with the feasibility study for the second phase</p> <p>Joint pre-feasibility study completed</p> <p>Agreement reached with Mozambique to proceed with the study</p> <p>Study in progress</p> <p>Review completed, report prepared, revisions in progress</p>

Key Focus Area (as per strategic plan)	Outputs	Service Delivery Indicators	Actual Performance
<p>6. Ensure reliable and equitable supply of water for sustainable economic and social development, including the eradication of poverty</p>	<p>Water demand scenarios reviewed</p> <p>Vaal Management options investigated</p> <p>Feasibility and feasibility reports on reconciliation solutions completed for 12 studies</p> <p>Invasive alien vegetation treated and cleared in 750 000 hectares (new and follow up areas)</p> <p>Water conservation &amp; WDM developed and implemented by 20 Water Management &amp; Water Service Institutions supported by DWAF</p> <p>Start on Berg River Water Project Commission Nandon Dam Contour raising of Pong (Booths) Dam</p> <p>Dam safety legislation administered and dam safety programme managed</p> <p>Emergency pollution incidents remedied</p> <p>Strategies and implementation guidelines on flood management substantially complete</p>	<p>Report to WRMFC</p> <p>Acceptance of inception report by WRMFC</p> <p>Approval by WRMFC</p> <p>Working for Water Information Management System &amp; Key Performance Indicator data reports</p> <p>Number of Water Management Institutions &amp; Water Service Institutions who initiated the program</p> <p>Compliance with implementation plans and budgets</p> <p>Reports on compliance with dam safety legislation</p> <p>Directives met</p> <p>Approved by WRMFC</p>	<p>work included in larger reconciliation studies (see above)</p> <p>Feasibility/feasibility study on the augmentation of the Eastern Vaal Sub-System via a pipeline from Vaal Dam to Secunda completed and all study reports finalised</p> <p>12 studies completed</p> <p>Five new studies started</p> <p>142 500 hectares of invasive alien vegetation cleared</p> <p>Follow-up clearance of 607 000 hectares</p> <p>About 12 000 person years of employment provided</p> <p>National Strategy for Water Conservation and Water Demand Management finalised and published, together with subsidiary strategies for the Agriculture, Water Services, and Industry, Mining and Power Generation sectors</p> <p>Financing agreements finalised</p> <p>Placement of embankment material and concrete to the outlet works commenced</p> <p>Nandon Dam commissioned</p> <p>Construction approximately 25% complete</p> <p>92% of registered dams with a safety risk (4 202) classified to date</p> <p>50 dam safety inspection reports completed</p> <p>Remedial work completed on Bulhoek Dam, and university at Damiet, Jan Tshatoe and Pong (Booths) dams</p> <p>All reported incidents dealt with in accordance with departmental policy and procedures</p>

Key Focus Area (as per strategic plan)	Outputs	Service Delivery Indicators	Actual Performance
6. Ensure reliable and equitable supply of water for sustainable economic and social development including the eradication of poverty	<p>Strategies and guidelines on drought management substantially complete</p> <p>Existing Water Management Area (WMA) disaster management plans reviewed. Three new WMA plans developed</p> <p>Support departmental public safety unit development, implementation and co-ordination</p>	<p>Approval by WRPFMC</p> <p>Plans approved by National Disaster Management Centre</p> <p>Approved by MANDOD</p>	<p>Progress limited due to staff involvement with coordinating support to countries impacted by the December 2004 Indian Ocean tsunami</p> <p>Progress limited due to staff involvement with managing ongoing and widespread drought conditions</p> <p>Progress on hold pending analysis of the requirements of the recently established National Disaster Management Framework</p> <p>Establishment of unit on hold pending analysis of the requirements of the recently established National Disaster Management Framework</p> <p>Guidelines developed and approved</p>
7. Ensure the protection of water resources	<p>Guidelines for effective WQM catchment studies developed and pilot completed at catchment scale</p> <p>Framework for classification system developed</p> <p>Reserves determined for compulsory zoning in 3 priority catchments and all five Reserves determined</p> <p>Frameworks for systematic conservation of SA rivers developed</p> <p>Baseline vegetation policies developed</p> <p>Procedures for operationalising Reserves completed</p>	<p>Approved by WRPFMC</p> <p>Approved document published in Government Gazette</p> <p>Approved by Director General</p> <p>Approved by WRPFMC</p> <p>Approved by WRPFMC</p> <p>Approved by WRPFMC</p>	<p>Requirements for a national system for classifying water resources finalised and drafting commenced</p> <p>High-confidence - "comprehensive" - preliminary Reserve determinations issued in four major catchments (Oufants/Doom, Komati, Letaba, Kromme/Sekake rivers)</p> <p>Lower confidence preliminary Reserve determinations carried out in about 150 quality catchments to facilitate the evaluation of applications for water use licences</p> <p>A number of baseline monitoring surveys and groundwater studies initiated to support Reserve determinations</p> <p>Background information compiled, development of framework completed, and policy development initiated</p> <p>Wetlands delineation guidelines finalised and approved</p> <p>Development of desk-top Reserve methodology for estuaries finalised and approved, and for wetlands in progress</p>

Key Focus Area (as per strategic plan)	Outputs	Service Delivery Indicators	Actual Performance
<p>7. Ensure the protection of water resources</p>	<p>Resource Quality Objectives procedures revised in line with classification system</p> <p>Quantification of dependency of terrestrial ecosystems on groundwater commenced in two pilot areas</p> <p>Ad hoc groundwater resource Reserves determined</p> <p>Feasibility study complete for groundwater protection zoning for important/vulnerable groundwater systems</p> <p>Waste disposal permits issued in accordance with latest edition minimum requirements</p> <p>Construction of pollution control works for Crystalina Dam and Cast Spruit compliant on schedule</p> <p>Manual for the assessment of impact of land-based activities on water resources developed</p> <p>Revision of 2nd Edition of minimum requirements for waste disposal facilities (auditing, training and operations)</p> <p>Implementation of the Dense Settlements Strategy in identified communities</p> <p>Regulations for water care works developed</p>	<p>Approved by WRU/MC Recommendations approved by WRU/MC</p> <p>Recommendations approved by WRU/MC</p> <p>Approved by Director General</p> <p>Accepted by Local Government</p> <p>Permit register maintained to reflect status of permit issuing</p> <p>Annual review undertaken</p> <p>Approved by WRU/MC</p> <p>Approval by WRU/MC</p> <p>Eduction of water pollution in identified communities</p> <p>Regulations promulgated</p>	<p>Procedures to develop resource quality objectives harmonised with resource-directed measures procedures</p> <p>Project was initiated, based on the results of previous work by the Water Research Commission</p> <p>Groundwater Reserves determined for all ad hoc licence applications submitted</p> <p>Development of policy for groundwater protection zoning initiated</p> <p>Permit applications processed in accordance with approved national minimum standards</p> <p>Construction work in progress and on schedule</p> <p>The impact of land-based activities in all 19 water management areas has been analysed</p> <p>Preparation of manual initiated</p> <p>Preparation of 3rd Edition in progress</p> <p>New minimum standards developed for auditing, training, and disposal site upgrading</p> <p>Priority areas identified for implementation of strategy</p> <p>Regulations to control works, and for operator skills levels established in terms of the National Water Act</p>

Key Focus Areas (as per strategic plan)	Outputs	Service Delivery Indicators	Actual Performance
<p>8. Develop effective water management institutions</p>	<p>Operation and maintenance of transferred schemes delegated to Water User associations with contracts in place</p> <p>75% of potential Water Resources Revenue collected</p> <p>5 CMAs established</p> <p>8 new WUAs established for resource-poor farmers</p> <p>All Irrigation Boards transformed into Water User Associations</p> <p>Performance criteria for CMAs and WUAs developed</p> <p>Procedures for Irrigation Board review established, including framework for state of water resources reporting</p> <p>Annual Report on Consolidated Environmental Implementation Management Plan (CEIMP) prepared</p>	<p>Approved by Minister</p> <p>Income realised</p> <p>Governing Board appointed by Minister</p> <p>Constitutions approved by Minister</p> <p>Constitutions approved by Minister</p> <p>Approved by WUP/EC</p> <p>Approved by WUP/EC</p> <p>Approved by Director General</p>	<p>Transfer agreements for Bosopoberg, Kulkamats, Lower Oifants, Sand-Vet and Van der Kloof water user associations ready for implementation</p> <p>78.9 % of potential revenue collected</p> <p>Enkamati CMA established by Government Notice, and nominations for the Governing Board submitted to the Minister</p> <p>Proposal to establish the Breeds CMA published for public comment</p> <p>Notice to establish the Kvorit-Kgantsulu, Crocodile West/Marico, Usedu/Matshane and Thudela CMAs prepared for publication</p> <p>Ten new WUAs established</p> <p>Constitutions for four WUAs - for revitalised irrigation schemes in Limpopo Province - in preparation</p> <p>Ten irrigation boards transformed</p> <p>Six submissions for transformation received and being processed</p> <p>Development of performance criteria in progress</p> <p>National Water Resource Strategy, First Edition, established by Government Notice in January 2005</p> <p>Completion of information for 2nd Edition commenced</p> <p>Annual Report compiled, approved and submitted to Committee for Environmental Coordination</p>

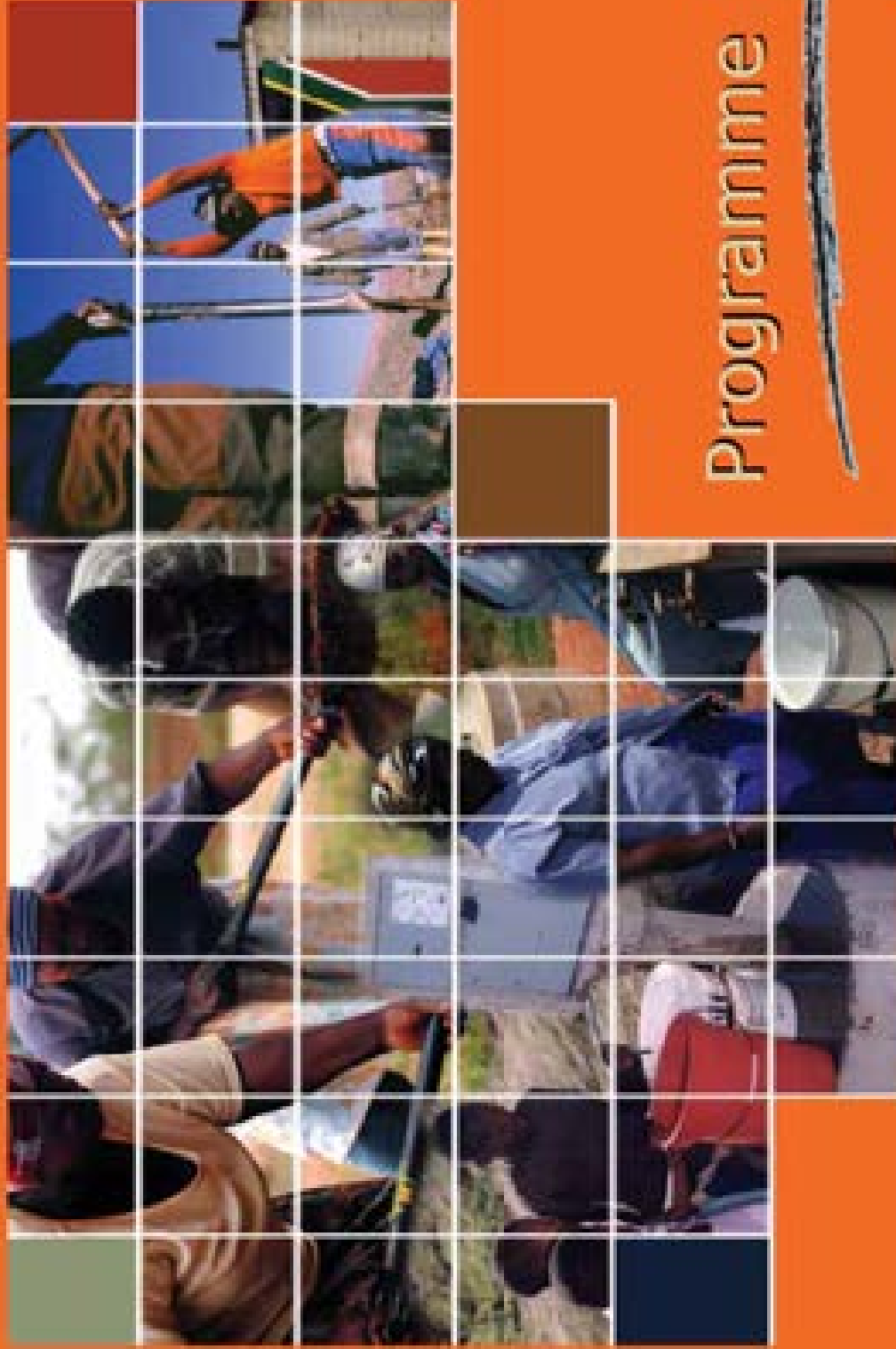
Key Focus Areas (as per strategic plan)	Outputs	Service Delivery Indicators	Actual Performance
<p>3) Align staff, stakeholders and general public to a common vision for Integrated Water Resource Management (IWRM) and develop, capacitate and empower them to best practices</p>	<p>Awareness on new developments in IWRM (e.g. climate change, rainfall augmentation, desalination, etc.) maintained</p> <p>Implementation of the IWRM and related legislation co-ordinated (including alignment with other relevant legislation) and co-ordination across WRM</p> <p>Guidelines for information management in WR studies (launched out under 6-3) tested</p> <p>Water Resource Monitoring Assessment and Information Strategy (WRMAIS) revised and aligned to new needs</p> <p>Framework for addressing historical social impacts of existing dams 50% complete</p> <p>Generic guidelines produced for catchment management strategies</p> <p>Evaluation and development of catchment analysis tools/models to support water resources planning processes</p> <p>Guidelines and standards developed for water resources information and provision of information</p>	<p>Reports approved by WRIFMC</p> <p>Achievement of KPIs assessed through Monitoring and Coordination System (MCS)</p> <p>Approved by the WRIFMC</p> <p>Approved by WRIFMC</p> <p>Development proceeding according to plan</p> <p>Approved by WRIFMC</p> <p>Tools being applied</p> <p>Internally applied</p>	<p>Representation on Government and National Climate Change Committees</p> <p>Water-related inputs to SA's National Climate Change Response Strategy (prepared by DEAT as lead agent)</p> <p>Participation in WRC research project into the implications of climate change on water resources</p> <p>No progress on rainfall augmentation or desalination</p> <p>Project to develop framework for co-ordination initiated</p> <p>Inventory of water resources studies in DabulF initiated</p> <p>Systems Analysis Scoping document was approved by WRIFMC</p> <p>Further work pending until information systems governance structures are developed</p> <p>Inception report completed, background information compiled, stakeholders consulted, approaches and methodology developed, finalisation of Framework well-advanced</p> <p>Project to develop generic guidelines initiated</p> <p>Steering committee to evaluate models and tools established</p> <p>No progress; work rescheduled to next period</p>

Key Focus Areas (as per strategic plan)	Outputs	Service Delivery Indicators	Actual Performance
<p>Align staff, stakeholders and general public to a common vision for Integrated Water Resource Management (IWRM) and develop, capacitate and empower them to best practices</p>	<p>Surface and ground water quantity and quality monitoring systems maintained, upgraded and expanded by 5%</p> <p>New and special integrated water resources monitoring programmes developed as required</p> <p>Information systems upgraded and maintained, and the possibilities to interlink existing systems investigated</p> <p>Comprehensive long-term plan for the development of computerised decision-support systems for water resources planning in place</p> <p>Effective flood and drought management system in place</p>	<p>Increased data available</p> <p>Programmes approved by WSRMC</p> <p>Approved realignment of development plans</p> <p>5 year plan approved</p> <p>Internally applied</p>	<p>Five-year plan for the Resource Quality Monitoring Systems was developed and approved by WSRMC</p> <p>Development of technology and radioactively monitoring systems progressed and on track</p> <p>All systems maintained, some systems upgraded, but interlinking on hold pending development of information system governance model</p> <p>Five-year Water Resources Monitoring Plan developed and approved</p>
<p>Effective flood and drought management system in place</p> <p>Skills development, mentoring and rehabilitation plan implemented and monitored according to Equity and Black Economic Empowerment (BEE) requirements</p> <p>Capacity building programmes developed for stakeholder empowerment (IWRM)</p> <p>Inventory of training programmes compiled</p> <p>RDM and Groundwater training networks in place and operational</p> <p>Frameworks to guide stakeholders in water resources management developed</p> <p>Informed stakeholder participation in forums, Water User Associations, etc.</p>	<p>75% of posts filled</p> <p>Materials developed and courses presented</p> <p>Approved by WSRMC</p> <p>Training material produced</p> <p>Materials produced and disseminated</p> <p>Quality of stakeholder inputs enhanced</p>	<p>Appointment and training of staff in accordance with employment equity requirements</p> <p>Strategy for stakeholder capacitation being developed under the Water Allocation Reform Programme</p> <p>Compilation of inventory in progress</p> <p>RDM and Groundwater training networks operating under the framework for Education and Training in Water (PETWater)</p> <p>Development of Social Assessment and Development Framework for stakeholder empowerment nearing completion</p> <p>Strategy being developed to promote informed participation in all water management institutions</p>	<p>Pilot system developed and operational in DWAF and National Disaster Management Centre, but further development limited due to capacity constraints</p> <p>Appointment and training of staff in accordance with employment equity requirements</p> <p>Strategy for stakeholder capacitation being developed under the Water Allocation Reform Programme</p> <p>Compilation of inventory in progress</p> <p>RDM and Groundwater training networks operating under the framework for Education and Training in Water (PETWater)</p> <p>Development of Social Assessment and Development Framework for stakeholder empowerment nearing completion</p> <p>Strategy being developed to promote informed participation in all water management institutions</p>

Key Focus Areas (as per strategic plan)	Outputs	Service Delivery Indicators	Actual Performance
15 Promote DRYM in Africa in support of NEDPAD	<p>Limopo commission established</p> <p>Agreement with Namibia on Lower Orange River Good participation in and support to AMCOW and SAOC structures</p> <p>Improved co-operation with developing countries</p> <p>Improved relationships with international and multilateral organisation</p> <p>EU financing agreement in place</p> <p>Ongoing advocacy activity around IWRM to influence international debate</p> <p>CB support to AMCOW in place</p>	<p>Agreements signed by relevant countries</p> <p>Regional programmes approved and implemented</p> <p>Improved co-operation with developing countries</p> <p>Regular exchange of information</p> <p>Official Development Assistance (ODA) agreements concluded</p> <p>Concepts appear in outcome documents</p> <p>Financing agreements signed</p>	<p>Agreement signed by South Africa, Botswana, Zimbabwe and Mozambique</p> <p>Negotiations towards an agreement in progress with Namibia</p> <p>Participation in AMCOW Inter-ministerial Council</p> <p>Participation in SAOC policy formulation</p> <p>Project Manager for SAOC Hypos identified but not yet appointed</p> <p>Ministerial visits to China and official visits to China and Cuba</p> <p>Agreement with Cuba being implemented</p> <p>Memorandum of Understanding with China under negotiation</p> <p>Secondment agreement with African Development Bank under negotiation</p> <p>Agreement in place (implemented by Water Services)</p> <p>Effective participation in UN Commission for Sustainable Development 13 and Millennium Project</p> <p>Participation in AMCOW Technical Advisory Committee activities</p>



# Water Services



## Programme 3:

### Purpose:

Ensure that effective, efficient, sustainable and affordable water and sanitation services are provided to the people of South Africa, as well as economic users.

## State of Water Services Report

In its role of regulator of water services, the Department collates service provision data which reflects the State of the Sector.

### ACCESS TO BASIC SERVICES

During the year under review, water supply was provided to a further 1.51 million people, and sanitation to a further 1.3 million people. There are currently 3.7 million people with no access to basic water supply, and a further 5.4 million who have access to a water supply that does not meet the RDP service levels. There are still 16.0 million people without access to basic sanitation infrastructure.

Table 7: Access to Basic Water Supply Infrastructure (population, millions)

Period	Census Population	Total Improved Supply (incl only RDP)	With Access to Basic Services but below RDP service levels	No Access to Infrastructure	% Access to services (Infrastructure)
Current (04/2005)	48.1	44.4	5.4	3.7	92%
People served April '04 - March '05		1.51*	0.6	0.7	
Previous Year (03/2004)	47.4	43.0	6.0	4.4	91%
People served 1994 - March 2005		15.0*	4.4	5.7	
1994	29.8	23.0		15.9	59%

Notes for clarification:

- \* Total improved supply also includes people served to higher than RDP levels of service
- Figures only reflect infrastructure provided and do not reflect quality of ongoing service provision
- People with access to basic services, but below the RDP service level, was erroneously reported as 5.7m (03/04) instead of 6.0m
- In the 23 million people served in 1994, 15.0 million "new" people were served (as reflected in table) as well as an estimated population growth of 8.4 million "additional people living in already serviced households and areas" (not reflected in table above) to give the total of 44.4 million people, i.e. 23+15+6.4 = 44.4

Comments:

- Water Supply Service figures are Census 2001 based and updated by DWSM using the result of implemented projects across the sector
- Population figures given are based on 1994's SA mid year estimates and has been adjusted by 2% to reflect annual population growth
- People served information provided is based on input from DWSM, Housing, DPWC & estimates from NGOs & Local Government
- Access to basic (RDP) services improved from 59% of population in 1994 to 87% of population in March 2005. In total, 92% of the population now have access to improved services



**Table 8: Access to Basic Sanitation Infrastructure (population, millions)**

Period	Census Population	Supply Basic level or higher	No Access to Infrastructure	% Access to services
Current (04/2005)	48.1	32.1	16.0	67%
People served April '04 - March '05		1.3		
Previous Year (03/2004)	47.4	30.3	17.1	64%
People served 1994 - March 2003		8.2		
1994	39.8	15.4	20.4	49%

Notes for distribution:

- Figures only reflect infrastructure provided and do not reflect quality of ongoing service provision
  - To the 15.4 million people served in 1994, 8.2 million "new" people were served (as reflected in table) as well as an estimated population growth of 4.5 million "additional people living in already serviced household and areas" (not reflected in table above) to give the total of 32.1 million people, i.e. 19.4+8.2+4.5= 32.1
- Comments:
- Sanitation supply facility figures are Census 2005 based and updated by OSM using the result of implemented projects across the sector
  - Population figures given are based on UN'S 54 mid year estimates and has been adjusted by 2% to reflect annual population growth
  - People served information provided is based on input from OSM, Housing, DFUG & estimates from NGO's & Local Government
  - Access to services improved from 49% of population in 1994 to 67% of population in March 2005

**Table 9: Affordable Access to Water (Free Basic Water (FBW))**

Period	Total WSA's	Total Population (millions)	WSA's Providing Free Basic Water	Population with access to FBW (millions)	Population with Infrastructure and FBW (%)
Current (04/2005)	170	48.1	162 (95%)	31.9 (66.3%)	75%
Previous Year (03/2004)	170	47.4	163 (95%)	30.5 (64.6%)	73%

Comments:

- Reporting is focused only on municipalities which are Water Services Authorities (WSAs) that are implementing Free Basic Water, rather than municipalities in total
- Free Basic Sanitation policy has not been established and the associated programs has not been implemented

**Table 10: Poor people that benefit from Free Basic Water (FBW)**

The following table reflects the status of FBW as at the end of March 2005.

	Population (millions)
Poor people (household income less than R1 000/month) that receive FBW via formal infrastructure and a formal administrative system (e.g. standpipes)	17.0
Poor people that receive FBW but no formal administrative system (e.g. standpipes)	4.0
Poor people that receive FBW but at a level below basic needs	2.0
Total number of poor people that share benefits from FBW	23.0
Total number of poor people	29.0



**Table 11: Service Quality as reflected by Local Government**

The following results are based on a Local Government "self assessment" that reflects their views on Service Quality and Drinking Water Quality Management currently being provided. The figures quoted for both Service Quality and Drinking Water Quality Management reflect a combination of outcomes and not just the adherence to standards alone.

Perspective	Municipalities reporting acceptable service quality	Municipalities reporting acceptable Drinking Water Quality Management Standards
National	34%	37%
Eastern Cape	35%	13%
Free State	31%	95%
Gauteng	53%	58%
KZN	28%	39%
Limpopo	33%	32%
Mpumalanga	41%	23%
North West	26%	29%
Northern Cape	29%	29%
Western Cape	42%	52%

- Comments:**
- Results are based on feedback from 85% (176) of 207 Local Government Institutions (all MLAs and in some cases Local Municipality on behalf of District Municipalities)
  - This year's assessment of "Service Quality" includes indicators of "existence of a customer service system, levels of staffing, equipment, resources, funding and most importantly the capability to respond within 24hrs to call outs"
  - The methodology of analyzing the adherence to Drinking Water Quality Requirements has been improved since last year. This indicated that only 37% of Local Government adhered to Drinking Water Quality Requirements as per SABS245 (class 1 - Green). This shows a good correlation with information from other sources. Applying this to last year's information there has been a 10% improvement in compliance.

## Water Tariffs

Table 12: Domestic tariffs: Various national weighted perspectives

Unit of analysis	Tariff 6-20k1			Tariff 20-60k1			Tariff >60k1			Target Sample Size	Percentage Returns	Comments
	Average	Min	Max	Average	Min	Max	Average	Min	Max			
Municipal-weighted	R3.95	R0.00	R11.65	R4.59	R1.09	R22.80	R5.24	R1.78	R27.09			See Comment
Population-weighted	R5.09	R0.00	R11.65	R6.43	R1.09	R22.80	R7.29	R1.78	R27.09	337	82%	See Comment
Volume-weighted	R5.37	R0.00	R11.65	R6.99	R1.09	R22.80	R7.84	R1.78	R27.09			See Comment

### Comments

1. Tariff survey focused on all 176 WULAs, but also obtained tariffs for some underlying LMs (10% of 237 LMs = 82%)
2. These figures present averages in line with previous Annual Reports using Local Government institutions as the unit of analysis (the summation of each tariff block for all the municipalities divided by the total number of municipalities). This allows statistical comparison
3. A population-weighted average considers the number of people affected by individual tariffs
4. A volume-weighted average considers people and their service levels, thus presenting the average value of lit of water used



## Tariff Increases

Survey obtained tariffs for 4 years from 2002/2003 to 2005/2006 to confirm annual increases and trend analysis. Tariff increases vary significantly between blocks indicating refinement of financing strategies and cross-subsidisation. 27% of the 6-20k1 block increases were within the CPI; 2% decreased, 53% exceeded CPI by up to 5% and further 18% by > 5%. 27% of the 20-60k1 block increases were within the CPI; 5% decreased, 48% exceeded CPI by up to 5% and further 21% by > 5%. 20% of the > 60k1 block increases were within the CPI; 2% reduced; 45% exceeded CPI by up to 5% and further 27% by > 5%.

Table 13: Domestic tariffs: Rural, urban and provincial perspectives

Perspective	Tariff R-200d			Tariff 20-60d			Tariff 3-60d			Target Sample Size	Percentage Returns	Comments
	Average	Min	Max	Average	Min	Max	Average	Min	Max			
Rural (Average tariff in rural LMUs)	R3.74	R1.48	R6.62	R4.46	R1.48	R22.80	R4.67	R1.78	R22.80	114	66%	See Comment
Urban (Average tariff in urban LMUs)	R4.08	R0.00	R11.65	R4.67	R1.09	R13.70	R5.60	R1.82	R27.09	123	88%	See Comment
Eastern Cape	R3.51	R1.03	R5.61	R3.80	R1.90	R5.64	R4.10	R1.80	R7.32	39	72%	See Comment
Free State	R4.54	R1.49	R11.05	R5.19	R1.54	R13.79	R5.76	R1.78	R14.63	20	100%	
Gauteng	R6.40	R2.34	R11.65	R6.92	R2.34	R9.80	R7.80	R2.34	R18.72	12	100%	
Kwa-Zulu Natal	R4.44	R2.28	R7.75	R4.99	R2.09	R10.81	R5.29	R2.09	R12.36	51	67%	See Comment
Limpopo	R3.25	R1.95	R5.67	R4.14	R1.61	R7.98	R4.68	R2.05	R11.40	19	79%	See Comment
Mpumalanga	R3.38	R1.55	R6.82	R4.05	R1.63	R7.40	R4.39	R2.05	R8.46	26	69%	See Comment
Northern Cape	R3.30	R0.96	R6.70	R3.65	R1.82	R7.10	R4.92	R2.05	R27.09	24	100%	
North West	R4.41	R1.48	R8.14	R4.74	R1.48	R8.44	R5.24	R1.88	R8.73	21	86%	
Western Cape	R3.28	R0.00	R5.68	R4.95	R1.09	R22.80	R3.93	R2.05	R22.80	25	92%	

Comments

1. Tariff survey focused on 178 RBAs, but also obtained tariffs for some underlying LMUs (295 of 237 LMUs = 82%)
2. These figures present averages in line with previous Annual Reports using Local Government institutions as the unit of analysis. This allows statistical comparison
  3. Reduced tariffs in rural areas are partly due to many of the former homelands schemes receiving subsidies
  4. Provinces with 0% as RBAs show a low LM response, but mostly achieved high DM returns (38 of 47 DMs = 81%)

Table 14: Commercial and industrial tariffs: National perspectives

Perspective	Tariff 6-2014			Tariff 20-2014			Tariff 3-2014			Comments
	Average	Min	Max	Average	Min	Max	Average	Min	Max	
Commercial	R4.09	R1.09	R11.05	R4.37	R1.09	R22.80	R4.92	R1.72	R22.80	See Comment
Industrial - potable	R3.94	R1.09	R13.94	R4.67	R1.09	R20.52	R4.24	R3.82	R20.52	See Comment
Industrial - bulk & raw water	R3.56	R0.27	R10.79	R3.79	R0.27	R10.79	R4.52	R0.27	R27.09	See Comment

**Comments**

- 1. These figures present averages in line with previous Annual Reports using Local Government institutions as the unit of analysis. This allows statistical comparison

Table 15: Capital Expenditure on basic services infrastructure (R millions)

Program	Water		Sanitation	
	JHM to 2004/03 - Budget	2004/2005 - Budget	1994 to 2004/03 - Budget	2004/2005 - Budget
DWMF-CitySS	R7, 130.5	R94.8		R41.1
DPG-CHIPP/MG	R4, 337.8	R1, 590		R792.4
DH-Housing	R1, 408	R137		R148
DPW-Schools & Clinics	R109.9			R147.9
<b>TOTAL SECTOR</b>	<b>R12, 985.7</b>	<b>R1, 723.0</b>	<b>R4, 396.5</b>	<b>R980.5</b>

**Comments**

- Figures are based on DWMF, M&S and Housing budgets
- Figures exclude Local Government own capital budgets
- Figures are based on the assumption that 50% of Housing Funding is allocated to Higher Levels of Service

Table 16: Estimated Water Services Operating Expenditure (Rmillions)

Perspective	Annual Water Services Operating Expenditure			Comments
	Water Supply	Sanitation	Total for 2004/2005	
National Funding	R15, 900	R15, 787	R31, 687	Comment (1)
National Revenue from User Charges	R8, 449	R4, 741	R13, 190	Comment (2)
National Conditional Grants	R634	R271	R905	Comment (3)
Equitable Share (water services portion)	R1, 817	R775	R2, 592	Comment (4)
Provincial Expenditure	R15, 900	R5, 787	R21, 687	Comment (5)
Eastern Cape	R723	R754	R1, 477	
Free State	R991	R779	R1, 770	
Gauteng	R3, 950	R990	R4, 940	
Kwa-Zulu Natal	R1, 873	R633	R2, 506	
Limpopo	R554	R223	R777	
Mpumalanga	R353	R364	R917	
Northern Cape	R222	R360	R582	
North West	R631	R437	R1, 068	
Western Cape	R1, 403	R1, 438	R2, 841	
Local Authority Overview	R15, 900	R5, 787	R21, 687	Comment (6)
Metropolitan Councils	R5, 415	R2, 875	R8, 290	
Local Municipalities	R2, 574	R1, 367	R3, 941	
District Municipalities	R2, 911	R1, 545	R4, 456	

Comments :

- Figures are modelled estimates and include both water supply and sanitation operating accounts (previously only water). Operating expenditure is calculated using the Municipal Services Model, and various other information sources (e.g. Census2002, DoHA, Municipal budgets, National Treasury) and specific case studies undertaken for DHA.
- Revenue estimates are based on the analysis of apportional accounts (2001/2002) and subsequent sampling of selected municipalities and comparison to the municipal expenditure budgets. Cross-subsidisation, equitable share allocation and other grants is also included.
- The total figures were derived from DoHA Schedule 7 and thereafter proportional to water supply and sanitation based on historical expenditure.
- The figures were derived from the total free basic service element of the equitable share and a '3' grant portion of 10%. The formula uses R600 per month as the poverty threshold.
- The expenditure can be split between distribution services (60%, 40%), bulk services (80%, 20%) and capital charges for maintenance (5, 5%, 10%).
- The split of total operating expenditure between authority types is derived from water supply revenues as the actual expenditures (e.g. salaries) are not influenced by local municipalities.



## Water Boards

Table 17: Water Boards: Medium-term Income & Operating Expenditure (in R'000fs)

Period under review: 2003/04

Name of Water Board	Revenue				Operating Expenditure			
	2003-04 (Actual)		2004-05 (Projected)		2003-04 (Actual)		2004-05 (Projected)	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Albany Coast	3,462	0.1%	3,656	0.1%	1,666	0.1%	1,740	0.1%
Amatole	75,371	1.4%	84,608	1.5%	78,976	2.7%	64,292	2.5%
Bloem Water	137,143	2.6%	140,342	2.5%	84,135	3.4%	102,954	4.0%
Botshelo	55,180	1.1%	95,000	1.7%	68,811	2.8%	73,000	2.8%
Buthebuthe	33,756	0.6%	76,676	1.4%	33,373	1.3%	44,018	1.7%
Bungula	1,301	0.0%	-	0.0%	3,570	0.1%	-	0.0%
Lydford	157,794	3.0%	153,096	2.7%	82,287	3.3%	72,622	2.8%
Mogale	176,764	3.4%	131,656	2.3%	98,336	4.0%	89,693	3.4%
Midvaal	131,545	2.5%	145,092	2.6%	84,527	3.4%	110,346	4.2%
Namaqualand	7,321	0.1%	7,687	0.1%	7,032	0.3%	7,384	0.3%
Overberg	16,130	0.3%	17,676	0.3%	14,737	0.6%	16,348	0.6%
Pella/NH	5,662	0.1%	6,176	0.1%	5,911	0.2%	6,207	0.2%
Rand Water	3,258,053	62.4%	3,581,493	63.8%	1,326,278	53.5%	1,428,868	54.8%
Seelings	257,411	4.9%	260,074	5.0%	157,772	6.4%	176,339	6.8%
Umgeni	906,107	17.3%	887,600	15.8%	432,657	17.4%	412,078	15.8%
Total	5,223,262	100.0%	5,610,830	100.0%	2,480,968	100.0%	2,605,697	100.0%

Note:

1. In cases where no data was available from water boards such as Albany, Namaqualand and Pella/NH, a 3% escalation on prior year's revenue and operating expenses were added using FY2003/04 as the base year.

2

3. \* indicates figures not available. Financial year for Water Boards end in June. Audited financial statements only available end of September 2005.

Table 18: Water Boards: Medium-term Capital Expenditure (in R'000s)

Period under review: 2003/04

Name of Water Board	Capital Expenditure			
	2003-04 Actual		2004-05 Projected	
	Amount	% of Total	Amount	% of Total
Albany Coast	-	0.0%	-	0.0%
Amatole	1, 936	0.6%	22, 283	3.1%
Bloom Water	15, 300	4.5%	17, 800	2.5%
Botshelo	-	0.0%	-	0.0%
Bushbuckridge	3, 360	1.0%	3, 357	0.5%
Kuanga	-	0.0%	95, 000	13.5%
Lepelle	3, 290	1.0%	3, 855	0.5%
Mogale	40, 691	11.9%	41, 260	5.7%
Mtshatha	16, 610	4.8%	53, 208	7.4%
Mmamakwa	-	0.0%	-	0.0%
Overberg	733	0.2%	6, 310	0.9%
Pella-drift	-	0.0%	-	0.0%
Rand Water	227, 373	66.3%	438, 205	58.1%
Sediberg	2, 664	0.8%	10, 020	1.4%
Umgeni	31, 000	9.0%	46, 896	6.3%
Total	342, 977	100.0%	728, 194	100.0%

Note:

1. In cases where no data was available from water boards such as Albany, KwaZulu and Pella-drift, a 5% escalation on expenditure using FY2003/04 as a base year.
2. Rural Holdings which is Umgeni's Subsidiary is excluded from all Umgeni projections.

3. Financial year of Water Boards ends in June 2005. Audited Financial Statements will only be available in September.

Table 19: Water Boards: Fixed Assets and External Debt (in R'000s)

Name of Water Board	Period under review: 2003/04	
	Fixed Assets R'000	External Debt R'000
Albany Coast	233	1, 912
Amatola	345, 948	18, 762
Bloem Water	365, 127	331, 643
Botshabelo	9, 725	0
Butha Buthe	40, 967	0
Dunguwa	19	0
Lepelle	366, 661	310, 198
Mogalese	832, 814	183, 376
Mthathuze	266, 851	173, 665
Namakwa	92, 597	12, 150
Overberg	38, 469	9, 873
Pellaadri	9, 201	0
Rand Water	3, 650, 407	1, 839, 889
Seelberg	274, 409	264, 085
Umgeni	2, 720, 504	3, 273, 033
Total	8, 584, 034	6, 368, 445

Notes:

1. Personnel costs (excludes total remuneration of Personnel)

Table 20: Water Boards: Population ('000), Staff and Personnel Cost Data (in R'000s)

Name of Water board	Period under review: 2003/04		
	Population Served ('000s)	Number of Staff	Personnel Costs 2003-04
Rand Water	10, 000	3, 104	523, 987
Umgeni Water	4, 302	893	146, 721
Seelberg Water	1, 600	611	76, 792
Lepelle Northern	1, 000	270	23, 352
Mthathuze Water	380	151	29, 821
Bloem Water	600	212	25, 790
Dunguwa Water	1 530	6	793
Botshabelo Water	831	308	35, 963
Amatola Water	1, 200	232	25, 671
Butha Buthe	1, 200	262	11, 669
Mogalese Water	800	305	33, 732
Overberg Water	62	67	6, 658
Pellaadri Water	7	-	-
Namakwa Water	45	26	2, 123
Albany Coast Water	88	6	504
Total	22, 227	6, 533	947, 504

## Main Achievements

During this period the Department achieved an important milestone in service delivery - the provision of safe drinking water to the 10 millionth person since 1994. The sector has also achieved the Millennium Development Water Supply Goal by halving the backlog since 1994. It was also the first year that the bulk of the capital funds for basic services were allocated directly to municipalities through the Municipal Infrastructure Grant (MIG) - the MIG allocation being R 2.3 billion (R1.5 billion allocated for water supply and R0.8 billion for sanitation). The Department has thus focused on its new role of sector leader with responsibility for policy, regulation, information and support.

Regarding the capital program, DWAF's core focus was to ensure municipal compliance to MIG project conditions, to support municipalities in the eradication of service backlogs and the provision of sustainable services. The strategic objectives for the year were achieved by the sector through the provision of an improved water supply to 1.8 million people and improved sanitation services to 1.5 million people (more than 300 000 households).

The Department continued to promote the eradication of the bucket system and to replace it with more dignified and appropriate types of sanitation services. R1.2 billion, in addition to the existing MIG allocation, has been negotiated and committed over the next three financial years to ensure that the bucket system is eradicated completely. 231 000 households will be provided with a level of service that varies from VIPs (Ventilated Improved Pit Latrines) to full water borne sanitation.

Good progress was made on implementing the Strategic Framework for Water Services (SFWS), as approved by Cabinet on 17 September 2003 especially on the development of Institutional Reform and Regulatory strategies. A process was also initiated to review the sector legislation and ensure SFWS alignment within the sector and a first draft Water Services Revision Bill has been produced.

During the development of the SFWS a number of sensitive issues were identified that needed extensive discussions with sector role-players especially South African Local Government Association (SALGA) and South African Association of Water Utilities (SAAWU). As expected, the process of Institutional Reform has proved to be especially challenging.

The new Water Services Regulation Directorate produced a first draft of the National Water Services Regulation Strategy which will be put through a rigorous internal and external consultation process during the next period. In order to raise the public profile and debate on regulation a successful international conference was hosted in February with partners such as Johannesburg Water and the National Electricity Regulator. As part of the Regulatory Strategy, a National Drinking Water Quality Management Strategy was developed with participation of sector stakeholders and will be implemented during 2005.

As reported in the State of the Water Services Sector, there is justified concern over the quality of water supply and sanitation services at municipal level, especially around drinking water quality and reliability of service. This highlights the importance of the regulatory function and systems.

The implementation of Free Basic Water (FBW) services programme went well. Approximately 95% of municipalities are now supplying FBW to all or part of their municipal population. This translates to 69% of the total R-SA population. The programme is making a huge difference to the poor (households with less than a R1000 income/month). 17 million poor people receive FBW via formal infrastructure, and a further 4 million, although they do not yet have a formalised FBW administrative system in place, are getting their water for free. There are also additional 2 million poor that receive water from infrastructure below the basic RDP service level who get their water free. In total, 23 million of the 29 million poor get their basic water free of charge. The Department's provincial support units (PSUs) are still assisting municipalities with the implementation of the policy.

A Free Basic Sanitation (FBS) policy has been drafted and it is hoped that, as soon as it is approved, a formal FBS programme will be rolled out.

Health and Hygiene education and promotion continued to be part of the Department's Water and Sanitation programme and efforts were made to embed it into the MIG projects implemented at municipal level. Health and Hygiene promotion is also in the process of being incorporated in the Housing Programme. The Departments of Health, Housing and DWAf have developed a health and hygiene package that will now be part of Housing Customer Care programme.

Health and hygiene programmes were incorporated into the school curricula for Grades 0 to 6 and learners were encouraged to develop an interest in health and hygiene through the Baswa le Meetsa competitions that took place in 9 provinces and nationally.

### **Regional Operations**

The Department's Regional Offices received a small capital budget to complete projects initiated before the funding was transferred to the MIG programme. A donor allocation was utilised for water sector support and institutional support to sector departments, WSAs and WSP. A drought relief allocation was also received and managed by Regional Offices.

National Treasury has made a grant of R130 million to Emfuleni local government for all services, water and sanitation being two of the services. DWAf drafted KPI's to monitor performance in order to agree on payments to the municipality.

Transfers continued to take place within the Joint Policy position and there has been consistency in the implementation of the policy since adopted by the Inter Departmental Transfer Committee. Good progress was made on the transfer programme with a further 8 out of a potential 55 agreements concluded. Assets with a present day value of R1250 million have been transferred since the inception of

the programme. In most cases associated staff were also transferred or seconded to Local Government or relevant receiving institutions. A further 30 agreements have to be concluded by March 2006.

The oversight role played by the South African Local Government Association (SALGA) DWAf, DPLG and National Treasury helped to ensure that transfers happen within the agreed framework. In terms of the programme which is included in the Division of Revenue Act, all transfers should be effected by 30 March 2006 with all conditional grants (subsidies) phased out by June 2011 at which stage the conditional grants will be incorporated into the equitable share allocations to local government.

The Department of Public Service and Administration (DPSA) issued a circular on the transfer framework to facilitate the transfers (mobility) of personnel between spheres of Government. A principle decision has been taken by the DPSA that all staff transfers must take place within the ambit of section 197 of the Labour Relations Act. A joint negotiating team has been established with the South African Local Government Association (SALGA) and a Memorandum of Understanding (MOU) will be concluded in June 2005.

DWAf is working on a number of initiatives to ensure that the transition period following a transfer is as smooth as possible, including the drafting of an "after-care" framework for staff who were transferred from DWAf. This framework should be completed by August 2005.

National Treasury requested transferring departments to monitor the capacity of municipalities in spending the funds transferred as contained in the Transfer agreement. This includes that measures must be put in place if transferred funds are not spend due to lack of capacity.

Table 21: Key Outputs & Service Delivery Trends

KEY FOCUS AREA	OUTPUTS	SERVICE DELIVERY INDICATORS	ACTUAL PERFORMANCE
KPA 10 Ensure provision of sustainable basic Water Supply and Sanitation for improved quality of life and poverty alleviation	<p>Increased access to sustainable basic water supply - backlog reduced by a further 1.5 million people (sector target) DWAF monitor and support municipalities to achieve target</p> <p>Sector Target: Sanitation backlog reduced by a further 240 000 households. DWAF monitor and support municipalities to achieve target.</p> <p>At least R2 billion allocated in all government spheres to meet the basic water needs of the country and R3500 million to meet the basic sanitation</p> <p>Replace bursted system of 17, 000 households (sector target)</p> <p>Health and hygiene programmes incorporated into school curricula Target: Grades 0-6</p> <p>Free Basic Water accessible to 75% of people served</p>	<p>Reliable sector reports indicating people served measured against agreed KPIs</p> <p>Quarterly monitoring and evaluation reports to DWAF and sector</p> <p>Annual Exchequer Budget allocation and donor funding for Basic Water Services</p> <p>Monthly National Sanitation Task Team (NSTT) and sector monitoring and evaluation reports</p> <p>Health and hygiene in school curricula</p> <p>Free Basic Water reporting from PSUs (Provincial Support Units)</p> <p>Amendment Bill Published</p>	<p>Basic water supply were provided to 1.51 million people</p> <p>Sanitation facilities were delivered to 1.3 million people (more than 300 000 households)</p> <p>The MIG allocation for water supply amounted to R1 501 million and the DWAF Water Services Supply Budget was R352 million. The MIG allocation for Sanitation services amounted to R778 million</p> <p>0 100 Burstid type toilets were replaced by either VIP's or water borne units in the Free State. R1.2 billion, in addition to the existing MIG allocation, has been negotiated and committed over the next three financial years to ensure that the bucket system is eradicated completely</p> <p>Health and hygiene programmes incorporated into school curricula for Grades 0-6</p> <p>95% of municipalities have reported the implementation of a FBW policy and FBW reaches 75% of the population served by infrastructure</p> <p>First draft of Water Services Revision Bill produced and discussed within DWAF</p>
KPA 11 Ensure effective and sustainable delivery of water services to underpin economic and social development	<p>Gap analysis for both policy and legislation completed Water Services Amendment Bill put to the Minister by March 2005</p>		

KEY FOCUS AREA	OUTPUTS	SERVICE DELIVERY INDICATORS	ACTUAL PERFORMANCE
KfA 11 Ensure effective and sustainable delivery of water services to underpin economic and social development	<p>Strategies for Water Services Support, Monitoring and Evaluation, Regulation, Institutional Reform and higher levels of service (water services ladder) in place by March 2005</p> <p>Water Services Development Plans developed as part of the IDP in all 135 water services Authorities Level 1 and 2 of received WSDPs assessed and quality improvement quantified in report by March 2005</p> <p>Alignment of DWAF actions to support ISROP and USP nodes</p> <p>Key information accessible and key reports produced</p> <p>Internal and external stakeholders informed of water services legislation, policies and programmes</p> <p>Improved monitoring of Water Boards performance</p> <p>30% of Water Services Authorities functioning effectively</p>	<p>Draft strategies, frameworks and guidelines</p> <p>Water Services Development Plans submitted to DWAF and status report submitted to Water Services Functional Management Committee</p> <p>Alignment with other planning initiatives (IDP, ISOP, UR Water Resource, etc)</p> <p>"State of the Sector" input to Annual Report produced, quality of information improved and more accessible. Additional KPIs used</p> <p>Campaigns held and plans, materials and reports developed, stakeholders reached and Water Services Information Centre established</p> <p>Annual report submitted to Minister</p> <p>Set of basic KPIs</p>	<p>Sector Monitoring and Evaluation Framework developed</p> <p>First draft of National Services Regulation Strategy has been completed (see KPI 12 for Institutional Reform Strategy report)</p> <p>Out of a total of 135 Water Service Authorities (WSAs) that need to develop WSDPs, 134 are actively working on the plans</p> <p>A local government reference framework structure is in place that includes all planning initiatives and data requirements. Nodes are supported in WS planning</p> <p>Maintenance and progressive further development of national information System</p> <p>Sector Monitoring and Evaluation Framework drafted, workshopped and communicated to sector</p> <p>Technical guidelines compiled and water services web page established for technical innovation and technical guidance</p> <p>The monitoring and oversight role of DWAF for Water Boards continued through a formal evaluation process including appraisal of Policy Statements and Business Plans</p> <p>34% of municipalities meet with service quality performance indicators</p>

KEY FOCUS AREA	OUTPUTS	SERVICE DELIVERY INDICATORS	ACTUAL PERFORMANCE
<p>KPA 12 Ensure effective Water Services Institutions</p>	<p>National institutional reform strategy developed by all participating parties by June 2004 and two four-runners embarked upon during 2004/5</p> <p>Local government support strategy developed and aligned with DPLG by June 2004</p> <p>Overall water services support strategy by April 2005 agreed to by all key stakeholders</p> <p>MOU between DWAF, DPLG and UGWS/SETA June 2004 for collaborative implementation of sector skills development plan</p> <p>DWAF, SALGA and SAMWU collaboratively driving program and reforming members</p>	<p>Strategy approved by sector Forum/units implemented Lessons documented</p> <p>Water Services support strategy in place for the sector</p> <p>MOU compliance and improved sector skills plan</p> <p>Communications materials, reports and monitoring and evaluation completed</p>	<p>Third version of the Institutional Reform Strategy has been drafted and extensively discussed in sector</p> <p>Sector Support Strategy in progress, discussed at session of sector leadership group and due to be finalised in June 2005</p> <p>Due to the restructuring of the UGWS/SETA over the past year, the sector could not proceed with the MOU</p> <p>Alignment of the Inter Chamber into the Energy SETA completed and of March 2005</p> <p>Constant stakeholder consultations in the form of meetings and bi-laterals have been conducted and are on-going with all the stakeholders</p>
<p>KPA 13 Ensure effective local-level operations and management of DWAF water services schemes</p>	<p>Fully inclusive transfer policy (including assets, resources and responsibilities) reviewed for continued alignment</p> <p>HR Strategy dealing with affected staff reviewed and amended as necessary</p>	<p>Policy accepted by Inter-Departmental Transfer Committee and implemented by stakeholders</p> <p>Staff transferred in terms of agreements and applicable labour legislation</p> <p>DBC to take final resolutions on staff transfers to effect transfers</p>	<p>The transfer policy had been adopted and is in the process of being implemented</p> <p>The HR strategy for dealing with affected staff was reviewed and amended where necessary. The DBC agreed in principle that staff negotiations should happen at local level and that the Chamber will take a resolution to effect staff transfer</p> <p>A draft policy position for dealing with any potential excess staff once transfer process is being considered by the DPSA</p> <p>The DBC receives monthly progress report on Water Service Transfers</p>



KEY FOCUS AREA	OUTPUTS	SERVICE DELIVERY INDICATORS	ACTUAL PERFORMANCE
KFA 13: Ensure effective local-level operations and management of DWSAF water services schemes	<p>DWSAF Framework 2005-8 on Water Services operating subsidy agreed</p> <p>Development and implementation of communication plan (WSS) are informed)</p> <p>Provincial Transfer plans developed in collaboration with DPLG, SALGA and receiving municipalities for 30% of schemes attended</p> <p>At least 30% of DWSAF schemes (with budgets and assets) transferred</p>	<p>DWSAF allocations and Framework compliance submitted in time to National Treasury</p> <p>84 receiving WSSs, 8 Water Boards and all affected staff</p> <p>1 March 2004 revised transfer plan in place</p> <p>30% of Schemes, assets &amp; budgets transferred to WSS's according to plan</p>	<p>The DWSAF issued a transfer framework to facilitate transfers (mobility) of personnel between spheres of Government</p> <p>An in principle decision has been reached at the DWSAF that staff transfers must happen using section 197 of the Labour Relations Act</p> <p>The DWSAF figures for 2004/05 were revised, communicated to the regions and incorporated into transfer agreements</p> <p>The DWSAF amounts for 2005/06 and water services operating framework was gazetted</p> <p>A communication plan had been developed and implemented according to schedule, reaching all the proposed stakeholders</p> <p>Staff transfer road shows were conducted with specific attention being paid to staff in the Limpopo Province</p> <p>25 transfer agreements out of a total of 55 had been concluded so far and are being implemented by the Department's regional offices</p> <p>Water schemes had been transferred in the following cases:</p> <ul style="list-style-type: none"> <li>• West Coast District Municipality</li> <li>• Cederberg Local Municipality</li> <li>• Oudshoorn Local Municipality</li> </ul>

KEY FOCUS AREA	OUTPUTS	SERVICE DELIVERY INDICATORS	ACTUAL PERFORMANCE
<p>KPA 13 Ensure effective local level operations and management of DWAF water services schemes</p>	<p>At least 30% of DWAF schemes (with budgets and assets) transferred</p>	<p>30% of Schemes, assets &amp; budgets transferred to WSDs according to plan</p>	<ul style="list-style-type: none"> <li>• Moshaweng Local Municipality</li> <li>• Botshabelo District Municipality</li> <li>• Madibeng Local Municipality</li> <li>• Westrust Local Municipality</li> <li>• Ga-Segonyane Local Municipality</li> <li>• Phokwane Local Municipality</li> <li>• Lephalale Local Municipality</li> <li>• Kameelund Local Municipality</li> </ul> <p>A total of R42 112 206 for O&amp;M, R36 319 265 for refurbishment and R31 982 031 for H&amp;S to be transferred on a quarterly basis as per the signed transfer agreement.</p>
	<p>WSD's that have taken transfer supported and monitored to ensure that services are rendered in compliance with norms and standards for applicable service</p>	<p>Completed WSDs as listed with IDPs</p> <ul style="list-style-type: none"> <li>• Compliance with transfer agreements</li> <li>• Compliance with water services act</li> <li>• Compliance with the provision of annual DoBA</li> </ul> <p>Compliance ensured on transferred schemes</p>	<p>The DM's in the Eastern Cape and one LM in Limpopo that took transfer of water schemes had been visited and found to be managing the operations according to the transfer agreement.</p> <p>Monitoring and Reporting system is placed to ensure compliance as per Transfer Agreement and annual DoBA</p> <p>Service delivery is monitored through the spending of Conditional Grants contained in the Transfer Agreement and capacity to deliver water services</p>
	<p>Compliance ensured on transferred schemes with applicable norms and standards</p>	<p>Targeted WSD's capacitated to take transfer and fulfil services as per provincial transfer plans</p>	<p>Staff that had been transferred together with the schemes, segments the capacity of the WSA to deliver water services</p>
	<p>Schemes scheduled for transfer rehabilitated to Joint Policy standards</p>	<p>Implement and Information Management System</p>	<p>118 schemes rehabilitated as per Joint Transfer Policy Position with a total of R114 million spend and/or transferred to Water Services Authorities</p>

KEY FOCUS AREA	OUTPUTS	SERVICE DELIVERY INDICATORS	ACTUAL PERFORMANCE
<p>KFA 13 Ensure effective local-level operations and management of CWSP water services schemes</p>	<p>Schemes scheduled for transfer rehabilitated to Joint Policy standards</p> <p>Operation and maintenance plans for each water services workschemes 70% complete</p> <p>Infrastructure maintained to 100% compliance in accordance with completed O&amp;M plans</p>	<p>Transferred schemes rehabilitated to Joint Transfer Policy standards</p> <p>O&amp;M plans 70% complete</p> <p>100 % maintenance compliance on 50% of schemes</p>	<p>Mopani DM was given direct support by the Department to complete the section 78 assessment with the intention to facilitate transfers and ultimate service delivery</p> <p>Municipalities in the Western Highveld viz: Kungweni, Dr. JS Moroka and Tembisa, were given direct support to undertake s78 (1) the outcomes of which were accepted by their respective Councils.</p> <p>A team of specialist consultants was put in place to give strategic, oversight, direct and indirect support to the municipalities taking transfer</p> <p>The O&amp;M plans were completed. Work on further plans are ongoing</p> <p>Annual audit against maintenance procedures had been completed and is ongoing in respect of further audit work</p>
<p>KFA 14 Promote and support sound policy and practice of water services to achieve water services and sanitation Millennium Development Goals and WSSD targets in Africa</p>	<p>Plan developed and approved by Minister for participation in activities to share knowledge, experiences and lessons with other developing countries especially in Africa</p> <p>Inputs delivered to World Water Assessment and report published</p>	<p>Millennium target progress reports</p> <p>Reporting Frameworks</p>	<p>Participated in SADC and international sessions to share lessons with others. Completed the MDG country report on MDG targets 10 and 11 regarding water and sanitation</p> <p>Compiled draft World Water Assessment Report to be published in 2005</p>

## Regional Operations and Water Trading Account

The Water Trading Account funds many of operational activities in Water Resources Management (sub accounts 1-3) and Water Services (sub account 4)

### Water Trading Sub Account 1: Integrated Catchment Management

#### Aim/Objective

To promote the equitable allocation, beneficial use and sustainability of water resources and to develop and implement catchment management plans, thereby ensuring the effective integration of water quality, water utilisation and water conservation objectives.

#### Dam Safety Control

Annual and quarterly dam safety inspections are carried out to ensure good monitoring of structures are carried out. Operation and Maintenance manuals and Emergency Preparedness Plans for various dams have been produced, and we are continuing with dam classification and registration.

### Water Trading Sub Account 2: Integrated Systems

#### Aim:

To manage, operate and maintain Government Water Schemes of National importance to ensure that water is available at acceptable levels of assurance and quality.

The Integrated Systems Programme consists of:

### Operations and Maintenance

This unit is responsible for:-

- Supplying treated and untreated water to users in bulk e.g. Sasol, Eskom etc., other bulk or reticulation suppliers such as water boards and municipalities or other users.
- Supplying raw water in bulk to WUAs and existing irrigation boards for distribution to individual irrigators.
- Supplying raw water to GWS not as yet transferred to WUAs.

### Betterment Works and Flood Control

This unit is responsible for the upgrading or improvement of water supply works, water control works, flood monitoring, as well as the repair of flood damages. The abnormal drought conditions caused the assurance of supply to Eskom and Sasol to drop to unacceptably low levels. An improved supply link between Morgenstond and Jericho dams is now operational. An emergency pumpstation was constructed at the Fila Pabso Dam to ensure continued water supply to one ruimsigterbaas area, drought relief funds were also provided to a large number of Municipalities which were severely affected by the drought to prevent a breakdown in water service delivery.

### New Works

The TETA has been instructed to construct the Vaal River Eastern Sub-system Augmentation scheme consisting of a pipeline from the Vaal Dam to Secunda. The pipeline should be operational by July 2007. This scheme will augment existing schemes supplying water to Eskom and Sasol (Secunda).

### Refurbishment of Water Resources Infrastructure in ex-homelands

This unit is responsible for the refurbishment and improvement of water supply work and water control works which fell into disrepair in previous ex-homeland schemes, supplying water to resource poor farmers like the Theyfu Irrigation Scheme (Fish River).

### Water Trading Sub Account 3: Bulk Water Supply

#### Aim:

To manage, operate and maintain Regional Bulk Water Supply Infrastructure.

The Bulk Water Supply Programme consists of:

#### Operation and Maintenance

The responsibilities of this unit are:-

Supplying bulk raw water to WUAs (Irrigation boards) for distribution to individual irrigators within an irrigation district as defined by the National Water Act, and the supply of raw water to individual irrigators within Government Water Schemes.

#### Betterment Works, Flood Control and Drainage

The responsibilities of this unit are:-

- Upgrading or improvement of water supply works, water control works purification works and related structures.
- Flood monitoring, flood control activities, flood warnings, and the repair of flood damages to government water works.
- Constructing or improving water drainage works and related structures.

### Water Trading Sub Account 4: Water Services

#### Aim:

To manage, operate and maintain Regional Water Services infrastructure.

The Water Services Programme consists of:

### Operation and maintenance

It is responsible for:-

- Operating and maintaining the infrastructure necessary to supply potable water to consumers.
- Operating and maintaining the infrastructure for the treatment of sewage.
- Supplying bulk (raw and treated) water to Water Services Institutions, other bulk suppliers or other water users.

### Betterment

It is responsible for:-

- Upgrading or improvement of water supply works, water control works sewage work, purification works and related flood damages to government water structures.
- Flood monitoring, flood control activities, flood warnings and the repair of works

### Crisis intervention

It is responsible for:-

- Providing alternative water supply in case of water supply failure.



Table 22: Regional Operations - Exchequer Funded

	North West	Limopo	Highveld	Swaziland	Free State	Eastern Cape	Western Cape	Northern Cape	Gauteng	TOTAL
Management										
Strategic Plans per Region	1	1	1	1	1	1	1	1	1	9
Hydrology										
Data collection at gauging stations	Done by Gauteng Region	145	184 (Monthly)	195	137	342	319	101	250	1677
Data sets processed		460	2532 (Annually)	247	194	366	340	72	363	4596
Operate and maintain gauging stations		135	171	195	137	328	297	56	250	1687
Construction of New gauging stations		0	2	3	3	3	0	0	0	11
Flood repairs to gauging stations		0	3	0	0	2	0	0	0	5
Survey Services										
Geodetic Surveys	Done by Gauteng Region	0	4	8	7	13	26	0	0	254
Hydrographical surveys		20	9	2	0	8	2	0	9	56
Cadastral surveys		102	6	2	2	0	3	0	1	136
Topographical surveys		15	40	21	4	4	2	0	43	129
Photogrammetric ground surveys		32	1	1	1	13	0	0	4	20
Water Drilling Services										
Boreholes drilled	N/A	248	16	17	18	22	14	91	0	426
Geotechnical Drilling Services										
Drilling in meters	N/A	1300	1152	552	0	0	1755	9401	0	14160 m
Geotechnical Services										
Monitoring and siting of boreholes	0	285	80	53	160	61	3736	500	389	5354
Assessment and licensing of landfill sites	0	142	0	0	20	3	11	4	0	1460
Complete hydro-geological maps	0	0	0	0	0	0	1	0	0	1

	North West	Limpopo	Free State	Eastern Cape	Western Cape	Northern Cape	Gauteng	TOTAL
<b>Regional Water Services Planning</b>								
WSDAs with draft WSDPs	10	6	12	3	20	1	18	9
WSDAs with approved WSDPs	1	6	5	11	0	14	8	63
<b>Implementation of Water Services Projects</b>								
Projects Implemented								
Water Supply	7	46	5	69	3	20	3	177
Sanitation	5	11	3	65	4	33	6	121
People served with water RCP standard	34, 029	141, 727	100, 559	94, 376	27, 762	394, 215	1, 900	*794, 467
Below RCP standard	48, 398	0	0	500	0	7, 869	0	56, 767
<b>Water Drilling Services</b>								
Boreholes drilled	N/A	248	16	17	18	22	14	426
People reached by improved health through sanitation and hygiene awareness campaigns (People impacted by Health & Hygiene)	41, 300	216	6, 981	585, 517	0	117, 153	6, 912	9, 836
Completed VIPs/Latrines	104	4, 671	12, 882	36, 513	16, 011	25, 244	1, 262	5, 758
Toilets built	0	0	0	32	0	0	0	32
Toilets Upgraded	-	-	-	-	-	2	-	2
Implementation of cholera projects	-	-	-	-	-	-	-	-
<b>Sustainable Development</b>								
Improved knowledge and skills at local government level	20	16	17	14	15	38	5	131
Capacity building of communities	0	80	80	406	28	210	6912	43
Transfer of projects to local government	15	24	74	0	28	178	19	319

\* Note: R134 million was transferred to the District Municipalities during the 2003/04 financial year and the implementation took place during the 2004/05 financial year. This is why more people were served with water and sanitation in comparison with the figures in the 2004/05 budget allocations.

Table: 23: Water Trading Sub Account 1

**Integrated Catchment Management**

Planning & Implementation of Catchment Plans	North West	Limopo	Mpumalanga	KwaZulu-Natal	Free State	Eastern Cape	Western Cape	Northern Cape	Gauteng	TOTAL
Catchment Liaison Forums	8	7	3	10	4	2	44	39	26	143
Water User Associations created	0	1	2	0	1	1	24	0	0	29
<b>Dam Safety</b>										
Dam safety routine inspections on State dams	90	36	15	4	22	82	288	42	145	724
Operational manuals prepared for state dams	26	11	3	68	4	0	31	1	9	153
Dams registered for dam safety purposes	0	4	0	2	15	13	25	23	0	82
<b>Water Quality Management</b>										
Licenses issued	3	4	8	50	3	9	0	2	8	87
Discharges registered	0	0	47	14	0	16	0	4	20	103
Old mines property maintained	0	0	0	15	0	0	0	0	0	17
Monitoring of ground water and river sites	450	70	248	28	195	183	1800	106	264	3432
<b>Water Allocation</b>										
Water use licenses assessed	20	36	24	22	11	63	211	54	19	512
Identify unlawful water users	10	18	7	123	2	1	11	0	259	423
Water accounts sent out	4400	5945	14400	18572	1025	9000	16000	439	21000	90542
<b>Water Use Control</b>										
Water use registration forms completed	4626	450	4129	1063	1889	500	9700	1764	130	24283



Table 24: Water Trading Sub Account 2

**Integrated Systems**

	North West	Limpopo	Mpumalanga	KwaZulu-Natal	Free State	Eastern Cape	Western Cape	Northern Cape	Gauteng	TOTAL
OMH										
Operation and maintenance of schemes	0	5	0	0	2	4	5	0	6	29
Maintenance of pump stations	0	0	0	2	1	1	0	0	17	21
Maintenance of canals (kms)	0	145	0	1	0	340	0	0	100	386
Maintenance of pipelines (kms)	0	6	0	30	85	23	20	0	550	716
Dam inspections carried out	0	20	0	26	10	26	20	0	29	141
Betterment Works										
Upgrading of houses	0	0	0	2	14	0	0	0	30	46

Table 25: Water Trading Sub Account 3

**Bulk Water Schemes**

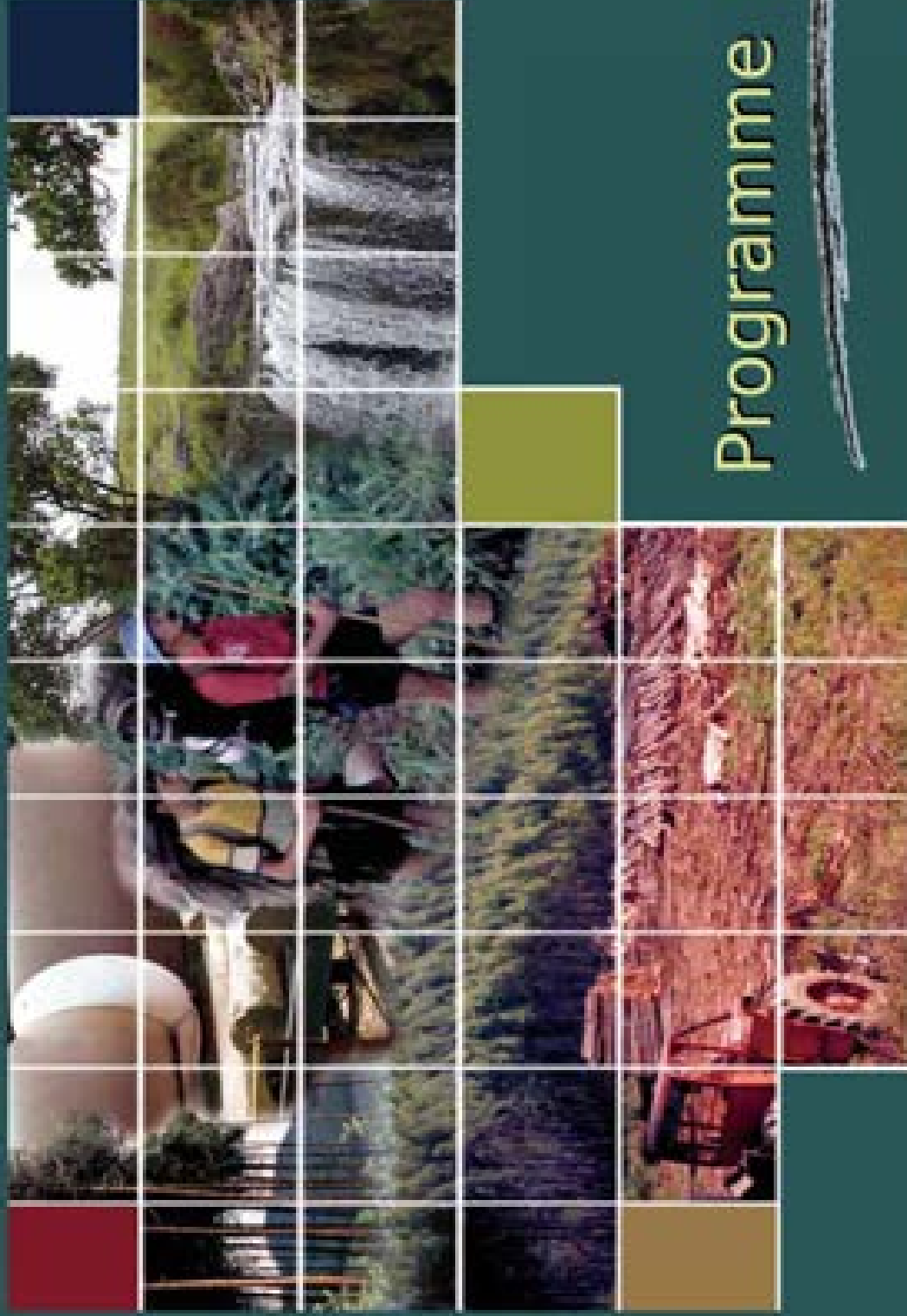
	North West	Limpopo	Mpumalanga	KwaZulu-Natal	Free State	Eastern Cape	Western Cape	Northern Cape	Gauteng	TOTAL
OMH										
Operation and maintenance of schemes	27	17	7	5	53	69	26	0	2	238
Maintenance of pump stations	1	0	92	2	0	4	2	9	0	112
Maintenance of canals (kms)	260	143	0	0	731	207	40	0	70	1949
Maintenance of pipelines (kms)	210	0	800	14	23	84	0	427	0	1557
Dam inspections carried out	0	668	15	26	56	356	132	0	2	1249
Betterment Works										
Upgrading of houses	5	2	7	2	45	0	0	0	0	61

Table 26: Water Trading Account 4

**Water Services**

Functional Support	North West	Limpopo	Mpumalanga	KwaZulu-Natal	Free State	Eastern Cape	Western Cape	Northern Cape	Gauteng	TOTAL
Schemes and Water Works transferred to Local Government	0	0	6	0	1	0	3	3	0	23
<b>OBM</b>										
Operation and maintenance of schemes	29	164	15	43	5	35	3	4	2	300
Maintenance of pump stations		3630	92	0	0	82	0	0	2	1804
Maintenance of pipelines (dams)		6000	800	0	0	1710	0	0	5	9415
Scheme inspections carried out		2000	12	45	0	100	36	0	12	2294
<b>Beitaramat Works</b>										
Upgrading of houses		2	20	0	0	70	96	0	0	188

# Forestry



## Programme 4:

Purpose:

Promote the conservation of plantation and indigenous forests, and their commercial and community use, to achieve optimal social and economic benefits. Promote rural development through policy development, regulation, facilitation and monitoring and evaluation.

## State of Forestry Sector Report

As part of its regulatory role, the Department is required under the National Forests Act, 1998 (Act No 84 of 1998), to provide an overview of the state of the forestry sector in South Africa. An initial State of the Forests report, which is required under the National Forests Act, is available in draft form. As from 2006, this report will be generated against the Criteria and Indicators for Sustainable Forest Management. This will provide understandable and useful information for monitoring, assessment, and management, and furthermore provide a standardised framework, against which year on year comparisons can be made more clearly.

Table 27: Commercial Plantations

Period	Extent Public ha	Extent Private ha	Total ha	Sustainable Forestry Certification	Number of people directly employed in plantation sector <sup>1</sup>
2003 - 2004 <sup>2</sup>	395 942	1 833 328	1 339 282	1 848 879 ha	67 463 <sup>3</sup>
2002 - 2003 <sup>4</sup>	395 286	1 046 339	1 371 625	1 088 079 ha	60 000 <sup>5</sup>
2001-2002 <sup>6</sup>	322 525 <sup>7</sup>	1 028 877	1 351 402 <sup>8</sup>	1 006 500 ha	No reliable figures
2000-2001 <sup>9</sup>	380 663	971 097	1 351 760	1 006 500 ha	No reliable figures
1995 <sup>8</sup>	421 100	1 065 900	1 487 000	-	Figures not comparable - employment data does not include former homeland areas

### Comments:

- 2000 - 2003 Timber and Roundwood Statistical returns, DWAF 2004
- Forestry and forest products facts 2003 I, Gubbins 3, 2001-2002 Timber and Roundwood Statistical returns, DWAF 2003
- 2000 - 2002 Timber and Roundwood Statistical returns, DWAF 2003
- Public managed forest areas have decreased due to plantation transfers
- Total Plantation Forest areas have decreased due to the effects of improved environmental management, conversion to other land uses and fires.
- LHA - Sector Survey 2003
- 2000-2003 Timber and Roundwood Statistical returns, DWAF 2003
- National Forestry Action Plan State of Forestry Report, DWAF 1997
- 2000-2004 Draft Timber and Roundwood Statistical returns,

Due to the high cost of re-measurement and mapping, information on the area of natural forest and woodlands is updated at most every five years and this information is from the National Forest Inventory conducted by DWAF in 2003.

Table 28: Natural Forest and Woodland Areas

Natural Forests Extent		Natural Woodlands Extent	
State	Private or Community owned	State	Private or Community owned
267 845 ha	245 824 ha	6 956 152	22 345 184

As the government is in the process of moving away from direct management of forests, to the role of policy maker and regulator, an extensive process of leasing of plantation land has been embarked upon.

Table 29: Land Leased to Private Consortia

Period	No. of tenants	Extent (ha)	Rentals (R)	Money distributed to land managers <sup>1</sup>
2005	4	117 7069, 8233 ha	14 694 199,55	None
2004	2	10 6125, 9237 ha	11 223 625,80	None
2003	2	10 6125, 9237 ha	10 932 291,02	None
2002	2	10 6125, 9237 ha	11 436 899,12	None
2001	2	10 6125, 9237 ha	10 858 159, 23	None

Table 29 shows the extent of land already leased to private consortia made up of existing forestry players and empowerment partners.

<sup>1</sup>These lease rentals are being held in trust pending the clarification of tenure through the land reform process. After their processes are complete the money will be disbursed to the identified beneficiaries.

## ECONOMIC AND FINANCIAL

Note: These figures are collated from the DMAF 2003-2004 Annual Statistical Returns from the Commercial Forest Industry and Forestry South Africa. They reflect the situation for 90% of the commercial forestry estate in South Africa.

Table 30: Value of Timber and Timber Product Sales (Billions of Rand)

Product	2000/1	2001/2	2002/3	2003/4
Sawn and Planed Timber	2 078,72	1 867,73	2 095,09	2099,3
Wooden Poles	246,81	184,37	173,89	194,53
Mining Timber	140,77	168,47	264,18	178,54
Wood-based Panel Products	626,39	594,67	942,51	966,73
Wood pulp, Paper and Paper Products	6 838,37	8 641,73	8 362,23	8837,58
Firewood	0,13	0,10	-10	-18
Wood Chips	1 248,13	1 479,36	1 917,47	1716,08
Hill residues	23,06	28,73	53,49	347,85
Charcoal	64,74	101,03	107,72	97,42
Other Products	599,33	620,58	672,03	664,378
Total	11 846,33	13 806,75	14 590,74	14814,88

Table 31: Contribution of the Forestry Industry to GDP

Forest Industry Contribution to Gross Domestic Product (Rand)	1993	2002	2003	2004
Forestry (roundwood sales) GDP (R-billion)	2.23	3.27	4.08	4.22
Forestry - Contribution to Agriculture, Forestry and Fishing GDP	6.3%	7.6%	9.7%	Not available
Forest Products GDP (R-billion)	13.17	13.89	14.59	14.81
Forest Products - Contribution to Manufacturing GDP	2.4%	2.0%	2.6%	Not available
Forestry and Forest Products - Contribution to Total GDP	2.03%	1.52%	1.94%	Not available

Table 32: Capital Invested in Primary Round wood Processing Plants (including pulp & paper, board and panel manufacturing, chipping plants)

Period	Capital Invested
2003-04	R20 746126 534
2002-03	R18 943 000 000
2001-02	R17 831 000 000
1994	No records from 1994

Source: Goldblatt, Forest Owners Association, 1999; FSA 2004 and Stats SA

## Changes in the Forestry Sector

There has been no major change in the area under saw timber and pole production since 1993 (Table 1.3). The major change has been in the shift of area to the production of pulpwood, some 44% increase and a corresponding decrease in the area producing mining timber. The area under softwood pulp has also remained largely constant over the last 10 years while the area under "other eucalypts" notably hybrids, has increased significantly.

In recent years the rate of new afforestation in South Africa has declined considerably due to a number of factors, such as suitable forestry land becoming increasingly scarce and a tightening of the procedures for the granting of the necessary water use licences. A reported 7438 ha of new planting occurred in 2002-2003 and 1995 ha in 2003-2004.

This minimal increase in area, is compounded by the conversion of existing plantations to other land uses. Some of this has conversion has been from timber to agriculture, but most of the area has been restored to its natural vegetation as a result of the introduction of environmental audits and FSC certification which ensure that riverine areas, river valleys and wetlands are restored to their natural vegetation.

The private sector was responsible for 62.1 % of the reported new afforestation (1995 ha). 36% of the newly afforested area comprised areas planted to Eucalyptus trees, 46 % to softwoods, 15% to wattle trees and the balance of 3 % to other hardwood species. This new afforestation occurred mainly in KZN, Mpumalanga and Limpopo provinces with no new afforestation reported for the Eastern Cape.

There has been a marked increase in damage to plantations over the past few years. Drought was the second largest cause of this damage, after fire, while also contributing to the increase in fire damage.

Table 33: Damage to plantations

	1993	2003	2003	2004
Fire	19 915	16 727	28 983	28 326
Other Causes	16 533	2 022	3 746	13 903
Total	36 447	18 749	32 749	42 229

1. Forest Owners Association, 1999; DWAF 2003-2004 figures from annual Timber and Roundwood Statistical returns, 2004).

### National Veld & Forest Fire Act

#### National Veld & Forest Fire Act: Implementation

Until December 2004 there was no National database for veldfire incidents in the country. DWAF has now developed this database as the National Veldfire Information System (NVIS) and has embarked on a campaign to encourage and train role players to input veldfire data into the system.

The operation of the National Fire Danger Rating System (NFDRS), an early warning system for veldfires, has been delegated to the South African Weather Service (SAWS). The SAWS will operate the system and give veldfire warnings, on a daily basis. The DWAF Veldfire Bulletin was produced each quarter as well as special bulletins as needed. This proved to be a valuable communication tool. A Veldfire Risk classification map was produced which classifies municipalities in terms of their veldfire risk. More than 70% of the country is extremely high veldfire risk.

DWAF received more than 120 notices of intention to apply for registration as FPAs. Most of these are currently drawing up their business plans (containing veldfire management strategies), which are required for registration purposes.

A web-based system for candidate FPAs to apply for registration enables role players to see the status of FPA registration and contact details for FPAs on line.

Table 34: Number of registered Fire Protection Associations (FPAs's)

Period	No of FPAs Registered fully	No of FPAs Currently Being evaluated	No of FPAs Deregistered	Extent of area over which an FPA is operating (ha)
2004/5	31	1	0	30 000-000
2003/4	4	10	0	711 700
2002/3	0	0	0	0



## Main Achievements

### Plantation Forests

Two leases of state plantations were concluded during the 2004/5 financial year. These lease transactions are part of the restructuring of SAFCOL which, it is anticipated, will be finalised during 2005/6 with the conclusion of the Komatiand forestry lease, which has been delayed while the proposed transaction is considered by the Competition Commission.

A consequence of the Mountain to Oceans (MTO) lease transaction was the re-incorporation of approximately 13 000 ha of State forest land under management of the Department. This land was previously managed by SAFCOL and had been clear-felled in accordance with the decision to phase out plantation forestry in the Southern and Western Cape in terms of the Cape Conversion Program. SAFCOL has been appointed, under delegation, to assist the Department to manage these residual areas for a period of two years, at which time they are scheduled together with the adjacent mountain catchment, for release back to the Department of Public Works as they are no longer required for forestry purposes. Progress was made in discussions with Western Cape conservation authorities and SANParks, about allocating the management of these areas to them, as part of consolidating the longer term management control over former forestry areas, under more appropriate agencies. The Department will continue to support the initiatives of the Cape conversion program until the end of the delegation with SAFCOL, whereafter the process will be managed as part of its ongoing lease administration obligations towards MTO.

The transfer of the Department's remaining plantations has not progressed due to a number of challenges posed by the need to reach agreement with key stakeholders. The plantations must be disposed of in a manner that recognises the role of the rightful owners of the land on which the forests have been established.

The plantations have been re-grouped into management clusters reflecting their forestry potential in the context of their transfers to communities. Steps are being taken to complement the Department's capacity to manage the plantations, until they can be transferred to rightful owners. These assets represent an important opportunity

for strengthening and re-generating local economies and to achieve the objectives of FSEBEE.

### Indigenous Forests

A notable achievement during the past year, was the finalisation of the delegation to SANParks of the management control over approximately 97 000 ha of State Forest land in the Southern Cape and Tsitsikamma areas. SANParks as a conservation agency will manage these natural forests in terms of all the provisions of the National Forests Act, 1998.

A further 10000ha of plantation forests at Tokai and Cecilia were transferred to SANParks for incorporation into the Table Mountain National Park. SANPARKS will manage the lease with MTO for the duration of the conversion process and during the time that the forest company clear-fells the plantation area. It is expected that the land will thereafter be released from the provisions of the NFA.

The Lowveld plantation exit strategy to incorporate 11 000 ha of plantation area into the National Parks system is at an advanced stage. There are 12 000 ha of indigenous forests included in the plan. In collaboration with IFAT a comprehensive exit strategy that takes the broader local economic impact into consideration should be completed during 2005-2006 financial year.





Table 35: Key Outputs & Service Delivery Trends

KEY FOCUS AREA	OUTPUTS	SERVICE DELIVERY INDICATORS	ACTUAL PERFORMANCE	
KFA 1 Ensure the sustainable development and management of plantation forestry to optimise equitable economic benefit, particularly in rural areas	Revenue from remaining State plantations optimised	Quarterly reports to FPMC and financial & Statistical returns	Revenue increased by 20, 2% from 2010/11 from R.30, 795 million to R47, 934 million	
	Options for interim rehabilitation and transfer of plantations and related state assets, developed and structures established	Options Report Management plan	Remaining plantations re-grouped into categories, revised draft policy under consideration and transitional management arrangements being made	
	HR workforce issues resolved	Quarterly reports to FPMC	Report due in 05-06 on staff profiles	
	Critical paths for transfer of remaining plantations established and transfers begun within framework of policy	Business Process Model approved by SCC	Amathole and HFD packages concluded	
	Potential partners/managers identified	Report to FPMC	Successful bidders managing plantations	
	Models for transfers implemented according to policy	Signed agreements between DFM and communities	Agreements to be reached once draft policy (see above) is approved	
	Non-viable forest plantations released	Declarations approved by Minister	Release will take place once draft policy (see above) is approved	
	Prioritized strategy for efficient management of State indigenous forests established	Quarter-level Forest Prioritisation Plans approved by FPMC	A standardised management Planning format has been developed in order to arrive at a prioritised strategy	
	KFA 2 Ensure the sustainable development and management of indigenous forests to optimise their social, economic and environmental benefits			

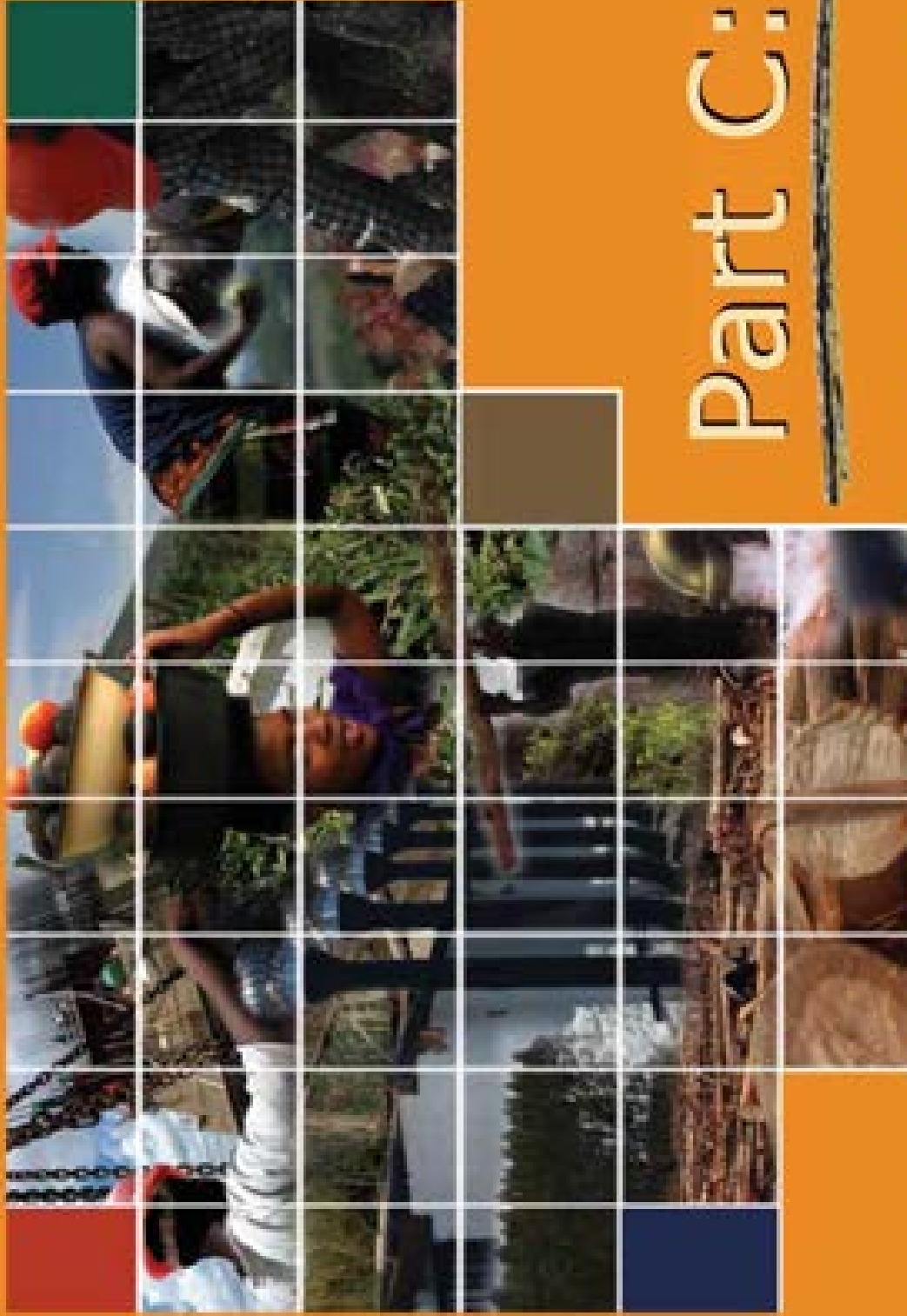
KEY FOCUS AREA	OUTPUTS	SERVICE DELIVERY INDICATORS	ACTUAL PERFORMANCE
SFA 2 Ensure the sustainable development and management of indigenous forests to optimise their social, economic and environmental benefits	<p>Communication of the management strategy for State indigenous forest areas completed</p> <p>State indigenous forests managed sustainably according to the prioritised plan</p> <p>Critical paths for transfer of State indigenous forest established and transfers begun within framework of policy</p> <p>Forest Information System live and accurate</p> <p>Work on 2006 state of forest report consolidated</p> <p>All leased plantation forests managed in terms of the lease</p> <p>Ensure compliance with all transfer agreements</p> <p>100% rentals collected (as applicable)</p> <p>Timely payments to land beneficiaries and the possibility of transferring this function to appropriate agents investigated</p>	<p>Quarterly reports to PFMC</p> <p>Quarterly reports to PFMC Audit Reports</p> <p>Business Process Model approved by RCC</p> <p>Transfers approved by DG</p> <p>System used by Department and relevant stakeholders</p> <p>Quarterly reports to BMR</p> <p>Annual reports from relevant managers</p> <p>Annual reports from relevant managers evaluated</p> <p>Systems in place to audit and collect rentals</p> <p>Reports to Auditor General and CFO</p>	<p>Dependent on above strategy</p> <p>State indigenous forests were managed according to the existing plans</p> <p>Policy on transfers of indigenous approved</p> <p>Transfer of Khyasa complex to SAPPIA concluded</p> <p>Procurement problems with server and PSP prevented achievement</p> <p>CAI approved by CSBM for Granting</p> <p>All audits of leased plantations conducted</p> <p>Report submitted</p> <p>All rentals collected</p> <p>Cannot be done until underlying land rights resolved by DLA. Ministers and DG's of DWA and DLA are addressing the matter</p>
SFA 3 Ensure sustainable forest management in South Africa by developing effective oversight of the sector and facilitating u-voornames government			

KEY FOCUS AREA	OUTPUTS	SERVICE DELIVERY INDICATORS	ACTUAL PERFORMANCE
<p>RFA 3 Ensure sustainable forest management in South Africa by developing effective oversight of the sector and facilitating co-operative government</p>	<p>All delegated indigenous forests managed in terms of agreements</p> <p>Amendment Bill passed by Parliament, regulations promulgated and communicated</p> <p>Appropriate training in SFM using training providers facilitated</p> <p>SFM Research strategy approved and applied</p> <p>Criteria, indicators &amp; Standards of SFM, rolled-out in DWAF managed State forests</p> <p>Co-operative governance structures to promote forestry vision established</p> <p>Approved strategy to enhance the profile of Forestry</p> <p>Resources required to enhance effective oversight of SFM identified and ring-fenced.</p> <p>DWAF's Policy on its role in woodland management clarified and approved</p>	<p>Audit and management systems in place and operating and corrective actions implemented</p> <p>Regulations brought into effect</p> <p>License applications processed timely</p> <p>Relevant training courses and standards for forestry training in place to suit needs of the sector</p> <p>Research strategy approved by IFHC and adopted by sector representatives</p> <p>C, I &amp; S used in management and reporting processes for State forests</p> <p>Vision incorporated into strategic and business planning</p> <p>IFHC approved strategy</p> <p>Report to IFHC and SCC</p> <p>Policy approved by IFHC</p>	<p>First report on Krivania due in 05-06</p> <p>Draft Amendment Bill submitted to Portfolio Committee for consideration</p> <p>Engagement with DoI, on accredited sector training standards. 200 DWAF employees in clusters and national office, received training in Participatory Forest Management</p> <p>Not in place. Research strategy to be initiated in 05-06</p> <p>Extensive training provided to DWAF managers on use of C-I, Manuals for use and reporting being drafted</p> <p>Vision significantly influenced final planning process for next MTEF Cycle. Strategic objectives incorporated into 05-06</p> <p>DWAF published strategic plan</p> <p>Strategy for revised MTEF (which would also serve as strategy for profiling forestry) approved by Minister</p> <p>Discussions held internally around re-alignment of budget between Policy and Regulation and Operations. Engagement with potential funding donors</p> <p>Draft policy served before IFHC, but still being revised</p>

KEY FOCUS AREA	OUTPUTS	SERVICE DELIVERY INDICATORS	ACTUAL PERFORMANCE
KFA 3 Ensure sustainable forest management in South Africa by developing effective oversight of the sector and facilitating co-operative government	<p>Agreement reached on out-ownership of Fire Act and transfer to appropriate Department initiated</p> <p>Responsibilities in accordance with NvFFA implemented</p>	<p>Report on Institutional frame for forestry approved by Minister</p> <p>Quarterly reporting to FPMC</p>	<p>Report approved indicating that DWAF is most appropriate agency</p> <p>Excellent progress (See details in State of Sector report above)</p>
KFA 4 Promote sustainable forest management in Africa and internationally	<p>Co-operation with SADC countries implemented according to Forest Protocol</p> <p>Active participation and leadership in UNFF</p>	<p>South African strategy in respect of SADC forestry protocol approved</p> <p>Quarterly reporting to FPMC</p>	<p>Discussions with FAD to assist in strengthening ability of signatories to implement the protocol</p> <p>Effective representation at UNFF-4 in May 2004</p>
KFA 5 Ensure that communities and disadvantaged groups are empowered to make use of trees and forest resources to support sustainable livelihoods	<p>Strategy for expansion of forestry integrated with restructuring strategy for E. Cape</p> <p>Initiation of SISA licensing supported</p> <p>Wattle jungle licensing strategy projects licensed as per agreed strategy approved and implemented</p> <p>DWAF's national forest enterprise development strategies in place and implemented</p> <p>FEDCO established as a national programme</p>	<p>Strategy approved by FPMC</p> <p>Quarterly licensing on SISA license approvals to FPMC</p> <p>Quarterly Reporting on wattle licence approvals to FPMC</p> <p>Role agreed, strategies approved by FPMC</p> <p>Monthly reports to FPMC</p>	<p>Draft policy on Transfers incorporates possibility of synergy between expansion and transfers</p> <p>Final hearings held in Eastern Cape and maps for possible new afforestation in KZN approved</p> <p>Strategy revised as strategy for invasive alien plants</p> <p>Numerous projects ongoing in Districts according to plans. Input extensively into sector growth and development report, commissioned by DTI and IFABSA</p> <p>Proposed structures to drive FED in D: Participatory Forestry being developed</p>

KEY FOCUS AREA	OUTPUTS	SERVICE DELIVERY INDICATORS	ACTUAL PERFORMANCE
<p>SA 3: Ensure that communities and disadvantaged groups are empowered to make use of tree and forest resources to support sustainable livelihoods</p>	<p>Existing forestry enterprise initiatives completed as per project plans</p> <p>forestry enterprise support initiated in priority ISADP areas</p> <p>Strategic FED partnerships established and maintained</p> <p>Support provided to relevant authorities for integration of forestry into provincial &amp; local development planning</p> <p>An analysis of the role of woodlands in firewood supply, in collaboration with DMG, completed</p> <p>work has to be initiated</p>	<p>Monthly reports to FFMC</p> <p>forestry-based enterprises established and functioning</p> <p>Partnership MoU Agreements signed</p> <p>Strategies incorporating forestry approved by relevant management structures</p> <p>Guidelines on incorporation of forestry into IDPs &amp; PGDS approved by FFMC</p> <p>Background paper presented to FFMC</p> <p>Integrated firewood strategy between DMG &amp; DWSAF</p> <p>Charter development process in place</p>	<p>numerous projects ongoing in Quaterns according to plans</p> <p>SEA done for ISADP areas in KZN to expedite the issuing of licenses for afforestation on approximately 70 000 ha</p> <p>Partnerships maintained with: Forestry SA (FSA); Food and Trees for Africa (FTA); WFW; Limpopo Provincial Dept of Economic Development</p> <p>Forestry incorporated into the PGDS's of both Limpopo and Eastern Cape Provinces. Process to include it into Mpumalanga and KZN Provinces started</p> <p>Paper presented and supported at FFMC. Consultant strategy to be developed in 05-06</p> <p>Key Issue Paper presented to FFMC</p> <p>Extensive engagement between departments, but as yet unresolved principle concerns</p> <p>Several Key Issue Papers prepared. Arrangements in place for launch of BBSG: Jobaba with sector in April 2005</p>





# Part C:

The following tables reflect the components of the Service Delivery Improvement Plan as well as progress made in the implementation of the plans.

## PROGRAMME 1

Table 1.1: Main services provided and standards

Main Services	Actual customers	Potential customers	Standard of service	Actual achievement against standards	
INFORMATION SERVICES	Information Systems Development	CWAF Staff	Other Government Departments	100% of Systems delivered on time	80%
	System Maintenance	CWAF Staff	CWAF	All maintenance completed on time	90%
	IT Infrastructure availability	CWAF Staff	Local Government CMA's	99% availability	90%
	Provide Access to Information Act	SA Citizens	N/A	100% compliance to the Act.	80%
COMMUNICATION SERVICES	Information Dissemination	Departmental Officials, South African Public, Foreign Stakeholders/ Public	N/A	Prompt, succinct and accurate information provided Communication in preferred language wherever possible	Customer feedback has indicated very satisfactory service
	CORPORATE PLANNING	Strategic Planning Co-ordination	Management Structures at all levels and regions	N/A	Institutionalised strategic planning process of the Department which is aligned to the National Government policies
Annual Reporting		Department, Other Government Departments, Legislature, Statutory Bodies and Members of the Public	N/A	Annual Report Document in line with Treasury Regulations	Annual Report Document produced in line with the Strategic Plan and estimates of National Expenditure Documents



ADMINISTRATION	Main Services	Actual customers	Potential customers	Standard of service	Actual achievement against standards
FINANCE	Provide provisioning, provision, transport office services and land management services	DWAIF other government departments and the private sector and citizens	DWAIF other government departments and the private sector and citizens	Prompt timetous services provided	Administrative services timetously provided
	Performance of risk assessment	All branches within the department	All branches within the department	100 % Risk assessment for the department	100%
	Performance of audit projects	All branches within the department	All branches within the department	100% of audits projects completed as per approved audit plan on time and within budget	80% of audits completed as per approved audit plan on time and within budget
	Management of accounts receivables and accounts payables	Debtors Suppliers and service providers	Debtors Suppliers and service providers	Payments of accounts within 30 days Payment of remuneration in due date	In 70% of the payment transactions, payments were made within 30 days of the payment due date
	Budgeting, planning and control	Program managers Managers National Treasury	Program managers Managers National Treasury Public	Adhere to budget and planning guidelines of the Treasury Meet guidelines	Budgets were completed and submitted in accordance with the guidelines Over 95% of budget spent
	Accounting and reporting management	National Treasury Auditor-general Public Management Audit Committee	National Treasury Auditor-general Public Management Audit Committee	Reporting and accounting in terms of the PFMA Reporting in terms of stake holder requirements e.g. DPSA	Financial statements drawn largely in accordance with the PFMA but submitted late due to need to comply with accrual requirements

Table 1.2: Consultation arrangements with customers

INFORMATION SERVICES	Type of arrangement	Actual Customers	Potential Customers	Actual achievements
	IT Service SLA negotiations	DWMF	N/A	All SLA negotiated with customers
	Regular review of SLA between DWMF and Service Providers	DWMF	N/A	All SLA are reviewed with Service Providers on regular basis
RESTRUCTURING	CRSBC Chamber of DWMF meetings and workshops	Trade Unions, employees of the Department and receiving institutions	Receiving institutions e.g. Water Boards, Water User Associations and Municipalities	Negotiated successful transfers to Krupna Bhungala etc No disputes experienced that resulted in industrial action



Table 1.3: Service delivery access strategy

INFORMATION	Access Strategy	Actual achievements
CORPORATE PLANNING	Performance Monitoring of the Service Level Agreement with the Service Provider	All Service Level Agreements Performance with Service Providers are monitored on regular service
	Satisfaction Survey	Satisfaction Survey is conducted annually with the Service Provider
LEGAL SERVICES	Penalties and Incentives	This will be used in the near future to encourage the delivery of good service by the Service Provider
	Website enquires page	Daily response to queries
	After hours telephonic message system	Every telephone in the unit has after hours service
	24 Hour cell phone response	All managers comply with ensuring cell phones are on. Regular spot checks implemented
FINANCE	To access the regions in order to transfer strategic and business planning skills	Access to regional office through regional co-ordination and utilisation of regional structures and co-ordinators
	Website of Legal Services to post our products and answers for frequently asked questions	Strategic planning and business planning documents published on intranet for easy access to regions
	Access on e-mail and response thereto within an hour	Website developed for the Water Tribunal. This site contains all documents and decisions of the Tribunal and is linked to the Departmental website
	Cellphone: Contactable at all times	Newly drafted legislation is also published on the Departmental website
	Hotlines	Target achieved and many more managers utilize e-mail to reach Legal Services
	Database of RSP's	Proved successful means of accessing our services when managers needed our legal advice/opinion on the spot
	Intranet	A free hotline number to report problems
		55 Special cases brought to internal audit for investigation and 36 were attended to
	Database for RSP's regularly updated	
	Financial policies and guidelines posted to the intranet and updated regularly	

Table 1.4: Service information tool

INFORMATION	Types of information tool	Actual achievements
CORPORA- TION	Monthly SLA Performance Reports	All reports are discussed on monthly basis and continuous improvement strategy is adopted
CORPORA- TION	Websites	Daily management and updating of website
CORPORA- TION	Publications and other visual material	Publications printed as per branch /ministerial requests
CORPORA- TION	Internet	The Corporate strategic planning website has been established
CORPORA- TION	Strategic and Business Planning manuals Reports	Strategic and Business Planning manuals have been put on the website Inputs were provided for the President's State of the Nation Address as well as for Government's Programme of Action
CORPORA- TION	Restructuring related information	Road shows were held to the whole Department on restructuring The Restructuring pamphlets brochure and booklets were developed, translated in all official languages and circulated in the entire Department
CORPORA- TION	Written legal opinions	Managers were able to use the opinions to take management decisions
CORPORA- TION	Workshops on legislation administered by DWAF	No workshops were held but training was provided on legislation administered by DWAF at induction courses for officials of the department
CORPORA- TION	Legal Advice given at meetings	Legal advice is sought and provided at virtually every meeting attended by officials of the Directorate
CORPORA- TION	Legal opinions and advice provided on e-mail	Request for legal opinions and advice are dealt with on a timely basis, which is very convenient and effective to managers
CORPORA- TION	E-mails, phones Intranet	Information was disseminated through emails, phones, briefing session and meetings Financial policies and guidelines were posted to the intranet
CORPORA- TION	Audit reports SCOPA reports Letters Financial reports	Audit reports were issued for each audit completed Annual report on the compliance with the PFMA was done Financial reports given to management on a monthly basis and when requested

Table 1.5: Complaints mechanism

ORGANISATION	Complaints Mechanism	Actual achievements
COMMUNICATION	Service Desk	95% of incidents/problems are resolved within 4 hrs
	Monthly SLA meetings	All service complaints are dealt with during this meetings and resolved at this level
	Complaints Mechanism website page	Actual achievements Responded to daily
	Telephonic process	Responded to within 24 hours
	written/verbal complaints	Written response within 7 days Verbal within 24 hours
RESTRUCTURING	GASBAC Chamber of DWWF serves as a structure to consult and negotiate restructuring initiatives. It also helps to receive and address complaints related to the process of restructuring	<ul style="list-style-type: none"> <li>Signed off a number of transfer agreements</li> <li>Hosted a successful workshop on the transformation of DBC into GPN/BC</li> </ul>
FINANCE	Hotline	A free hotline available to reports complaints 69 complaints were received via the hotline, but only 35 were brought to Internal Audit for investigation
	Help desk	Help desk continued to provide support to payment enquiries Approximately 407 enquiries were successfully handled

## PROGRAMMES 2 - 4

Table 2.1: Main services provided and standards

WATER SERVICES	MAIN SERVICES	Actual customers	POTENTIAL CUSTOMERS	STANDARD OF SERVICE	ACTUAL ACHIEVEMENT AGAINST STANDARDS
WATER SERVICES	Sanitation	Households Institutions	DWWF no longer provided service directly. It only completed projects started before the funding was moved to the MIG programme		
	Water	Households Institutions	DWWF no longer provided service directly. It only completed projects started before the funding was moved to the MIG programme		
WATER RESOURCE MANAGEMENT	Resource Protection	Water Resource Stakeholders	Interested and affected parties	Signing off Basic Human Needs and Ecological Reserves	IIF reserve deliberations approved during the financial year for both surface and groundwater
	Provision of hydrological, resource quality and spatial data and information	National, provincial, local government, water management institutions, academic institutions, general public	Future Catchment Management Agencies and Fore	Demand-driven; readily accessible; fast response; high quality data; appropriate information	Parts of service in big demand Not sufficient knowledge amongst stakeholders of the service
FORESTRY	Information on forestry	Forestry stakeholders	General public with an interest in forestry	Accurate and reliable information on forestry accessible to most stakeholders	2002-2003 Commercial Timber Reserves and Roundwood Processing report published in June 2004  Criteria and Indicators for SFM approved by CSFM for Gazetteing against which sector will report in standardized format

Table 2.2: Consultation arrangements with customers

WATER RESOURCE MANAGEMENT				
Type of arrangement	Actual Customers	Potential Customers	Actual achievements	
Consultations on new water tariffs through workshops	National and local Stakeholders	National and local stakeholders	National and local stakeholders consulted National consultation: one Sector consultation: two per user sector for Agriculture and Forestry, one year per user sector for Domestic/Industrial Meetings were held with I/S's, WUAs and W/B's regarding tariffs In the EC the local stakeholders were consulted on a one on one basis for Domestic and industrial raw water. Inputs were provided into the calculations of the tariffs	
Consultations on water resource development options through meetings and workshops	Provincial government and key stakeholders	Provincial government and key stakeholders	Consultations held with Limpopo and Mpumalanga provincial and local governments on implementation of the Gifants River Project Stakeholder workshops re. Amalole Reconciliation Strategy Study and Albany Coast Water Situation Assessment Consultation with Sandaya River LM, Ndelambe LM on groundwater development options Consultation with KZN stakeholders on augmentation of supplies to Limpopo area	
Consultations on establishment of catchment management agencies	Stakeholders in water management areas	Stakeholders in water management areas	Successful consultation led to the establishment of the Inkomati CMA	
Consultation on impacts of dams under development	Local affected communities and individuals	Local affected communities and individuals	Consultations held with affected communities on implementation of Berg Water Project	
Meetings with stakeholders to obtain input for Resource protection	WUAs, public workgroups	Other interested and affected parties	Programmes in Tosca, Sandveld, Thukela, Berg, Breeds, Inkomati There was also communication with water users in the Delmas and Repfontein areas regarding over utilization of groundwater	

Table 2.3: Service delivery access strategy

	ACCESS STRATEGY	ACTUAL ACHIEVEMENT
WATER	Equitable access to river water	Compulsory licensing procedures under development [Legal water use to be addressed before compulsory licensing is implemented]
	Public Participation Guidelines	Guidelines for participation of marginalised communities developed The EC is upgrading and republishing existing former farmland irrigation schemes to give more resource poor farmers access to irrigation water Cooperative governance with E. Cape Dept. of Agriculture (Horticulture and Amenity) LM, Provincial Dept. of Agriculture) in obtaining technical and financial assistance for EFF
FORESTRY	Equitable access to forestry opportunities	Forest Enterprise Development Strategy and Participatory forestry strategy approved. New afforestation maps for small growers in communal areas, produced. Many small enterprises such as honey production, mushrooms harvesting, medicinal plant harvesting and eco-tourism opportunities established. Backlogs in water use licenses for forestry plantations reduced

Table 2.4: Service information tool

	Type of information tool	Actual achievements
WATER SERVICES	Brochure, Sanitation kit, Road shows, Toolbox	<ul style="list-style-type: none"> <li>News letters and brochures</li> <li>Chelera awareness and Radio talk shows</li> <li>District shows held in NW</li> <li>Drinking water quality guideline initiated</li> </ul>
	Web-based access	Web-sites in place Dam level information updated weekly on web-site
WATER RESOURCE MANAGEMENT	Posters, brochures and toolkits on the National Water Act	Posters, brochures and toolkits developed and training given to regional office staff
	Training material	Groundwater RDM training manual completed and W RDM is now busy updating the accompanying soft ware
FORESTRY	Posters, brochures and guidelines on the National Forest Act and the National Wild and Forest Fire Act	Wildfire bulletins produced, posters on Protected Trees produced, online resource learning facility under development, 200 staff trained in NW and regions trained in use of Criteria and Indicators for sustainable forest management.



Table 2.5: Complaints Mechanism

	Complaints Mechanism	Actual achievements
WATER SERVICE	Ministerial Hotline	Investigations are done to address queries and solutions are put forward
	Water Tribunal Regional Water Use Call Centres	Cases referred by affected parties to the Water Tribunal and adjudicated by the Tribunal Call centres in WAHMS Offices in all Regions to address queries and solve problems
FORESTRY	National Forests Advisory Council Ministerial enquiries	Minister met with NFAAC and indicated main areas of advice required. Many issues already acted upon such as EDEE charter, maps and rules for access to State Forests, approval of Criteria, Indicators and Standards and calls for forestry NMP revision



## HUMAN RESOURCE OVERSIGHT STATISTICS

TABLE 2.1: Personnel costs by Programme

Programme	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Goods and Services (R'000)	Personnel Cost as per % of Total Expenditure	Average Personnel cost per Employee	Employment
P1: Administration	272,694	92,675	145,583	33,9%	131,267	7,060
P2: Water Resources Management	1,447,049	297,337	481,942	20,5%	161,664	18,390
P3: Water Services	1,561,359	78,648	442,680	5,03%	114,814	6,950
P4: Forestry	466,629	251,213	140,482	53,6%	75,472	43,710
Water Trading Account	3,912,829	723,198	976,797	24,9%	76,911	94,830
Total as On Financial System (BACS)	7,660,560	1,443,071	2,176,504	28,3%	112,030	170,14

TABLE 2.2: Personnel costs by Salary band

Salary Bands	Personnel Expenditure (R'000)	Percentage of Total Personnel Cost	Average Personnel Cost per Employee (R)	Number of Employees
Lower skilled (Levels 1-2)	528,229	36,70%	58,215	9,091
Skilled (Levels 3-5)	296,413	20,12%	66,259	4,383
highly skilled production (Levels 6-8)	356,877	24,73%	140,226	2,527
highly skilled supervision (Levels 9-12)	192,192	13,65%	225,105	876
Senior management (Levels 13-16)	69,360	4,80%	506,277	137
TOTAL	1,443,071	100,00%	84,816	17,014

TABLE 2.3: Salaries, Overtime, Home Owners Allowance and Medical Aid by Programme

Programme	Salaries (R'000)	Salaries as % of Personnel Cost	Overtime (R'000)	Overtime as % of Personnel Cost	HOA as % of Personnel Cost	Medical Ass. (R'000)	Medical Ass. As % of Personnel Cost	Total Personnel Cost (R'000)	HOA (R'000)
P1: Administration	86, 352	93.07%	1, 368	1.47%	0.01%	4, 045	4.36%	90, 675	910
P2: Water Resource	274, 010	92.15%	9, 541	3.20%	0.68%	11, 753	3.95%	297, 337	2, 633
P3: Water Services	74, 731	95.01%	534	0.67%	0.52%	2, 948	3.77%	78, 648	415
P4: Forestry	236, 079	93.97%	3, 522	1.49%	0.20%	11, 097	4.41%	251, 213	515
Water Trading Account	684, 193	94.65%	14, 354	1.98%	0.34%	22, 210	3.07%	723, 198	2, 441
TOTAL	1, 355, 365	93.26%	29, 319	1.24%	0.33%	52, 675		1, 443, 671	6, 314

TABLE 2.4: Salaries, Overtime, Home Owners Allowance and Medical Aid by Salary Band

Salary bands	Salaries (R'000)	Salaries as % of Personnel Cost	Overtime (R'000)	Overtime as % of Personnel Cost	HOA (R'000)	HOA as % of Personnel Cost	Medical Ass. (R'000)	Medical Ass. As % of Personnel Cost	Total Personnel Cost (R'000)
Lower skilled (Levels 1-2)	563, 212	94.70%	7, 420	1.40%	773	0.14%	1, 578.00	0.29%	570, 992
Skilled (Levels 3-5)	289, 953	99.84%	2, 340	4.24%	1, 138	0.39%	10, 342.00	3.63%	313, 975
Highly skilled production (Levels 6-8)	312, 244	87.69%	7, 316	2.65%	2, 608	0.73%	16, 580.00	4.64%	338, 768
Highly skilled supervision (Levels 9-12)	198, 760	100.79%	2, 194	1.11%	1, 741	0.88%	6, 858.00	3.24%	209, 553
Senior management (Levels 13-16)	53, 194	76.69%		0.00%	54	0.07%	2, 219.00	3.99%	55, 467
TOTAL	1, 355, 365	93.90%	29, 279	1.26%	6, 314	0.44%	37, 777.00	3.10%	1, 443, 671

TABLE 3.1: Employment and Vacancies by Programme at end of period

Programme	Number of Posts	Number of Posts Filled	Vacancy Rate	Number of Posts Filled Additional to the Establishment
P1: Administration	856	706	17,5%	105
P2: Water Resources Management	2337	1839	26,6%	329
P3: Water Services	952	695	27,00%	7
P4: Forestry	7930	4371	44,89%	300
Water Trading Account	34007	9403	41,23%	355
TOTAL	*28062	17614	27,00%	996

\* There might be a temporary duplication in number of posts due to the implementation of restructured organisations and the transfer of structures from the exchange to the trading account.

TABLE 3.2: Employment and Vacancies by Salary Band at end of period

Salary Band	Number of Posts	Number of Posts Filled	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Lower skilled (Levels 1-2), Permanent	16186	9443	41,7	324
Skilled (Levels 3-5), Permanent	6286	4146	31,9	465
Highly skilled production (Levels 6-8), Permanent	4322	2445	43,4	135
Highly skilled production (Levels 6-8), Temporary	4	4	0	0
Highly skilled supervision (Levels 9-12), Permanent	1318	850	35,5	66
Highly skilled supervision (Levels 9-12), Temporary	2	2	0	0
Senior management (Levels 13-16), Permanent	143	123	14	6
Other, Temporary	1	1	0	0
TOTAL	28062	17614	39,4	996

TABLE 4.1: Job Evaluation

Salary Band	Number of Posts	Number of Jobs Evaluated	% of Posts Evaluated	Number of Posts Upgraded	% of Post Evaluated Upgraded	Number of Posts Downgraded	% of Downgraded Posts Evaluated
Lower skilled (Levels 1-2)	16186	22	0.1	18	81.8	0	0
Skilled (Levels 3-5)	6086	51	0.8	36	70.6	0	0
Highly skilled production (Levels 6-8)	4026	116	2.7	53	45.7	0	0
Highly skilled supervision (Levels 9-12)	1320	78	5.9	32	35.4	0	0
Senior Management Service Band A	114	3	2.6	0	0	0	0
Senior Management Service Band B	20	1	5	0	0	0	0
Senior Management Service Band C	8	0	0	0	0	0	0
Senior Management Service Band D	1	1	100	0	0	0	0
Other	1	0	0	0	0	0	0
TOTAL	28062	272	1	119	43.8	0	0

TABLE 5.1: Annual Turnover Rates by Salary Band

Salary Band	Employment at Beginning of Period	Appointments	Terminations	Turnover Rate
Lower skilled (Levels 1-2), Permanent	9874	162	806	8.2
Skilled (Levels 3-5), Permanent	4398	196	256	5.8
Highly skilled production (Levels 6-8), Permanent	2580	170	160	6.2
Highly skilled production (Levels 6-8), Temporary	5	0	0	0
Highly skilled supervision (Levels 9-12), Permanent	692	76	58	8.4
Highly skilled supervision (Levels 9-12), Temporary	2	0	0	0
Senior Management Service Band A, Permanent	98	9	9	9.2
Senior Management Service Band B, Permanent	18	0	5	27.8
Senior Management Service Band C, Permanent	7	1	1	14.3
Senior Management Service Band D, Permanent	1	0	0	0
TOTAL	17676	634	1285	7.3

TABLE 5.2: Annual Turnover Rates by Critical Occupation

Occupation	Employment at Beginning of Period	Appointments	Terminations	Turnover Rate
Administrative related, Permanent	71	8	7	9.9
Agricul animal oceanography forestry & other scien, Permanent	26	2	0	0
Agriculture related, Permanent	52	3	5	9.6
Agriculture related, Temporary	1	0	0	0
All artisans in the building metal machinery etc., Permanent	374	2	19	5.1
Artisan project and related superintendents, Permanent	25	0	0	0
Auxiliary and related workers, Permanent	542	24	28	5.2
Biochemistry pharmacol. zoology & life sci.techns, Permanent	1	0	0	0
Biologists botanists ecologists & rel professional, Permanent	19	1	2	10.5
Building and other property caretakers, Permanent	294	2	25	8.5
Bus and heavy vehicle drivers, Permanent	302	0	16	5.3
Cartographers and surveyors, Permanent	7	0	1	14.3
Cartographic surveying and related technicians, Permanent	28	1	3	1.1
Cartographic surveying and related technicians, Temporary	1	0	0	0
Chemical and physical science technicians, Permanent	5	0	0	0
Civil engineering technicians, Permanent	300	31	19	6.3
Cleaners in offices workshops hospitals etc., Permanent	205	2	14	6.8
Client inform clerks/switchb receipt inform clerks), Permanent	10	0	1	10
Communication and information related, Permanent	9	5	3	33.3
Community development workers, Permanent	58	21	3	5.2
Computer programmers, Permanent	2	0	0	0
Economists, Permanent	2	0	0	0
Electrical and electronics engineering technicians, Permanent	2	0	0	0
Engineering sciences related, Permanent	151	18	9	6
Engineers and related professionals, Permanent	133	17	20	15
Farm hands and labourers, Permanent	65	3	3	4.6

Occupation	Employment at Beginning of Period	Appointments	Terminations	Turnover Rate
Farming forestry advisors and farm managers, Permanent	60	6	1	1.7
Finance and economic related, Permanent	28	1	0	0
Financial and related professionals, Permanent	20	1	1	5
Financial clerks and credit controllers, Permanent	213	29	9	4.3
Food services aids and waiters, Permanent	11	0	0	0
Forestry labourers, Permanent	2032	35	178	13.8
General legal administration & rel. professionals, Permanent	10	4	6	60
Geologists geophysicists hydrologists & relat prof, Permanent	139	28	15	10.8
Geologists geophysicists hydrologists & relat prof, Temporary	1	0	0	0
Handcraft instructors, Permanent	1	0	0	0
Head of department/chief executive officer, Permanent	1	0	0	0
Horticulturists foresters agricul & forestry techn, Permanent	109	0	1	0.9
Household and laundry workers, Permanent	6	0	0	0
Human resources & organisat develop & relate prof, Permanent	39	1	3	7.7
Human resources & organisat develop & relate prof, Temporary	1	0	0	0
Human resources clerks, Permanent	197	16	33	16.8
Human resources related, Permanent	54	6	8	14.8
Inspectors of apprentices works and vehicles, Permanent	2	0	0	0
Language practitioners interpreters & other clerks, Permanent	9	7	1	11.1
Legal related, Permanent	2	1	0	0
Librarians and related professionals, Permanent	1	1	0	0
Library mail and related clerks, Permanent	34	5	1	2.9
Light vehicle drivers, Permanent	120	2	5	4.2
Logistical support personnel, Permanent	27	1	0	0
Material recording and transport clerks, Permanent	206	18	14	6.7
Material recording and transport clerks, Temporary	2	0	0	0
Mathematicians and related professionals, Permanent	1	0	0	0
Mechanical engineering technicians, Permanent	2	0	0	0

Occupation	Employment at Beginning of Period	Appointments	Terminations	Turnover Rate
Messengers porters and deliverers, Permanent	256	1	12	4.7
Mining geology & geophysical & related technicians, Permanent	20	4	0	0
Motor vehicle drivers, Permanent	166	0	10	6
Motorised farm and forestry plant operators, Permanent	1582	3	75	4.7
Natural sciences related, Permanent	109	6	10	9.2
Nature conservation and oceanographical rel.techs, Permanent	4	1	1	25
Other administrat & related clerks and organisers, Permanent	834	77	48	5.6
Other administrat & related clerks and organisers, Temporary	1	0	0	0
Other administrative policy and related officers, Permanent	79	11	5	7.1
Other information technology personnel, Permanent	3	0	0	0
Other machine operators, Permanent	2	0	0	0
Other occupations, Permanent	594	65	85	14.3
Printing and related machine operators, Permanent	2	0	0	0
Quantity surveyors & rels pr of nat class elsewhere, Permanent	2	0	0	0
Rank: Unknown, Permanent	22	0	0	0
Risk management and security services, Permanent	2	0	0	0
Road workers, Permanent	4	0	1	25
Safety health and quality inspectors, Permanent	1	2	0	0
Secretaries & other keyboard operating clerks, Permanent	88	19	8	9.1
Security guards, Permanent	656	9	69	8.1
Security officers, Permanent	117	17	7	6
Senior managers, Permanent	65	6	11	16.9
Social sciences related, Permanent	24	10	3	12.5
Social work and related professionals, Permanent	2	0	0	0
Trade labourers, Permanent	5082	61	267	5.3
Trade related, Permanent	1	0	0	0
Trade/industry advisers & other related profsions, Permanent	3	0	0	0
Water plant and related operators, Permanent	818	40	31	3.8
TOTAL	17676	434	1286	7.3



TABLE 5.3: Reasons why staff are leaving the department

Termination Type	Number	Percentage of Total Terminations	Percentage of Total Employment
Death, Permanent	303	23.4	1.7
Resignation, Permanent	301	27.1	2
Expiry of contract, Permanent	105	8.1	0.6
Dismissal-operational changes, Permanent	1	0.1	0
Discharged due to ill health, Permanent	49	3.8	0.3
Dismissal-misconduct, Permanent	27	2.1	0.2
Retirement, Permanent	402	31	2.3
Other, Permanent	58	4.5	0.3
TOTAL	1296	100	7.3

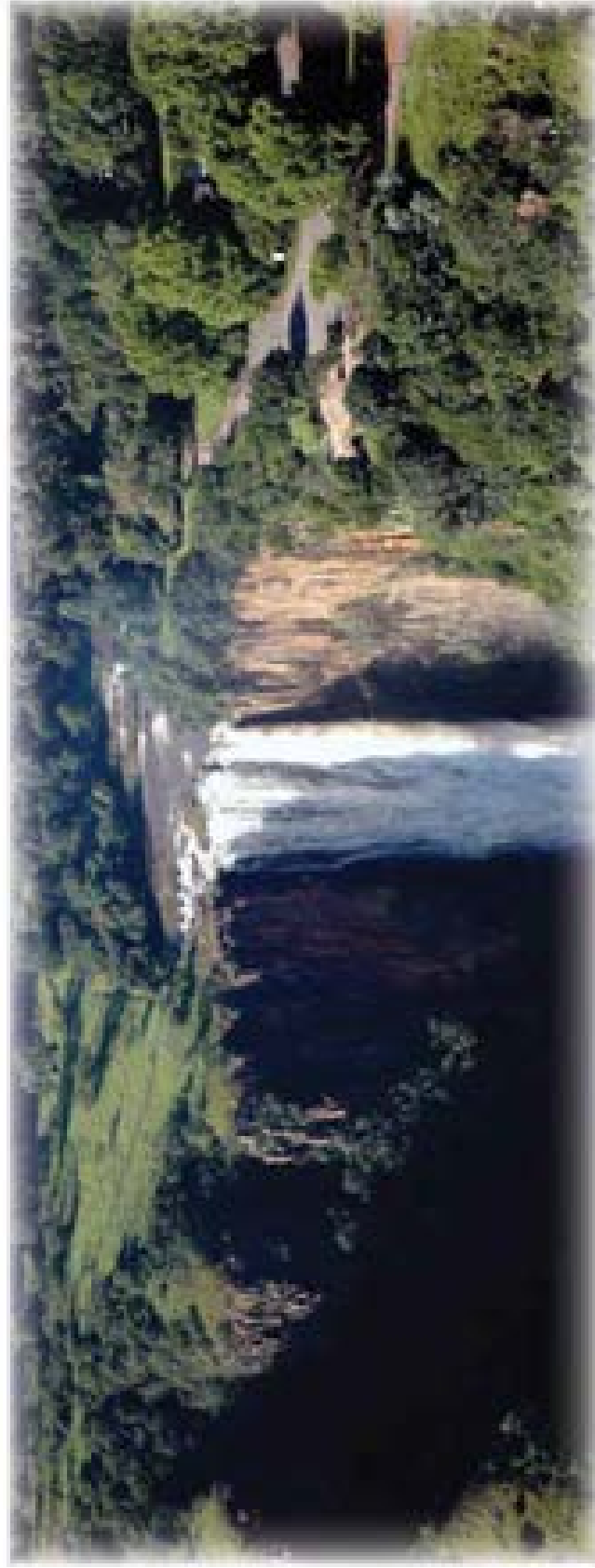


TABLE 5.4: Promotions by Critical Occupation

Occupation	Employment at Beginning of Period	Promotions to another Salary Level	Salary Level Promotions as a % of Employment	Progressions to another Hooch within Salary Level	Hooch progressions as a % of Employment
Administrative related	71	16	22.3	32	45.1
Agrical animal oceanography forestry & other scien	26	0	0	12	50
Agriculture related	53	5	9.4	30	56.6
All artisans in the building metal machinery etc.	374	3	0.8	284	75.9
Artisan project and related superintendents	23	4	1.6	23	92
Auxiliary and related makers	541	13	2.4	411	75.8
Biochemistry pharmacist, zoology & life scie based	1	0	0	1	100
Biologists botanists zoologists & ril professional	19	6	0	11	57.9
Building and other property caretakers	284	9	0	213	73.4
Bus and heavy vehicle drivers	303	6	0	210	69.3
Cartographers and surveyors	7	6	0	4	57.1
Cartographic surveying and related technicians	29	6	0	21	72.4
Chemical and physical science technicians	3	6	0	0	0
Civil engineering technicians	300	80	2.3	160	53.3
Cleaners in offices workshops hospitals etc.	205	0	0	163	79
Client inform clerks/switchb. receipt inform clerks)	10	1	10	7	70
Communication and information related	9	2	22.2	6	66.7
Community development workers	58	4	6.9	33	56.9
Computer programmers.	2	0	0	1	50
Economists	2	6	0	1	50
Electrical and electronics engineering technicians	2	0	0	2	100
Engineering sciences related	151	18	11.9	92	60.9
Engineers and related professionals	133	16	12	49	36.8
Farm hands and labourers	63	1	1.5	42	64.9
Farming/forestry advisors and farm managers	60	2	3.3	32	53.3
Finance and economics related	28	11	39.3	17	60.7

Occupation	Employment at Beginning of Period	Progressions to another Salary Level	Salary Level Progressions as a % of Employment	Progressions to another Notch within Salary Level	Notch Progressions as a % of Employment
Financial and related professionals	20	2	10	13	65
Financial clerks and credit controllers	211	30	14.2	141	66.8
Food services aids and waiters	11	0	0	11	100
Forestry labourers	2952	5	0.2	1311	44.4
General legal administration & rel. professionals	10	0	0	1	10
Geologists geophysicists hydrologists & relat prof	140	17	12.1	65	46.4
Handcraft instructors	1	0	0	1	100
Head of department/chief executive officer	1	0	0	0	0
Horticulturists foresters agricul & forestry techs	109	0	0	56	51.4
Household and laundry workers	6	0	0	5	83.3
Human resources & organisat develop & relate prof	40	6	15	21	52.5
Human resources clerks	197	9	4.6	120	66
Human resources related	54	9	16.7	29	53.7
Inspection of agricultural works and vehicles	2	1	50	2	100
Language practitioners interpreters & other commun	9	4	44.4	2	22.2
Legal related	2	0	0	1	150
Librarians and related professionals	1	0	0	1	100
Library mail and related clerks	34	8	23.5	24	70.6
Light vehicle drivers	120	0	0	80	66.7
Logistical support personnel	27	2	7.4	21	77.8
Material-recording and transport clerks	211	6	2.8	159	75.4
Mathematicians and related professionals	1	0	0	0	0
Mechanical engineering technicians	2	0	0	2	100
Messengers porters and deliverers	256	1	0.4	203	79.3
Mining geology & geophysical & related technicians	20	1	5	16	80
Motor vehicle drivers	166	0	0	109	65.7
Motorised farm and forestry plant operators	1582	2	0.1	1208	76.4

Occupation	Employment at Beginning of Period	Promotions to another Salary Level	Salary Level Promotions as a % of Employment	Promotions to another Salary Level	Progressions to another Salary Level	High Progressions as a % of Employment
Natural sciences related	859	24	2.2	67	61.5	
Nature conservation and geographical re-technical	4	0	0	1	25	
Other administrat & related clerks and organizers	853	13	1.5	641	75	
Other administrative policy and related officers	70	9	12.9	46	65.7	
Other information technology personnel	3	0	0	2	66.7	
Other machine operators	2	0	0	0	0	
Other occupations	594	49	8.2	4	0.7	
Printing and related machine operators	2	0	0	2	100	
Quantity surveyors & rela pr of not class elsewhere	2	0	0	2	100	
Rank: Unknown	22	0	0	0	0	
Risk management and security services	3	0	0	2	100	
Road workers	4	0	0	3	75	
Safety health and quality inspectors	1	2	200	2	200	
Seaman & ship boardroom operating clerks	84	4	4.7	54	64.3	
Security guards	856	5	0.6	491	57.4	
Security officers	117	4	3.4	82	70.1	
Senior managers	63	1	1.6	2	3.1	
Social sciences related	24	8	33.3	17	70.8	
Social work and related professionals	2	0	0	0	0	
Trade labourers	5082	2	0	3928	77.3	
Trade related	1	1	100	1	100	
Trade/industry advisers & other related profession	3	0	0	3	100	
Water plant and related operators	810	4	0.5	641	79.1	
TOTAL	17676	339	1.9	11456	64.8	

TABLE 5.5: Promotions by Salary Band

Salary Band	Employment at Beginning of Period	Promotions to another Salary Level	Salary Level Promotions as a % of Employment	Progressions to another Notch within Salary Level	Notch progressions as a % of Employment
Lower skilled (Levels 1-2), Permanent	9874	12	0.1	6410	64.9
Skilled (Levels 3-5), Permanent	4790	70	1.5	2844	64.7
Highly skilled production (Levels 6-8), Permanent	2580	148	5.7	1653	62.1
Highly skilled production (Levels 6-8), Temporary	5	0	0	4	80
Highly skilled supervision (Levels 9-12), Permanent	690	96	13.9	389	96.1
Highly skilled supervision (Levels 9-12), Temporary	2	0	0	2	100
Senior management (Levels 13-16), Permanent	124	13	10.5	4	3.2
TOTAL	17676	339	1.9	11456	64.8

TABLE 6.1: Total number of Employees (incl. Employees with disabilities) per Occupational Category (SASCO)

Occupational Categories	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Legislators, senior officials and managers, Permanent	21	3	4	28	28	8	1	0	9	3	68
Professionals, Permanent	960	125	33	1118	505	391	28	27	446	304	2273
Professionals, Temporary	0	0	0	0	0	0	0	0	0	4	4
Clerks, Permanent	503	30	8	541	37	747	49	22	818	233	1629
Clerks, Temporary	0	0	0	0	0	0	0	0	0	3	3
Service and sales workers, Permanent	834	3	1	838	4	121	1	0	122	1	945
Craft and related trades workers, Permanent	273	9	1	283	188	0	0	0	0	0	291
Rust and machine operators and assemblers, Permanent	2932	77	0	3009	163	274	1	0	275	28	3475
Elementary occupations, Permanent	4682	293	0	4975	23	3083	14	0	3217	1	6218
Other, Permanent	8	0	0	8	0	2	0	0	2	0	10
TOTAL	10193	540	47	10780	868	4746	94	49	4889	477	17014
Employees with disabilities	23	1	0	24	5	6	0	0	6	2	27

TABLE 6.2: Total number of Employees (incl. Employees with disabilities) per Occupational Bands

Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Top Management, Permanent	3	0	0	3	4	4	0	0	4	1	12
Senior Management, Permanent	26	5	5	36	75	6	1	1	8	6	125
Professionally qualified and experienced specialists and mid-management, Permanent	295	14	12	323	400	125	15	13	153	112	908
Professionally qualified and experienced specialists and mid-management, Temporary	0	0	0	0	0	0	0	0	0	3	3
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	1052	62	26	1140	305	609	37	22	648	300	2453
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Temporary	0	0	0	0	0	0	0	0	0	4	4
Semi-skilled and discretionary decision making, Permanent	4075	356	4	4435	77	942	34	13	989	48	5549
Unskilled and defined decision making, Permanent	4736	101	0	4839	7	3058	7	0	3065	3	7904
Not Available, Permanent	4	0	0	4	0	2	0	0	2	0	6
TOTAL	10193	540	47	10780	868	4746	94	49	4889	477	17034

TABLE 6.3: Recruitment

Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Top Management, Permanent	0	0	0	0	0	1	0	0	1	0	1
Senior Management, Permanent	2	0	0	2	5	0	0	0	0	2	9
Professionally qualified and experienced specialists and mid-management, Permanent	18	4	0	22	19	17	5	5	27	8	76
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	60	3	1	64	11	71	7	3	81	14	179
Semi-skilled and discretionary decision making, Permanent	79	5	1	85	10	84	5	3	92	9	196
Unskilled and defined decision making, Permanent	111	5	0	116	2	61	1	0	62	2	182
TOTAL	270	17	2	289	47	234	18	11	263	35	634

TABLE 6.4: Promotions

Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Top Management, Permanent	0	0	0	0	0	1	0	0	1	0	1
Senior Management, Permanent	5	0	0	5	8	2	1	0	3	0	16
Professionally qualified and experienced specialists and mid-management, Permanent	134	10	10	154	209	63	6	5	74	54	491
Professionally qualified and experienced specialists and mid-management, temporary	0	0	0	0	0	0	0	0	0	2	2
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	737	37	15	789	275	399	22	12	433	262	1759



Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Temporary	0	0	0	0	0	0	0	0	0	4	4
Semi-skilled and discretionary decision making, Permanent	328	165	4	2395	46	428	17	11	456	30	2900
Unskilled and defined decision making, Permanent	2914	196	0	4160	7	2450	10	1	2461	3	6431
TOTAL	7046	408	29	7503	545	3343	54	29	3426	358	11834

TABLE 6.5: Terminations

Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Top Management, Permanent	1	0	0	1	1	0	0	0	0	0	2
Senior Management, Permanent	3	0	0	3	5	2	1	0	3	1	14
Professionally qualified and experienced specialists and mid-management, Permanent	22	3	0	25	28	7	0	3	10	4	58
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	96	2	2	60	27	45	3	3	53	22	160
Semi-skilled and discretionary decision making, Permanent	180	11	2	193	17	39	1	1	41	5	256
Unskilled and defined decision making, Permanent	494	13	0	507	1	297	0	0	297	1	804
TOTAL	758	29	4	791	79	395	5	7	407	33	1294

TABLE 6.6: Disciplinary Action

Disciplinary action	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, white	Female, African	Female, Coloured	Female, Indian	Female Total Blacks	Female white	Total
Dismissal	7	2	0	9	0	4	0	0	4	0	13
Final written warning	5	1	0	6	3	2	0	0	2	0	11
No outcome	0	0	0	0	0	0	0	0	0	0	0
TOTAL	12	3	0	15	3	6	0	0	6	0	24

TABLE 6.7: Skills Development

Occupational Categories	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, white	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, white	Total
Legislators, Senior Officials and Managers	12	1	2	15	9	15	2	1	0	14	56
Professionals	113	4	3	120	115	105	4	0	0	33	377
Technicians and Associate Professionals	799	3	4	805	44	25	7	0	0	23	904
Clerks	221	27	0	244	20	182	18	2	0	97	564
Service and Sales Workers	20	0	0	16	6	6	0	0	0	0	28
Skilled Agriculture and Fishery Workers	190	0	0	190	6	243	3	1	0	2	443
Craft and related Trades Workers	30	4	1	35	0	9	0	0	0	0	44
Plant and Machine Operators and Assemblers	91	8	3	102	11	18	18	0	36	2	151
Elementary Occupations	398	32	4	434	1	256	10	1	267	0	702
TOTAL	1893	75	17	1975	206	862	62	5	303	173	3291

TABLE 7.1: Performance Rewards by Race, Gender and Disability

	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (\$'000)	Average Cost per Beneficiary (\$)
African, Female	1070	4740	22.6	4,365	4,080
African, Male	2886	10170	28.4	12,700	4,401
Asian, Female	22	49	44.9	150	6,799
Asian, Male	36	47	55.3	247	10,264
Coloured, Female	32	94	34	190	5,940
Coloured, Male	154	539	28.6	825	5,354
Total Blacks, Female	1126	4863	23.1	4,709	4,182
Total Blacks, Male	3073	10756	28.6	13,812	4,495
White, Female	292	475	61.5	2,246	7,693
White, Male	907	863	58.7	6,704	13,223
Employee with a disability	17	37	45.9	103	6,083
TOTAL	6088	17014	29.3	23,574	8,408

TABLE 7.2: Performance Rewards by Salary Band for Personnel below Senior Management Service

Salary Band	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (\$'000)	Average Cost per Beneficiary (\$)
Lower skilled (Levels 1-2)	1875	9091	20.6	5,407	3,124
Skilled (Levels 3-5)	1616	4383	34.9	6,794	4,204
Highly skilled production (Levels 6-8)	991	2527	39.2	7,364	7,229
Highly skilled supervision (Levels 9-12)	468	876	52.4	6,464	14,083
TOTAL	4950	16877	29.3	26,279	5319

TABLE 7.3: Performance Rewards by Critical Occupation

Critical Occupations	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R)
Administrative related	40	95	42.1	589	14, 725
Agrical animal oceanography forestry & other scien	9	28	32.1	90	10, 000
Agriculture related	28	95	50.9	384	13, 714
All artisans in the building metal machinery etc.	121	165	33.6	879	7, 264
Artisan project and related superintendents	16	25	64	177	11, 063
Auxiliary and related workers	180	542	34.3	884	4, 793
Biochemistry pharmacist, zoologr & life scie.techn	0	1	0	0	0
Biologists botanists zoologists & rel professional	7	15	46.7	62	8, 857
Building and other property caretakers	57	172	21	146	2, 561
Bus and heavy vehicle drivers	62	311	19.9	280	4, 516
Cartographers and surveyors	2	7	28.6	15	7, 500
Cartographic surveying and related technicians	13	26	50	82	6, 308
Chemical and physical sciences technicians	1	4	7%	14	4, 667
Chemists	0	1	0	0	0
Civil engineering technicians	285	285	36.8	806	7, 619
Deacons in offices workshops hospitals etc.	60	183	32.8	154	2, 567
Client inform (debt/credit) receipt inform (debit)	4	9	44.4	28	7, 000
Communication and information related	2	14	14.3	42	21, 000
Community development workers	15	74	20.3	121	8, 067
Computer programmers	1	2	50	10	10, 000
Economists	0	1	0	0	0
Electrical and electronics engineering technicians	1	3	33.3	3	3, 000
Engineering sciences related	98	188	52.1	1, 388	14, 163
Engineers and related professionals	55	130	42.3	902	16, 400
Farm hands and labourers	7	70	10	26	3, 714
Farming forestry advisors and farm managers	16	70	23.7	134	7, 444

Critical Occupations	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R)
Finance and economics related	21	36	59.3	246	11,714
Financial and related professionals	12	19	63.2	62	5,167
Financial clerks and credit controllers	104	235	44.3	421	4,048
Food services aids and waiters	6	16	37.5	34	5,667
Forestry labourers	204	2551	8	629	3,132
General legal administration & rel. professionals	3	7	42.9	34	11,323
Geologists geophysicists hydrologists & relat prof	50	146	34.2	387	7,740
Handcraft instructors	0	1	0	0	0
Head of department/chief executive officer	0	1	0	0	0
Horticulturists foresters agricul & forestry techn	24	98	24.5	217	8,942
Household and laundry workers	6	6	100	26	5,833
Human resources & organisat developm & relate prof	18	29	62.1	164	9,111
Human resources clerks	66	176	37.5	359	5,439
Human resources related	37	67	55.2	340	9,189
Inspectors of apprentices works and vehicles	1	3	33.3	10	10,000
Language practitioners interpreters & other common	3	18	16.7	23	11,000
Legal related	1	3	33.3	9	9,000
Librarians and related professionals	1	2	50	9	9,000
Library mail and related clerks	17	37	45.9	52	3,059
Light vehicle drivers	34	110	30.9	136	4,060
Logistical support personnel	14	29	48.3	134	9,571
Material-recording and transport clerks	80	211	37.9	424	5,425
Mathematicians and related professionals	0	1	0	0	0
Mechanical engineering technicians	0	2	0	0	0
Messengers porters and deliverers	67	251	26.7	222	3,313
Mining geology & geophysical & related technicians	7	24	29.2	38	5,429
Motor vehicle drivers	37	137	26.7	96	3,556
Motorised farm and forestry plant operators	404	1498	27.6	1,191	2,977

Critical Occupations	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R)
Natural sciences related	72	121	59.5	1, 018	14, 139
Nature conservation and oceanographical related	1	3	33.3	10	10, 000
Other administrative & related clerks and organisers	312	874	33.7	1, 722	5, 519
Other administrative policy and related officers	33	79	41.8	280	8, 485
Other information technology personnel	1	3	33.3	11	11, 000
Other machine operators	0	2	0	0	0
Other occupations	3	983	0.5	28	9, 333
Printing and related machine operators	1	2	50	5	5, 000
Quantity surveyors & rela.prof not class elsewhere	2	2	100	20	10, 000
Rank: Apprentice grade II (construction)	1	0	0	5	5, 000
Rank: Artisan a-group (construction)	10	0	0	79	7, 900
Rank: Artisan a-group (construction) senior	10	0	0	71	7, 100
Rank: Artisan a-group principal/changshand (construction)	32	0	0	371	11, 594
Rank: Artisan b-group (construction)	23	0	0	164	7, 130
Rank: Artisan foreman (construction)	6	0	0	91	15, 167
Rank: Artisan foreman (construction) senior	20	0	0	307	15, 350
Rank: Compound manager (construction)	2	0	0	8	4, 000
Rank: Compound manager (construction) senior	1	0	0	5	5, 000
Rank: Director: personnel practitioner (construct) asst	1	0	0	28	28, 000
Rank: Director: provisioning admin (construct) assistant	1	0	0	28	28, 000
Rank: Driver (construction) senior	55	0	0	280	5, 273
Rank: Driver grade I (construction)	9	0	0	30	3, 333
Rank: Driver grade II (construction)	9	0	0	50	5, 556
Rank: Factotum (construction)	8	0	0	30	3, 750
Rank: Factotum (construction) principal	47	0	0	278	5, 915
Rank: Factotum (construction) senior	29	0	0	179	4, 448
Rank: Ganger (construction) chief	11	0	0	87	7, 909
Rank: Ganger (construction) control	6	0	0	64	10, 667

Critical Occupations	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R)
Rank: Ganger (construction) principal	6	0	0	44	7, 333
Rank: Ganger (construction) senior	10	0	0	53	5, 300
Rank: Industrial technician (construction)	1	0	0	5	5, 000
Rank: Industrial technician (construction) chief	1	0	0	13	13, 000
Rank: Industrial technician (construction) control	7	0	0	182	26, 000
Rank: Industrial technician (construction) pupil	1	0	0	5	5, 000
Rank: Industrial technician (construction) senior	1	0	0	8	8, 000
Rank: Laboratory assistant (construction) senior srt	9	0	0	53	5, 889
Rank: Laboratory assistant (construction) principal srt	4	0	0	35	8, 750
Rank: Laboratory assistant grade II (construction)	6	0	0	28	4, 667
Rank: Labourer grade II (construction)	8	0	0	23	2, 875
Rank: Operator (construction) principal	29	0	0	252	8, 690
Rank: Operator (construction) senior	43	0	0	254	5, 907
Rank: Operator grade I (construction)	21	0	0	78	3, 714
Rank: Operator grade II (construction)	20	0	0	103	5, 150
Rank: Personnel practitioner (construction) assistant	1	0	0	8	8, 000
Rank: Provisioning admin clerk (construction) chief	8	0	0	103	12, 625
Rank: Provisioning admin clerk (construction) control	4	0	0	69	17, 250
Rank: Provisioning admin clerk gr I (construction) senior	13	0	0	63	4, 842
Rank: Provisioning admin clerk gr II (construction) senior	10	0	0	79	7, 900
Rank: Provisioning admin clerk gr III (construction) senior	5	0	0	43	8, 200
Rank: Provisioning admin clerk grade II (construction)	14	0	0	89	6, 357
Rank: Provisioning officer (construction)	1	0	0	5	5, 000
Rank: Provisioning officer chief (construction)	3	0	0	42	14, 000
Rank: Provisioning officer control (construction)	4	0	0	183	25, 250
Rank: Provisioning officer senior (construction)	1	0	0	8	8, 000
Rank: Safety officer (construction)	2	0	0	14	7, 000
Rank: Safety officer (construction) principal	1	0	0	7	7, 000

Critical Occupations	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R200k)	Average Cost per Beneficiary (R)
Basic Security guard grade i (construction)	2	0	0	7	3,500
Basic Survey assistant (construction) senior sub	4	0	0	24	6,000
Basic Survey assistant grade i (construction)	1	0	0	4	4,000
Basic Tradesman aid grade ii (construction)	2	0	0	7	3,500
Basic Unknown	0	10	0	0	0
Basic Works accountant (construction) chief	1	0	0	10	10,000
Basic Works accountant (construction) control	7	0	0	192	27,429
Basic Works foreman/workshop superintendent (construction)	3	0	0	85	28,333
Basic Works inspector (construction) control	1	0	0	28	28,000
Risk management and security services	0	2	0	0	0
Road workers	1	3	33.3	9	3,000
Safety health and quality inspectors	1	5	20	18	18,000
Secretaries & other keyboard operating clerks	47	92	51.1	264	5,617
Security guards	125	823	15.2	387	3,096
Security officers	3	120	2.5	9	3,000
Senior managers	32	66	48.5	674	21,063
Social sciences related	15	40	37.5	214	14,267
Social work and related professionals	0	1	0	0	0
Trade labourers	1,393	4860	28.7	4,771	3,425
Trade related	2	2	100	29	14,500
Trade/industry advisers & other related profession	2	3	66.7	18	9,000
Water plant and related operators	306	833	36.7	1,257	4,108
TOTAL	5015	17504	29.3	27553	5494



TABLE 7.4: Performance Related Rewards (Cash Bonus) by Salary Band for Senior Management Service

SMS Band	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R)	% of SMS Wage Bill	Personnel Cost SMS (R'000)
Band A	50	66	58.1	936	1,872	1.9	49,814
Band B	14	39	35.9	311	2,221	2.3	13,757
Band C	1	11	9.1	24	2,400	0.5	4,793
Band D	0	1	0	0	0	0	0
TOTAL	65	137	47.4	1,271	1,955.4	1.9	68,362

TABLE 8.1: Foreign Workers by Salary Band

Salary Band	Employment at Beginning Period	Employment at End of Period	Change in Employment
Lower skilled (Levels 1-2)	4	3	-1
Skilled (Levels 3-5)	2	1	-1
Highly skilled production (Levels 6-8)	2	4	2
Highly skilled supervision (Levels 9-12)	14	26	12
Senior management (Levels 13-16)	2	2	0
TOTAL	24	36	12

Table 8.2: Foreign Workers by Major Occupation

Major Occupation	Employment at Beginning Period	Employment at End of Period	Change in Employment
Administrative office workers	3	3	0
Craft and related trades workers	1	1	0
Elementary occupations	2	1	-1
Professionals and managers	17	30	13
Technicians and associated professionals	1	1	0
TOTAL	24	36	12

Table 9.1: Sick Leave for Jan 2004 to Dec 2004

Salary Band	Total Days	% Days with Medical Certification	Number of Employees using Sick Leave	Average Days per Employee	Estimated Cost (£'000)	Total number of days with medical certification
Lower skilled (Levels 1-2)	37003.5	95.9	3734	10	5,065	35581
Skilled (Levels 3-5)	12638.5	89.6	1625	8	2,462	11320
Highly skilled production (Levels 6-8)	18857	84.1	1363	8	3,613	8881
Highly skilled supervision (Levels 9-12)	2094	80	383	5	1,423	1658
Senior management (Levels 13-16)	348	77.4	62	6	583	267
TOTAL	62719	92	7167	9	13146	57717

Table 9.2: Disability Leave (Temporary and Permanent) for Jan 2004 to Dec 2004

Salary Band	Total Days	Number of Employees using Disability Leave	Average Days per Employee	Estimated Cost (£'000)	Total number of days with medical certification	Total number of Employees using Disability Leave
Lower skilled (Levels 1-2)	1642	58	28	228	1642	89
Skilled (Levels 3-5)	786	12	66	176	786	89
Highly skilled production (Levels 6-8)	600	18	38	212	526	89
Highly skilled supervision (Levels 9-12)	80	2	40	40	80	89
Senior management (Levels 13-16)	11	1	11	11	11	89
TOTAL	3119	89	35	677	3054	89

Table 9.3: Annual leave for Jan 2004 to Dec 2004

Salary Band	Total Days Taken	Average per Employee	Number of employees as at 31 December 2004
Lower skilled (Levels 1-2)	209075.24	20	10300
Skilled (Levels 3-5)	68714.56	17	3996
Highly skilled production (Levels 6-8)	45367.64	17	2616
Highly skilled supervision (Levels 9-12)	14700.92	18	808
Senior management (Levels 13-16)	2709	19	139
TOTAL	340567.36	19	17699

Table 9.4: Capped Leave for Jan 2004 to Dec 2004

	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2004	Number of Employees who took capped leave	Total number of capped leave available at 31 December 2004	Number of Employees with capped leave at 31 December 2004
Lower skilled (Levels 1-2)	6175	7	91	854	778109	8546
Skilled (Levels 3-5)	1138	6	122	398	432219	3530
Highly skilled production (Levels 6-8)	1066	6	112	181	219467	1888
Highly skilled supervision (Levels 9-12)	308	7	95	78	60396	637
Senior management (Levels 13-16)	73	8	107	15	28318	96
TOTAL	8966	7	102	1326	1492509	14697

Table 9.5: Leave Payouts

Reason	Total Amount (R2000)	Number of Employees	Average Payment per Employee (R)
Leave payout for 2004/05 due to non-utilisation of leave for the previous cycle	436	95	4599
Capped leave payouts on termination of service for 2004/05	1, 850	626	2955
<b>TOTAL</b>	<b>2286</b>	<b>721</b>	<b>3174</b>

Table 10.1: Steps Taken to Reduce the Risk of Occupational Exposure

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
Forestry Service Aids	Assessments relating
General Workers	Condom distribution
Tradesman Aids,	Newsletters
Foresters	Posters, leaflets
Drivers	
Operators	

Table 10.2: Details of Health Promotion and HIV/AIDS Programmes [Tick yes/no and Provide Required Information]

Question	Yes	No	Details, if yes
1 Has the Department designated a member of the SWS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulation, 2001? If so provide her/his name and position.	Yes		The Chief Director (Human Resources) Mr I. Jacobs
2 Does the department have a dedicated unit or have you designated specific staff members to promote health and well being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	Yes		Three (3) staff members at Head Office and one (1) staff member per region in the nine (9) regions of the department - The staff members function within the Circumbe Human Resources Development. A budget of approximately R4, million are available. The unit was/is essentially responsible for a process to develop manage and maintain a comprehensive employee wellness programme.
3 Has the department introduced an Employee Assistance or Health Promotion Programmes for your employees? If so, indicate the key elements/services of the programmes.	Yes		It must be noted that these initiatives are still very much developmental and address the following elements - VET, Rehabilitation, Trauma Debriefing, Grief Debriefing, General Counselling, Absenteeism and Sick Leave monitoring and management, Managing of HIV/AIDS and Wellness, Universal precautions, Condom distribution and education on STI and treatment.

Question	Yes	No	Details, if yes
4. Has the Department established (a) committee(s) as contemplated in Part VI E.5(e) of Chapter 1 of the Public Service Regulations, 2001, if so please	No		The development stage of the HIV/AIDS and related diseases commenced with a process to integrate HIV/AIDS into every facet of the Department/To reduce any potential risks and to establish a sustainable communication and feedback loop. The most recent stage is to integrate HIV/AIDS into all functional committees and governance structures. The agenda of Departmental Chamber (where the department engages and negotiate with unions) already has HIV/AIDS as a standing agenda item. The information of a dedicated National Committee is imminent.
5. Has the department reviewed the employment policies and practices of your department to ensure that these do not unfairly discriminate against them.	Yes		Recruitment and Selection Policy/Disciplinary Code and Procedure/ Grievance Procedure/Employment and Equity and Affirmative Action Policy Performance Management and Development Policy Job Evaluation Policy
6. Has the department introduced measures to protect HIV positive employees or those perceived to be HIV positive from discrimination? If so, list the results that you achieved.	Yes		Through the development of a comprehensive HIV/AIDS training and awareness raising programme a framework and knowledge base was created. This initiative saw extensive awareness making campaigns, training of peer educators regional co-ordinators and management.
7. Does the department encourage its employees to undergo Voluntary Counseling and Testing. If so, list the results that you have achieved.	Yes		A number of centers for VCT were identified outside of the Department and vigorous marketing campaigns for the use of these facilities did not yield encouraging results. However since the VCT sites have been moved to the departmental premises the number of employees making use of the service has improved markedly.

Table 11.1: Collective Agreements

Subject Matter	Date
Resolution No 01 of 2005. SAsPharisa/Kwena Agreement	30-Mar-05

Table 11.2: Misconduct and Discipline Hearings Finalised

Outcomes of disciplinary hearings	Number	Percentage of Total	Total
Dismissal	13	54, 2	13
Final written warning	11	45, 8	11
No outcome	0	0	0
<b>TOTAL</b>	<b>24</b>	<b>100</b>	<b>24</b>

Table 11.3: Types of Misconduct Addressed and Disciplinary Hearings

Type of misconduct	Number	% of total
Misuse of State Property	6	25
Assault	2	8, 3
Theft	6	25
Fraud	6	25
Insubordination	3	12, 5
Intoxication	1	4, 2
<b>Total</b>	<b>24</b>	<b>100</b>

Table 11.4: Grievances Lodged

Number of Grievances Addressed	Number	% of Total
Resolved	29	65.9
Not resolved	15	34.1
Total	44	100

Table 11.5: Disputes Lodged

Number of Disputes Addressed	Number	% of Total
Upheld	4	50
Dismissed	4	50
Total	8	100

Table 11.6: Strike Actions

Strike Actions	
Total number of person working days lost	1130
Total cost of working days lost	44973, 46
Amount recovered as a result of no work no pay	44973, 46

Table 11.7: Precautionary Suspensions

Precautionary Suspensions	
Number of people suspended	3
Number of people whose suspension exceeded 30 days	3
Average number of days suspended	40
Cost of suspensions	3146

TABLE 12.1: Training Needs Identified

Occupational Categories	Gender	Employment	Learnings	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	0	0	7	0	7
	Male	0	0	20	0	20
Professionals	Female	0	0	476	0	476
	Male	0	0	528	0	528
Technicians and associate professionals	Female	0	0	318	0	318
	Male	0	0	496	0	496
Clerks	Female	0	0	598	0	598
	Male	0	0	587	0	587
Service and sales workers	Female	0	0	53	0	53

Occupational Categories	Gender	Employment	Leaverships	Skills Programmes & other short courses	Other forms of training	Total
	Male	0	0	245	0	245
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	207	0	207
Plant and machine operators and assemblers	Female	0	0	18	0	18
	Male	0	0	417	0	417
Elementary occupations	Female	0	0	68	0	68
	Male	0	0	344	0	344
Gender sub totals	Female	0	0	1538	0	1538
	Male	0	0	2844	0	2844
Total		0	0	4382	0	4382

Table 12.2: Training Provided

Occupational Categories	Gender	Employment	Leaverships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	0	0	32	0	32
	Male	0	0	24	0	24
Professionals	Female	0	0	140	0	140
	Male	0	0	235	0	235
Technicians and associate professionals	Female	0	0	55	0	55
	Male	0	0	849	0	849
Clerks	Female	0	0	300	0	300
	Male	0	0	264	0	264
Service and sales workers	Female	0	0	8	0	8
	Male	0	0	20	0	20
Skilled agriculture and fishery workers	Female	0	0	249	0	249

Occupational Categories	Gender	Employment	Learnship	Skills Programmes & other short courses	Other forms of training	Total
	Male	0	0	196	0	196
	Female	0	0	9	0	9
Craft and related trades workers	Male	0	0	35	0	35
	Female	0	0	39	0	39
Plant and machine operators and assemblers	Male	0	0	113	0	113
	Female	0	0	267	0	267
Elementary occupations	Male	0	0	435	0	435
	Female	1100	0	1100	0	1100
Gender sub totals	Male	2191	0	2191	0	2191
	Female	3291	0	3291	0	3291
Total						

Table 13.1: Injury on Duty

Nature of injury on duty	Number	% of total
Required basic medical attention only	553	75.1
Temporary Total Displacement	180	24.5
Permanent Displacement	0	0
Fatal	3	0.4
Total	736	





## REPORT OF THE AUDIT COMMITTEE ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

### AUDIT COMMITTEE MEMBERS

The Audit Committee comprises the following members: -

Messrs JA Boyd (Chairperson), W J du Preez, KD Hoadlaming (appointed 21/02/05), and AM Muller (Director-General: DWAF).

Mr J Pema resigned as a member on 24/02/05

During the year under review the Audit Committee held four meetings.

### AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from Section 38(1)(a) of the PFMA and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter, and has attempted to discharge its responsibilities as contained therein.

The Audit Committee has addressed itself to the financial statements of the following units during the period under review:

- Department of Water Affairs and Forestry – Vote 34
- Water Trading Account
- Equipment Trading Account

### INTERNAL CONTROL

Whilst the members of the Audit Committee believe that the system of internal controls largely covers organisational, financial and operating risks, control weakness are periodically identified during the Internal and External audit processes. The committee closely monitors management's actions to remedy these breaches.

### RISK MANAGEMENT

The department has developed and approved a risk management strategy. This strategy will be the foundation for a continuous risk assessment process and for managing and monitoring of risks on an ongoing basis.

### INTERNAL AUDITING

Internal auditing provides a supportive role to management and the Audit Committee to achieve their objectives by assisting in the management of risk within the department.

The internal audit department is responsible for independent and objective evaluation of the department's system of internal control at a detailed level and to bring any significant business risks and exposures to the attention of management and the committee through the provision of comprehensive internal audit reports.

### MATTER REQUIRING SPECIFIC MENTION

The committee notes with concern, the Auditor General's Adverse Audit Opinion on the financial statements of the Equipment Trading Account and the Disclaimed Audit Opinion on the Water Trading Account financial statements, given the fact that these units were positively reported on in prior years. Management will be required to implement steps to ensure this does not recur.

### EVALUATION OF FINANCIAL STATEMENTS

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.



MR JA BOYD  
DATE: 30 August 2005  
Chairperson of the Audit Committee



## REPORT OF THE ACCOUNTING OFFICER - FOR THE YEAR ENDED 31 MARCH 2005

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

- 1 General review of the state of financial affairs
  - **Important policy decisions and strategic issues facing the department.**

The overall focus of the Department is to implement the policies and legislation that have been introduced since 1994.

The Department of Water Affairs and Forestry seeks to ensure that the country has reliable supplies of water, for sustainable social and economic development. It encourages water conservation and manages demand. It also manages and expands the national water resource infrastructure where necessary - a key strategic issue is to determine and implement the most appropriate form of organization for the management and development of this infrastructure.

To address poverty, the Department promotes the provision by municipalities of infrastructure to reduce ensure access to basic water supply and sanitation for all. It also regulates and supports the provision of efficient and sustainable water services at municipal level and still runs water services operations that are being transferred to local government.

In forestry, the Department manages a reduced estate of plantations and indigenous forests and continues to transfer direct management to appropriate organizations in both public and private sector. The restructuring of the remaining plantations run by the Department will emphasise benefits to neighboring communities.

### Water resources management

The National Water Act (36 of 1998) replaced previous legislation with an equitable system of administrative authorisations to use water, and Government became the public trustee of the nation's water resources. The Department is responsible for administering all aspects of the new Act, and for the development and implementation of related policies, strategies and regulatory instruments. It is also responsible for planning, developing, operating and maintaining the water resources management infrastructure owned by the state, and for overseeing the activities of all water management institutions. This role will change over time, as 19 new regional water management institutions - catchment management agencies - are established. The creation of a national water resource infrastructure agency is also being considered to manage existing national infrastructure and to develop new infrastructure.

### Water services

During the period 1994 to 2003/04 the Department made progress in providing basic levels of water service. More than 10 million people were served with clean water and four million people house holds with basic sanitation services.

In 2004/05, the Department continued to move from its role of construction and operation of water and sanitation services to its regulatory role.

This is indicated by the reduction in the budget allocation for its Capex-programme from an all time high during 03/04 of R 1505,371 million (including donor funds) to R 587,018 million for 2004/05, reducing even further to R388,873 million during 2005/06 and to R140,963 million for 2006/07. This function has been taken over by Municipal Infrastructure Grant (MIG) programme

On Operation and Maintenance, 95 schemes out of a targeted total of 317 have been transferred out of DWAF, representing an annual budget amount of R124, 370 million.

During 2004/05 the sector leadership role was taken forward through programmes including free basic water, Masibambane, participation

in the MIG programme and other support to Local Government. Many Water Service Authorities (WSA's) benefited from DWAF support through advisory/support services from the regional offices.

### Forestry

The Department promotes the sustainable management of South Africa's indigenous and commercial forest resources.

It aims to ensure that commercial plantations are regulated and managed in a sustainable manner to promote investment, employment, competition and black empowerment, as well as rural development. It seeks to ensure that there is an effective system to monitor, regulate and manage the protection and use of South Africa's indigenous state forests. The 1996 White Paper on Sustainable Forest Development focused on the transformation of the forest sector to serve the needs of South Africa and its people. The National Forests Act (94 of 1998) and the National Wild and Forest Fires Act (101 of 1998), which followed, impact on the Department's work, and on all players in the sector. A great deal of attention has been focused on the restructuring of the forests and plantations run by the Department. The process of disposing of the category A or large and economically viable plantations is largely complete. The disposal included substantial elements of black economic empowerment.

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

The programme to transfer the water services works that it currently owns and/ or operates to the relevant water services authorities has made good progress. In terms of the programme which is included in the Division of Revenue Act, all transfers should be effected by 31 March 2006 with all conditional grants (subsidies) phased out by March 2012 at which stage the conditional grants will be incorporated into the equitable share allocations to local government. By the close of the financial year, transfers had been made to 25 of the 55 Municipalities affected with assets transferred valued at R1,250 million.

In the area of sanitation, the eradication of the bucket system was given a boost when, following a proposal by DWAF, additional ring-fenced funds amounting to R1,2 billion were included in the MIG for a three year programme commencing in 2005/06.

The strategic Framework for Water Services (SFWs), approved by Cabinet in September 2003, identified the need for institutional reform to ensure effective, efficient and sustainable delivery for water services to meet sector targets. Progress is being made with review of the Water Services Act.

During 2004/05 funding of R400 million for the Masibambane (MSB) Water Services Sector Programme Phase 2 was agreed with the EU. The programme continues a sector wide approach towards meeting targets in the Strategic Framework for Water Services.

In the area of water resources, the publication of the first edition of the National Water Resources Strategy marked a new era for water resources management in South Africa. The subsidy policy for the support to resource poor farmers was approved and national guidelines were adopted for integrated government support with regard to agricultural water use.

In forestry, the Minister initiated the process to develop a Forestry Charter for Broad Based Black Economic Empowerment. This is expected to be completed by the end of 2005.

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

During the year, the Nandoni Dam in Limpopo was completed and work began on the raising of Flag Bosveld Dam and construction of the Berg River dam as well as the planning and preparation for the Vaal River Eastern System Augmentation and the Olifants River Development Project Phase 2.

- **Spending trends**
  - **Reasons for under/(over) spending:**  
Please see notes to the Appropriation Statement.

**Programme 1: Administration:**  
**Underspending R16,251 million.**

*Impact on programmes and service delivery:*

There should be no impact on service delivery.

*Actions taken to prevent recurrence:*

The saving is due to delays in the transfer of staff to municipalities due to protracted negotiations with receiving municipalities; funds will be rolled-over to the 2005/06 year.

**Programme 2: Water Resource Management:**  
**Underspending: R.29,913 million.**

*Impact on programmes and service delivery:*

There should be no impact on service delivery.

*Actions taken to prevent recurrence:*

The Botshabelo Municipality responsible for this emergency project was not able to make sufficient progress in the short time between the allocation of funds and the end of the financial year to enable the Department to transfer the funds to them. Contracts were concluded and orders placed, but the deliveries and/or payments could not take place before 31 March 2005.

**Programme 3: Water Services:**  
**Underspending: R0,501 million.**

No impact on service delivery.

**Programme 4: Forestry:**  
**Underspending R0,001 million.**

No impact on service delivery

## 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 to all South Africans in an efficient, cost-effective and sustainable way and to manage and sustain our forests, using the best scientific practice in a participatory and sustainable manner. Details of these services are covered under the different Key Performance Areas within the programmes.

### 2.2 Tariff policy

#### Water Services:

Since the majority of water supply and sanitation services provided by the Department are basic services for the benefit of the poor, no tariffs are levied and the operations are funded through the Division of Revenue Act as a "grant in kind" to the respective municipalities. Where above basic service levels are provided, tariffs are tabulated by province and then by Water Service Authority or Municipal area in which the scheme is located. A data sheet has been prepared for each of the schemes, together with a locality map for each municipal area indicating the location of the scheme.

Where the department provides water to end users, (i.e. retail water), it acts as Water Service Provider for the Water Service agencies and submits tariffs to the Water Service Agencies for approval. These tariffs are either:

- (a) actual costs of supply, or
- (b) where actual costs cannot be determined, then the latest "WS tariffs in the absence of scheme specific tariffs", as approved by our Minister, are applied.

(Note that if Water Service Authorities do not enter into agreement with the Department, no tariff can be levied).

#### Water Resources:

The policy framework for water resources is stipulated in chapter 5 of National Water Act, 1998. The new water pricing strategy was established on 12 November 1999 by a notice in the Government Gazette. The first revision of the pricing strategy was initiated and will be completed during 2005/6 for implementation in April 2006.

#### Water uses priced in terms of published strategy

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

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

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

### 2.3 Free services

#### Free basic water and sanitation services:

The Department renders support to municipalities to provide Free Basic Water (FBW) through Provincial Support Units. Implementation of Free Basic Water by Water Services Authorities are on track with 68.6% of the total population served, 58.6% of the poor population served, 75% of the population with infrastructure served and 95.3% of Water Services Authorities providing this service. While no national policy on Free Basic sanitation has been established,

individual municipalities have introduced this service with the total population served at 15.1%, the poor population served with 11.1%, population with access to infrastructure served at 13.3% and 7.6% of Water Services Authorities providing this service.

#### Water resources

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

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

#### Other services:

Various technical support services were provided to water institutions particularly, in poor rural communities. Water services were provided free in the absence of any financial cost recovery or local government subsidisation system.

#### Inventories:

Inventories on hand at year end

	"Costing method used"	2003/04		2004/05	
		€'000	35 409	€'000	36 537
Stores on hand	Average price				
Equipment on hand (A-class accountable items)	per item type	65 617		175 044	
<b>Total</b>		<b>120 426</b>		<b>211 581</b>	

### 3 Capacity constraints

The department has lost certain skills due to financial incentives, uncertainty arising from restructuring, and other factors. Where the Department cannot recruit the necessary skills, secondment or employment of professional service providers has been undertaken. There remain significant challenges in filling posts in scarce occupational classes, such as engineering, hydrology, water resources planning. Meeting employment equity targets in these scarce occupational classes is particularly difficult.

It is important to note that the entire department is engaged in 'triple tasks', i.e.

- maintenance of old functions
- restructuring to move to the future
- operating some future functions

This places a heavy work load on many functional and support units which have not been able to undertake all the tasks required due to lack of systems and skilled people and have resorted to the use of professional service providers as a result.

### 4 Utilisation of donor funds

During 2004/05 financial year, the following donor fund expenditure took place in the Community Water Supply and Sanitation - Programme (CWSS):

European Union		€153,117 million
Ireland		€36,193 million
Netherlands		€2,787 million
Flanders		€ 0,867 million
		€ 193,964 million

- These funds were used to provide rural communities with basic level of water supply and sanitation services and for capacity building and support of municipalities. The availability of donor funds also enhanced the development of policies, strategies and frameworks.

### 5 Trading entities/public entities

#### 5.1 Trading entities

The department operates the following trading entities:

- Water trading account.
- Equipment trading account.

These trading entities were established in terms of the old Exchequer Act, 1975 (Act 64 of 1975) and the Director-General is the Accounting Officer of both entities.



### 5.1.1 Water trading account.

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

### 5.1.2 Equipment trading account.

#### Functions

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

### 5.2 Public entities

The following public entities report to the department.

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

The Trans-Caledon Tunnel Authority (TCTA) was established in 1986 to undertake certain tasks emanating from the treaty on the Lesotho Highlands Water Project on behalf of the South African government. The project aims to augment water supply to the Vaal system and to generate hydroelectric power in Lesotho. The Authority was directed by the Department to fund all costs incurred in the water delivery component of the Lesotho Highlands Water Project, and to undertake financial risk management on behalf of South Africa.

Following revisions to the protocol for the implementation of the project, new governance arrangements have been introduced to improve operational efficiency. In terms of its revised establishment agreement, the Authority may be required to perform additional responsibilities in other areas. These need not be related to the Lesotho Highlands Water Project - the Department of Water Affairs and Forestry may require specific expertise on other projects as well. In accordance with this provision, the Authority has been tasked to assist Umgeni Water Board with the management of its

treasury function. It has also been tasked with the construction and raising of funds for the Berg River Project.

No grants are made to the Authority, as it is funded from income on tariffs levied on the sale of water and other loans. Where other parties benefit from services provided, the TCTA is empowered to recover the costs of such services.

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

The Water Research Commission was established in terms of the Water Research Act, 1971 (Act 34 of 1971). Its terms of reference are to promote co-ordination, communication and co-operation in the field of water research, to establish water research needs and priorities from a national perspective, to fund research on a priority basis, and to promote the effective transfer, dissemination and application of research findings. The Commission plays an important role in developing high-level human resources in the sector.

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

#### Accountability arrangements

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

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

#### Functions

The water boards were established as water service providers that report to the Minister of Water Affairs and Forestry. The primary function of these boards is bulk water service provision within their supply areas. They also manage other water services, and supply potable water at cost-effective prices and have been used by the Department as implementing agents for water services projects.

### The Water Boards

Albemarle Water	Barngalds Water	Overberg Water
Amatole Water	Lepelle Northern Water	Pella-drift Water
Bloem Water	Magalies Water	Rand Water
Botshabelo Water	Mishacuzo Water	Sediberg Water
Bushbuckridge Water	Namakwa Water	Umgeni Water

### Accountability arrangements

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

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

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

In furtherance of the regulatory requirements, the Department monitors governance of water boards. The Act requires the Minister to consider the need for representation of Water Services Authorities, other interest groups and expertise required on the Board when appointing members to the Board. The primary purpose of the Board is to ensure the water board's compliance with the Act, and to promote and ensure that the water board's business plan and policy statement are implemented (section 38(1)).

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

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

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

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

## 5.3 Other entities

### 5.3.1 Komati River Basin Water Authority:

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

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

### 5.3.2 National Forest Recreation and Access Trust:

The object of the National Forest Recreation and Access Trust is to promote access to and the use of forests for recreation, education, culture or spiritual fulfillment. In terms of section 41(2) of the National Forests Act (84 of 1998), the Minister is the sole trustee of the Trust. The only source of revenue for the Trust is interest earnings.

## 6 Organisations to which transfer payments have been made

	R'000
Conditional grant transfers to Municipalities Amatole	453
Buffalo City	1
Capricorn	16
Chris Hani	1 172
Madaya	1
Makado	163
Mzimba	16
OR Tambo	2 643
Thaba-Chesha	38
Tswane	94
Ukhahlamba	696
Umlalazi	4
East Free State Dist Council	7
Ethekwini Municipality	29
Umgungahlanje Dist Municipality	60
Ugu Dist Municipality	2
Capricorn	158

	R'000
Umdinyadi Dist Municipality	10
Indlovu Reg Council	35
Mamba	268
Matieland	5
Ehlanzeni	94
Gert Sibande	1
Cape Winelands	14
Francis Baard	54
Karoo	1
Uthukela Reg Council South	1
Zululand Dist Municipality	14
Kel Dist Council	108
Egama	1
Bojharima	2
Nelson Mandela Metropolitan Mun	2
Sekhukhune Cross Bound	7
Umtshayizwe Dist Municipality	62
Metsweding Dist Municipality	6
Cape Metropolitan	54
Eden	44
Alfred Nzo	79
Amatole	122
Cacadu	22
Chris Hani	117
Greater East Rand Muni	35
Lower Orange Dist Council	8
Tshwane Metropolitan Municipality	715
Southern Dist Council	17
Mshezi	17
Northern Free State	1

### Departmental Agencies and Accounts

Gluckstadt IB	453
Impela WUA	7 211
Kalahari East	38 098
Shyde River B06	1 076
Lower Shyde WUA	18 137
Kanon Island	6 056
Muangala	1
Overberg	1
Vehicle Licences	1 258

### Other Transfers

Equipment Trading Account	2 535
Water Trading Account	1 534 678
SARCOI	31 906
IEC INFRA (Water & Sanitation)	14 916
YORKCOE	37 438
Grand Total	1 735 067

### Reasons for Transfer Payments

#### Grants to Municipalities:

Transfer payments are made to municipalities in accordance with the exit strategy of the Community Water and Sanitation Programme (CWSP-P) from the department to Local Government (LG) as detailed in the Division of Revenue Act, i.e. the framework for conditional grants to local authorities for the department capital projects. Transfer payments are made to ensure that LG have funds to implement those projects identified in Water Service Development Plans (WSDPs).

The ultimate endeavour of transfer payments is to ensure that sustainable water and sanitation infrastructure is delivered to rural communities.

### Accountability Arrangements

Funds are transferred on the basis of a "Transfer Agreement" contract between the department and the receiving institution. The transfer agreement process is lengthy and time consuming, but the final outcome ensures the effective and sustainable delivery of infrastructure in accordance with the required accountability aspects of the Public Finance Management Act.

This process includes (and not limited to) the following accountability aspects of project implementation:

- An approved feasibility and Business Plan;
- Council resolution that the infrastructure and/or monies will be transferred for sustainable water and sanitation development in rural communities;
- An effective workplan that constitutes:
  - a feasible implementation plan; and
  - a feasible operations plan;
- A clear time schedule detailing when funds will be spent and infrastructure will be delivered; and
- Sustainability, revenue and longevity processes.

### Departmental Agencies and Accounts:

#### Gluckstadt Irrigation Board

The Gluckstadt IB defaulted on a loan to Land Bank, guaranteed by DWAF as well as a state loan granted in the 80's. The Land Bank obtained judgement against the Irrigation Board but was unable to recover anything, as the board had no assets. Land Bank demanded the final settlement payment from DWAF.

#### Impela Water User Association (WUA)

DWAF had to pay shortfalls in instalments repayments as a result of some members of Impela WUA refusing to pay their instalments on a loan taken from Rand Merchant Bank. The loan is guaranteed by DWAF for an amount of R150 million. The basis of their refusal is a challenge to the National Water Act. The case will be heard in the

Court of Appeal during November 2005. Also included in the above amount paid is an amount of R353 104 which is DWAF contribution to cover its agreed portion of the legal cost for the various court actions.

#### **Kalahari East Water User Association (WUA)**

Kalahari East WUA obtained a Land Bank Loan in 1989 amounting to R77,4 million guaranteed by the Government. The above portion of the loan had to be written off for which National Treasury made funds available.

#### **Blyde River 800**

Payments of interest on the portion of the Land Bank loan allocated to Blyde 800 project which will provide opportunities for high value irrigation farming for historically disadvantaged farmers.

#### **Lower Blyde River Water User Association (WUA)**

The WUA defaulted on a loan taken from Land Bank, guaranteed by the Government. In order to prevent interest accumulating at some R250 000 per month, it was decided to settle the loan but to continue with legal action against the WUA to recover the outstanding debt.

#### **Kanon Eiland Water User Association (WUA)**

Judgement was granted against the WUA for the settlement of a debt of R12 million, guaranteed by the Government. The judgement could only realise half the amount owed and DWAF was asked to honour the balance in terms of the guarantee.

#### **Other transfers:**

##### **Trading Accounts**

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

#### **SAFCOL**

The department entered into an agreement to pay SAFCOL an annual subsidy for the period 2002/03 until 2005/06. The payments were made to cover costs associated with conversion of plantations to other land use in the Southern and Western Cape as well as phasing out of loss making operations.

SAFCOL has finalised the transfer of ownership of the plantations in the Southern and Western Cape and the Stutterheim and Hogsback area in the Eastern Cape to private entities. The Department has entered into long term leases with both private entities MTQ Forestry (Pty) Ltd and Amatola Forestry (Pty) Ltd. Funding associated with land conversion in the Southern and Western has also been partially resolved between the department and the receiving agencies. The Department has entered into a two year delegation agreement with SAFCOL for the management of the areas not included in the MTQ lease.

#### **IEC-INFRA**

The amount was spend by the Department for the IEC water and sanitation project in preparation for the April 2004 national elections.

#### **YORKCOR**

The Department cancelled the Yorlor evergreen contract in order to implement forest restructuring. In terms of the contract, compensation is payable when the cancellation clause is invoked. The Department and Yorlor were unable to agree on compensation and it was referred for arbitration. The ruling was in favour of Yorlor and the Department was obliged to pay. Approximately one third of this is reserved for compensation of workers who were affected.

#### **7 Public/private partnerships (PPP)**

Work has been done on establishing value added industries through a public private partnership for the harvesting of invasive alien plants in order to recover some of the costs of clearing, while at the same time creating jobs over and above the ones created by the

clearing operations. The project is aimed at the clearing of invasive alien plants from the coastal plains of the Eastern and Western Cape.

## 8 Corporate governance arrangements

- **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 have the responsibility to manage the risk areas relevant to their areas of work. The regular updating of the risk assessment process is facilitated by the Directorate: Internal Audit.

- **Fraud prevention policies**

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

- **Effectiveness of internal audit and audit committee**

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

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

Other committees such as the Management Committee (MANCO), Executive Committee (EXCO), Departmental Control Committee

(DCC), etc are functioning effectively and are achieving their objectives.

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

- **Implementation of the code of conduct:**

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

- **Safety, health and environment issues facing the organisation.**

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

## 9 Discontinued activities/activities to be discontinued

The Department has been engaged in funding and operating community water supply and sanitation since 1994 in the Reconstruction and Development Programme and Community Water Supply and Sanitation programmes.

The responsibility for direct funding and operation is being transferred to local government and the Department will in future focus on monitoring, support in technical assistance and capacity building, regulation and policy.

The Department will continue over the next two years to complete those contractually committed projects which the department or its agents, other than local government are implementing using Medium Term Expenditure Framework and donor funds. The major portion of the department's Medium Term Expenditure Framework allocation for the Community Water Supply and Sanitation programmes has been reallocated to the MIG programme, which is managed by Department of Provincial and Local Government with effect from 1 April 2004. The Department of Provincial and Local Government and MIG have undertaken to honour contractually committed projects that were under the Community Water Supply

and Sanitation programmes, with the balance of funds going into an "uncommitted" amount which will be dealt with by Department of Provincial and Local Government.

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

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

## 10 New/proposed activities

Since, in terms of policy, the management and development of the national water infrastructure for economic purposes should be self-funding and the funding and planning of such activities occurs over longer periods than are covered by the Medium Term Expenditure Framework, proposals are being developed for the establishment of a National Water Infrastructure Agency which would be equipped to undertake these responsibilities under the supervision of the Department.

New and proposed activities in water resource management include the establishment of Catchment Management Agencies (CMAs) and the transfer of staff and functions to CMAs as they are established. The Mkomoti CMA is the first to which staff and functions will be transferred. In addition, the registration and charging of waste dischargers in terms of the revised pricing strategy and the development of a classification system for significant water resources are underway.

The Department intends to strengthen the Water Services Sector Wide Approach and align its local government support activities with 'Project Consolidator', Provincial Plans for water services support will be prepared linked to IDP/WSDP's and PGDS. The Department will monitor the performance of municipalities in meeting the delivery targets and providing effective and efficient water services in a sustainable manner.

The Department continues to support SADC capacity building initiatives and support the roll out of training programme for Water Sector personnel, Capacity Building of NGOs and the Best Practice Promotion in the Sector.

## 11 Events after the reporting date

None.

## 12 Progress with financial management improvement

Since 1 April 2003 the Financial Management System (FMS) was replaced by the Basic Accounting System (BAS). The BAS has been fully implemented in the Department and training has been offered to officials on the use of the new system. Some difficulties have been experienced in the application of the transversal systems to the Department's specific business needs. The Department is therefore implementing new systems for the Management of the Trading Accounts to enable reporting in accordance with GAAP.

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

## 13 Performance information

The performance information is outlined in paragraph 4.4 of the annual report.

### Approval

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



A.M. Muller  
DIRECTOR-GENERAL  
31 May 2005



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

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 34 – DEPARTMENT OF WATER AFFAIRS AND FORESTRY FOR THE YEAR ENDED 31 MARCH 2005

### 1 AUDIT ASSIGNMENT

The financial statements as set out on pages 144 to 192 for the year ended 31 March 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 40(1)(c) of the Public Finance Management Act, 1999 (Act No. 1 of 1999).

These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

### 2 NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

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

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

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

### 3 AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Department of Water Affairs and Forestry at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with prescribed accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

### 4 EMPHASIS OF MATTER

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

#### 4.1 Asset and inventory management

Due to the lack of an appropriate, documented and approved policy and procedure framework, an asset management policy as well as an updated asset register was not in place for the year under review. The following control weaknesses were identified:

- Stock counts were not done at certain regional offices.
- Some ledger cards contained zero opening balances.
- The existence of assets could not be verified.
- Not all assets were bar-coded.



## 4.2 Internal controls

Additional instances where internal control weaknesses existed, due to the lack of an appropriate, documented and approved policy and procedure framework, related to the following:

- The basis of allocation of transactions to the Water Trading Account was not defined, resulting in uncertainty regarding the accurate allocation of expenses incurred by the department on behalf of the Water Trading Account.
- A policy document with regard to the supply chain management system had not yet been compiled as required by the National Treasury, as a result of poor planning in the department.

## 4.3 Value-for-money audits

### 4.3.1 Management of fleet services

The department outsourced the fleet services on which it spent R201 million during the 2004-05 financial year. This contract contains penalty clauses which could result in fruitless expenditure if not fully observed. The department did not have an appropriate, documented and approved policy and procedure framework to ensure that adequate measures were in place in order to spend funds in the most economical and efficient manner. There are some of the instances where the lack of policy resulted in fruitless expenditure:

- Bookings were not cancelled in good time, with the result that the department paid for services that were not rendered.
- Vehicles hired for extended periods were delivered and collected outside core business hours and/or outside defined service areas, resulting in penalties on the monthly rental.

### 4.3.2 Outsourcing of information system services

In addition to a fixed-term contract for the outsourcing of the IT department, the following out-of-scope assignments were awarded without following departmental policies and procedures:

- Expenditure of R1,78 million was incurred without the approval of the departmental control committees.

- Another contract of R2,25 million was awarded, but the tender committee did not have the relevant technical expertise and two members did not declare a conflict of interest.

## 4.4 Information systems audit of the network security

An audit of the network security was completed in March 2005 and the findings were brought to the attention of the director-general.

The security of IT resources at the department was found to be inadequate. This was due to the lack of an appropriate policy and procedure framework.

## 4.5 Late submission of audit report

In terms of section 40(2) of the Public Finance Management Act, Act No. 1 of 1999 (as amended), the Auditor-General must submit an audit report on the financial statements received within two months of receipt of the statements. Due to the additional internal quality review procedures, implemented for the first time for this financial year by my office, I was unable to submit the audit report within the prescribed timeframe.

## 5 APPRECIATION

The assistance rendered by the staff of the department during the audit is sincerely appreciated.

*S. A. Fakar*

S.A. Fakar  
Auditor-General  
Pretoria  
August 005

## Accounting Policies for the year ended 31 March 2005

The Annual 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 Annual Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Act and the Division of Revenue Act, Act 5 of 2004. The following issued, but not yet effective Standards of Generally Recognised Accounting Practice have not been fully complied with in the Annual Financial Statements: GRAP 1, 2 and 3.

### 1 Basis of preparation

The Annual financial statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid. Under the accrual basis of accounting transactions and other events are recognised when incurred and not when cash is received or paid.

### 2 Revenue

#### Appropriated funds

Voted funds are the amounts appropriated to a department in accordance with the final budget known as the Adjusted Estimates of National/Provincial Expenditure. Unexpended voted funds are surrendered to the National/Provincial Revenue Fund, unless otherwise stated.

#### Departmental revenue

##### Tax revenue

A tax receipt is defined as compulsory, irrecoverable revenue collected by entities. Tax receipts are recognised as revenue in the statement of financial performance on receipt of the funds.

##### Sale of goods and services other than capital assets

This comprises the proceeds from the sale of goods and/or services produced by the entity. Revenue is recognised in the statement of financial performance on receipt of the funds.

##### Fines, penalties and forfeits

Fines, penalties and forfeits are compulsory receipts imposed by court or quasi-judicial body. Revenue is recognised in the statement of financial performance on receipt of the funds.

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

Interest and dividends received are recognised upon receipt of the funds, and no provision is made for interest or dividends receivable from the last receipt date to the end of the reporting period. They are recognised as revenue in the Statement of Financial Performance of the department and then transferred to the National/Provincial Revenue Fund.

Revenue received from the rent of land is recognised in the statement of financial performance on receipt of the funds.

##### Sale of capital assets

The proceeds from the sale of capital assets is recognised as revenue in the statement of financial performance on receipt of the funds.

##### Financial transactions in assets and liabilities

Repayments of loans and advances previously extended to employees and public corporations for policy purposes are recognised as

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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.

#### **Local and foreign aid assistance**

Local and foreign aid assistance is recognised in the statement of financial performance on receipt of funds. Where amounts are expensed before funds are received, a receivable is raised. Where amounts have been inappropriately expensed using Local and Foreign aid assistance, a payable is raised. In the situation where the department is allowed to retain surplus funds, these funds are shown as a reserve.

### **3 Expenditure**

#### **Compensation of employees**

Salaries and wages comprise payments to employees. Salaries and wages are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system. The expenditure is classified as capital where the employees were involved, on a full time basis, on capital projects during the financial year. All other payments are classified as current expense.

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

#### **Short-term employee benefits**

The cost of short-term employee benefits is expensed in the Statement of Financial Performance in the reporting period when the

final authorisation for payment is effected on the system. Short-term employee benefits, that give rise to a present legal or constructive obligation are disclosed as a disclosure note to the Annual Financial Statements and are not recognised in the Statement of Financial Performance.

#### **Long-term employee benefits and other post employment benefits**

##### **Termination benefits**

Termination benefits are recognised and expensed only when the final authorisation for payment is effected on the system.

##### **Medical benefits**

The department provides medical benefits for its employees through defined benefit plans. Employer contributions to the fund are incurred when the final authorisation for payment is effected on the system. No provision is made for medical benefits in the Annual Financial Statements of the department.

##### **Post employment retirement benefits**

The department provides retirement 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 final authorisation for payment to the fund is effected on the system. No provision is made for retirement benefits in the Annual Financial Statements of the department. Any potential liabilities are disclosed in the Annual Financial Statements of the National/Provincial Revenue Fund and not in the Annual Financial Statements of the employer department.

##### **Other employee benefits**

Obligations arising from leave entitlement, thirteenth cheque and performance bonus that are reflected in the disclosure notes have not been paid for at year-end.

### Goods and services

Payments made for goods and/or services are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system. The expense is classified as capital if the goods and services was used on a capital project.

### Interest and rent on land

Interest and rental payments resulting from the use of land, are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system. This item excludes rental on the use of buildings or other fixed structures.

### Financial transactions in assets and liabilities

Financial transactions in assets and liabilities include bad debts written off. Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or underspending available to the department. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts.

### Unauthorised expenditure

Unauthorised expenditure, is defined as:

- The overspending of a vote or a main division within a vote, or
- Expenditure that was not made in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Such expenditure is treated as a current asset in the Statement of Financial Position until such expenditure is approved by the relevant authority, recovered or written off as irrecoverable.

### Irregular expenditure

Irregular expenditure, is defined as :

expenditure, other than unauthorised expenditure, incurred in contravention or not in accordance with a requirement of any applicable legislation, including:

- the Public Finance Management Act
- the State Tender Board Act, or any regulations made in terms of this act, or
- any provincial legislation providing for procurement procedures in that provincial government.

It is treated as expenditure in the Statement of Financial Performance, if such expenditure is not condoned and it is possibly recoverable it is disclosed as receivable in the Statement of Financial Position at year-end.

### Fruitless and wasteful expenditure

Fruitless and wasteful expenditure, is defined as:

expenditure that was made in vain and would have been avoided had reasonable care been exercised, therefore

- it must be recovered from a responsible official (a debtor account should be raised), or
- the vote. (If responsibility cannot be determined.)

Such expenditure is treated as a current asset in the Statement of Financial Position until such expenditure is recovered from the responsible official or written off as irrecoverable.

### 4 Transfers and subsidies

Transfers and subsidies include all irrecoverable payments made by the entity. Transfers and subsidies are recognised as an expense when the final authorisation for payment is effected on the system.

## 5 Expenditure for capital assets

Capital assets are assets that can be used repeatedly and continuously in production for more than one year. Payments made for capital assets are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system.

## 6 Investments

Investments include; Investments in Associates; Joint ventures; Investments in controlled entities and Other investments.

Investments are shown at cost. On disposal of an investment, the surplus/(deficit) is recognised as revenue in the Statement of Financial Performance.

## 7 Receivables

Receivables are not normally recognised under the modified cash basis of accounting. However, receivables included in the Statement of Financial Position arise from cash payments that are recoverable from another party, when the payments are made.

Receivables for services delivered are not recognised in the Statement of Financial Position as a current asset or as income in the Statement of Financial Performance, as the Annual Financial Statements are prepared on a modified cash basis of accounting, but are disclosed separately as part of the disclosure notes to enhance the usefulness of the Annual Financial Statements.

## 8 Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and balances with banks, short term investments in money market instruments and demand deposits. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 9 Payables

Payables are not normally recognised under the modified cash basis of accounting. However, payables included in the Statement of Financial Position arise from advances received that are due to the Provincial/National Revenue Fund or another party.

## 10 Lease commitments

Lease commitments for the period remaining from the reporting date until the end of the lease contract are disclosed as part of the disclosure notes to the Annual Financial Statements. These commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance as the Annual Financial Statements are prepared on the cash basis of accounting.

Operating lease expenditure is expensed when the payment is made.

Finance lease expenditure is expensed when the payment is made, but results in the acquisition of the asset under the lease agreement. A finance lease is not allowed in terms of the Public Finance Management Act.

## 11 Accruals

This amount represents 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. These amounts are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance as the Annual Financial Statements are prepared on a modified cash basis of accounting, but are however disclosed as part of the disclosure notes.

## 12 Contingent liability

This 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 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 not recognised in the Statement of Financial Position, but the information is disclosed as part of the disclosure notes.

## 13 Commitments

This amount represents goods/services that have been approved and/or contracted, but no delivery has taken place at the reporting date. These amounts are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance as the Annual Financial Statements are prepared on a modified cash basis of accounting, but are however disclosed as part of the disclosure notes.

## 14 Capitalisation reserve

The capitalisation reserve represents an amount equal to the value of the investment and/or loans capitalised. On disposal, repayment or recovery, such amounts are transferred to the Revenue Fund.

## 15 Recoverable revenue

Recoverable revenue represents payments made and recognised in the Statement of Financial Performance as an expense in previous

years due to non-performance in accordance with an agreement, which have now become recoverable from a debtor. Repayments are transferred to the Revenue Fund as and when the repayment is received.

## 16 Comparative figures

Where necessary, comparative figures have been restated to conform to the changes in the presentation in the current year. The comparative figures shown in these Annual Financial Statements are limited to the figures shown in the previous year's audited Annual Financial Statements and such other comparative figures that the department may reasonably have available for reporting. Reclassification of expenditure has occurred due to the implementation of the Standard Chart of Accounts. It is not practical to present comparative amounts in the Cash Flow Statements as this would involve reclassification of amounts dating back to the 2002/03 year-end.

**APPROPRIATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2005**

Appropriation per programme										
	2004/05					2003/04				
	Adjusted Appropriation	Spending of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Payment	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	
<b>1 Administration</b>										
Current payment	259 876	-	6 904	266 780	241 259	25 521	90.4%	275 407	256 470	
Transfers and subsidies	4 990	-	-	4 990	22 366	(17 376)	448.2%	-	-	
Payment for capital assets	17 175	-	-	17 175	9 069	8 106	52.8%	10 585	6 360	
<b>2 Water Resource Management</b>										
Current payment	618 857	(40 500)	(73 303)	505 054	642 387	(137 333)	127.2%	592 743	521 643	
Transfers and subsidies	609 236	40 500	-	649 736	657 866	(8 130)	101.3%	367 107	273 498	
Payment for capital assets	362 893	-	(40 703)	322 192	146 796	175 396	45.6%	233 230	321 667	
<b>3 Water Services</b>										
Current payment	283 213	-	54 264	337 477	523 327	(185 750)	154.4%	673 230	269 304	
Transfers and subsidies	1 669 183	-	-	1 669 183	983 488	685 695	59.0%	1 238 014	1 100 648	
Payment for capital assets	154 600	-	-	154 600	56 544	98 056	36.6%	621 613	1 030 230	
<b>4 Forestry</b>										
Current payment	383 330	-	23 623	406 953	392 237	14 716	96.4%	419 784	408 378	
Transfers and subsidies	53 552	-	-	53 552	71 347	(17 795)	133.2%	-	-	
Payment for capital assets	6 127	-	-	6 127	3 023	3 102	49.4%	6 977	3 229	
<b>5 Theft and Losses</b>										
Current payment	-	-	29 215	29 215	29 215	-	100.0%	-	-	
<b>TOTAL</b>	<b>3 823 112</b>	<b>-</b>	<b>-</b>	<b>3 823 112</b>	<b>3 776 946</b>	<b>46 166</b>	<b>98.8%</b>	<b>4 639 180</b>	<b>4 182 087</b>	
<b>Reconciliation with Statement of Financial Performance</b>										
Departmental revenue received				88 508				160 591		
Local and foreign aid assistance received				125 362				326 708		
<b>Actual amounts per Statements of Financial Performance (Total revenue)</b>				<b>4 035 982</b>				<b>5 126 679</b>		
Local and foreign aid assistance					188 515				229 157	
<b>Actual amounts per Statements of Financial Performance (Total expenditure)</b>					<b>3 945 461</b>				<b>4 411 244</b>	



Appropriation per economic classification									
	2004/05					2003/04			
	Adjusted Appropriation R'000	Setting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payments as % of Final Appropriation %	Final Appropriation R'000	Actual Payment R'000
<b>Current payment:</b>									
Compensation of employees	642 005	-	-	642 005	602 656	59 349	91.0%	605 624	598 203
Goods and services	916 969	(49 500)	11 486	887 955	1 193 707	(305 752)	134.4%	1 385 838	673 112
Interest and rent on land	1 505	-	-	1 505	867	638	57.6%	2 157	2 157
Financial transactions in assets and liabilities	-	-	29 215	29 215	29 215	-	100.0%	-	12 912
<b>Transfers and subsidies to:</b>									
Provinces and municipalities	1 192 750	-	-	1 192 750	5 491	1 187 259	0.5%	1 905 877	585 821
Departmental agencies and accounts	626 655	48 500	-	667 105	1 611 675	(944 570)	241.6%	414 679	1 534 358
Public corporations and private enterprises	38 000	-	-	38 000	84 254	(46 254)	221.7%	-	-
Households	-	-	-	-	33 647	(33 647)	-	-	-
<b>Payment for capital assets:</b>									
Buildings and other fixed structures	328 443	-	(49 791)	285 742	172 788	112 954	40.5%	-	-
Machinery and equipment	46 143	-	-	46 143	33 218	14 925	67.7%	235 005	761 511
Biological or cultivated assets	48	-	-	48	90	(42)	187.5%	-	-
Software and other intangible assets	11 483	-	-	11 481	11 340	61	99.5%	-	14 013
Land and subsoil assets	1 243	-	-	1 243	-	1 243	-	-	-
<b>Total</b>	<b>3 623 112</b>	<b>-</b>	<b>-</b>	<b>3 623 112</b>	<b>3 776 946</b>	<b>46 160</b>	<b>98.6%</b>	<b>4 639 180</b>	<b>4 182 087</b>

DETAIL PER PROGRAMME 1 ADMINISTRATION FOR THE YEAR ENDED 31 MARCH 2005

Programme per subprogramme	2004/05					2003/04			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Payment	Variance	Payments as % of final appropriation	Final Appropriation	Actual Payment
	£1000	£1000	£1000	£1000	£1000	£1000	%	£1000	£1000
<b>1.1 Minister</b>									
Current payment	791			791	955	(164)	120.7%	746	961
Transfers and subsidies					2	(2)			
<b>1.2 Management</b>									
Current payment	43 735	630	670	45 425	19 183	26 242	42.2%	14 151	30 307
Transfers and subsidies					15 127	(13 127)			
Expenditure for capital assets	165			165	26	139	15.8%	156	430
<b>1.3 Corporate Services</b>									
Current payment	157 584	(626)	195	156 959	151 373	5 586	96.4%	196 653	147 267
Transfers and subsidies	4 981			4 981	9 233	(4 252)	185.4%		
Expenditure for capital assets	9 720			9 720	4 127	5 593	42.5%	7 124	2 156
<b>1.4 Information Services</b>									
Current payment	57 766		5 839	63 605	69 748	(6 143)	109.7%	63 657	76 095
Transfers and subsidies	5		5	10	4	6	44.4%		
Expenditure for capital assets	7 269			7 269	4 916	2 354	67.4%	3 305	3 774
<b>TOTAL</b>	<b>282 041</b>	<b>-</b>	<b>6 904</b>	<b>288 945</b>	<b>272 694</b>	<b>16 251</b>	<b>94.4%</b>	<b>285 992</b>	<b>262 830</b>

Economic Classification	2004/05				2001/04				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payments as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
<b>Current payment</b>									
Compensation of employees	175 500			175 500	92 675	42 825	68.4%	145 840	102 844
Goods and services	132 215		6 904	139 119	148 583	(9 464)	106.8%	129 156	153 235
<b>Transfers and subsidies to:</b>									
Provinces and municipalities	425			425	265	140	62.1%	411	431
Departmental agencies and accounts				-	19 244	(19 244)			
Households					2 836	(2 836)			
<b>Payment for capital assets</b>									
Buildings and other fixed structures	2 500			2 500	1 452	1 048	58.1%		
Machinery and equipment					4 235	(4 235)			6 245
Software and other intangible assets	11 401			11 401	3 384	8 017	29.7%	18 585	135
<b>Total</b>	<b>282 041</b>	<b>-</b>	<b>6 904</b>	<b>288 945</b>	<b>272 694</b>	<b>16 251</b>	<b>94.4%</b>	<b>285 932</b>	<b>262 830</b>

DETAIL PER PROGRAMME 2 WATER RESOURCE MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2005

Programme per subprogramme	2004/05				2003/04				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
<b>2.1 Equitable Supply</b>									
Current payment	20 856	(17 306)	(51 803)	119 753	106 095	13 658	88.6%	232 094	202 338
Transfers and subsidies	30 931	46 500		71 431	68 789	2 642	96.3%	1 047	34 242
Expenditure for capital assets	932			932	1 351	(419)	146.5%		
<b>2.2 Protection Policies</b>									
Current payment	32 893	(3000)		32 593	38 219	(5 626)	117.3%	32 443	12 057
Transfers and subsidies	52			52	24	28	46.2%		
Expenditure for capital assets	1 057			1 057	96	961	9.1%	1 060	414
<b>2.3 Institutional Regulations</b>									
Current payment	7 700	(1 000)		6 700	9 782	(2 992)	144.5%	8 504	535
Transfers and subsidies					9	(9)			
Expenditure for capital assets	150			150	114	36	76.0%	106	
<b>2.4 Strategic Alignment</b>									
Current payment	118 569	(1 000)	(116 500)	101 169	83 046	18 129	82.1%	80 232	63 723
Transfers and subsidies	263			263	323	60	43.5%		
Expenditure for capital assets	7 751			7 751	6 441	1 310	83.1%	6 606	6 387
<b>2.5 African Co-operation</b>									
Current payment	7 256			7 256	5 464	1 792	75.3%	4 537	7 572
Transfers and subsidies					3	(3)			
Expenditure for capital assets	67			67	17	50	25.4%	68	
<b>2.6 Water Resource Administration</b>									
Current payment	23 602	(9000)	(15 000)	36 702	34 998	1 704	89.9%	3 425	4 273
Transfers and subsidies					29	(29)			
Expenditure for capital assets	505			505	23	482	4.6%	164	158
<b>2.7 Sustainable Supply</b>									
Current payment	19 243	23 000		42 243	192 367	(150 124)	455.4%	83 787	75 267
Transfers and subsidies	16			16	23 479	(23 463)	146743.6%		
Expenditure for capital assets	346 937		(46 701)	306 236	118 738	187 498	38.4%	215 309	345 927
<b>2.8 Protection Measures</b>									
Current payment	3 028			3 028	2 364	(664)	106.7%	442	
Expenditure for capital assets					85	(85)		13	

Programme per subprogramme	2004/05						2003/04					
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Payment	Variance	Payment as % of final appropriation	Final Appropriation	Actual Payment	Final Appropriation	Actual Payment	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	R'000	
<b>2.9 Institutional Development</b>												
Current payment	7 088			7 088	9 152	(2 064)	128.1%			6 963	10 869	
Transfers and subsidies	109			109	19	(19)				74	107	
Expenditure for capital assets					285	(176)	261.5%					
<b>2.10 Stakeholder Empowerment</b>												
Current payment	116 071	(16 000)		100 071	99 308	763	99.2%	84 848	78 929	84 848	78 929	
Transfers and subsidies	106			106	437	(151)	433.1%					
Expenditure for capital assets	5 052			5 052	18 627	(13 545)	366.5%	7 606	33 622	7 606	33 622	
<b>2.11 Water Resource Support</b>												
Current payment	76 363	(7 000)		69 363	81 708	(12 437)	117.9%	47 424	63 460	47 424	63 460	
Transfers and subsidies	43			43	163	(120)	379.1%					
Expenditure for capital assets	313			313	1 819	(706)	325.6%	1 433	1 639	1 433	1 639	
<b>2.12 Operation of Water Resources</b>												
Transfers and subsidies	575 230			575 230	562 236	13 014	97.7%	364 607	270 998	364 607	270 998	
<b>2.13 Capital Equipment</b>												
Transfers and subsidies	2 535			2 535	2 535	-	100.0%	2 500	2 500	2 500	2 500	
<b>TOTAL</b>	<b>1 590 956</b>	<b>-</b>	<b>(114 004)</b>	<b>1 476 952</b>	<b>1 447 049</b>	<b>29 913</b>	<b>98.0%</b>	<b>1 193 580</b>	<b>1 116 208</b>	<b>1 193 580</b>	<b>1 116 208</b>	

Economic Classification	2004/05						2003/04					
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Payment	Variance	Payment as % of final appropriation	Final Appropriation	Actual Payment	Final Appropriation	Actual Payment	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	R'000	
<b>Current payment</b>												
Compensation of employees	215 646			215 646	180 120	35 526	83.5%	225 537	185 729	225 537	185 729	
Goods and services	403 211	(40 500)		289 408	463 962	(172 554)	159.6%	354 056	220 496	354 056	220 496	
Interest and rent on land					305	(305)						
<b>Transfers and subsidies to:</b>												
Provinces and municipalities	766			766	4 310	(3 544)	562.7%					
Departmental agencies and accounts	608 450	40 500		648 950	634 208	14 742	97.7%	398 678	394 321	398 678	394 321	
Households					19 250	(19 250)						
<b>Payment for capital assets</b>												
Buildings and other fixed structures	317 836			277 135	116 293	160 822	42.0%					
Machinery and equipment	43 834			43 834	22 858	20 976	52.1%	213 369	309 958	213 369	309 958	
Software and other intangible assets					7 643	(7 643)						
Land and subsoil assets	1 240			1 240	1 243	1 243						
<b>Total</b>	<b>1 590 956</b>	<b>-</b>	<b>(114 004)</b>	<b>1 476 952</b>	<b>1 447 049</b>	<b>29 913</b>	<b>98.0%</b>	<b>1 193 580</b>	<b>1 116 208</b>	<b>1 193 580</b>	<b>1 116 208</b>	

DETAIL PER PROGRAMME 3 WATER SERVICES FOR THE YEAR ENDED 31 MARCH 2005

Programme per subprogramme	2004/05				2003/04				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
<b>3.1 Provisioning Services</b>									
Current payment	6 084			6 084	(1 853)	7 935	(30.4%)	8 981	6 822
Expenditure for capital assets					177	(177)		270	1 787
<b>3.2 Water Sector Policies</b>									
Current payment	39 021			39 023	-41 835	(2814)	107.2%	37 157	31 343
Transfers and subsidies	8			8	22	(14)	275.0%		
Expenditure for capital assets	1 043			1 043	333	732	29.8%	268	4 005
<b>3.3 Institutional Policies</b>									
Current payment	6 159			6 159	3 513	2 646	57.0%	14 953	6 332
Transfers and subsidies					5	(5)			
Expenditure for capital assets	100			100		100		106	4 400
<b>3.4 Transfer Policies</b>									
Current payment									
Expenditure for capital assets									
<b>3.5 African Initiative</b>									
Current payment	178			178		178		3 571	111
Expenditure for capital assets								28	2
<b>3.6 Water Services Administration</b>									
Current payment	7 701			7 703	5 950	1 751	77.3%	4 578	5 112
Transfers and subsidies	1				9	(8)	900.0%		
Expenditure for capital assets	116			116	18	98	15.5%	32	100
<b>3.7 Water and Sanitation Services</b>									
Current payment	4 974		37 873	32 947	222 790	(189 843)	676.2%	532 487	88 650
Transfers and subsidies	81 243			81 243	19 165	62 078	23.6%		
Expenditure for capital assets	141 728			141 728	40 791	100 937	28.8%	619 507	933 232
<b>3.8 Water Sector Support</b>									
Current payment	37 638		15000	52 638	68 171	(15 533)	128.5%	17 222	36 647
Transfers and subsidies	25			25	378	(353)	1 512.0%		
Expenditure for capital assets	3 256			3 256	334	2 922	19.3%	190	25 264

Programme per subprogramme	2004/05										2003/04	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Payment	Variance	Payment as % of final appropriation	Final Appropriation	Actual Payment			
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	R'000	
<b>3.9 Institutional Support</b>												
Current payment	44 712			44 712	42 141	2 571	94.2%		20 533		23 581	
Transfers and subsidies	103			103	(254)	257	(246.6%)					
Expenditure for capital assets	7 791			7 791	7 226	565	92.7%		424		23 689	
<b>3.10 Transfers</b>												
Current payment	21 115		11 293	32 408	31 261	21 145	94.7%					
Transfers and subsidies	35 913			35 913	12 153	23 760	33.8%		2 048		10 719	
Expenditure for capital assets					5 046	(5 046)						
<b>3.11 African Participation</b>												
Current payment	608			608		608			285			
Expenditure for capital assets												
<b>3.12 Water Services Support</b>												
Current payment	115 103			115 103	127 517	(12 414)	110.8%		232 998		61 742	
Transfers and subsidies	28			28	147	(119)	525.0%					
Expenditure for capital assets	566			566	2 641	(2 075)	466.6%		750		37 349	
<b>3.13 Operations of Water Services</b>												
Transfers and subsidies	951 862			951 862	951 863	(1)	100.0%		1 235 966		1 089 929	
<b>TOTAL</b>	<b>1 507 096</b>		<b>94 294</b>	<b>1 541 360</b>	<b>1 541 359</b>	<b>1</b>	<b>100.0%</b>		<b>2 732 847</b>		<b>2 391 442</b>	

Economic Classification	2004/05				2003/04				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of Final Appropriation %	Final Appropriation R'000	Actual Payment R'000
<b>Current payment</b>									
Compensation of employees	66 526			66 526	78 648	(12 122)	118,2%	60 760	49 910
Goods and services	244 050		54 264	298 313	442 680	(144 365)	148,4%	264 487	170 079
Financial transactions in assets and liabilities									12 912
<b>Transfers and subsidies to provinces and municipalities</b>	1 191 162			1 191 162	-	1 191 162		1 905 466	585 410
Departmental agencies and accounts	3 000			3 000	926 317	(923 317)	30827,2%		1 122 857
Public corporations and private enterprises					45 772	(45 772)			
Households					11 397	(11 397)			
<b>Payment for capital assets</b>									
Buildings and other fixed structures					54 915	(54 915)			
Machinery and equipment	2 309			2 309	1 368	931	60,1%	2 134	442 138
Biological or outlasted assets	48			48		48			8 136
Software and other intangible assets					241	(241)			
<b>Total</b>	1 507 098	-	54 264	1 561 360	1 561 359	1	100,0%	2 732 847	2 391 442



DETAIL PER PROGRAMME 4 FORESTRY FOR THE YEAR ENDED 31 MARCH 2005

Programme per subprogramme	2004/05					2003/04			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Payment	Variance	Payment as % of final appropriation	Final Appropriation	Actual Payment
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>4.1 Plantation Restructuring</b>									
Current payment	776			776	36	740	4.6%	811	27
Expenditure for capital assets									14
<b>4.2 Indigenous Forest Restructuring</b>									
Current payment	209			209	46	163	22.0%	208	2
Expenditure for capital assets					19	(19)			
<b>4.3 Forestry Oversight</b>									
Current payment	13 483			13 483	13 163	320	97.6%	13 901	5 827
Transfers and subsidies	14			14	19	(5)	135.7%		
Expenditure for capital assets	430			430	2	428	0.5%	443	(46)
<b>4.4 African Forestry Liaison</b>									
Current payment	658			658	529	129	80.4%	678	259
Transfers and subsidies					2	(2)			
Expenditure for capital assets					1	(1)			17
<b>4.5 Community Forestry</b>									
Current payment	803			803	938	(835)	916.7%	104	285
Transfers and subsidies									
Expenditure for capital assets					3	(3)			23
<b>4.6 Forestry Management Support</b>									
Current payment	4 495			4 495	3 463	1 032	77.0%	4 638	5 634
Transfers and subsidies					2	(2)			
Expenditure for capital assets	29			29	200	(161)	512.8%	40	76
<b>4.7 Plantation Management</b>									
Current payment	265 237		8 068	273 237	274 439	(1 193)	100.4%	281 956	279 375
Transfers and subsidies	243			243	1 996	(1 753)	656.8%		
Expenditure for capital assets	2 351			2 351	1 958	393	83.3%	3 091	2 467
<b>4.8 Indigenous Forest Management</b>									
Current payment	46 941		17 068	63 943	66 717	(2 776)	104.3%	48 579	58 637
Transfers and subsidies	66			66	297	(231)	345.3%		
Expenditure for capital assets	2 516			2 516	563	1 954	22.3%	2 449	113

Programme per subprogramme	2004/05						2003/04		
	Adjusted Appropriation	Shifting of funds	Virement	Final Appropriation	Actual Payment	Variance	Payment as % of final appropriation	Final Appropriation	Actual Payment
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>4.9 Forestry Governance</b>									
Current payment	1 953			1 953	230	1 723	11.8%	2 012	80
Transfers and subsidies					1	(1)			
Expenditure for capital assets					2	(2)			
<b>4.10 Community Empowerment</b>			360						
Current payment	23 590			23 590	25 152	(1 262)	105.3%	24 552	17 090
Transfers and subsidies	54			54	48	6	88.9%	359	52
Expenditure for capital assets	329			329	200	129	60.8%		
<b>4.11 Forestry Support Services</b>			(1 679)						
Current payment	25 885			24 206	7 533	16 653	31.2%	42 539	50 830
Transfers and subsidies	53 155			53 155	69 374	(16 219)	130.5%		
Expenditure for capital assets	452			452	81	381	17.9%	595	517
<b>TOTAL</b>	<b>443 009</b>	<b>-</b>	<b>23 621</b>	<b>466 630</b>	<b>466 629</b>	<b>1</b>	<b>100.0%</b>	<b>426 742</b>	<b>411 607</b>

Economic Classification	2004/05						2003/04		
	Adjusted Appropriation	Shifting of funds	Virement	Final Appropriation	Actual Payment	Variance	Payment as % of final appropriation	Final Appropriation	Actual Payment
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payment</b>									
Compensation of employees	244 333			244 333	251 213	(6 880)	102.8%	253 487	259 720
Goods and services	137 402		23 621	161 113	140 482	20 631	87.2%	148 139	129 522
Interest and rent on land	1 505			1 505	562	943	37.3%	2 157	2 157
<b>Transfers and subsidies to:</b>									
Provinces and municipalities	397			397	606	(499)	225.2%	16 086	17 189
Departmental agencies and accounts	15 155			15 155	31 906	(16 751)	210.5%		
Public corporations and private enterprises	38 000			38 000	38 485	(481)	101.3%		
Households					64	(64)			
<b>Payment for capital assets</b>									
Buildings and other fixed structures	6 127			6 127	126	6 001	2.1%	6 977	3 170
Machinery and equipment					2 737	(2 737)			
Biological or cultivated assets					90	(90)			
Software and other intangible assets					72	(72)			
<b>Total</b>	<b>443 009</b>	<b>-</b>	<b>23 621</b>	<b>466 630</b>	<b>466 629</b>	<b>1</b>	<b>100.0%</b>	<b>426 742</b>	<b>411 607</b>

DETAIL PER PROGRAMME 5 THEFTS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2005

Programme per subprogramme	2004/05						2003/04		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
<b>S.1 Thefts and Losses • Car</b>									
Current payment			29 215	29 215	29 215		100.0%		12 912
<b>TOTAL</b>			29 215	29 215	29 215		100.0%		12 912

Economic Classification	2004/05						2003/04		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
<b>Current payment</b>									
Financial transactions in assets and liabilities			29 215	29 215	29 215		100.0%		12 912
<b>Total</b>	-	-	29 215	29 215	29 215		100.0%		12 912

**NOTES TO THE APPROPRIATION STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2005**

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

Detail of these transactions can be viewed in note 9 (Transfers and subsidies) and Annexure 1 (C-1) 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 Voted Funds after virement Actual Expenditure R'000**

Administration 288 945 272 694 16 251

The saving is mainly attributed to the transfer of staff to municipalities which could not take place due to protracted negotiations with receiving municipalities and funds will be rolled-over to 2005/06 financial year.

Water Resource 1 476 976 1 447 049 29 927

The Botshabela Municipality responsible for the project was not able to procure and/or pay for the services and the Department could therefore not have transferred funds to them.

Contracts for emergency water supplies have been concluded and orders have been placed but deliveries and/or payments could not take place before 31 March 2005.

Water Services 1 961 360 1 961 359 1

Indisputable variance.

Forestry 466 639 466 629 1

Indisputable variance.

Thefts and Losses 29 215 29 215

4.2 Per Economic classification

<b>Current payment:</b>	<b>R'000</b>
Compensation of employees	59 349
Goods and services	(365 753)
Interest and rent on land	638
<b>Transfers and subsidies</b>	<b>1 187 259</b>
Provinces and municipalities	(944 570)
Departmental agencies and accounts	(46 234)
Public corporations and private enterprises	(33 647)
Households	
<b>Payments for capital assets:</b>	<b>112 956</b>
Buildings and other fixed structures	14 929
Machinery and equipment	(42)
Biological or cultivated assets	63
Software and other intangible assets	1 243
Land and subsoil assets	

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2005

	2004/05 R'000	2003/04 R'000
<b>REVENUE</b>		
Annual appropriation	1 023 112	4 639 182
Departmental revenue	88 508	160 991
Local and foreign aid assistance	125 342	326 706
<b>TOTAL REVENUE</b>	<b>1 236 962</b>	<b>5 126 879</b>
<b>EXPENDITURE</b>		
Current expenditure		
Compensation of employees	602 656	596 283
Goods and services	1 193 787	673 111
Interest and rent on land	967	2 157
Financial transactions in assets and liabilities	29 215	12 952
Local and foreign aid assistance	180 882	226 027
<b>Total current expenditure</b>	<b>2 007 507</b>	<b>1 506 423</b>
Transfers and subsidies	1 735 087	2 129 179
<b>Expenditure for capital assets</b>	<b>223 087</b>	<b>764 664</b>
Buildings and other fixed structures	177 788	-
Machinery and equipment	31 238	763 911
Biological or cultivated assets	90	-
Software and other intangible assets	11 340	14 653
Local and foreign aid assistance	7 633	9 120
<b>Total expenditure for capital assets</b>	<b>223 087</b>	<b>764 664</b>
<b>TOTAL EXPENDITURE</b>	<b>3 965 681</b>	<b>4 401 244</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>71 281</b>	<b>715 235</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>71 281</b>	<b>715 235</b>
Reconciliation of Net Surplus/ (Deficit) for the year		
Voted Funds to be surrendered to the Revenue Fund/unutilised	46 166	457 093
Departmental receipts to be surrendered to the Revenue Fund	88 508	160 991
Local and foreign aid assistance	(63 152)	97 551
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>71 281</b>	<b>715 235</b>

**STATEMENT OF FINANCIAL POSITION FOR  
THE YEAR ENDED 31 MARCH 2005**

	2004/05	2003/04
<b>ASSETS</b>		
<b>Current assets</b>		
Unauthorised expenditures	293 450	663 518
Cash and cash equivalents	14 889	14 889
Loans	179 596	483 205
Prepayments and advances	10 357	7 862
Receivables	109 056	48 413
Local and foreign aid assistance receivable	48 183	129 527
	31 390	13 623
<b>Non-current assets</b>		
Loans	232 871	278 152
	232 871	278 152
<b>TOTAL ASSETS</b>	<b>626 321</b>	<b>937 670</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Voted funds to be surrendered to the Revenue Fund	378 584	651 988
Departmental revenue to be surrendered to the Revenue Fund	46 166	487 093
Bank overdraft	(47 643)	74 540
Payables	597 647	-
Local and foreign aid assistance repayable	177 538	69 513
	5 454	50 829
<b>Non-current liabilities</b>		
<b>TOTAL LIABILITIES</b>	<b>378 584</b>	<b>651 988</b>
<b>NET ASSETS</b>	<b>247 737</b>	<b>285 682</b>
<b>Represented by:</b>		
Capitalisation reserve	243 228	262 014
Recoverable revenue	4 509	3 668
<b>TOTAL</b>	<b>247 737</b>	<b>285 682</b>

**STATEMENT OF CHANGES IN NET ASSETS FOR  
THE YEAR ENDED 31 MARCH 2005**

	2004/05	2003/04
<b>Capitalisation reserve</b>		
Opening balance	282 014	276 106
Transfers	(38 786)	3 908
Closing balance	243 228	280 014
<b>Recoverable revenue</b>		
Opening balance	3 668	-
Debts written off	(225)	(5 674)
Debts recovered (included in departmental revenue)	(71)	6 618
Debts raised	1 137	2 724
Closing balance	4 509	3 668
<b>TOTAL</b>	<b>247 737</b>	<b>285 682</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005**

	2004/05 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts	
Annual appropriated funds received	3 623 117
Departmental revenue received	66 928
Local and foreign aid assistance received	125 262
Net (increase)/decrease in working capital	16 727
	<u>4 032 034</u>
Surrendered to Revenue Fund	(667 785)
Current payments	(1 879 302)
Transfers and subsidies paid	(1 735 067)
Net cash flow available from operating activities	<u>(248 450)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Payments for capital assets	(203 067)
(Increase)/decrease in loans granted	36 786
Net cash flows from investing activities	<u>(166 281)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
(Increase)/decrease in loans received	(37 845)
Net cash flows from financing activities	<u>(37 845)</u>
Net (increase)/decrease in cash and cash equivalents	(422 476)
Cash and cash equivalents at the beginning of the period	403 205
Cash and cash equivalents at end of period	<u>(17 471)</u>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005**

	<b>1 Annual Appropriation</b>			
	Final Appropriation 2004/05	Actual Funds Received R'000	Variance over/ (under) R'000	Total Appropriation 2003/04 R'000
1.1	Included are funds appropriated in terms of the Appropriation Act for National Departments (Voted funds)			
Administration	288 945	272 684	16 261	285 992
Water Resources Management	1 476 962	1 447 049	29 913	1 193 540
Water Services	1 561 369	1 541 359	1	2 733 847
Forestry	466 430	466 629	1	426 761
Thefta and Lotteries	29 215	29 215	-	-
<b>Total</b>	<b>3 823 921</b>	<b>3 776 946</b>	<b>46 975</b>	<b>4 639 140</b>
		<b>Net</b>	<b>2004/05 R'000</b>	<b>2003/04 R'000</b>
<b>2 Departmental revenue to be surrendered to revenue fund</b>				
<b>Description</b>				
Sales of goods and services other than capital assets		37 676		121 324
Fines, penalties and forfeits		24		-
Interest, dividends and rent on land		28 866		15 541
Financial transactions in assets and liabilities	11	21 943		23 476
<b>Total revenue collected</b>		<u>88 509</u>		<u>165 381</u>
<b>Departmental revenue collected</b>		<u>88 509</u>		<u>165 381</u>

	2004/05 R'000	2003/04 R'000
<b>2-1 Financial transactions in assets and liabilities</b>		
Nature of loss recovered		
Cheques written back	125	(479)
Other	21 837	23 905
	<u>21 962</u>	<u>23 426</u>

**3 Local and foreign aid assistance**

**3.1 Assistance received in cash**

**Name of donor and purpose**

	Opening Balance	Revenue	Expen- diture	Closing balance
<b>Local</b>				
Impulsalis award	(120)	-	120	-
<b>Foreign (Normal)</b>				
Denmark	(227)	398	625	-
European Union	(41 368)	803 537	152 118	7 411
United Kingdom	3 862	-	-	3 862
Finland	7 605	-	64	7 541
France	97	-	-	97
Ireland	(5 729)	8 577	26 193	11 887
Netherlands	2 538	4 381	3 787	944
Norway	(3 400)	4 000	5 723	(3 677)
Poland	-	4 448	687	(3 582)
Republic of China	(195)	-	-	(195)
	<u>(37 237)</u>	<u>125 362</u>	<u>188 515</u>	<u>25 926</u>

**Analysis of balance**

Local and foreign aid receivable	31 390	13 622
Local and foreign aid payable to RDP fund/ donors	(5 404)	(50 879)
Closing balance	<u>25 986</u>	<u>(37 257)</u>

**3.2 Assistance received in kind**

**Name of donor and purpose**

	2004/05 R'000	2003/04 R'000
<b>Local</b>		
Unesco: Technical assistance with capacity building	10	-
	<u>10</u>	<u>-</u>

	2004/05 R'000	2003/04 R'000
<b>Foreign</b>		
China: Pines and water meter grant	28 800	-
United Kingdom: Forestry markets	13 742	-
United Kingdom: Support to water services	1 338	-
United Kingdom: Strengthening Chief Directorate: Forestry	1 105	-
Japan: Rural water supply	33 319	-
	<u>86 204</u>	<u>-</u>
<b>Total local and foreign aid assistance received in kind</b>	<u>86 314</u>	<u>-</u>

**4 Compensation of employees**

**4.1 Salaries and Wages**

Basic salary	382 400	382 742
Performance award	23 952	28 952
Service based	2 573	393
Compensative/Circumstantial	21 472	5 582
Periodic payments	20 248	15 943
Other non-permissible allowances	75 837	72 993
	<u>526 484</u>	<u>489 205</u>

**4.3 Social contributions**

**4.3.1 Short-term employees benefits**

Pension	55 847	76 063
Medical	29 868	33 433
UIP	257	287
Repatriation council	598	223
Official unions and associations	1	1
Insurance	1	1
	<u>86 172</u>	<u>109 998</u>
<b>Total compensation of employees</b>	<u>612 656</u>	<u>599 203</u>

**Total compensation of employees**

Average number of employees

	<u>7 368</u>	<u>7 853</u>
--	--------------	--------------



	2004/05	2003/04
	R'000	R'000
<b>5 Goods and services</b>		
Advertising	5 300	2 959
Attendance fees (including registration fees)	3 666	2 048
Bank charges and card fees	933	446
Bore waterhole drilling	(106)	-
Bursaries (employees)	5 672	2 573
Communication	35 936	39 974
Computer services	79 253	43 977
Consultants, contractors and special services	569 495	323 217
Counter and delivery services	769	628
Tracing agents & Debt collections	38	50
Drivers' licences and permits	30	17
Entertainment	1 709	973
External audit fees	8 083	4 484
Equipment less than R5000	13 469	7 529
Freight service	352	186
Inventory	191 080	113 439
Legal fees	4 709	4 943
Maintenance, repairs and running cost	30 074	16 926
Medical services	109	64
Operating leases	84 238	46 476
Personnel agency fees	8	5
Photographic services	206	115
Plant flowers and other decorations	549	304
Printing and publications	3 459	859
Professional bodies and membership fees	665	309
Restraintment cost	2 472	1 343
Subscriptions	96	53
Taking over of contractual obligations	25	14
Owned household property expenditure	24 804	11 223
Transport provided as part of the departmental activities	99	96
Travel and subsistence	119 849	69 459
Venues and facilities	1 757	975
Workshops, special clothing & uniforms	793	438
Training & staff development	6 328	3 600
	<u>1 183 787</u>	<u>673 112</u>

	2004/05	2003/04
	R'000	R'000
<b>5.1 External audit fees</b>		
Regularly audits	-	3 917
Performance audits	7 648	709
Other audits	433	823
<b>Total external audit fees</b>	<u>8 081</u>	<u>5 449</u>
<b>5.2 Inventory (purchased during the year)</b>		
Construction work in progress	106 203	59 205
Agricultural	3 349	-
Domestic consumables	8 036	6 236
Food and food supplies	1 748	982
Fuel, oil and gas	29 826	11 975
Laboratory consumables	1 883	1 644
Other consumables	14 892	8 287
Part and other maintenance material	14 833	15 263
Sport and recreation	(2)	-
Stationery and printing	16 896	9 413
Restoration and fittings	2 386	1 374
Medical supplies	109	60
	<u>191 080</u>	<u>113 439</u>
<b>5.3 Travel and subsistence</b>		
Local	115 743	64 188
Foreign	4 093	3 285
<b>Total travel and subsistence</b>	<u>119 846</u>	<u>67 473</u>
<b>6 Interest and rent on land</b>		
Rent on land	867	2 157
<b>Total interest and rent on land</b>	<u>867</u>	<u>2 157</u>
<b>7 Financial transactions in assets and liabilities</b>		
Material losses through criminal conduct	1.1	1 257
Other material losses written off	1.1	665
Debits written off	1.4	28 539
	<u>29 215</u>	<u>12 912</u>

Notes 2004/05 2003/04  
R'000 R'000

**7.1 Material losses through criminal conduct**

Nature of losses	2004/05	2003/04
	R'000	R'000
Warrant vouchers	-	222
Irregularly certified	-	1 135
Fraud and misconduct	-	1 267
		<u>2 624</u>

**7.2 Other material losses written off**

Nature of losses	2004/05	2003/04
Vehicle accidents	427	18
Other	12	48
S&T advances	245	-
	<u>684</u>	<u>66</u>

**7.3 Other material losses of items expended in previous periods**

(Total not included above)	2004/05	2003/04
Stolen laptops	61	109
Stolen cell phones	5	10
Stolen radios	-	1
Stolen vehicles	118	314
Stolen camera	-	1
Loss of tools	120	204
Household	3	7
Diesel engine in generator	64	1
Garden tools	-	18
Pax machine	-	2
Hammers	9	-
Saws	2	-
Tarpaulin/dorothea equipment/hardware	4	-
Other	2	1
	<u>387</u>	<u>668</u>

Notes

2004/05 2003/04  
R'000 R'000

**7.4 Bad debts written off**

Nature of debts written off	2004/05	2003/04
Salary overpayments	342	1349
Tax debt	4	83
Study debt	42	484
State guarantee	-	327
Subsidised vehicles	235	65
Substance and transport	2	50
CG accidents	-	30
Katzen Elst	6 895	7 172
Suppliers	-	124
Rainham West	19 734	98
Uninsured cheques	1	-
Injuria 18	460	-
Overclaim	891	-
Other	4	7
	<u>28 530</u>	<u>11 489</u>

**7.5 Details of thefts and losses**

Programme 3: water services	2004/05	2003/04
Programme 3: thefts and losses	29 215	-
	<u>29 215</u>	<u>12 912</u>

**7.6 Recoverable revenue debts written off**

Nature of debts written off	2004/05	2003/04
Salary overpayment	234	3 348
Tax debt	1	83
State guarantee	-	327
Fraud/misconduct	-	1 135
Bursary	50	484
S&T	-	50
Other	-	7
CG-Accident	-	50
Subsidised vehicle	-	65
Supplier advance	-	124
Uninsured cheques	-	58
Fraud cashed warrant voucher	-	222
	<u>235</u>	<u>5 624</u>

	2004/05	2003/04
	R'000	R'000
<b>8 Unauthorised expenditure</b>		
<b>8.1 Reconciliation of unauthorised expenditure</b>		
Opening balance	14 889	14 889
Unauthorised expenditure resulting authorisation	14 889	14 889
<b>9 Transfers and subsidies</b>		
Provinces and municipalities	5 491	583 821
Departmental agencies and accounts	1 611 629	1 534 356
Public corporations and private enterprises	84 254	-
Households	33 647	-
	1 735 067	2 120 179
<b>10 Expenditure for capital assets</b>		
Buildings and other fixed structures	172 266	-
Furniture and equipment	31 218	761 511
Biological or cultivated assets	90	-
Software and other intangible assets	11 340	14 013
<b>Total</b>	315 414	775 524
<b>11 Cash and cash equivalents</b>		
Consolidated Paymaster General Account	169 260	453 329
Cash receipts	267	-
Disbursements	9 931	-
Cash on hand	68	66
	179 566	453 395

Included in the Consolidated Paymaster General Account are investments with the Corporation of Public Deposits: (2003/04: R42 511 726) and 2004/05: R57 264 248)

	2004/05	2003/04
	R'000	R'000
<b>12 Prepayments and advances</b>		
Description		
Staff advances	17	-
Travel and subsistence	2 221	2 342
Prepayments	-	31 298
Advances paid to other entities	10 690	50 973
Claims receivable	95 938	-
	109 056	84 613

	Less than one year	One to three years	Older than three years	Total
<b>13 Receivables</b>				
Amounts owing by other entities	20 252	-	-	20 252
Staff debtors	4 573	2 032	1 811	8 416
Other debtors	34 762	1 933	2 839	39 534
	59 587	3 965	4 650	68 162
				129 527

Amounts of R5 024 114 (2004: R5 247 564) included above may not be recoverable, but have not been written off in the Statement of financial performance

	2004/05	2003/04
	R'000	R'000
<b>13.1 Staff debtors</b>		
Salary overpayments	3 066	2 523
Tax debt	1 379	120
Bursary debt	1 237	1 863
Subsidised vehicles	269	617
Scale quaranties	303	294
TMS Advances: Don	25	21
GG Accounts	55	47
Revolving subsidy	15	24
Microconduct	39	86
Telephone debt	45	62
Sat: Pension debt acc.	31	-
Sat: Reversal conceal acc.	1 824	-
Sat: Deduction disallowance acc.	3	-
	8 456	4 959

2004/05 2003/04  
R'000 R'000

197 087  
197 087

**16 Bank overdraft**  
Pymaster General Account

Description	2004/05			2003/04		
	R'000	R'000	R'000	R'000	R'000	R'000
Advances received	11	33 768	60 290	93 058	26 683	
Other payables	11	24 544	59 916	84 490	42 830	
		57 312	120 226	177 538	69 513	

2004/05 2003/04  
R'000 R'000

**17 Payables - current**

**17.1 Advances received**

WTA, Mool Jongen	1 901	10 829
Advances from public entities	6 992	15 863
Advances from Mpumalanga	236	-
Flag Bystrale dam	58 776	-
Burg Water project	24 848	-
Advances from Gauteng	1 091	-
	93 058	26 683

2004/05 2003/04  
R'000 R'000

**17.2 Other payables**

Tender deposits	-	14
Salary deduction disbursement account	62	26
GRV expenses	-	92
Forestry leases: CFO investments	54 436	39 759
Salary deduction account	-	84
S&I ACB recs: CA	24	6
Cancelled cheque-issued (Pent) Dam	-	84
Claims recoverable: Limpopo	34	-
Claims recoverable: F/ Gov. & Int. Org.	24 766	-
Subsidiary transport insurance	62	-
Compensation Com. Contr. Acc.	2 085	-
RFB & AT Funds	2 969	2 755
	84 490	42 830

2004/05 2003/04  
R'000 R'000

**13.2 Other debtors**

Disbursement suppliers	424	474
Unreconciled cheques	2 635	2 426
Partial Control accounts	-	1 711
Disbursement miscellaneous	-	623
Claims recoverable: Pub. Entities	3 939	23 998
Disbursement damages and losses	264	679
Claims recoverable: National department)	-	647
Claims recoverable: Eastern Cape	1 232	18
Claims recoverable: Gauteng	5 931	10
Claims recoverable: F/ Gov. & Int. Org.	169	81 930
Telephone control account	486	6 757
Transport payment receipts	1 276	29 832
Fraudulently cashing of warrant vouchers	637	-
Telephone erroneous interface acc.	67	-
Commission default int.	147	-
Advances from public entities	2 397	-
Unapplied BAS (BT control) account	-	4 418
	29 554	123 321

2004/05 2003/04  
R'000 R'000

**14 Voted funds to be surrendered to the Revenue Fund**

Opening balance	457 093	82 066
Transfer from Statement of Financial Performance	46 166	487 093
Paid during the year	(487 093)	(82 066)
Closing balance	46 166	457 093

**15 Departmental receipts to be surrendered to the Revenue Fund**

Opening balance	74 543	21 706
Transfer from Statement of Financial Performance	88 508	160 591
Paid during the year	(208 692)	(387 794)
Closing balance	(45 641)	74 543

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005**

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

	2004/05	2003/04	
	R'000	R'000	
<b>20 Contingent liabilities</b>			
<b>Liable to</b>			
Motor vehicle guarantees	213	247	
Housing loan guarantees	9 254	9 284	
Other guarantees	21 463 662	18 667 293	
Claims	82 926	-	
	<u>21 546 650</u>	<u>18 676 630</u>	
<b>21 Commitments per programme</b>			
Capital expenditure	1 541 343	1 661 026	
Approved and contracted	25 768	155 997	
Approved but not yet contracted	1 567 043	1 818 023	
<b>Total Commitments</b>	<u>1 567 043</u>	<u>1 818 023</u>	
<b>22 Accruals</b>			
<b>Linked by economic classification</b>			
	<b>30 Days</b>	<b>30+ Days</b>	<b>Total</b>
Goods and services	20 745	1 244	21 989
Transfers and subsidies	133	-	133
Buildings and other fixed structures	-	334	334
Machinery and equipment	13	29	44
	<u>20 893</u>	<u>1 607</u>	<u>22 500</u>
			<u>18 636</u>

2004/05 2003/04  
R'000 R'000

**18 Reconciliation of net cash flow from operating activities to surplus/(deficit)**

Net surplus/(deficit) as per Statement of Financial Performance	71 521
(Increase)/decrease in receivables - current	81 345
(Increase)/decrease in prepayments and advances	(64 643)
(Decrease)/decrease in other current assets	(37 768)
(Increase)/decrease in other non-current assets	41 281
Increase/(decrease) in payables - current	168 525
Increase/(decrease) in current liabilities	(578 496)
Capital expenditure	545 850
<b>Net cash flow generated by operating activities</b>	<u>(252 865)</u>

**19 Appropriated funds and departmental revenue surrendered**

Appropriated funds surrendered	(457 093)	(62 066)
Departmental revenue surrendered	(210 662)	(187 754)
	<u>(667 755)</u>	<u>(149 820)</u>

2004/05 2003/04  
R'000 R'000

23	Irregular expenditure	2004/05	2003/04
23.1	Reconciliation of irregular expenditure		
	Opening balance	55	49
	Irregular expenditure - current year	-	13
	Irregular expenditure arising from commitment	55	55

Analysts	2004/05	2003/04
Current	-	18
Prior years	-	49
	-	55

27 Senior management personnel (compensation)

	2004/05	2003/04
- The Minister, Deputy Minister, Director-General	1 767	1 898
- Deputy Directors-General	2 617	2 310
- Chief Financial Officer	644	638
- Chief Information Officer	589	745
	5 617	5 591

2004/05 2003/04  
R'000 R'000

23	Employee benefits	2004/05	2003/04
	Leave entitlement	3 340	670
	Thirteenth cheque	10 828	2 640
	Performance bonus	7 785	12 647
		557	679
		22 510	16 636

24	Lease Commitments	2004/05	2003/04
24.1	Operating leases		
	Buildings and other fixed structures	158 064	143 018
	Machinery and equipment	21 183	20 436
		5 975	123
		185 226	181 577

	Buildings and other fixed structures	Machinery and equipment	Total
Not later than 1 year	-	4 004	1 004
Later than 1 year and not later than 3 years	-	7 735	2 053

	Total present value of lease liabilities	Total present value of lease liabilities
	-	12 639
	-	12 639

25 Receivables for services delivered (off balance sheet)

Nature of service	2004/05	2003/04
Plantation revenue: Wood products	983	2 672
	983	2 672

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS - FOR THE YEAR ENDED 31 MARCH 2005

ANNEXURE 1C: STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION		TRANSFER		SPENT		2003/04 Division of Revenue Act		
	Division of Revenue Act R'000	Real Overs R'000	COBA Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds transferred %		Amount received by municipality R'000	Amount spent by municipality R'000
Amatole		451		451	451	100.0%			
Buffalo City		1		1	1	100.0%			
Capricorn		16		16	16	100.0%			
Chris Hani		1 172		1 172	1 172	100.0%			
Makana		1		1	1	100.0%			
Makodo		161		161	161	100.0%			
Ngwenyama		16		16	16	100.0%			
O.R. Tambo		2 641		2 641	2 641	100.0%			
ThabaChechu		38		38	38	100.0%			
Tsimax		54		54	54	100.0%			
Ukhahlamba		896		896	896	100.0%			
Umtata		4		4	4	100.0%			
Alfred Nzo				-				20 182	
Amatole				-				39 460	
Cacadu				-				50 394	
Chris Hani				-				24 263	
O.R. Tambo				-				54 573	
Provincial				-				11 156	
Ukhahlamba				-				21 899	
Limpopo				-				7 758	
Motheo				-				18 773	
Northern Free State				-				1 225	
Thabo Mofokeng				-				20 854	
Orange				-				2 880	
West Rand				-				3 000	
Botshabela				-				29 015	

ANNEXURE 1C: (continued)

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFERS		SPENT			2001/04 Division of Revenue Act
	Division of Revenue Act	Roll Overs	DORA Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	
Capricorn										28 637
Mogani										16 973
Sehlabatheke										18 224
Wembe										11 441
Waterberg										17 997
Ehlanzeni										48 054
Gert Sibande										29 320
Nyangala										26 467
Provincial										217
Frances Baard										5 031
Karoo										2 378
Quthlqa										13 006
Namaquala										1 919
Diyanda										5 417
Bojanala										4 400
Bojalema										13 990
Central										6 100
Ngqayeli										1 614
Southern										6 100
Boland										600
Central Karoo										1 572
City of Cape Town										2 837
Eden										4 901
Overberg										1 512
Provincial										100
West Coast										3 581
<b>TOTAL</b>		<b>5 491</b>		<b>5 491</b>	<b>5 491</b>	<b>-</b>				<b>537 856</b>



ANNEXURE 1D: STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

AGENCY/ACCOUNT	Appropriation Act		TRANSFER ALLOCATION		Total Available	TRANSFER		2003/04 Appropriation Act
	R'000	R'000	R'000	R'000		Actual Transfer	% of Available Funds Transferred	
Water Trading Account	1 375 914				1 579 121	1 534 679	96.7%	1 600 573
Equipment Trading Account	2 535		(8 430)		2 535	2 535	100.0%	2 500
Glenhast	451				451	451	100.0%	39 000
Impala WUA	2 899				2 899	2 899	100.0%	
Impala	4 312				4 312	4 312	100.0%	
Kalahari East	38 098				38 098	38 098	100.0%	
Blide River WUA	1 076				1 076	1 076	100.0%	
Lower Blyde	18 137				18 137	18 137	100.0%	48 000
Karoo island	6 056				6 056	6 056	100.0%	
East Free State Dist Council	7				7	7	100.0%	
Ethekwini Municipality	29				29	29	100.0%	
Umgungundlovu Dis Mun	60				60	60	100.0%	
Ugu Dis Mun	2				2	2	100.0%	
Capricorn	158				158	158	100.0%	
UMGhlyithi Dis Mun	10				10	10	100.0%	
Indlovu Reg Council	35				35	35	100.0%	
Uthmanzi	269				269	269	100.0%	
Waterberg	5				5	5	100.0%	
Ehlanzeni	94				94	94	100.0%	
Gert Sibande	1				1	1	100.0%	
Nkangala	1				1	1	100.0%	
Cape Winelands	14				14	14	100.0%	
Francia Board	54				54	54	100.0%	
Karoo	1				1	1	100.0%	
Uthukela Reg Council south	1				1	1	100.0%	
Zululand Dist Mun	14				14	14	100.0%	

ANNEXURE 1D (continued)

AGENCY/ACCOUNT	TRANSFER ALLOCATION			TRANSFER		2003/04 Appropriation Act	
	Appropriation Act	Full Overts	Adjustments	Total Available	Actual Transfer		% of Available Funds Transformed
	R'000	R'000	R'000	R'000	R'000		%
Joe Dist Council	108			108	108	100.0%	
Bojanala	1			1	1	100.0%	
Bophirama	2			2	2	100.0%	
Netson Mandela Metropol Mun	2			2	2	100.0%	
Sehlabathe Cross Bound	7			7	7	100.0%	
Umtshanyakwile Dist Mun	62			62	62	100.0%	
Motsweding Dist Mun	6			6	6	100.0%	
Cape Metropolitan	54			54	54	100.0%	
Eden	44			44	44	100.0%	
Ovenberg	1			1	1	100.0%	
Alfred Nzo	79			79	79	100.0%	
Amatole	122			122	122	100.0%	
Cacadu	22			22	22	100.0%	
Chris Hani	117			117	117	100.0%	
Greater East Rand Metro	35			35	35	100.0%	
Lower Orange Dist Council	8			8	8	100.0%	
Tlhwane Metropolitan Mun	715			715	715	100.0%	
Southern Dist Council	17			17	17	100.0%	
Mobho	17			17	17	100.0%	
Northern Free State	1			1	1	100.0%	
Vehicle Lic: Municipalities	791			791	1 238	159.0%	
Implementation water services projects	68 650	57 643		145 693			19 000
Great Fish River							60 000
Umgeni Water Board							15 870
Sediberg Water							2 000
Inyangala Water Board							1 500
Buthabutha Water Board							
<b>TOTAL</b>	<b>1 541 094</b>	<b>328 680</b>	<b>(8 430)</b>	<b>1 761 344</b>	<b>1 611 675</b>		<b>1 779 443</b>

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

NAME OF PUBLIC CORPORATION/PRIVATE ENTERPRISE	TRANSFER ALLOCATION				TRANSFER				2003/04 Appropriation Act
	Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Capital	Current	
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	
<b>Public Corporations</b>									
SEC. INFRA (WAT&SAM)				-	14 916			14 916	
SAFCOL	1	15 154		15 155	31 900	210.5%		31 900	
<b>Total</b>	<b>1</b>	<b>15 154</b>		<b>15 155</b>	<b>46 816</b>			<b>46 816</b>	
<b>Private Enterprises</b>									
YORXCOG		38 000		38 000	37 438	98.5%		37 438	
<b>Total</b>		<b>38 000</b>		<b>38 000</b>	<b>37 438</b>			<b>37 438</b>	
<b>TOTAL</b>	<b>1</b>	<b>53 154</b>		<b>53 155</b>	<b>84 254</b>			<b>84 254</b>	

**ANNEXURE 1E: STATEMENT OF TRANSFERS TO HOUSEHOLDS**

HOUSEHOLDS	TRANSFER ALLOCATION			EXPENDITURE			2003/04 Appropriation Act
	Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	
	R'000	R'000	R'000	R'000	R'000	%	
<b>Transfers</b>							
H/M Social Benefits	30 220			30 220	33 602	111.2%	
H/M Security pmt	445			445	45	10.1%	
<b>Total</b>	<b>30 665</b>			<b>30 665</b>	<b>33 647</b>		

ANNEXURE 2B: STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES AS AT 31 MARCH 2005

Name of Public Entities	Cost of investment		Amounts owing to		Amounts owing by		Valuation of investment	
	04/05	03/04	04/05	03/04	04/05	03/04	04/05	03/04
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Controlled entities</b>								
<b>WATER BOARDS</b>								
Albany Coast					361	310		
Bloem Water B					78 329	78 309		
Kulahuri East Water					-	3 554		
Kulahuri West					3 656	12 837		
Lepelle N/W					779	779		
Lepelle N/W (Ebenster)					22 984	22 987		
Mogelvis					5 550	5 550		
Namakwa Water					37	37		
Namakwa - De Beer					2 215	2 206		
Namakwa Occ/Moetsa					1 578	1 578		
Namakwa - PiCconsumer					4 082	4 082		
Ovberg Water					32 630	32 630		
Sediberg Water					5 902	6 546		
Sediberg Water					6 680	6 907		
Umgent 1					711	1 578		
White river valley					778	778		
Kulahuri East					-	26 051		
<b>IRRIGATION BOARDS</b>								
Agri-irrigatooie (1)					109	121		
Bosveld (2)					1 410	1 427		
Zandfont					11	11		
Buthajegla (1)					30	29		
Buthajegla (2)					64	62		
Buthajegla (3)					16	15		
Callidorp (2)					-	2		
Corné Boskloof (1)					50	74		

ANNEXURE 2B: (continued)

Name of Public Entities	Cost of Investment		Amounts owing to		Amounts owing by		Valuation of investment	
	04/05	03/04	04/05	03/04	04/05	03/04	04/05	03/04
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Ceres Rooibos (2)					106	163		
Ceres Rooibos (2)					28	22		
Ceres Rooibos (1)					95	95		
Cogmansdorp					2 993	3 983		
Greenland (1)					432	529		
Greenland (2)					2 043	2 999		
Grootland Kilpans (1)					-	6		
Grootland Kilpans (4)					18	20		
Grootland Kilpans (3)					2	2		
Grootland Kilpans (5)					30	31		
Grootbosk (4)					-	9		
Grootbosk (2)					-	1		
Grootbosk (1)					7	9		
Grootbosk (3)					6	6		
Grootbosk (5)					22	24		
Heurvel (1)					8	9		
Hoelise (3)					3	3		
Hoelise (4)					8	10		
Hoelise (1)					5	6		
Hoelise (2)					76	79		
Klassvoois (2)					160	183		
Klassvoois (1)					23	25		
Klassvoois (3)					71	77		
Kings (2)					-	1		
Roosydacht (1)					27	35		
Roosydacht (2)					30	34		
Roosydacht (3)					-	1		
Roord Agter Paard (2)					10	10		
Roord Agter Paard (3)					2 452	2 600		
Roord Agter Paard (1)								

**ANNEXURE 2B (continued)**

Name of Public Entities	Cost of Investment		Amounts owing to		Amounts owing by		Valuation of Investment	
	04/05	03/04	04/05	03/04	04/05	03/04	04/05	03/04
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Palmet (1)					71	87		
Palmet (2)					76	82		
Pendelberg (1)					3 282	3 282		
Pendelberg (2)					29	163		
Reibsch-Kasteeel (1)					9	19		
Reibsch-Kasteeel (2)					6	9		
Suid Agter Paarl (1)					1 256	1 311		
Ulftwood (1)					644	666		
Ulftwood (2)					10	12		
Vier-en-beeldriviere (1)					13	14		
Vier-en-beeldriviere (3)					46	77		
Vier-en-beeldriviere (4)					11	12		
Xarokoland (3)					1 546	1 578		
Sondaganvier (1)					43	67		
Sondaganvier (2)					1	1		
Sondaganvier (3)					3	4		
Sondaganvier (4)					12	15		
Sondaganvier (5)					6	8		
Bovo					263	277		
Teigoo					848	885		
Stentaputrivier					1 030	1 053		
Unleas (2)					511	536		
Burgersdal (3)					-	1		
Curlies (3)					-	2		
Curlies (4)					-	1		

ANNEXURE 2B (continued)

Name of Public Entities	Cost of investment		Amounts owing to		Amounts owing by		Valuation of investment	
	04/05	03/04	04/05	03/04	04/05	03/04	04/05	03/04
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Line's Credit					51			60
Mafelane (1)					291			297
Selbenyer (2)					39			42
Selbenyer (1)					20			21
Selbenyer (3)					10			11
Selbenyer (4)					8			7
Selbenyer (5)					-			1
Sandivier (1)					59			70
Sandivier (2)					30			34
White River Est.					19			25
Georges Valley (3)					1			1
Putzila					8			7
Belair					41			40
Beshoels					-			13
Bo-Doornvler					13			13
Bossenveld (1)					64			64
Brandweg					108			90
Buffelsloof (2)					117			121
Buffelsloof (1)					10			13
Calitzdorp (1)					56			54
Dwanga					31			34
Doornvler (3)					8			9
Elandsbaroo					37			29
Gamburvier (1)					25			24
Gamburvier (2)					64			63

**ANNEXURE 2B (continued)**

Name of Public Entities	Cost of Investment		Amounts owing to		Amounts owing by		Valuation of Investment	
	04/05	03/04	04/05	03/04	04/05	03/04	04/05	03/04
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Gamkwele (2)					12	12		
Heopriver (1)					-	29		
Heopriver (2)					22	-		
Jan du Toits (2)					4	4		
Jan du Toits (3)					8	9		
Kwaikloof					51	58		
Krommansrivier (1)					23	24		
Krommansrivier (2)					2	2		
Krommansrivier (4)					58	60		
Krommansrivier (3)					24	24		
La Motte (1)					-	3		
La Motte (2)					-	2		
La Motte (4)					2	2		
Langkeberg					86	23		
Lesu Gambia					3	4		
Matroosberg (2)					-	1		
Nonantivier					1	1		
Nonse (2)					1	1		
Nonse (3)					89	10		
Nonivier (1)					103	91		
Oxrood					34	34		
Overheas (2)					14	15		
Riebeck's Karstels (4)					22	20		
Skatlyn					7	6		
Suid Agter Paarl (2)					189	195		



ANNEXURE 2B (continued)

Name of Public Entities	Cost of Investment		Amounts owing to		Amounts owing by		Valuation of Investment	
	04/05	03/04	04/05	03/04	04/05	03/04	04/05	03/04
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Vier-en-twintigvier (2)					96		96	
Van Wyndorp					104		109	
Karouseland (2)					295		307	
Karouseland (1)					17		36	
Loosrivier (1)					7		13	
Ranfield					37		39	
Gluckstadt (2)					-		406	
Gluckstadt (1)					-		39	
Therpoort					939		945	
Moolmeyer					180		189	
Sondagsrivier (Bland)					347		349	
Umias (1)					135		148	
Umias (3)					242		247	
Curlews (Manchester)					380		389	
Curlews (5)					4		4	
De Rust					199		198	
Burnia					650		642	
Komatrivier (1)					193		195	
Komatrivier (3)					154		139	
Komatrivier (2)					209		211	
Manchester Noordbank (2)					1 907	1 945		
Melilans (2)					143		144	
Ranch Kariba (4)					384		366	
Ranch Kariba (1)					90		90	
Ranch Kariba (2)					41		41	

Name of Public Entities	Cost of Investment		Amounts owing to:		Amounts owing by:		Valuation of Investment	
	04/05	03/04	04/05	03/04	04/05	03/04	04/05	03/04
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Ranch Kums (2)					39	40		
Trans Islands					76	78		
Buffelshoek (1)					-	2		
Buffelshoek (2)					-	1		
Schweizer Bomeke					19	19		
Stankwater (2)					1	1		
Trjambel					-	256		
Whiter Water Major					2 035	2 035		
Maunim					6 880	7 908		
Horvalley					5 818	5 816		
Great Fish River					4 789	4 789		
<b>MUNICIPALITIES</b>								
Amajuba District					33 404	33 442		
Ethekeene					714	739		
Ngwathe (Mullion)					58	61		
Oudtshoorn					92	92		
Saldanha					229	229		
West Coast District					5 360	5 774		
<b>TOTAL</b>					<b>243 228</b>	<b>262 614</b>		

**ANNEXURE 3: STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2005 – LOCAL**

Contractor Institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2004	Guarantees issued during the year	Guarantees released during the year	Guaranteed interest for year ended 31 March 2005	Closing balance 31 March 2005	Realised losses i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
Stannic	<b>Motor vehicles</b> Ser. Officials	788	247	275	267		235	
<b>TOTAL</b>		<b>788</b>	<b>247</b>	<b>275</b>	<b>267</b>		<b>235</b>	
VSB Mutual Bank	<b>Housing</b> Loans	154	154				154	
Old Mutual (NECS/PERM)	Loans	1 409	1 409	22	21		1 410	
Old Mutual Fin. Ltd	Loans	101					101	
Peoples Bank (NBS)	Loans	515					515	
Peoples Bank (NBS) (FTD)	Loans	260					260	
Green Start H/Loans	Loans	31	31				31	
Firstbank (Banc)	Loans	40	40				40	
Nextbank LTD	Loans	238	238	34			272	
NP Dev. Corp	Loans	16	16				16	
Isheba Bank	Loans	46	46				46	
Hlano Fin. Serv.	Loans	4	4				4	
Hlong Bank	Loans	4	4				4	
Standard Bank	Loans	1 640	1 640	41	56		1 625	
ABSA	Loans	3 210	3 210	16	52		3 174	
Mpumalanga	Loans	16	16				16	
African Bank	Loans	85	85				85	
Saambos	Loans	751	751		22		729	
Stambo	Loans	7	7				7	
FNB	Loans	704	704	29	17		712	
Free State Development Corp.	Loans	44	44				44	
<b>TOTAL</b>		<b>9 284</b>	<b>9 284</b>	<b>138</b>	<b>168</b>		<b>9 284</b>	

ANNEXURE 3 (continued)

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2004	Guarantees issued during the year	Guarantees released during the year	Guaranteed interest for year ended 31 March 2005	Closing balance 31 March 2005	Realised losses (i.e. claims paid out)
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
	<b>Other</b>							
KDBWA (18)	DBSA Developpés Dam	488 401	455 438		34 055	22 403	443 748	
KDBWA (21)	Hambros bond issue Maguqa Dam	360 000	405 313		50 625	50 625	405 313	
KDBWA (27)	Gensec Bank Maguqa Dam	163 000	176 253		16 374	19 672	170 549	
KDBWA	Bank Merchant Bank Maguqa Dam	360 000	395 080		38 848	28 716	366 948	
KDBWA	Nedcor Bank Maguqa Dam	233 000	246 957		19 976	13 464	240 445	
Land Bank (30)	Financing of water projects by WUAS	150 000	197 829		142 840	9 448	64 432	
Land Bank (28)	Kalahari East Water Board	77 400	53 748		37 773		15 973	
Land Bank (29)	Uninobwena WUA	500	318		23		295	
Loan to LHDA (1)	Development Bank of Southern Africa (DBSA)-Contract 2484/1 Suba-Butha village engineering works	22 700	12 244		1 084		11 160	
Loan to LHDA (2) Repayment phase	DBSA-Contract 2744/1 Civil Construction training	910	100		101		-	
Loan to LHDA (3) Fully repaid	DBSA-Contract 2744/2 Civil Construction training	248					-	
Loan to LHDA (3) Fully repaid	DBSA-Contract 3720/1 Accounting and Financial Management System	3 650					-	
Loan to LHDA (5) Repayment phase	DBSA 9589/1 Planning and construction of LHWP entrance roads and reservoir crossing	8 854	3 366		1 623		1 743	

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2004	Guarantees issued during the year	Guarantees released during the year	Guaranteed interest for year ended 31 March 2005	Closing balance 31 March 2005	Realised losses U.S. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
Loan to LHDA (1) Fully repaid	DPSA 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	32 918		15 380	79	17 437	
Loan to LHDA (8) Fully repaid	(Sechold Ltd) Investec Money Market	200 000						
Loan to LHDA (9) Fully repaid	ABSA Money Market	300 000						
Loan to LHDA (10) Fully repaid	Standard Bank of SA Limited Money Market	350 000						
Loan to LHDA (11) Fully repaid	Nedperim Bank	100						
Loan to LHDA (12) Fully repaid	EMO Money Market	100						
Loan to LHDA (13) Repayment phase and drawdown phase	Call bills & Capital project bills. Issued in the money market	4 000 000	2 023 325		53 525	6 361	1 974 563	
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	11 073		11 073			
Loan to LHDA (14) Repayment phase and drawdown phase	Holders of Lesotho Highlands Water Projects Bonds (Here Consolidated Guarantee)	21 000 000	14 055 067	2 231 765	416 745	469 478	16 939 585	
Loan to LHDA	DPSA-2002/1	2 700	2 267		126		2 143	
<b>Total</b>		<b>28 238 625</b>	<b>18 647 295</b>	<b>2 231 765</b>	<b>842 418</b>	<b>611 248</b>	<b>20 667 910</b>	<b>-</b>

**ANNEXURE 3 (continued)**

Guarantor institution	Guarantees in respect of	Original guaranteed capital amount	Opening balance 1 April 2004	Guarantees issued during the year	Guarantees released during the year	Guaranteed interest for year ended 31 March 2005	Closing balance 31 March 2005	Residual losses i.e. claims paid out
Loan to LMCA (OSL 23) Repayment phase	Other HSBC Investment Bank (Commercial Loans) HSBC Investment Bank (Export Credits) EIB EIB EIB EIB EIB EIB AMA Aufuhrkredit-Gesellschaft mbH (Export credit) Kreditanstalt für Wiederaufbau (Export credit) EIB	207 956	158 921	13 811	15 036	562	138 278	
Loan to LMCA (OSL 24) Drawdown phase		112 961	72 204	3 385	7 685	637	68 541	
Loan to LMCA (OSL 27) Drawdown phase		80 830		75 759		179	75 938	
Loan to LMCA (OSL 26) Repayment phase		353 652	82 423		3 193	296	79 628	
OSL 26 Contract A OSL 26C		260 170	118 418	7 672	25 256	1 014	101 648	
Loan to LMCA (OSL 25) Drawdown Phase		39 535					-	
Loan to LMCA (OSL 22) Repayment phase		37 530	28 684		28 684		-	
Loan to TCEA (PAL 01) Repayment phase		18 775	13 167		13 167		-	
Loan to TCEA (PAL 02) Repayment phase		45 000	346 860		32 074		321 521	
Loan to TCEA (PAL 08) Repayment phase								
<b>Total</b>		<b>1 178 429</b>	<b>800 677</b>	<b>100 637</b>	<b>125 095</b>	<b>9 943</b>	<b>785 752</b>	<b>-</b>

**ANNEXURE 4: PHYSICAL ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2005**

	Opening Balance	Additions	Disposals	Transfers In	Transfers out	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000
<b>BUILDINGS AND OTHER FIXED STRUCTURES</b>	<b>1 590 781</b>	<b>172 786</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 646 130</b>
Dwellings	-	24	-	-	-	24
Non-residential buildings	-	1 496	-	-	-	1 496
Other structures (Infrastructure assets)	395 190	34 049	-	-	-	449 239
Capital work in progress	1 195 591	117 217	-	-	-	1 195 591
<b>MACHINERY AND EQUIPMENT</b>	<b>825 352</b>	<b>31 218</b>	<b>387</b>	<b>-</b>	<b>-</b>	<b>856 183</b>
Computer equipment	105 446	11 464	61	-	-	116 949
Furniture and office equipment	20 808	1 889	-	-	-	22 697
Other machinery and equipment	697 609	17 680	211	-	-	715 078
Transport assets	1 489	185	115	-	-	1 599
<b>BIOLOGICAL OR CULTIVATED ASSETS</b>	<b>-</b>	<b>90</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90</b>
	<b>2 416 133</b>	<b>304 094</b>	<b>387</b>	<b>-</b>	<b>-</b>	<b>2 619 840</b>
<b>PHYSICAL ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2004</b>	<b>1 590 781</b>					<b>1 590 781</b>
<b>BUILDINGS AND OTHER FIXED STRUCTURES</b>	<b>395 190</b>					<b>395 190</b>
Other structures (Infrastructure assets)	395 190					395 190
Capital work in progress						1 195 591
<b>MACHINERY AND EQUIPMENT</b>	<b>64 287</b>	<b>761 511</b>	<b>446</b>	<b>-</b>	<b>-</b>	<b>625 352</b>
Computer equipment	16 926	88 629	109	-	-	105 446
Furniture and office equipment	6 207	14 603	2	-	-	20 808
Other machinery and equipment	41 094	658 850	335	-	-	697 609
Transport assets	60	1 429				1 489
	<b>1 655 088</b>	<b>761 511</b>	<b>446</b>	<b>-</b>	<b>-</b>	<b>2 416 133</b>

**ANNEXURE 5: SOFTWARE AND OTHER INTANGIBLE ASSETS MOVEMENT SCHEDULE AS AT 31 March 2005**

	Opening Balance	Additions	Disposals	Transfers in	Transfers out	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'000
Patents, Copyrights, brand names & trademarks	-	81	-	-	-	81
Computer software	9 006	5 705	-	-	-	14 711
Service and operating rights	8 108	5 554	-	-	-	13 662
Fishing quotas	8 108	-	-	-	-	8 108
Utility rights	-	5 554	-	-	-	5 554
	<b>17 114</b>	<b>11 340</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28 454</b>

**SOFTWARE AND OTHER INTANGIBLE ASSET MOVEMENT SCHEDULE AS AT 31 MARCH 2004**

Computer software	2 485	6 525	-	-	-	9 006
Service and operating rights	616	7 492	-	-	-	8 108
Utility rights	616	7 492	-	-	-	8 108
	<b>3 101</b>	<b>14 003</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17 114</b>



**ANNEXURE 6: INTER-GOVERNMENT RECEIVABLES**

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding	
	31/03/2005 R'000	31/03/2004 R'000	31/03/2005 R'000	31/03/2004 R'000
<b>Departments</b>				
National Department of Public Enterprises			6	6
National Department of Environmental Affairs and Tourism			16	16
Limpopo Legislature: Office of the Secretary			33	15
Provincial Government: Premier Eastern Cape			7	7
National Department of Correctional Services			6	6
Department of Justice: Regional of KZN			8	8
National Department of Public Works			205	105
South African Police Services: Upington				15
Office of the President			46	29
National Department of Defence			21	22
Provincial Government: Agriculture & Land Affairs: Eastern Cape			42	30
Provincial Government: Agriculture, Conserv & Dev: North West			13	45
Provincial Government: Agriculture: Eastern Cape				7
Provincial Government: Welfare: Eastern Cape			16	16
Provincial Government: Agriculture, Conserv, Environ: Gauteng			9	13
Provincial Government: Health: KZN			4	14
Provincial Government: Traditional & Local Affairs: KZN			14	3
Provincial Government: Finance: Limpopo			15	8
Provincial Government: Local Government & Housing: Limpopo				22
Provincial Government: Public Works: Limpopo			31	7
Provincial Government: Education: Mpumalanga			29	23
Provincial Government: Local Gov & Traffic: Mpumalanga			22	12
Provincial Government: Community Safety: Western Cape			14	14
Advance For Agent Implementation			1 390	
Advance for SAMP			(32)	
Department of Public Enterprises			6	
SAMCQ			9	
Public Service Commission			12	

**ANNEXURE 6 (continued)**

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding	
	31/03/2005 R'000	31/03/2004 R'000	31/03/2005 R'000	31/03/2004 R'000
National Department of Trade and Industry			22	600
National Department of Minerals and Energy			614	
Provincial Government: Agriculture, Environment Affairs: ECN			24	
Provincial Government: Free State Health			8	4
Provincial Government: Health: Gauteng			36	
Statistics SA			17 908	
South African Revenue Services				39
National Department of Statistics				39
Provincial Government: Culture, Sport and Recreation				11
Provincial Government: Tourism and Environment			46	
National Department of Agriculture			11	
Provincial Government: Free State			23	
Municipal Government: Health Limpopo			18	
National Department of Education			79	
National Department of Intelligence			19	
National Youth Commission			(16)	
Departmental Debt: State Attorney Pretoria			(985)	
Departmental Debt: State Attorney Pretoria			(8)	
Departmental Debt: State Attorney Pretoria			(5)	
Departmental Debt: AM Fourie			3	
Payment from Main to Trading Account			7	
Payment from Main to Trading Account			5	
Payment from Main to Trading Account			5	
Deaf Bursary Refund			(438)	
Payment from Main to Trading Account			1 003	
Departmental Debt: State Attorney Pretoria			(1)	
Payment from Main to Trading Account			(1)	
Payment from Main to Trading Account			(1)	

**ANNEXURE 6 (continued)**

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding
	31/03/2005 R'000	31/03/2004 R'000	
Payment from Man to Trading Account			15
Provincial Department: Welfare: Eastern Cape			14
Provincial Department: Social Welfare and Development: KZN			5
Provincial Department of Local Government of Housing: Limpopo			22
WC: Cultural Affairs			10
Dept debt: Gaberiel NUM			20
Companies and Intellectual Property Office			5
Social Development			(32)
National Department of Public Service and Admin.			112
National Department of Home Affairs			1
<b>TOTAL</b>			<b>20 192</b>
			<b>1 047</b>



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

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE WATER TRADING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

### 1. AUDIT ASSIGNMENT

The financial statements as set out on pages 198 to 207 for the year ended 31 March 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

### 2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

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

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

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

### 3. QUALIFICATION

#### 3.1 Financial statements

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

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

As at 31 March 2005 revenue, expenses, account's payable and account's receivable are not correctly stated.

This is as the validity and accuracy of accounts receivable and the related debtor interest amounts could not be determined as it includes unidentified deposits and a material number of transactions included without supporting documentation.

Completeness and accuracy of accounts payable could not be determined as the audit at three out of nine regional offices revealed the omission of material accruals.

Furthermore, -

- Accruals are overstated by R.13 353 566.

- Revenue interest of R23 925 462 that were raised on debtor's accounts is not included in the income statement. Credit adjustments of R32 304 296 were also not processed in the income statement. The debit net effect is R8 378 834.
- The income statement does not reflect transactions of R268 794 557 processed in the SAP debtors module.
- Water Research levies due to the Water Research Commission and other amounts due to the equipment trading account are understated by R24 648 746. This is due to a lack of reconciliations.
- Included in the R1 266 666 373 disclosed in Note 4.1 to the financial statements is an amount of R11 774 075 written off in respect of debts of various entities for which no approval to write-off could be furnished.
- The restated closing balances in respect of water services' assets differ by R41 078 000 in relation to the opening balances on the financial statements of the 2004-05 financial year.

### 3.2. Property, plant and equipment

In terms of section 39(1)(g) of the Public Finance Management Act, 1999 (Act 1 of 1999) the accounting officer is responsible for the management, including the safeguarding and the maintenance of assets for the trading accounts.

Due to the lack of a control framework to perform independent reconciliations and checks, it was noted that the fixed asset register contains invalid bar code numbers. Fixed assets of R14 198 000 included in Note 4 to the financial statements could not be verified.

The replacement value instead of the fair value less any subsequent accumulated depreciation was disclosed on the balance sheet. This resulted in fixed assets being overstated by an unknown amount.

### 4 DISCLAIMER OF AUDIT OPINION

Because of the significance of the matters referred to in paragraph 3, I do not express an opinion on the financial statements.

### 5 EMPHASIS OF MATTER

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

#### 5.1 Re-submission of financial statements

Financial statements submitted on 31st May 2005, have officially been withdrawn and re-submitted on 29th July 2005 due to material misstatements. The misstatements result from a cash accounting system and employees not trained to prepare financial statements in accordance with the required accounting standards.

### 6 INFORMATION SYSTEMS AUDIT OF THE GENERAL CONTROLS SURROUNDING THE WARMS SYSTEM

An information systems audit of the general controls of the information technology environment was completed in July 2005 and the findings were brought to the attention of the accounting officer.

Due to a lack of properly defined procedures, access controls were not effectively maintained.

### 7 APPRECIATION

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



N Manik for Auditor-General  
Pretoria  
14/9/2005

# MANAGEMENT REPORT OF WATER TRADING ACCOUNT FOR THE YEAR ENDING 31 MARCH 2005. REPORT BY THE ACCOUNTING OFFICER TO THE EXECUTIVE AUTHORITY AND PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA

## Operation 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 which has been planned and built using the Departmental and other resources to meet evolving water use requirements in terms of national policy.

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

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

## Integrated Catchment Management

The provision of water resource management services, including but not limited to water allocation and control of use, water resource protection and pollution control, clearing of waterweeds and alien vegetation that impact on the water resources and other functions that in terms of the National Water Act will eventually be delegated to statutory Catchment Management agencies.

## Integrated Systems

The supply of bulk raw water from integrated systems which together comprise the National Water Infrastructure at agreed of reliability to bulk water users and the funding, in terms of agreements, of the construction of major water resources projects such as the Lesotho Highlands Water Project Phase I, the Komati Basin Water Development Project, the Berg River Water Project, the Odlants River Development Project and others.

## Bulk Water Supply

The provision of bulk raw water from independent systems which do not form part of the National Water Infrastructure to major water users, at agreed levels of reliability to bulk water users; and the provision of raw water to the individual water users on Government water Schemes which will in future be managed by statutory Water Users Association or related autonomous agencies.

## Water Services

The provision of basic water services in predominantly rural areas where municipalities have not yet taken over this function and the provision of bulk potable water supplies to certain municipalities.

Water services tariffs for users are determined and approved by the Municipality which is the Water Service Authority (WSA) for the area concerned in terms of regulations promulgated under section 10(1) of the Water Service Act 108 of 1997. They are not normally paid to the Department. The water services function is being transferred to local authorities in terms of legislation. The operations and maintenance of these schemes has, since 2001, been funded by a "grant in kind" under the provisions of the Division of Revenue Act. In the current year, 27 schemes with value of R1 207 million have been transferred. It is estimated that this transfer process will be completed by the end of March 2006 and that the subsidy will be consolidated into the equitable share by 2012. As part of the process the Department refurbishes the schemes before the transfer so that the transferred schemes are sustainable.

## Working for Water

The Working for Water Programme which is undertaken under the Integrated Water Resources Management sub-account undertakes a number of functions in addition to removing alien vegetation that impacts on water resources. These include the promotion of bio-diversity and nature conservation and the provision of certain welfare services, as well as research and policy formulation.

## Major projects undertaken during the year

The Berg Water Project (BWP) is being built augment the water supplies from the Western Cape Water System by 81 million m<sup>3</sup> to 523 million m<sup>3</sup> per year by 2007. It will be integrated with the Rivierensdoring-Berg River Government Water Scheme.

The Minister of Water Affairs and Forestry directed TCTA in terms of section 10(2) of the National Water Act, 1998 to fund and implement the BWP as agent for DWAF.

TCTA has entered into an Implementation Agreement with DWAF, which has a raw water supply Agreement with the City of Cape Town. These two agreements will govern the funding, implementation and raw water supply and payment of the BWP. The Project will be operated and maintained by DWAF on completion of construction, as part of the Western Cape Water System.

The Olifants River Water Resources Development Project is being implemented by the Department of Water Affairs. On 09 June 2004 this project was approved by Cabinet with the vision of providing water to unlock the vast mineral wealth in a region (mostly in the vicinity of Selthuthuse and Mopalakwena areas) spanning both Limpopo and Mpumalanga Provinces, and thereby stimulating much needed economic growth in one of the poorest parts of the country. The Project will also create significant employment opportunities as well as enable the supply of safe potable water to thousands of poor rural households. The capital cost of the water resource infrastructure has been estimated at R4 000 million, which will be spent over a period of about 10 years or longer, as different components of the project are phased in to meet the growth in

water requirements. The first water from the Project is planned to be available in 2010.

The detail planning of the Project as well as the environmental impact assessment has been completed, whilst the design of the dam is at advanced stage. It is expected that environmental authorisation for the implementation of the Project will be obtained by September 2005. Construction of the first elements can commence early in 2006, provided that funding of the project is secured. Various funding options are currently being investigated. A preliminary phase of the project, the raising of the Ilag Boetho dam, is already under construction.

## Revenue Generation and Collection

The Department is continuing to manage outstanding revenue and has reached settlement agreements in a number of cases. Local authority debt to the value of R1 266 666 000 has been written off because it cannot be recovered due to change in demarcation of local boundaries in 1997.

Revenue collected by the sub-accounts Integrated Catchment Management was supplemented by an earmarked allocation to fund for the Working for Water programme's activities which are carried out under this sub-programme since it is the intention of government that water users should contribute to the cost of controlling alien vegetation that impact on water resources.

Revenue in the Bulk Water Supply sub-account, which comes principally from agricultural water users, is limited by the National Water Pricing Policy which, has set along-term goal of achieving full coverage of operating costs by revenue, although there is a ceiling on annual price increases.

## Spending and Augmentation on the trading account

Currently, only the integrated systems sub-account generates a surplus. The Water Service sub-account was primarily funding by a conditional Local Government grant in terms of the Division

of Revenue Act which is accounted for as an augmentation of the trading account.

### Tariff policy for Water Resources

#### **Water Resources:**

The pricing policy for water resources is established in terms of Chapter 5 of the National Water Act, 1998. The new water pricing strategy provided for by the Act was established on 12 December 1999 by a notice in the Government Gazette.

#### **Water uses subject to pricing:**

- Taking water from a water resource;
- Storing water;
- Impeding or diverting the flow in a watercourse;
- Engaging in a stream flow reduction activity;
- Engaging in a controlled activity;
- Discharging waste or water containing waste into a water resource by means of a conduit;
- Disposing of waste in a manner which may detrimentally impact on a water resource;
- Disposing of water which is heated by and/or contained waste from any industrial or power generation process;
- Altering the bed, banks, course or characteristics of a watercourse;
- Removing, discharging of water found underground; and
- Using water for recreational purposes.

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

- Taking water from the water resource (underground or surface water);

- Storing water: while obstruction from dam or recharged aquifer will normally constitute the use, the annual refilling of dams constructed to enhance property value or for recreation, and which are located in important water-courses, constitute the use. Charges are based on an estimation of evaporation losses; and

- Engaging in a stream flow reduction activity, such as a forestation.

A revised pricing strategy has been developed and is currently under statutory consultation. It includes new charges for waste discharge.

### Progress with Financial Management Improvement

A consolidated fixed assets register was established and the asset management policy developed.

The Department implemented a SAP Billing Module system in April 2002 in order to manage revenue from the water resource trading sub-account. This system is being extended to the financial management of the entire Water Trading account and will go live on 1 April 2004. This will enable the department to operate accrual accounting on an integrated basis.

### Approval

The annual financial statement has been approved by the Accounting Officer.



A.M. Muller  
DIRECTOR-GENERAL



## Accounting Policies

### 1 Basis for preparation

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

#### 1.1 Revenue

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

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

#### 1.2 Government grants

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

#### 1.3 Property, plant and equipment

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

Infrastructure assets: Roads	15 – 25 years
Infrastructure assets: Water	45 years
Dwellings: Mobile homes	4 – 5 years
Buildings:	25 – 30 years
Computer equipment:	3 years
Office equipment and furniture	5 years
Appliances	5 years
Machinery and equipment	5 years
Tools	2 years
Protective clothing	1 year

Replacement cost is based on valuation that is done every ten years. Increases in carrying value arising on revaluation are credited directly to a revaluation reserve. On disposal of the previous revalued property any amount relating to that asset remaining in the revaluation reserve is transferred to profit or loss for the period.

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

#### 1.4 Financial instruments

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

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

### **1.5 Inventory**

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

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

### **1.6 Provisions**

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

### **1.7 Leases**

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

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

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

### **1.8 Contingent liabilities**

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

### **1.9 Employee benefits**

#### **Short-term employee benefits**

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

#### **Termination benefits**

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

### Retirement benefits

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

### Medical benefits

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

### 1.10 Intangible assets

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

### 1.11 Cash and cash equivalents

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

### 1.12 Comparative figures

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

## BALANCE SHEET AT 31 MARCH 2005

ASSETS	2005 R'000	2004 R'000
<b>Non-current assets</b>	52 081 934	52 031 266
Intangible assets	39	39
Property, plant and equipment	52 081 878	52 031 181
<b>Current assets</b>	828 952	2 041 957
Inventory	17 903	26 988
Accounts receivable	813 029	2 014 969
<b>TOTAL ASSETS</b>	52 912 887	54 073 157
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
<b>Current liabilities</b>	958 673	816 191
Bank overdraft	349 283	218 603
Provisions	248 825	244 804
Accounts payable	360 374	348 179
Prepayments	-	605
<b>EQUITY</b>	49 954 194	53 252 966
Capitalisation reserve	31 665 948	32 642 505
Accumulated deficit/surplus	(1 932 750)	(628 461)
<b>TOTAL EQUITY AND LIABILITIES</b>	50 912 887	54 073 157

**INCOME STATEMENT FOR THE YEAR ENDED  
31 MARCH 2005**

	2005 R'000	2004 R'000
Revenue		
Direct operating expenditure	3 828 326	3 731 054
Operating expenses	(3 628 204)	(2 609 895)
Administrative expenditure	(5 209 668)	(2 702 543)
Deficit from trading activities	(3 523 462)	(1 253 643)
Net investment income	4 664	2 562
Net deficit for the period	(3 528 798)	(1 251 081)

**STATEMENT OF CHANGES IN EQUITY FOR THE  
YEAR ENDED 31 MARCH 2005**

	2005 R'000	2004 R'000
Accumulated deficit		
Opening balance	628 462	-
Deficit for the period as previously stated	(3 518 798)	(1 250 482)
Impact of restatement of assets	-	55 156
Impact of restatement of accounts receivable balance	-	1 815 787
Revaluation reserve recognised	963 587	-
Closing balance	(1 932 750)	628 462
Revaluation reserve		
Opening balance as previously stated	52 642 503	54 200 377
Revaluation reserve on valuation of assets	208 628	-
Reserve realised on transfer of scheme assets	(963 587)	(628 852)
Revaluation reserve as previously stated	51 886 946	53 409 725
Impact of restatement of assets	-	(817 220)
Revised closing balance	51 886 946	52 642 503
<b>TOTAL EQUITY AND RESERVES</b>	<b>49 954 196</b>	<b>53 262 966</b>

**CASH FLOW STATEMENT FOR THE YEAR  
ENDED 31 MARCH 2005**

	2005 R'000	2004 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	2 495 880	2 253 374
Government grant	1 354 017	1 368 928
Cash paid to suppliers and employees	(3 976 519)	(3 772 812)
Cash generated from operations	(124 622)	(368 311)
Interest received	4 664	2 562
Net cash flows from operating activities	(120 258)	(205 659)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property plant and equipment	(10 421)	(12 853)
Proceeds from sale of property plant and equipment	-	-
Net cash flows from investing activities	(10 421)	(12 853)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans	-	-
Net (decrease) in cash and cash equivalents	(130 679)	(218 603)
Cash and cash equivalents at beginning of period	(238 603)	-
Cash and cash equivalents at end of period	(369 282)	(218 603)

	2005 R'000	2004 R'000
<b>3 Revenue</b>		<b>Realised</b>
Revenue comprises the following:		
Sale of water	2 454 817	2 349 362
Water research fund	393	1 506
Government grants	1 356 017	1 360 928
Other income	9 099	29 375
	<b>3 620 326</b>	<b>3 731 065</b>

**3 Revenue**

Revenue comprises the following:

- Sale of water
- Water research fund
- Government grants
- Other income

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

**4 (Deficit) from trading activities**

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

Personnel expenditure	727 409	695 840
Professional and special services	428 131	448 196
Transfer payments	438 225	425 815
Repairs and maintenance	95 763	341 474
Consumable stores	83 603	181 840
Bad debts written off	-	2 071
Operating lease expenses	8 415	13 366
<b>Depreciation and amortisation</b>	<b>1 245 218</b>	<b>679 454</b>

Vehicles	40	15
Tools	101	-
Scientific instruments	410	40
Furniture	438	518
Computer equipment	1 839	361
Office equipment	582	65
Appliances	438	79
Boreholes	131	20
Buildings	302	56
Depreciation on water resources assets	1 017 039	395 670
Depreciation on water services assets	228 713	280 979
Clothing and protective gear	1 108	-
Machinery and equipment	2 070	477
Amortisation	16	8

	2005 R'000	2004 R'000
<b>Loss on transfer of fixed assets</b>		
Audit fees	1 345	783 441
Current year audit fees	1 345	44
Impairment loss	1 267 676	64 364
Internal receivables	1 010	1 070
External receivables	1 266 666	63 294
Realised revaluation reserve	(963 587)	(620 852)
Unallocated deposits	894 316	-

**4.1 Water service receivables written off**

During the year an amount of R1 266 666 (600) pertaining to water services receivables was written off. This was due to the fact that subsequent to the department having billed some water users, specific funds were made available in terms of DOBA (Division of Revenue Act). These funds were specifically intended to fund the operations of these water services schemes. In order to avoid double charging it was necessary for the department to write off the amounts that had been billed to water services customers.

**4.2 Unallocated Deposits**

The Department has installed a SAP billing module to manage revenue on an accrual basis to replace the transversal SAS which only operates on a cash basis. Due to problems in the interface with the transversal systems, transaction identification information was lost. The resulting unallocated receipts of R894 316 000 are being reconciled manually.

**5 Investment Income**

Investment income comprises the following:

Interest received	(4 693)	(2 631)
Interest paid	29	79
	<b>(4 664)</b>	<b>(2 552)</b>

**6 Operating Leases**

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

Not later than 1 year	5 427	1 899
2 - 5 years	8 488	2 821
	<b>13 915</b>	<b>4 690</b>

	2005	2004
	R'000	R'000
<b>7 Cash and cash equivalents</b>		
Bank overdraft	(349 282)	(288 600)
	<u>(349 282)</u>	<u>(288 600)</u>
<b>8 Receivables - current</b>		
Trade receivables	518 641	1 934 256
Amounts owing by other departments	565 548	5 870
Staff debtors	567	2 122
Other debtors	17 425	21 353
VAT debtor	111 101	50 903
Advances	347	465
	<u>813 629</u>	<u>2 014 969</u>

#### 8.1 Trade receivables

During the year, the opening accounts receivable balances were restated in order to reflect the existence of other accounts receivable balance that were not recognised in the prior year due to lack of supporting documentation. In subsequent periods, the necessary supporting documentation became available and the opening balances were restated in order to reflect this. This had an impact of increasing assets retained surplus by an amount of R1 815 287 000. This had no tax and outside shareholders' interest.

	Gross	Provision	Net
	R'000	effect	R'000
Increase opening retained earnings	1 815 287	-	1 815 287
	2005	-	-
<b>8.2 Amounts owing by other departments</b>			
Services rendered	Department		
Services rendered	National Departments	287	148
Services rendered	Eastern Cape	3 903	4 401
Services rendered	Western Cape	1 243	1 243
Services rendered	Northern Cape	74	74
Services rendered	Public Entities	154 867	-
Services rendered	Other International organisations	3 481	-
Services rendered	Non-State Mutual	1 693	-
	<u>167 548</u>	<u>1 693</u>	<u>5 870</u>

	2005	2004
	R'000	R'000
<b>8.3 Other debtors</b>		
Cash receipts	-	126
Debitumments	-	1 118
Disallowance account	3	372
Advances granted	-	91
Payroll deduction debtors	12	372
Transport payment suspense account	6 058	-
Telephone control	4 174	-
Other	7 178	19 264
	<u>(17 425)</u>	<u>(21 353)</u>

#### 9 Intangible assets-Computer software (Externally acquired)

	2005	2004
	R'000	R'000
At year end:		
Cost	52	27
Less: accumulated amortisation	(24)	(8)
Net book value	<u>28</u>	<u>19</u>

Movement for the period can be summarised as follows:

Opening net book value	19	-
Acquisitions	35	17
Amortisation charge	(16)	(8)
Closing net book value	<u>28</u>	<u>19</u>

#### 10 Property, plant and equipment - 2005

	Cost	Accumulated Depreciation	Net book value
	R'000	R'000	R'000
<b>Owned assets:</b>			
Appliances	925	(315)	20
Benches	1 266	(33)	1 117
Clothing and protective gear	1 119	(1 106)	13
Buildings	2 993	(258)	2 635
Computer equipment	4 977	(2 230)	2 747
Furniture	2 119	(954)	1 165
Machinery and equipment	6 767	(2 543)	4 224
Office equipment	1 263	(648)	615
Scientific instruments	1 921	(450)	1 471
Tools	132	(121)	11
Vehicles	229	(65)	164
<b>Total assets</b>	<b>23 321</b>	<b>(9 123)</b>	<b>14 198</b>

10 Property, plant and equipment 2004

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

Year ended 31 March 2005	Opening net book value	Additions	Disposals	Depre- ciation	Closing net book value
	R'000	R'000	R'000	R'000	R'000
<b>Owned assets at cost</b>					
Appliances	232	-	(937)	-	20
Borrowed cost	1 248	-	(338)	-	1 117
Clothing and protective gear	-	1 119	(3 066)	-	13
Buildings	1 396	1 541	-	(362)	2 635
Computer equip- ment	1 914	2 872	-	(1 839)	2 747
Furniture	376	866	-	(638)	1 603
Machinery and equipment	4 632	1 662	-	(2 076)	4 214
Office equipment	376	819	-	(582)	613
Scientific instru- ments	605	1 276	-	(435)	1 471
1000	-	117	-	(102)	15
Vehicles	131	83	-	(55)	164
<b>Total assets</b>	<b>11 369</b>	<b>10 395</b>	<b>-</b>	<b>(7 466)</b>	<b>54 198</b>
	<b>Cost</b>	<b>Accumulated</b>	<b>at book</b>		
	<b>R'000</b>	<b>Depreciation</b>	<b>Value</b>		
		<b>R'000</b>	<b>R'000</b>		
Owned assets					
Appliances	311	(79)	232		
Borrowed	1 268	(20)	1 248		
Buildings	1 452	(56)	1 396		
Computer equipment	2 303	(393)	1 914		
Furniture	1 253	(518)	735		
Machinery and equipment	5 105	(475)	4 632		
Office equipment	443	(65)	376		
Scientific instruments	645	(140)	505		
Vehicles	146	(15)	131		
<b>Total assets</b>	<b>12 926</b>	<b>(1 657)</b>	<b>11 269</b>		

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

Year ended 31 March 2005	Opening net book value	Additions	Dispo- sals	Depre- ciation	Closing net book value
	R'000	R'000	R'000	R'000	R'000
<b>Owned assets - Measured at cost</b>					
Appliances	-	311	-	(79)	232
Borrowed cost	-	1 268	-	(20)	1 248
Buildings	-	1 452	-	(56)	1 396
Computer equipment	-	2 305	-	(391)	1 914
Furniture	-	1 253	-	(518)	735
Machinery and equip- ment	-	5 105	-	(475)	4 632
Office equipment	-	443	-	(65)	376
Scientific instruments	-	645	-	(140)	505
Vehicles	-	146	-	(15)	131
<b>Total assets</b>	<b>-</b>	<b>12 926</b>	<b>-</b>	<b>(1 657)</b>	<b>11 269</b>

10.1 Property plant and equipment - Water Resources - 2005

This is a summary of the water resources forms of property, plant and equipment that were revealed at the beginning of the 2005 financial year. These fixed assets were initially brought into the accounting records at their depreciated net replacement cost on 1 April 2003. The summary of these assets is as follows:

	Opening net cost	Accumulated Depreciation	Net book value
	R'000	R'000	R'000
Dams and weirs	21 287 834	(532 498)	20 755 336
Pump stations	250 850	(12 307)	238 543
Steel pipelines	4 288 653	(286 150)	4 002 503
Canals	11 679 517	(394 077)	11 285 440
Reservoirs	238 083	(16 875)	221 208
Water treatment works	245 283	(4 857)	240 426
Buildings: Residential	306 145	(17 709)	288 436
Funnels	4 285 966	(107 505)	4 178 461
Buildings: Office	96 478	(5 583)	90 897
Concrete pipelines	1 334 185	(41 155)	1 293 030
<b>Total assets</b>	<b>44 104 632</b>	<b>(1 412 709)</b>	<b>42 691 923</b>

**10.1 Property, plant and equipment - Water Resources - 2004**  
(Continued)

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

Description	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Net book value R'000
Dams and weirs	21 229 372	68 502	-	(479 282)	20 765 376
Pump stations	239 407	7 156	-	(7 985)	238 543
Steel pipelines	4 286 179	27 897	-	(139 873)	4 683 963
Canals	11 540 275	638	-	(256 473)	11 285 440
Reservoirs	295 196	26 586	-	(4 566)	327 206
Water treatment works	166 130	78 007	-	(3 691)	340 426
Buildings: Residential	295 832	-	-	(7 396)	288 436
Tunnels	4 273 426	-	-	(94 966)	4 178 461
Buildings: Office	93 228	-	-	(7 321)	85 907
Concrete pipelines	1 322 422	-	-	(29 287)	1 293 035
<b>Total assets</b>	<b>43 896 334</b>	<b>208 028</b>	<b>-</b>	<b>(1 017 039)</b>	<b>42 691 323</b>

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

	Opening net cost R'000	Accumulated Depreciation R'000	Net book value R'000
Dams and weirs	21 229 372	(62 115)	21 167 257
Pump stations	243 734	(4 307)	239 407
Steel pipelines	4 342 456	(146 277)	4 196 179
Canals	11 678 879	(137 604)	11 541 275
Reservoirs	211 513	(6 315)	205 198
Water treatment works	167 276	(1 166)	166 110
Buildings: Residential	306 145	(10 313)	295 832
Tunnels	4 285 966	(12 540)	4 273 426
Buildings: Office	96 478	(3 250)	93 228
Concrete pipelines	1 324 185	(11 763)	1 312 422
<b>Total assets</b>	<b>43 896 004</b>	<b>(395 676)</b>	<b>43 500 328</b>

**10.2 Property plant and equipment - Water Service - 2005**

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

Description	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Net book value R'000
Dams and weirs	21 229 372	-	-	(62 115)	21 167 257
Pump stations	243 734	-	-	(4 307)	239 407
Steel pipeline	4 342 456	-	-	(146 277)	4 196 179
Canals	11 678 879	-	-	(137 604)	11 541 275
Reservoirs	211 513	-	-	(6 315)	205 198
Water treatment works	167 276	-	-	(1 166)	166 110
Buildings: Residential	306 145	-	-	(10 313)	295 832
Tunnels	4 285 966	-	-	(12 540)	4 273 426
Buildings: Office	96 478	-	-	(3 250)	93 228
Concrete pipelines	1 324 185	-	-	(11 763)	1 312 422
<b>Total assets</b>	<b>43 896 004</b>	<b>-</b>	<b>-</b>	<b>(395 676)</b>	<b>43 500 328</b>

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

	Net cost 2005 R'000	Accumulated Depreciation 2005 R'000	Net book Value 2005 R'000
Boreholes	409 593	(13 912)	416 671
Bulk distribution pipes	1 462 488	(26 816)	1 435 672
Pump stations	646 465	(14 779)	631 686
Reservoirs	1 360 227	(24 258)	1 335 969
Substation	2 075 546	(65 687)	2 009 859
Sewage treatment plant	441 460	(14 954)	426 506
Surface water (Mashun-of-river)	454 093	-	454 093
Water treatment plant	683 128	(19 129)	663 999
<b>Total assets</b>	<b>7 935 992</b>	<b>(179 635)</b>	<b>7 756 357</b>



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

Description	Opening balance 2005 R'000	Additions 2005 R'000	Disposals 2005 R'000	Depreciation 2005 R'000	Net book value 2005 R'000
Boreshoes	542 359	-	(185 693)	(20 595)	416 671
Bulk distribution pipes	1 623 651	-	(354 703)	(33 281)	1 435 671
Pump stations	723 606	-	(79 792)	(18 128)	635 686
Reservoirs	1 540 133	-	(173 632)	(38 591)	1 335 869
Reticulation	2 268 880	-	(182 824)	(76 197)	2 099 859
Sewage treatment plant	658 350	-	(18 328)	(35 509)	426 506
Surface water (Weir/In-of-river)	579 590	-	(325 493)	-	454 095
Water treatment plant	833 503	-	(128 692)	(27 411)	665 999
<b>Total assets</b>	<b>8 940 856</b>	<b>-</b>	<b>(943 987)</b>	<b>(258 712)</b>	<b>7 236 357</b>

In April 2003, internal professional engineers reviewed water service assets to a replacement value. The carrying value of these assets at replacement date was R78.

#### Adjustment of prior year balances

During the year, the opening balance of the water service assets was restated. This was due to the clean up of the department's fixed assets register. The cost and accumulated depreciation of property, plant and equipment before adjustments were R9 563 721 000 and R282 079 000 respectively. The amended cost and accumulated depreciation were R9 993 501 000 and R226 923 000 respectively. This had an impact of increasing opening retained earnings by R5 156 000 and this had no tax and outside shareholder's impact.

Increase opening retained earnings	2004 R'000	2005 R'000	Gross effect R'000	Taxation effect R'000	Net effect R'000
			55 156	-	55 156

#### 18.3 Property plant and equipment - Water Service - 2004 (Restated)

Description	Net cost 2004 R'000	Accumulated Depreciation 2004 R'000	Net book value 2004 R'000
Boreshoes	557 906	(22 320)	535 676
Bulk distribution pipes	1 658 194	(33 894)	1 624 190
Pump stations	738 725	(18 468)	720 257
Reservoirs	1 565 184	(32 364)	1 532 890
Reticulation	2 328 244	(77 875)	2 250 369
Sewage treatment plant	493 303	(13 510)	479 793
Surface water (Weir/In-of-river)	579 590	-	579 590
Water treatment plant	853 263	(28 442)	824 821
<b>Total assets</b>	<b>8 748 561</b>	<b>(226 923)</b>	<b>8 521 638</b>

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

Description	Restated opening balance 2004 R'000	Disposals 2004 R'000	Depreciation 2004 R'000	Net book value 2004 R'000
Boreshoes	595 334	(36 627)	(23 820)	535 676
Bulk distribution pipes	1 767 269	(120 879)	(24 209)	1 624 190
Pump stations	895 050	(133 760)	(23 073)	720 257
Reservoirs	1 741 259	(174 189)	(33 198)	1 532 890
Reticulation	2 463 327	(123 741)	(79 227)	2 250 369
Sewage treatment plant	681 622	(408 922)	(34 955)	479 793
Surface water (Weir/In-of-river)	622 673	(43 883)	-	579 590
Water treatment plant	988 925	(133 589)	(31 904)	824 821
<b>Total assets</b>	<b>9 974 769</b>	<b>(1 307 381)</b>	<b>(247 836)</b>	<b>8 521 638</b>

11 Provisions	2004 R'000	2005 R'000	
			2004 R'000
Opening balance		244 804	-
Revised during the period		249 015	244 804
Leave pay provision		223 203	224 264
Bonus provision		25 652	20 342
Revised during the period		(244 804)	-
Closing balance		249 015	244 804

	2003 R'000	2004 R'000
<b>13 Accounts payable</b>		
<b>Description</b>		
Amounts owing to other departments	538	26 432
Other trade payables	48 295	23 626
Telecom claims payable	-	2 032
Other payables	3 413	2 920
W&F physicians	315 135	288 237
TCTA	360 374	345 179
<b>13 Prepayments</b>		
Advances received	-	421
Deposits received	-	184
	-	605
<b>14 Cash flows utilised in operations</b>		
Net (deficit) in per Income Statement	(3 516 798)	(1 250 482)
Interest received	(4 664)	(7 561)
	(3 521 462)	(1 258 043)
Adjusted for:		
Impairment of receivables	3 367 348	716 367
Realised realisation reserve	2 583 392	64 364
Depreciation and amortisation	(963 597)	(820 852)
Loss on transfer of schemes	1 245 235	679 414
	529 288	(703 441)
Adjusted for non-cash items	(1 195 202)	2 023 638
Working capital changes	1 224 585	(1 695 172)
Net cash flow generated by operating activities	(124 922)	(288 211)
<b>15 Cash generated (utilised) to (increase)/decrease working capital</b>		
Decrease/(Increase) in receivables - current	1 201 949	(2 014 999)
Increase payables	13 589	346 784
Decrease / (Increase) in inventories	9 054	(26 968)
	1 224 585	(1 695 173)

	2003 R'000	2004 R'000
<b>16 Contingent liabilities</b>		
The contingent liabilities relate to various civil claims that had been instituted against the department.		
<b>Liable to Various</b>	-	8 026
	-	8 026
<b>17 Commitments</b>		
<b>Capital expenditure</b>		
Approved and contracted/ordered	39 479	-
Approved but not yet contracted	-	56 634
<b>Total Commitments</b>	39 479	56 634
<b>18 Employee benefits</b>		
Leave entitlement	223 253	224 264
Thirteenth cheque	21 329	20 437
Performance bonus	4 323	103
	248 905	244 804
<b>19 Revaluation reserve</b>		
Opening balance	54 290 200	-
Revaluation reserve raised on revaluation of assets	208 028	54 290 577
Effect of transfer of assets to schemes	(963 597)	(820 852)
Balance as previously stated	53 806 946	53 469 725
Effect of restatement of assets balances	-	(817 220)
Closing balance	53 806 946	52 642 505



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

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE EQUIPMENT TRADING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

### 1 AUDIT ASSIGNMENT

The financial statements as set out on pages 211 to 216 for the year ended 31 March 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 30 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

### 2 NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,

- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

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

### 3 QUALIFICATION

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

Material misstatements are present on the financial statements and impacts on the fair presentation of:

- Property, plant and equipment and related depreciation in that:
  - R944 000 disclosed as thefts and losses in the Income statement are not included in disclosure note 4.
  - R8 978 000 of rebuilding costs disclosed as expenses and not fixed assets.

- sale of equipment to the amount of R9 087 000 was not included in note 4.
- assets with a book value of R106 101 000 relating to the 2003-04 financial year have been restated and decreased to one Rand. This is not consistent with the accounting policy and results in the contravention of Statements of Generally Accepted Accounting Practice.
- Retained earnings:
  - R1 522 000 of revenue relating to prior periods was included in the year under review but sufficient documentation could not be furnished to support the amounts.

#### 4 ADVERSE AUDIT OPINION

In my opinion, because of the effect on the financial statements of the matters referred to in paragraph 3, the financial statements do not fairly present, in all material respects, the financial position of the Equipment Trading Account at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

#### 5 EMPHASIS OF MATTER

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

##### 5.1 Re-submission of financial statements

Financial statements submitted on 31st May 2005, have officially, withdrawn, and re-submitted on 29th July 2005 due to material misstatements.

This is due to the lack of an appropriate, documented and approved policy and procedure framework.

#### 6 APPRECIATION

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



**N Manik for Auditor-General  
Pretoria  
14/09/2005**

**MANAGEMENT REPORT OF EQUIPMENT  
TRADING ACCOUNT FOR THE YEAR ENDING 31  
MARCH 2005, REPORT BY THE ACCOUNTING  
OFFICER TO THE EXECUTIVE AUTHORITY AND  
PARLIAMENT OF THE REPUBLIC OF SOUTH  
AFRICA**

**Operation Overview**

The business of Equipment Trading Account is to hire out construction equipment to Departmental projects and schemes for their normal operation. The tariffs on rental equipment are based on recovery of a usage charge and maintenance recoupment.

Revenue collection is not a problem because the renting is mainly done within the operations of the Department: Water Affairs and Forestry.

Operating revenue increased by 26% because of increase in demand for equipment rental created by increase in construction and maintenance projects.

**Progress with Financial Management Improvement**

The Department is developing SAP financial module for Trading Accounts which will go live on 1 April 2006. This will enable the department to operate accrual accounting on integrated basis.

Effect of implementation of National Treasury Guideline (Asset Management framework)

The implementation of this practice note has the effect of reducing the value of all pre 2003 assets to R1. As a consequence, the depreciation and profit reported do not reflect the commercial position of the trading account.

**Approval**

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



**A.M. Muller  
DIRECTOR-GENERAL**

## BASIS OF PREPARATION

### 1 Accounting Policies

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The financial statements have been prepared on a historical cost basis.

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

#### 1.1 Revenue

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

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

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

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

#### 1.2 Property, plant and equipment

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

#### 1.3 Depreciation

Depreciation on plant and equipment for equipment account is written off at the rate of 12.5 per annum. Drilling diamonds are depreciated at a rate of 50% per annum on straight-line method.

#### 1.4 Revaluation surplus

Surplus on valuation of equipment is transferred directly to a revaluation reserve. Valuation surplus realised on sale is transferred from the revaluation reserve to the income statement. Valuation of the drilling diamonds is done on annual basis by the professional independent valutors. These valutors use market prices at the date of valuation in determining the market value of drilling diamonds.

#### 1.5 Financial Instruments

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

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

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

### **1.6 Impairment loss**

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

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

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

### **1.8 Investment income**

Interest receivable on the investment deposit with the Corporation for Public Deposits is not accounted for on the Equipment Trading Account. The interest receivable is paid directly to Treasury and

is not recognised as revenue as it is not available for use on the equipment account.

### **1.9 Government grant**

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

### **1.10 Comparative figures**

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

**INCOME STATEMENT FOR THE YEAR ENDED  
31 MARCH 2005**

Items	2005 R'000	2004 R'000
<b>Revenue</b>	<b>69 705</b>	<b>93 488</b>
Other income	58 071	45 997
Interest received	11 632	7 430
	12	28
<b>Operating expenses</b>	<b>(37 321)</b>	<b>(18 182)</b>
Operating profit for the year	32 384	37 276
Net profit for the year	32 384	37 276

**BALANCE SHEET AS AT 31 MARCH 2005**

Assets	2005 R'000	2004 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Plant and equipment	62 471	31 892
<b>Current assets</b>		
Cash and cash equivalents	3 867	2 732
Accounts receivable	4 209	5 834
<b>TOTAL ASSETS</b>	<b>70 547</b>	<b>40 478</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Retained earnings	69 325	35 951
Revaluation reserve	597	536
<b>Current liabilities</b>		
Accounts payable	1 613	4 621
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>70 547</b>	<b>40 478</b>

**STATEMENT OF CHANGES IN EQUITY FOR THE  
YEAR ENDED 31 MARCH 2005**

	Revaluation reserve	Capital Augment- ation	Retained Earnings	Total
<b>Balance at 1 April 2003</b>	453	2 500	135 274	138 229
Net profit for the year	-	-	37 276	37 276
Capital augmentation	-	-	-	-
Revaluation on assets	61	-	-	61
Capital repayment	-	-	(613)	(613)
<b>Balance at 31 March 2004</b>	<b>514</b>	<b>2 500</b>	<b>171 938</b>	<b>174 951</b>
<b>Balance at 1 April 2004 (Restated)</b>	514	2 500	171 938	174 951
Effect of restatement (Government Grant)	-	-	(284)	(284)
Effect of restatement on fixed assets	38	-	(386 883)	(348 845)
Capital augmentation written off	37	(2 500)	-	(2 463)
Depreciation written off	-	-	(29 599)	(29 599)
<b>Restated Retained Earnings 2004</b>	<b>514</b>	<b>-</b>	<b>38 951</b>	<b>39 467</b>
Net profit for the year	-	-	32 384	32 384
Capital augmentation	-	-	-	-
Revaluation on assets	81	-	-	81
Capital repayment	-	-	-	-
<b>Balance at 31 March 2005</b>	<b>597</b>	<b>-</b>	<b>69 335</b>	<b>69 932</b>



**CASH FLOW STATEMENT FOR THE YEAR  
ENDED 31 MARCH 2005**

	2005 R'000	2004 R'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	57 507	55 438
Interest received	22	
Cash paid to suppliers and employees	(27 252)	(33 457)
Bank charges	(86)	
<b>Net cash inflow from operating activities</b>	<b>30 253</b>	<b>17 985</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to fixed assets	(36 202)	(33 189)
Proceeds on sale of fixed assets	9 087	9 079
<b>Net cash outflow from investing activities</b>	<b>(27 115)</b>	<b>(24 110)</b>
<b>Net cash inflow from financing activities</b>		
Net decrease/decrease in cash and cash equivalents	3 138	(6 129)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2 732</b>	<b>8 861</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>3 867</b>	<b>2 732</b>

**NOTES TO THE ANNUAL FINANCIAL  
STATEMENTS FOR THE ENDED  
31 MARCH 2005**

	2005 R'000	2004 R'000
<b>1 Revenue</b>		
Rental of equipment with book value	34 509	32 412
Rental of equipment without book value	15 034	13 167
Maintenance costs collected	514	618
Main account and water trading account	4 483	-
Main account	1 522	-
	<u>56 071</u>	<u>46 997</u>
<b>2 Other income</b>		
Government grant	2 535	2 500
Profit from sale of equipment	9 087	4 933
	<u>11 622</u>	<u>7 433</u>
<b>3 Cash with Paymaster-General</b>		
Bank account	3 767	2 632
Investment deposit	206	500
	<u>3 973</u>	<u>3 132</u>
<b>4 Property, Plant and Equipment</b>		
Equipment (Restated - 2005)	71 363	33 158
Cost	(8 971)	(3 688)
Acc Depreciation	62 390	31 470
Net book value	<u>62 390</u>	<u>31 470</u>
<b>Total plant and equipment</b>	<b>62 390</b>	<b>31 470</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE ENDED 31 MARCH 2005

### Property, plant and equipment: 2005

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

Year ended 31 March 2005	Opening net book value R'000	Addi- tions R'000	Dispo- sals R'000	Depre- ciation R'000	Acc depre- ciation R'000	Closing net book value R'000
Equipment	33 158	38 203	-	(7 283)	(8 671)	62 390

### Property, plant and equipment: 2004

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

Year ended 31 March 2004	Opening net book value R'000	Revised	Addi- tions R'000	Dispo- sals R'000	Depre- ciation R'000	Acc depre- ciation R'000	Closing net book value R'000
Equipment	106 101	(206 101)	33 158	-	(1 658)	(1 658)	31 470

### Drilling diamonds

Carrying value	2005 R'000	2004 R'000
Additions	827	781
Depreciation	-	35
Accumulated depreciation	(211)	(405)
Impairment	(638)	(20)
Revaluation on diamonds	81	46
Carrying value at end of year	81	422
Industrial diamonds	-	376
Synthetic diamonds	81	46

### Total carrying value

2005	62 471
2004	31 602

Drilling diamonds are valued on annual basis by Atlas Copco (Pty) Ltd who are independent professional valuers. They used the market price indices at 31 March 2005 to determine the replacement cost. The movement on revaluation surplus is shown as follows:

- Revaluation surplus	61	46
- Movement for the period	40	-
- Depreciation charge for the period	40	-

### 5 Cash generated by operations

Net profit	32 384	37 274
Adjusted for:		
Depreciation	7 494	3 093
Non cash item - debtor	2500	(508)
Impairment of equipment	-	1 311
Proceeds on sale of plant and equipment	(9 087)	(9 079)
Increase/decrease in debtors	(885)	(3 854)
Increase/decrease in creditors	(2 396)	3 730
Interest received (net operations)	(12)	(28)
Bank charges	16	18
Difference in assets purchased	-	35
Theft and losses	544	-
Rebuilt cost	-	(10 237)
Non Cash Items	(722)	284
	30 251	27 981

### 6 Additions to plant and equipment

Purchase of drilling diamonds	-	(21)
New equipment	(38 203)	(32 858)
Rebuilt equipment	-	-
	(38 203)	(32 879)

### 7 Expenditure

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

Depreciation	7 494	2 893
Maintenance costs	38 274	32 791
Impairment	-	1 280
Bank charges	16	18
Theft & Losses	544	-
Central construction workshop	1 615	-
Rebuilt Cost	8 928	-
	37 321	36 982

	2003 R'000	2004 R'000		R'000 Gross	Taxation
<b>8 Accounts Receivable</b>					
Exchange account	3 740			264	nil
Water trading account	753			264	nil
Government grant	(284)				
	<u>4 209</u>				
<b>9 Cash Received from Customers</b>					
Proceed from sale of equipment	-	9 079			
Rental of equipment with book value	26 508	28 774			
Rental of equipment without book value	15 034	13 367			
Maintenance cost	534	418			
Government Grants	4 733	-			
Rain Account	708	-			
	<u>57 567</u>	<u>51 438</u>			

#### 10 Change in accounting policy

Assets prior to 1 April 2003 were taken on at their cost value when they were supposed to be capitalised at R1,00 each as per National Treasury guidelines. The assets as EITRS (Construction Equipment Management System) had a book value of R108 101 000 which was capitalised. The assets have been taken on at R1,00 each in order to comply with National Treasury guidelines (Asset Management Framework). The resultant effect is as indicated below:

	2004 R'000		R'000 Gross	Taxation
Decrease in assets		2004	206 201	nil
Decrease in retained earnings		2004	206 201	nil

The R26 509 000 which was depreciated from the cost value of R135 700 000 and left book value of R108 183 000 has been transferred from depreciation under expenditure to retained income of 2003/04 as a write off.

#### 11 Fundamental error

In 2004 financial year the amount to the value of R234 400 was wrongly included in the revenue account which led to overstatement of revenue by that mentioned amount at 31 March 2004. The effects are shown below:

	2004 R'000		R'000 Gross	Taxation
Decrease in accounts receivable		2004	234	nil
Decrease in retained earnings		2004	234	nil

#### 12 Fundamental error

Capital Augmentation of R2 500 000 was supposed to be included as revenue only in 2002/3 but it was credited to revenue and equity and debited in the bank account and accounts receivables. This led to overstatement of equity and accounts receivables. The effects are shown below:

	2004 R'000		R'000 Gross	Taxation
Decrease in accounts receivable		2004	2 500	nil
Decrease in equity		2004	2 500	nil



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

## 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 2005

### 1 AUDIT ASSIGNMENT

The financial statements as set out on pages 219 to 221 for the year ended 31 March 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004).

These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

### 2 NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

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

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations, which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

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

### 3 AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the National Forest Recreation and Access Trust at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with prescribed accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

### 4 EMPHASIS OF MATTER

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

#### 4.1 Operation of the National Forest Recreation and Access Trust

In terms of the National Forest Act, 1998 (Act No. 84 of 1998) the National Forest Recreation and Access Trust was established with effect from 1 April 1999.

During the 1999-2000 financial year the National Hiking Way Fund was dissolved. An amount of R1 669 293 was transferred from the fund to the trust.

The trust has remained dormant since inception. Formal approval by the Minister of Water Affairs & Forestry to commence with the operational activities has not been given.

#### **4.2 Progress with previous SCOPA resolutions**

As per SCOPA's ninety-fourth report of 2001, the department was to seek clarity from the National Treasury as to whether the trust should be listed as a public entity. The National Treasury's response was that the trust did not meet the listing requirements of a public entity in terms of the Public Finance Management Act.

No progress was made regarding the recommendation that the trust should commence with the utilisation of the trust funds as noted in paragraph 4.1.

## **5 APPRECIATION**

The assistance rendered by the staff of the National Forest Recreation and Access Trust during the audit is sincerely appreciated.



A H Muller for Auditor-General  
Pretoria

**NATIONAL FOREST RECREATION AND ACCESS TRUST**

**STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2005**

	2004/05 R	2003/04 R
<b>Assets</b>		
Current assets	2 969 140	2 754 648
Amounts immediately recoverable	2 966 411	2 751 909
Cash with	2 729	2 729
Paymaster-General	2 969 140	2 754 648
<b>Equity</b>		
Capital fund	2 969 140	2 754 648

Department of Water Affairs  
and Forestry, Pretoria,

Dr. T.L. Simelane  
Accounting Officer  
National Forest Recreation  
and Access Trust

**NATIONAL FOREST RECREATION AND ACCESS TRUST**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2005**

	2004/05 R	2003/04 R
Income	214 492	241 327
Investment income	214 492	241 327
Expenditure	-	-
<b>Net Income for the year</b>	214 492	241 327

**NATIONAL FOREST RECREATION AND ACCESS TRUST**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005**

	2004/05 R	2003/04 R
Cash flows from operating activities		
Interest received	214 492	241 327
<b>Cash generated by operations</b>	<u>214 492</u>	<u>241 327</u>
Cash flows from investing activities		
Increase in investment	(234 492)	(241 327)
<b>Net cash outflow from investing activities</b>	<u>(234 492)</u>	<u>(241 327)</u>
Net increase in cash and cash equivalent	*	*
Cash and cash equivalent at the beginning of the year	2 728	2 728
<b>Cash and cash equivalent at the end of the year</b>	<u>2 728</u>	<u>2 728</u>

**NATIONAL FOREST RECREATION AND ACCESS TRUST**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2005**

	Accumulated profits R	Total R
<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>

## NATIONAL FOREST RECREATION AND ACCESS TRUST

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 Accounting policy

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

1.2 Income is acknowledged on an 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 consider that the carrying amount of cash and bank approximates to their fair value.

1.4 Investment risk management

The Corporation for Puh's Districts (SPD) manages the investments of the Fund. The CFO 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.

#### 2 Capital fund

	2004/05	2003/04
	R	R
Balance at the beginning of the year	2 754 648	2 513 321
Net income for the year	214 492	241 327
Balance at the end of the year	<u>2 969 140</u>	<u>2 754 648</u>



## GLOSSARY

ABBREVIATION	DESCRIPTION
ABET	ADULT BASED EDUCATION AND TRAINING
AMCOM	AFRICAN MINISTERS' COUNCIL ON WATER
APC	ANNUAL PLANS OF OPERATIONAL
BAS	BASIC ACCOUNTING SYSTEM
CAS	CORPORATE ASSESSMENT SOLUTION
CEMP	CONSOLIDATED ENVIRONMENTAL IMPLEMENTATION MANAGEMENT PLAN
CMAs	CATCHMENT MANAGEMENT AGENCIES
CMIP	CONSOLIDATED MUNICIPAL INFRASTRUCTURE PROGRAMME
CMS	CATCHMENT MANAGEMENT STRATEGY
CSIR	COUNCIL OF SCIENTIFIC AND INDUSTRIAL RESEARCH
DLG	DEPARTMENT OF LOCAL GOVERNMENT
DWAF	DEPARTMENT OF WATER AFFAIRS AND FORESTRY
DMC	DEPARTMENTAL BARGAINING CHAMBER
DTT	DEPARTMENTAL TASK TEAM
GORA	DIVISION OF REVENUE ACT
EAP	EMPLOYEE ASSISTANCE PROGRAMME
EIP	EMPLOYMENT EQUITY PLAN
EWS	EARLY WARNING SYSTEM
EXCO	EXECUTIVE COMMITTEE
FIS	FORESTRY INFORMATION SYSTEM
FITA	FOOD AND TREES FOR AFRICA

ABBREVIATION	DESCRIPTION
FPA	FIRE PROTECTION ASSOCIATION
FBS	FREE BASIC SANITATION
FBW	FREE BASIC WATER
HDI	HISTORICALLY DISADVANTAGED INDIVIDUALS
HRD	HUMAN RESOURCE DEVELOPMENT
HRM	HUMAN RESOURCE MANAGEMENT
IS	INFORMATION SYSTEM
IT	INFORMATION TECHNOLOGY
IRWM	INTEGRATED WATER RESOURCE MANAGEMENT
ISRDIP	INTEGRATED SUSTAINABLE RURAL DEVELOPMENT PROGRAMME
KFA	KEY FOCUS AREAS
KORWA	KOMATI RIVER BASIN WATER AUTHORITY
LHWP	LESOTHO HIGHLAND WATER PROJECT
MANCO	MANAGEMENT COMMITTEE
MDA	MINE WORKERS DEVELOPMENT AGENCY
MIS	MANAGEMENT INFORMATION SYSTEM
MISSE	MINIMUM INFORMATION SECURITY STANDARDS
MITT	MUNICIPAL INFRASTRUCTURAL TASK TEAM
MISG	MUNICIPAL INFRASTRUCTURE GRAND
MTC	MINISTERIAL TRANSFORMATION COUNCIL
MTO	MOUNTAIN TO OCEANS
NEWAD	NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT
NFAC	NATIONAL FORESTS ADVISORY COUNCIL
NIA	NATIONAL INTELLIGENCE AGENCY

ABBREVIATION	DESCRIPTION
NSIT	NATIONAL SANITATION TASK TEAM
NT	NATIONAL TREASURY
NTF	NATIONAL TRANSFORMATION FORUM
NVFS	NATIONAL VELD FIRE INFORMATION SYSTEM
NWA	NATIONAL WATER ACT
NWRS	NATIONAL WATER RESOURCE STRATEGY
NGO	NON-GOVERNMENT ORGANISATION
ORWRDP	ORLAMP RIVER WATER RESOURCE DEVELOPMENT PROJECT
PARA-FCOM	PARTNERSHIP CONFERENCE ON WATER
POI	PREVIOUSLY DISADVANTAGED INDIVIDUALS
PSP	PROFESSIONAL SERVICE PROVIDERS
PFMA	PUBLIC FINANCE MANAGEMENT ACT
PMDS	PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEMS
PSC	PUBLIC SERVICE COMMISSION
PSU	PROVINCIAL SUPPORT UNIT
RCC	RESTRUCTURING COME COMMITTEE
RIGIS	REGIONAL GEOHYDROLOGICAL INFORMATION SYSTEM
SAMWU	SOUTH AFRICAN ASSOCIATION FOR WATER USERS
SADC	SOUTH AFRICAN DEVELOPMENT COMMUNITY
SAPCOL	SOUTH AFRICAN FORESTRY COMPANY LIMITED
SALGA	SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION
STATS	STATISTICS SOUTH AFRICA
SFM	SUSTAINABLE FOREST MANAGEMENT

ABBREVIATION	DESCRIPTION
SPWS	STRATEGIC FRAMEWORK FOR WATER SERVICES
TCTA	TRANS CALEDON TUNNELL AUTHORITY
WARS	WATER USE AUTHORISATION AND REGISTRATION MANAGEMENT SYSTEM
WASH	WATER AND SANITATION HYGIENE
WDCS	WASTE DISCHARGE CHARGES SYSTEM
WFW	WORKING FOR WATER
WQM	WATER QUALITY MANAGEMENT
WRC	WATER RESEARCH COMMISSION
WRMFC	WATER RESOURCE FUNCTIONAL MANAGEMENT COMMITTEE
WS	WATER SERVICES
WSA	WATER SERVICE ASSOCIATION
WEDP	WATER EFFICIENCY DEVELOPMENT PLAN
WSSD	WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT
WUA	WATER USE ASSOCIATION