



Water resources management

The challenges highlighted for the review period comprised the following:

- Interdependence between water allocation reform and land reform.
- Implementation of BBBEE in the water licensing and water authorization process.
- Delays in the licensing process being attended to through development of fast-tracking system.
- Need to develop an effective system governance framework and capacity for oversight of public entities.

Water services

The following challenges were highlighted during this review period:

- Capacity constraints in Water Services Authorities (WSAs), especially technical and programme management skills.
- Sustainability of infrastructure and ongoing service delivery is at risk as WSAs are focusing primarily on new infrastructure, but neglecting operations and maintenance.
- Lack of an integrated approach towards delivery of basic services – housing, land, water, sanitation and electricity.
- Poor cost recovery, lack of clarity on indigent policy and inability to cross subsidise due to poor financial administration.
- Lack of capacity from municipalities to absorb support provided by the sector.
- Inadequate budget versus the backlog.
- Interdependence between water allocation reform and land reform.
- Implementation of BBBEE in the water licensing and water authorization process.
- Delays in the licensing process being attended to through development of fast-tracking system.
- Need to develop an effective system governance framework and capacity for oversight of public entities.

Forestry

The following challenges were noted during this review period:

- Agreement and timeframes with other stakeholders and other departments in particular for the implementation of the Forestry Charter.



2007/08

Administration

- It has been acknowledged that there is a structural imbalance between budget and programme implementation, which continue to impede the Department's ability to achieve certain programme goals at policy implementation level, limits spending options, leaves certain programmes vulnerable to multi-department dynamics and places a premium on sound financial management and policy formulation.

Water resources management

- Through the National Chemical Monitoring Programme, it has been established that domestic water has a problem of high dissolved salts and high fluoride concentration in some areas, while irrigated water has high chloride concentration, high sodium absorption ratio and high PH.
- The river health conditions across the country vary, ranging from good natural streams in the upper reaches to deteriorated and poor streams, mainly in the highly industrialised areas.

Water services

- Building effective and sustainable infrastructure development capacity at local government level continues to pose a challenge.
- Alignment of service delivery plans between government departments to ensure integrated approach to service delivery is a challenge, which needs urgent attention.
- Availability of reliable data, which is a basis for planning is a major challenge.
- Fragmented or misaligned reporting and monitoring systems which result in inconsistent and contradicting figures in terms of service delivery, backlog figures, etc. The creation of a single consolidated monitoring and evaluation system that tracks service delivery, backlog reduction and the broader sector targets will facilitate accurate, consistent and verifiable data for the sector.
- There continues to be discrepancies in terms of backlog figures.
- The regional bulk programme began late and the implementation progress has been slow. Lack of capacity and resources in regions were identified as contributing to the inefficiencies in WSDP completion, local government support and technical reviews.
- Lack of collaboration between sector stakeholders and inadequate funding allocation continue to hamper efforts aimed at the attainment of targets at a regional level.
- The Department continues to face a challenge with getting stakeholders to commit and implement initiatives. The water for growth and development programmes have also encountered critical issues that could not be addressed due to limited time and variety of stakeholders. Intergovernmental planning is a challenge since there is a lack of commitment from other stakeholders.
- Concerns around the water sector regulation model were raised during the consultation phase of the National Water Services Regulation development strategy.



- The appointment of the regional support managers in regional offices could not be undertaken within the specific time frames due to internal human resources issues. The implementation of the Joint National Water Services Sector Support strategy has also been difficult.
- There has been a delay in responding to WSP challenges due to internal human resources issues in the Municipalities, but through close collaboration with the Water Service Sector Coordinating Unit, this challenge will be resolved.
- Little progress has been made with the SADC programme due to the slow response from the SADC water division on funding issues.

Forestry

- Delays in the finalisation of the Forest Sector Charter were due to the protracted negotiations during the public participation process involving cross cutting issues to be resolved among various Government Departments. Issues that had to be resolved included afforestation, licensing, land tenure reform and the impact of various industry score cards on the forestry sector.
- The afforestation programme is battling to take off due to the complexity of the authorisation process. Lack of communication among the key role players (both internal and external) aggravates the situation.
- Full implementation of the National Fire Danger Rating System was not achieved during 2007/08 due to problems encountered with the output of the system.
- The Department, similar to the wider forestry sector, was also subjected to extensive fire damage from wild fires. The fire season was once again a challenging one, similar to the previous one.
- The Department aims to improve the quality of the information in the next State of the Forest Report through the publication of regulations in terms of the NFA compelling the sector to report in terms of Criteria, Indicators, and Standards.

5. Financial Issues

2004/05

The Department's total expenditure for the 2004/05 financial year amounted to R7.791 billion. For the past two years, their spending level was approximately 99%. Two of their four financial statements, the Water Trading Account and Equipment Trading Account, received qualified reports from the Auditor-General. A turnaround strategy to address these shortcomings was developed. In 2004/05, the Department continued to move from its role of construction and operation of water and sanitation services to its regulatory role.

An overview of the budget allocation for this period reflected a reduction in the budget allocation for **water services** from an all time high during 2003/04 of R1 505 371 million (including donor funds) to R587 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 the Municipal Infrastructure Grant



(MIG) programme. On operations and maintenance, 95 schemes out of a targeted total of 317 were transferred out of DWAF, representing an annual budget amount of R124 370 million.

The programme to transfer the water services works that it owned and/or operated to the relevant water services authorities had 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, an additional ring-fenced funds amounting to R1.2 billion were included in the MIG for a three year programme commencing in 2005/06 to eradicate the bucket system.

In terms of spending trends on programmes, the following was noted:

- Programme 1: Administration: Underspending – R16.251 million.

The report maintained that the underspending in this programme should not impact on service delivery. The report stated that the savings to the above were due to the delays in the transfer of staff to municipalities, due to protracted negotiations with receiving municipalities, and funds will be rolled over to the 2005/06 financial year.

- Programme 2: Water resources management: Underspending – R29 913 million

The report maintained that the impact of underspending in this programme should not impact on service delivery. The report noted that due to the Bohlabela Municipality responsible for this emergency project, and therefore it was unable to make sufficient progress in the short time between the allocation of funds, and for 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 – R0.001 million

No impact on service delivery.

- Programme 4: Forestry: Underspending – R0.001 million

No impact on service delivery.

2005/06

The expenditure for the 2005/06 financial year reflected the following:

- Total expenditure: R9 010 077 000 billion.



- Exchequer: R3 889 150 000 million.
- Trading accounts: R5 292 989 000 million.

The spending trend for the year reflected the following:

- Administration: R278 378 000 million.
- Water resources management: R1 613 594 000 million.
- Water services: R1 524 895 000 million.
- Forestry: R420 919 000 million.

For the trading account, the following was noted:

- Equipment account: R78 148 000 million.
- Water trading account: R5 214 841 000 million.

The spending level for the following years showed the following:

- 2004/05: 99% spending level.
- 2005/06: 94.4% spending level.

2006/07

The total increase to the Department's budget as a result of the Adjustment Appropriation for 2006 was R183, 785 million. This represents an overall increase of 4.1% to the budget for 2006/07 as reflected in the table below:

Table 1

Programme	Main appropriation	Additional appropriation	% increase	Adjusted appropriation
1. Administration	436 708	72 962	16.7	509 670
2. Water Resources	2 179 186	58 081	2.7	2 237 267
3. Water Services	1 462 251	2 715	0.2	1 464 966
4. Forestry	398 400	50 000	12.5	448 400
Total	4 476 545	183 758	4.1	4 660 303

- **Roll-overs: R173, 208 million** – National Treasury had initially given approval on 7 August 2006 for the roll-over of R123, 208 million. The Department made a request for additional funds through the adjustment estimates in respect of unforeseeable and unavoidable expenditure of R50, 0 million for the operational costs for the commercial plantations in the Lowveld. National Treasury elected to handle this as 'roll-over' rather than unforeseeable expenditure as they had done the previous year. This was possible as a result of the Department having surrendered 4.5% of the 2005/06 budget.
- **Unforeseeable and unavoidable expenditure: R7, 550 million** – This amount had been provided for the flood disasters in the Eastern and Southern Cape areas.



- **Virements:** The total virements per programme and economic classification amounts to R50, 057 million as part of 'clearing the slate' to ensure that there is no unauthorised expenditure during the 2006/07 financial year.
- **Other adjustments (shifting of funds between votes): R3,00 million** – During the preparation of the 2006/07 budget, an amount of R17,0 million was transferred to the Department of Provincial and Local Government for the Working on Fire programme. Subsequent to discussions between DWAF and DPLG, it was established that R3, 0 million had been incorrectly allocated. An amount of R3, 0 million has been transferred from DPLG Vote 5 'Helicopter Services' to the Department.

Table 2: Explanations of material variances from Amounts Voted (after virement)

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

2007/08

The expenditure for the 2007/08 financial year reflected the following:

- R5 385 396 billion of the final appropriation of R5 862 513 billion was spent. This translates into 91.9% of the budget being spent.

Table 2: Explanations of material variances from Amounts Voted (after virement)

Per Programme	Final appropriation R'000	Actual expenditure R'000	Variance	Variance as a % of the final appropriation
Administration	602 849	601 181	1 668	0%
Insignificance variance				
Water Resources	2 912 352	2 462 514	449 838	16%
The underspending is in respect of a transfer payment to the Water Trading Entity for capital projects. All funds were not transferred mainly due to the fiscal work on the De Hoop Dam project, which could not proceed unless all the conditions for the revised Record of Decision were complied with. Exceptional high rainfall also prevented contractors from making anticipated progress				



Water Services	1 488 986	1 454 758	34 228	2%
The under spending is mainly due to delays in finalising transfer agreements with local government in respect of transfer of schemes.				
Forestry	444 048	441 240	2 808	1%
Insignificant variance				

4. Report of the Auditor-General on the financial statements

2004/05

Vote 34: Exchequer Account – unqualified audit. Emphasis of matter in respect of:

- Asset and inventory management.
- Internal controls.
- Value for money audits with regard to the management of fleet services and the outsourcing of information systems.
- Information systems audit of the network security.
- Late submission of the audit report.

Water Trading Account: Disclaimer of audit opinion. Qualifications in respect of:

- Financial statements.
- Property, plant and equipment.

Emphasis of matter in respect of re-submission of re-submission of financial statements.

Equipment trading account: Adverse audit opinion. Qualifications in respect of:

- Property, plant and equipment and related depreciation.
- Retained earning.

Emphasis of matter in respect of re-submission of re-submission of financial statements.

National forest recreation and access trust: unqualified audit. Emphasis of matter in respect of:

- Operation of the national forest recreation trust.
- Progress with previous standing committee on public accounts (SCOPA) resolutions.

2005/06 Audit

The Auditor-General reported the following on the Financial Statement for this review period:

- Vote 34 (Main Account): Qualified.
- Water Trading Account: Disclaimed.
- Equipment Trading Account: Disclaimed.



- Forest Recreation and Access Trust: Matter of Emphasis.

In three of the accounts (Vote 34, Water Trading Account and the Equipment Trading Account), the principle contributor to the qualification and the disclaimers is as a result of the way in which the Department has accounted for its assets, while in the trading operations, the Department was unable to comply with the reporting requirements of Generally Accepted Accounting Principles (GAAP). The GAAP reporting requirements relate to the fact that the Department operates in a 'cash' accounting environment using BAS, and is then required to represent the trading account financials on an 'accrual accounting' basis where cash based transactions have to be converted to an accrual base.

Asset management: Vote 34 (Main Account), a combination of electronic (LOGIS) and manual registers used and inadequate reconciliations to verify physical existence of assets purchased during the year. Trading Account, while records of all assets are available, the recording of the assets fundamentally departs from the representation of these assets in terms of the reporting requirements of GAAP.

The Department was unable to comply with the requirements of the South African Statements of GAAP.

2006/07 Audit

The Auditor-General reported the following on the Financial Statement for this review period:

The basis for a qualified report emphasised the weaknesses of the following:

- Property, plant and equipment: The amounts of R2.189 billion as property, plant and equipment and R53.276 million disclosed as intangible capital assets could not be substantiated with an adequate fixed asset register.
- Loans, receivables and capitalisation reserve: An amount of R41.309 million was included in the loans, receivables and capitalisation reserve balance in the statement of financial position. This amount could not be substantiated.
- Cash and cash equivalents: An amount of R13.064 million was misstated.
- Disclosure and other matters: The amount of R18.890 million disclosed as accruals to the annual financial statements were not complete and accurate. The amount of R277.920 million disclosed as commitments to the annual financial statement was incomplete and inaccurate. Commitments for periods longer than one year were not disclosed properly and in other instances, the accumulative expenditure was not deducted from the amounts disclosed.
- Related parties: The Department has no proper system or controls in place to quantify or record related party transactions.
- Trust- financial information: The financial information of the National Forest Recreation and Access Trust for the 2005/06 financial year was included in the financials of the Department as no separate financial reporting system existed for the Trust. As a result, payable and cash and cash equivalents in the prior year were overstated by an amount of R3.175 million.



Other matters, reflected in the report encompassed the following:

- Non-compliance with applicable legislation, those in schedules 6 and 7 of the Division of Revenue Act, 2006 and Section 38 of the Public Finance Management Act.
- Non-compliance with departmental financial rules relating to the administration of debt.
- The human resources plan had not been approved at the time of the audit, although it had a vacancy rate of approximately 19.32% for the year under review.
- Due to a lack of monitoring, instances were identified where employees whose services were terminated were still reflected in the list of state guarantees. These guarantees were not cancelled with the financial institutions.
- A hearing attended by SCOPA and the Department was held on 13 March 2007. At the date of finalization of this report, the draft resolutions with regard to the 2005/06 financial period had not been adopted.

The following findings were highlighted by the Auditor-General on the performance information of the

Water Trading Account:

Basis for disclaimer of opinion

- Property, plant and equipment: The amount of R39.768 billion disclosed as property, plant and equipment could not be substantiated with an adequate fixed asset register.
- There were several material deviations from the accounting policies detailed in the notes to the financial statements when accounting for assets.
- Revenue: An amount of R545.266 million, in the trial balance, could be substantiated. Income was over-stated by R52.782 million.
- No reconciliation by the trading entities to the quantities/volumes of water charged to the actual quantities/volumes used as per readings made by the trading account in terms of the policy framework.
- Receivables: debtors were misstated, as unallocated deposits amounts amounting to R596.799 million, were off-set against debtors. No supporting documentation could be provided to substantiate these credit balances. Included in accounts receivable were credit balances amounting to R891.728 million. The validity of these credit balances could not be established. Recoverability of individual debtors was not assessed. No bad debts were written off, although irrecoverable debtor balances were identified.

The following findings were highlighted by the Auditor-General on the financial statements of the National Forest Recreation and Access Trust:

- Except for interest received, the trust was still dormant since inception. A formal approval by the Minister of Water Affairs and Forestry to commence with the operational activities of the Trust has not been given.



2007/08

Budget Vote 34

Basis for qualified opinion

Tangible capital assets

- No assurance could be obtained regarding the completeness, existence and valuation of the closing balance of assets disclosed in note 30 to the annual financial statements due to the following:
 - Additions amounting to R44 475 000 as reflected in note 30, which relate to the purchase of machinery and equipment were not substantiated in the fixed asset register. Additional reconciliations and supporting schedules were submitted on 23 July 2008, and the auditor general was unable to conduct and complete this exercise and report by 31 July 2008.
 - An adjustment to the opening balance of fixed assets amounting to R98 708 000 for machinery and equipment was unsubstantiated.
 - An adjustment to the opening balance for biological and cultivated assets amounting to R297 214 000 was not audited due to the initial omission of this amount in the financial statements submitted on 30 May 2008 and late submission of supporting schedules. Alternative audit procedures could not be performed.

Emphasis of matter – significant uncertainties

Tangible capital assets: buildings and other fixed structures

- Based on a review that was conducted by a specialist, it can be concluded that the approach, methodology and procedures followed in the valuation process adopted in respect of buildings and other fixed structures amounting to R2 344 487 000, as reflected in note 30 to the annual financial statements, are scientifically sound. However, several refinements regarding the valuation of assets will only be completed by September 2008. As a result, it is uncertain at this point in time whether the valuation amount relating to 31 March 2008 will change significantly upon completion of the above exercise.

Highlighting critically important matters presented or disclosed in the financial statements

Local and foreign aid

- Expenditure amounting to R281 065 000 was incurred on the European Union water and sanitation service project during the year, while no donor funds had been received to defray the expenditure in the current year as the agreement was only signed and came into effect on 20 March 2008. As a result, there is an amount of R281 065 000 reflected as over-expenditure on this project.



Other matters

- Section 51(1) (a) (i) of the PFMA states that the accounting officer must ensure that the entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control.
- With regard to the reporting item of tangible capital assets, 2 root causes (control environment² and monitoring³) gave rise to the inefficiencies in the system of internal control.

Non-compliance with applicable legislation

Division of Revenue Act(DoRA)

- Transfer payments budgeted for in terms of DoRA were not made in accordance with schedule 7 of DoRA. As a result, there were under- and overpayments to municipalities resulting in a net overpayment of R19 970 000.

Report on performance information

- The measurable objectives reported in the annual report of the Department are materially inconsistent when compared with the predetermined objectives as per the strategic plan and budget. Some measures/targets do not comply with the set criteria for determining the measures as required by the framework for managing programme performance information.

Water trading entity

The 2007/08 financial and performance information highlighted the following:

Basis for qualified opinion

Accounts receivable

- Included in accounts receivable is an amount of R82 615 244, which the trading entity has reflected as receivables. However, individual debtors disagree that some of these amounts are owed by them. The trading entity did not investigate all debtor balances for recoverability as required by the South African Statement of Generally Accepted Accounting Practice, IAS 39 (AC 133) *Financial instruments: Recognition and Measurement*. As a result, the above amount was not included in the provision for doubtful debts. Therefore, the value of receivables could be overstated by an unknown amount.

² Control environment establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.

³ Monitoring covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.



Emphasis of matters - Significant uncertainty

Property, plant and equipment: infrastructure assets

- Based on a review that was conducted by a specialist, it can be concluded that the approach, methodology and procedures followed in the valuation process adopted in respect of infrastructure assets amounting to R78 764 759 000, as reflected in note 5 to the annual financial statements, are scientifically sound. However, several refinements regarding the valuation of assets will only be completed by September 2008 and there is uncertainty regarding ownership or control of certain cross-border assets. A final policy decision needs to be taken regarding which off balance sheet assets will be included in the asset register. As a result, it is uncertain whether the valuation amount relating to 31 March 2008 will change significantly upon completion of the above exercise.

Restatement of corresponding figures

- As disclosed in note 19 to the financial statements, the corresponding figures for 31 March 2007 have been restated as a result of errors in the financial statements of the Water Trading Entity at, and for the year ended, 31 March 2007.

Other matters

Internal controls

- Section 51(1) (a) (i) of the PFMA states that the accounting officer must ensure that the entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control.
- With regard to the reporting item of receivables, 2 root causes (control environment⁴ and risk assessment⁵) gave rise to the inefficiencies.

Non compliance with applicable legislation

Treasury regulations

- The trading entity had a bank account in overdraft at year end amounting to R99 600 654, in contravention of Treasury Regulation 19.2.3.

⁴ Control environment establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.

⁵ Risk assessment involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.



Report on performance information

Non-compliance with regulatory requirements

- The trading entity did not have a separate strategic plan indicating measurable objectives and targets for the year as required by Treasury Regulation 5.1.1. As a result, the achievements as disclosed in the annual report could not be measured against planned objectives.

5. Department's plan to improve financial management

2004/05

With regard to improving the financial management of the Department, the Department developed a turnaround strategy to address shortcomings relating to:

- Capacity.
- Financial policies and procedures.
- Financial training
 - Development of risk management strategy.
 - Standardisation of business processes across the Department.
 - The development of a financial system for trading entities to operate accrual accounting.
 - Improved record keeping.
 - Fraud prevention plan strategy has been developed and approved by the audit committee.
 - Addressing previous audit queries.

2005/06

Water and Equipment Trading Account

- The Equipment Trading Account was closed and consolidated with the Water Trading Account.
- Water Trading Account financial reporting systems: In order to overcome the difficulties that were experienced in the application of the transversal systems for the specific business needs of the Department with regard to the Trading Entity, the Department, has, with effect from 4 October 2006, implemented a new ERP system (SAP) for the Trading Entity to enable reporting in accordance with GAAP. It must be noted that while the Department 'cut over to SAP, the Department used the transversal system of BAS from 1 April 2006 to 3 October 2006, at which stage, all transactions were transferred to SAP and a comprehensive SAP Take-on Reconciliation Process was implemented.
- The implementation of SAP will enable the Department to fully comply with the provisions of the PFMA and prepare the financial statements in accordance with the Generally Accepted Accounting Practice (GAAP). Furthermore, the Department is now able to fully implement accrual accounting for the trading activities and for the first time be able to comply with the provisions of section 40(1) of the Public Finance Management Act, 1999 (Act 1 of 1999)



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

- Policies and procedures and business processes are being compiled to ensure the proper initiation, approval, recording and disclosure of all financial transactions. A full verification of the Department's assets is being undertaken and the preparation of asset registers which comply with GAAP will be maintained on SAP. The reconciliation and conversion of all data from BAS into the SAP for the Department's trading activities was completed in March 2007.

Asset Register

- In order to supplement the Department's own capacity, a Profession Service Provider was appointed and also assisted with training on the daily management of assets and the review and updating of policies. Fourteen Asset Management Practitioners were sourced through the PSP and deployed to National and Regional Offices to assist with training. An Asset Management Forum has also been established and monthly meetings are held to review progress, share information and address asset related issues. In the order of 120 Asset Management Staff have already undergone the training offered by National Treasury during 2006.
- A very rigorous verification process was implemented during 2006/07 to ensure full verification of the Department's assets (both trading and main accounts). All assets (known), with the exception of the construction equipment (scheduled for completion in July 2007), have now been verified and recorded electronically in the trading account (SAP) and the main account (through the BAUD system, which is reconciled to LOGIS and BAS). All assets verified have been allocated a unique bar code to enable tracking and identification; Relevant Asset Staff have also been trained on the SAP asset module and the BAUD system.
- A Professional Service Provider has been appointed, following an open tender process, to assist the Department with the identification, verification and valuation of all of the Department's major infrastructure assets. This project which is due for completion in December 2008 will make it possible for more accurate determination of water tariffs and compliance with GAAP and the GIAMA Bill.

Asset Management

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

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



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

Forestry (National Forest Recreation and Access Trust)

The National Forest Recreation and Access Trust Fund was established in terms of section 41(1) of the National Forest Act, of 1998 (Act 84 of 1998). The Minister is the sole trustee of the Trust. The Trust, which is for the benefit of the general public and has the objective to promote access and use of forests for recreation, education, culture or spiritual fulfillment.

The National Hiking Way Fund and the National Hiking Way Board were dissolved when the National Forest Recreation and Access Trust Fund was established and an amount of R1 669 293 was transferred from the National Hiking Way Fund during 1999/2000 to the Trust. These funds have been invested with the Corporation for Public Deposits. The Trust Fund Access accrues interest in the order of about R250 000.00 a year.

The Committee on Forest Access (a sub committee to the NFAC) is responsible for giving advice to the Minister on all access related matters. They have deliberated and are considering ways in which the Trust Fund could be used in a sustainable manner and will be submitting a report to the Minister in this regard.

Options being considered for funding by the Trust could, *inter alia*, include the following:



organisations during the year. The above initiatives have also entailed shifts in the spending of the DWAF, and this may also change over the medium term.

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