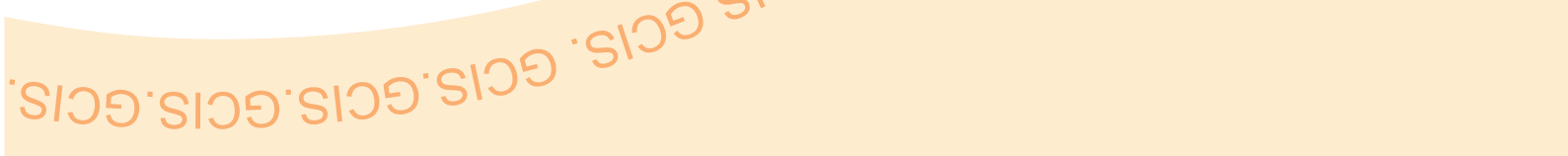




Annual Financial Statements



Annual Financial Statements for the year ended 31 March 2012

Final Annual Report of the Audit Committee	51
Report by the Accounting Officer	53
Report by the Auditor-General	63
Appropriation Statement	66
Notes to the Appropriation Statement	75
Statement of Financial Performance	77
Statement of Financial Position	78
Statement of Changes in Net Assets	79
Cash Flow Statement	79
Accounting Policies	80
Notes to the Annual Financial Statements	86
Disclosures Notes to the Annual Financial Statements	94
Annexures	101

Final Annual Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2012.

Audit Committee members and attendance

The Audit Committee consists of the members listed hereunder and meets at least 4 times per annum as per its approved terms of reference. During the year under review, 4 meetings were held.

Name of member	Number of meetings attended
Ms S Machaba (Chairperson) – appointed 1 March 2012	1
Ms S Nekhondela – appointed 1 March 2012	1
Ms T Molefe (Chairperson) – term ended February 2012	1
Mr K Semakane	2
Ms P Williams	2
Ms L Lloyd – term ended February 2012	2
Ms M Mosweu	2
Mr V Ndzimande	2

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 38(1)(a) of the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA), and Treasury Regulation 3.1

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 discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the department over financial risk and risk management is in the main effective, efficient and transparent, as confirmed by an unqualified Auditor-General's report.

In line with the PFMA, 1999 requirements, Internal Audit provides the Audit Committee and management with reasonable assurance that the internal controls are appropriate and effective. This is achieved by means of the risk-management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. As part of its oversight role, the Audit Committee reviewed the risk management process during the year and noted management's intervention to capacitate the risk management unit to ensure effective risk management. From the various reports of the internal auditors, the management report of the Auditor-General of South Africa on the GCIS audited Financial Statements and Performance Information, the committee noted management progress to implement internal auditors' recommendations as well as matters raised by the Auditor-General in his final report. Accordingly, except for the matters raised in the Internal Audit and Auditor-General of South Africa reports, we can report that the system of internal control for the period under review is in the main efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA, 1999.

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the department during the year under review.

Evaluation of financial statements and the annual report

The Audit Committee has:

- reviewed and discussed the audited annual financial statements and performance information on pre-determined objectives to be included in the Annual Report with the Auditor-General of South Africa and the Accounting Officer

- reviewed and discussed the Auditor-General of South Africa's management report and management's response thereto, and final audit report.
- reviewed the department's compliance with legal and regulatory provisions; and
- noted that there were significant adjustments resulting from the audit.


The Audit Committee noted the issues raised by the Auditor-General in his report and management's resolve to address them, concurs and accepts the Auditor-General's conclusions on the financial statements and performance information, and is of the opinion that the audited financial statements and performance information on pre-determined objectives be accepted and read together with the report of the Auditor-General.

Internal Audit

The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the department in its audit work.

Auditor-General of South Africa

The Auditor-General of South Africa was independent throughout the financial year under review, and the Audit Committee met with the Auditor-General to ensure that there are no unresolved issues.



Shirley Machaba
Chairperson of the Audit Committee

Date: 31 July 2012

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

1. General review of the state of financial affairs

The democratic society is premised on the accessibility of information to ensure citizens' active participation in changing their lives. It ensures the public is empowered in making choices. South Africa's Constitution and the Bill of Rights provide for accessibility to information for everyone.

The vision of the Government Communication and Information System (GCIS) is to be the pulse of communication excellence in government. Its primary mandate is to provide strategic leadership in government communication and coordinate the government communication system. It is meant to ensure the dissemination of information about government programmes and policies to the public. It seeks to empower the people with information to improve their lives.

GCIS strives to ensure strategic alignment of government messaging. It provides support to the government communication system in the five priority areas of government: education, fighting crime, health, job creation and rural development.

Among the products that are produced by GCIS to support government information dissemination are *Vuk'uzenzele*, *Public Sector Manager*, *My District Today*, *BuaBriefs*, *South Africa Yearbook* and *Pocket Guide to South Africa*. In addition to these, GCIS has an online news agency that provides stories on government activities, and a website that provides information on government policies and activities. GCIS is present at provincial level to provide communication support to both the provincial and district spheres.

Important policy decisions and strategic issues facing the department:

- **Government-wide communication system**

The organisation reviewed the government-wide communication system in 2007/08 to ascertain which challenges impacted on the quality and efficacy of the system. Some of the challenges identified included: the organisation's lack of authority in providing leadership to government communication, the limited strategic value attributed to communication within government, limited skilled communicators and the relatively modest uptake by other government departments of the GCIS' services such as bulk media buying or developing communication strategies. In June 2011, as part of the National Communication Strategy (NCS), Cabinet approved the centralisation of media buying at national level to ensure government takes advantage of economies of scales and discounts arising from bulk buying. This followed a decision by GCIS in mid-2010 to discontinue the outsourcing model of bulk media buying – which was in operation for six years – and bring this service in-house. The insourcing model has ensured that agency costs – middlemen fees – are eliminated, and that government benefits fully from the discounts negotiated through early bookings and bulk media buying, which in the outsourcing model would have been shared. The in-house model has had its fair share of teething problems – given the fluid communication and media-buying space – within the first six months of operationalisation, which have subsequently been addressed. It is, however, noteworthy that the said teething problems did not result in uncompetitive supply chain processes or erosion of value. To the contrary, an estimated R100 million was saved throughout government.

While not all departments are fully taking advantage of the centralised media-buying model, we do anticipate that the situation will improve over the next Medium Term Expenditure Framework (MTEF) period.

The review of the government-wide communication system has also resulted in a shift in the approach to government communication in the next five years. The NCS has been aligned with the Medium Term Strategic Framework and adopts a more measured approach to communication in support of the five national priorities and the outcomes-based approach. In addition, in the first year of the strategy's implementation, GCIS sought to respond to the communication environment with greater speed and ensure positive impact on the communication

environment. GCIS has also extended its reach in terms of showcasing government's programmes and progress of implementation through the creation of new communication platforms.

- **Focus over the medium term**

Over the medium term, GCIS will intensify implementation of the 2011 – 2014 Government Communication Strategy to support other departments' communication campaigns. The use of social media will be further explored to ensure a constant presence of government messages on these platforms. The marketing and communication strategy for Thusong service centres will be implemented to promote awareness of government information and services. In addition, political principals will continue to interact with members of the public through the Public Participation Programme. The Rapid Response Unit will manage the implementation of the recommendations provided to other government departments through regular and frequent meetings with government communicators. Key among the recommendations to be implemented is the establishment of a system to manage and coordinate parliamentary questions and replies. The full roll-out of the unit will take place over the medium term.

- **Media bulk buying**

In instituting an effective system to enable government departments to secure savings from bulk buying, the department reviewed its organisational structure. The department has upgraded the Communication Service Agency to a branch to increase its capacity to service other government departments. The branch will be capacitated further over the medium term.

- **Community and stakeholder liaison visits**

The organisation's new focus is on working with major stakeholders and forums in the districts as compared to small communities in a ward. These projects include community information sessions, community radio programmes, door-to-door campaigns, town hall meetings, outreach events at Thusong service centres and a range of other locally based communication platforms, where information about government programmes and opportunities is provided directly to citizens.

Financial affairs and spending trends

The GCIS was allocated R496 393 000 for the 2011/12 financial year. The budget allocation had a net decrease of R54,5 million during the Adjusted Estimates of National Expenditure (AENE), resulting in a total of R441 943 000 in voted funds. The breakdown of the net decrease is as follows:

- Brand South Africa, formerly known as the International Marketing Council (IMC), was transferred to The Presidency during 2011/12. The transfer payment to Brand South Africa was reduced with R62,5 million.
- R8 million in additional funds were allocated, broken down as follows:
 - o R6,5 million being the roll-over of funds from the 2010/11 financial year to cover the cost associated with the relocation of the department to a new building
 - o R1,5 million allocated for higher personnel cost than the main budget provided for.

Of the allocated budget of R441,943 million, R421,221 million (95,3%) was spent, resulting in an underspending of R20,722 million (4,7%). The breakdown of this underspending is as follows:

- R20,3 million was allocated for leases in respect of the new GCIS Head Office Building but the occupation date was postponed to May 2013.
- R408 000 was allocated towards the printing of Programme of Action booklets. The underspending occurred due to the fact that the service-provider did not deliver the full quantity of the booklets by year-end, hence full payment could not be effected.

GCIS continues to adhere to sound financial management as stipulated in the Public Finance Management Act, 1999 (Act 1 of 1999), and National Treasury Regulations. To ensure that GCIS maintains sound financial governance that is client-focused and responsive to the overall operating environment, the financial policies are reviewed annually to ensure that they still comply with the Public Finance Management Act, 1999 and National Treasury Regulations. An addendum is made and distributed to all staff once approved by the Accounting Officer, instead of reprinting the entire policy in order to save government funds. In between, the financial circulars are issued to staff from time to time as guided by National Treasury and Department of Public Service and Administration (DPSA) prescripts.

2. Virement and additional allocation during the Adjustment Estimate

The following virement and additional budget allocation were approved through the Adjustments Estimates process:

Main division	Original budget (R'000)	Virement (R'000)	Roll-overs (R'000)	Other adjustments (R'000)	Adjusted Estimates of National Expenditure (AENE) (R'000)
1 Administration	113 186	2 796	6 500	-	122 482
2 Communication and Content Management	290 969	(9 135)	-	(61 826)	220 008
3 Government and Stakeholder Engagement	92 238	6 339	-	876	99 453
TOTAL	496 393	-	6 500	(60 950)	441 943

The above is represented by the following:

- an increase of R1,503 million in Compensation of Employees for salary increases following the Public Service Coordinating Bargaining Council resolution
- Goods and Services increased with R6,5 million that was rolled over from 2010/11 to cover costs associated with the relocation of the department to a new building
- transfers and subsidies decreased by R62,453 million that was transferred to The Presidency for the shifting of the IMC – Brand South Africa

The following virement was approved by the Accounting Officer and National Treasury after the Adjusted Estimates of National Expenditure:

Main division	Adjusted ENE (R'000)	Virement (R'000)	Final appropriation (R'000)
1 Administration	122 482	(848)	121 634
2 Communication and Content Management	220 008	2 577	222 585
3 Government and Stakeholder Engagement	99 453	(1 729)	97 724
TOTAL	441 943	-	441 943

The above virement is represented by the net effect of the following:

- a decrease of R6,65 million in Compensation of Employees of which R6,353 million is to fund the purchase of Goods and Services, mainly in respect of the Build SA Outdoor Campaign and R297 000 to Transfers and Subsidies to fund the leave gratification of retired officials

- a net increase of R1 138 000 in Goods and Services of which R6,353 million was shifted from Compensation of Employees while R5,215 was shifted to Machinery and Equipment to fund the purchase of capital assets
- an increase of R297 000 in Transfers and Subsidies
- an increase of R5,215 million in the payments for Capital Assets from Goods and Services to fund the purchase of capital assets.

3. Services rendered by the department

3.1 Tariff policy

GCIS produces various information products, including posters, banners, photos and videos on behalf of other departments. Some of these photos and videos are sold to the public and other departments. The department also provides graphic-design services to government departments and for GCIS-initiated projects.

Tariffs are developed after determining the direct costs linked to the production of information products. Tariffs make no provision for a profit margin. A total amount of R31 060 was generated during the 2011/12 financial year from selling photos and CDs.

In comparison with previous years, no income was generated from selling media space in the Government Magazine (*Vuk'uzenzele*) to private companies and other government departments as it was changed to a monthly newspaper. The new *Public Sector Manager* magazine was also established. Income generated from the *Public Sector Manager* magazine will be realised from July 2012.

The income generated through sales is deposited directly into the National Revenue Fund (NRF) monthly.

3.2 Inventories

Inventories kept at our main store consist of limited stock of stationery, government forms and printer cartridges. The total inventories on hand at year-end are included in the Annexures on Inventory.

4. Capacity constraints

Over the past few years, GCIS has been inundated with requests from national and provincial departments to assist with communication campaigns. These requests have exerted enormous pressure on GCIS' current capacity, in terms of the number of personnel as well as the requisite skills. GCIS continues to provide assistance to other departments with their communication campaigns.

GCIS has also finalised a review of the NCS, which led to a change in the organisational structure. The new structure improves the way in which GCIS executes the NCS and ensures more effective communication and an increased target audience. Formal approval was obtained from the DPSA as well as National Treasury. As a result, the budget structure was also changed from the 2011/12 financial year and realigned to the organisational structure.

Despite approval obtained from Cabinet to implement the NCS, National Treasury did not allocate funds to implement this project as planned from the 2012/13 financial year. A new request will be submitted during the next MTEF process.

5. Public entities

There were two public entities under the control of GCIS, namely the IMC – Brand South Africa and the Media Development and Diversity Agency (MDDA).

5.1 International Marketing Council – Brand South Africa

The IMC, now known as Brand South Africa, was transferred to The Presidency during 2011/12. The IMC's main objective was the marketing of South Africa through the Brand South Africa Campaign.

To achieve its objective, the IMC:

- Through Brand South Africa, positioned the country in terms of its investment- and credit-worthiness, exports, tourism and international relations objectives.
- Established an integrated approach within government and the private sector towards the international marketing of South Africa.
- Built national support for the brand within South Africa itself. To achieve this, the IMC enlisted the cooperation of government departments, public entities, the private sector and non-governmental organisations.
- Undertook activities relating to the FIFA 2010 World Cup™.

The mandate of Brand South Africa is to:

- assist with, contribute to and independently draft regular communication content by weekly participation in and contribution to GCIS Content Hub discussions and content development
- build South Africa's nation brand reputation to increase South Africa's global competitiveness
- develop and articulate the value proposition and positioning that will drive the long-term reputation of Brand South Africa
- build pride and patriotism among South Africans with the aim of uniting the nation by encouraging all South Africans to "live" the national brand, and in so doing define "South Africanness".

The IMC of South Africa was established in 2002 to develop and implement a proactive and coordinated international marketing and communication strategy for South Africa to contribute to job creation and poverty reduction, and to attract inward investment, trade and tourism.

In 2008, a strategic review of the IMC was initiated by the Minister in The Presidency, which led to a change in the organisation's mandate, business model, strategy, performance indicators and its board of trustees. The council's revised mandate now calls for the building of South Africa's national brand to improve the country's global competitiveness by developing and articulating a value proposition and positioning that will build the long-term reputation of the country. This is to be done through its Brand South Africa Campaign. The council also aims to ensure alignment and coordination with its stakeholders in promoting the country and contributing to social cohesion through domestic initiatives aimed at building pride and patriotism.

With the 2010 FIFA World Cup™ having presented a unique media opportunity for South Africa to position and market itself internationally, the council's strategic focus after the event has been on leveraging off it to improve South Africa's profile and reputation as a viable destination for trade, investment and tourism.

The strategic focus over the medium term will be to mobilise South Africans to support and rally around South Africa as a country to market to both potential investors and visitors. The council will focus on leveraging off the successful hosting of the World Cup to further entrench South Africa's position as an emerging market that is open to business, trade, inward investment and tourism. This will be achieved largely through the development and launch of the new Brand South Africa positioning, continued stakeholder alignment through training and engagement, as well as international reputation and perception management and domestic nation-building initiatives. The council will also implement a new structure aligned to its revised mandate and continue to prioritise the African continent as well as emerging markets such as Brazil, Russia, India and China. The council will also actively seek partnership opportunities with the private sector and other stakeholders to increase the budget for implementing its programmes.

Details of the main activities and objectives of Brand South Africa are as follows:

- *Brand Strategy Development and Management* is a programme/objective that aims to achieve coordinated nation-branding efforts to maximise brand equity, development of frameworks for Brand South Africa positioning and

messaging, driving alignment of all stakeholders with regard to nation-branding and infusing nation-branding messaging across all key stakeholders.

- *Reputation Management* manages the reputation of Brand South Africa to build positive awareness and project the country as an attractive investment, trade and tourism destination. This involves managing perceptions of Brand South Africa through strategic communication and issue management.
- *Brand Knowledge and Performance (Research)* develops and maintains an integrated research and knowledge management strategy across global and domestic platforms to inform planning, programmes and content development. It also researches and tracks Brand South Africa's key performance indicators.
- *Stakeholder and Partner Alignment Management* ensures consistency and alignment in how South Africa is projected locally and internationally. The aim is to ensure coherence and consistency in the delivery of content and messages and identifying and activating stakeholder platforms through which the organisation can reach its audiences and achieve its outcomes.
- *Mass Media Advertising* increases awareness of branding activities and mobilises South Africans and the global audience as ambassadors for the South African brand by reaching out to them through various media platforms. This involves selecting the relevant media platforms to reach the target market and exploring and exploiting opportunities for partnership and alignment of key nation-branding initiatives.

5.2 Media Development and Diversity Agency

The MDDA was set up in terms of the MDDA Act, 2001 (Act 14 of 2002), to enable historically disadvantaged communities and individuals to gain access to the media. The mandate of the MDDA is to:

- create an enabling environment for media development and diversity that reflects the needs and aspirations of all South Africans
- redress the exclusion and marginalisation of disadvantaged communities and people from access to the media and the media industry
- promote media development and diversity by providing support primarily to community and small commercial media projects.

The overall objective of the agency is to ensure that all citizens can access information in a language of their choice, and to transform media access, ownership and control patterns in South Africa.

Over the medium term, the agency's strategic focus will be on:

- advocating for media development and diversity
- developing advertising partnerships with government departments, public entities and the private sector to enhance the sustainability of small commercial media projects
- providing grant and seed funding for community and small commercial media
- providing capacity-building interventions for beneficiary organisations and communities, including mentorship and monitoring and evaluation
- strengthening and consolidating beneficiary projects to levels of sustainability
- conducting research and knowledge management
- promoting media literacy and a culture of reading
- communicating and encouraging public awareness about the media sector
- promoting quality programming and production in community broadcasting
- raising funds and mobilising resources.

The number of community media projects funded per year is expected to decrease from 29 in 2011/12 to 19 in 2014/15 as the entity consolidates support for projects funded in previous years to ensure their viability. In 2013/14 and 2014/15, fewer new projects will be funded, in line with the aim of consolidating funding for previously supported projects. The number of projects supported also depends on the quality and quantity of applications received.

5.3 Public entity funding

Both the IMC and MDDA received transfer payments from GCIS in the 2011/12 financial year. A once-off payment of R19,115 million was made to the MDDA in April 2011, while two quarterly transfer payments totalling R77,636 million were made to the IMC, resulting in total transfers made to these two public entities of R96,751 million. GCIS held quarterly meetings with the MDDA and IMC to obtain reports on the full transfers given to them. The IMC, now known as Brand South Africa, was shifted to The Presidency from mid-2011/12, hence only two quarterly transfer payments.

6. Organisations to whom transfer payments have been made

Apart from the transfer payments made to the IMC and MDDA, an amount of R295 370 was paid in respect of leave gratification of officials who retired or resigned.

7. Corporate governance arrangements

GCIS is committed to the principles of good corporate governance and to ensure compliance with all relevant laws and regulations.

There are other matters raised in the Auditor-General's report of compliance nature, which have been or will be addressed in the next financial year. All other matters were identified by GCIS' internal control systems and appropriately disclosed in the financial statements.

We also like to draw your attention to contractual matters involving third parties, and referred to in the 2010/11 Annual Report – the outcome of which is still unknown. As the matter involves contractual disputes, we are unable to furnish details in this report until proper investigation is finalised and the matter brought to a logical conclusion.

During the year under review, the Management Committee (Manco) approved the revised GCIS Control Policy Statement, Risk-Management Policy and Strategy, Fraud Prevention Plan and Strategy as well as the strategic and operational risk registers. The risk mitigation measures were monitored and reports tabled to the Management and Audit and Risk committees to ensure that the risks identified is mitigated.

The Internal Audit Committee, chaired by the CEO, held at least seven meetings to discuss the Internal Audit and Auditor-General's plans and reports, progress reports as well as risks, prior to the quarterly Audit Committee meetings. The Audit Committee also held its quarterly meetings as planned to discharge its oversight responsibilities over risk management, governance and control in relation to management and internal and external audit functions. Both the Internal Audit Committee and the Audit Committee operate in accordance with the approved terms of reference.

The Occupational Health and Safety Committee has eight members. In addition, safety representatives were appointed within GCIS to assist in emergency situations. Capacity-building for this team was successfully done. The safety representatives are, among other things, trained up to First Aid Level II.

Equipment is serviced monthly and quarterly to ensure a safe and healthy environment.

The Budget Committee, consisting of all Manco members, chaired by the CEO and comprising three Deputy CEOs as well as the Chief Financial Officer, meets monthly to review the expenditure reports. Manco meets weekly to discuss the communication environment and review the department's work. Exco, the highest management committee in GCIS, consisting of the CEO and three Deputy CEOs, meets weekly to discuss top management issues. Once a month, the Deputy Minister in The Presidency, who provides strategic leadership and guidance to the work of GCIS, is briefed on the work of the department as well as the expenditure trends. The other management forum, the Director's Forum, consisting of directors, meets quarterly to discuss the department's organisational matters. The forum is also used to provide presentations and in-house training on various topics and aspects for senior managers.

The Corporate Services Programme undertakes corporate social activities, while the departmental procurement policy and delegations ensure that supply chain management (SCM) procedures are fully complied with. The current SCM is still very labour-intensive, resulting in some unnecessary laborious processes that could be reduced by introducing relevant technology. National Treasury is currently working on the Integrated Financial Management System, which is meant to replace the existing systems (BAS, Logis and Persal). Until that system is fully implemented, departments are not allowed to procure any form of technology for their financial and procurement processes.

8. Discontinued activities/activities to be discontinued

As referred to earlier, the IMC, now known as Brand South Africa, was shifted to The Presidency from mid-2011/12. The result was that the transfer budget of the department was reduced with R62,453 million and transferred to The Presidency. The department also intended to implement in full the NCS from 2012/13 but implementation will be limited due to lack of funding.

Despite the aforementioned, GCIS will continue to achieve its mandate and render an effective communication service to all citizens.

9. New/proposed activities

New activities for the 2012/13 financial year for which funding was approved by National Treasury include:

- **New Head Office Building**

National Treasury approved a once-off allocation of R50 million in 2012/13 in respect of infrastructure cost towards the new Head Office Building. It is planned that the amount will cover the design, supply and installation of all information and communications technology infrastructure; furniture; electronic features for the media centre and the video, radio and photographic studios; as well as relocation cost. The planned occupation date is May 2013.

- **Inflation-related adjustment: Compensation of Employees**

To absorb inflation-related adjustments as well as adjustments to the salary structures of certain occupational classes by the DPSA, National Treasury allocated R3,5 million in 2012/13; R3,8 million in 2013/14; and R4,3 million in 2014/15 to cover additional salary costs.

10. Asset management

All assets are captured in the Asset Register. GCIS has always had an asset-management unit, which resides under SCM and consists of three officials. Responsibility/cost-centre managers are appointed in writing as controllers of assets that fall within their chief directorates and directorates. Asset-management teams are appointed annually to do comprehensive asset verification within the department. The department has the following in place:

- Asset Register
- Asset-Management Strategy
- a comprehensive asset-management policy that includes maintenance, disposal, etc.

All policies are reviewed annually. With reference to compliance with the asset-management reform milestones, it can be confirmed that:

- information in the department's manual Asset Register about the condition of all furniture and equipment is updated
- information in the Logis system about the condition of all equipment was updated
- the Logis system does not cater for information about the updating of the condition of furniture.

11. Events after the reporting date

No material events that had an influence on the financial statements and the financial position of GCIS occurred after the balance sheet date.

12. Information on predetermined objectives

The Strategic Planning and Performance Monitoring Unit was fully capacitated during the 2011/12 financial year. The unit is responsible for monitoring and reporting on programme-performance information. Programme-performance information is monitored on a monthly basis through using the electronic performance reporting system, the Organisation Performance Management System (OPMS). The OPMS allows programme managers to submit both monthly and quarterly performance reports. These reports detail key achievements against the set quarterly targets as reflected in the annual performance plans. Subsequent to rigorous analysis of reports from the programme managers, the planning unit consolidates the departmental performance report and presents it at Manco for discussion and approval. In this meeting, corrective measures for delayed targets are recorded and monitored constantly. All approved quarterly reports were submitted to the National Treasury and Department of Performance Monitoring and Evaluation in The Presidency.

The department managed to meet the majority of targets reflected in the 2011/14 Strategic Plan (84%). The challenges with targets that were delayed were predominately due to lack of financial resources. These targets, though few, were noted by Manco and will be addressed during the MTEF submission to National Treasury.

13. Standing Committee on Public Accounts (Scopa) Resolutions

There were no Scopa resolutions in the 2010/11 financial year.

14. Prior modifications to audit reports

The AG reported the following audit findings and matters in the 2010/11 Report of the AG:

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing/resolving the matter
With reference to Note 17 of the financial statements, the department is currently in a process of reviewing claims from a third party, the ultimate outcome of which cannot currently be determined and no provision for any liability that may result has been made in the financial statements.	2010/11	The matter is still under investigation. Both parties, together with legal advisers, are in regular communication to resolve the matter.
Certain goods and services with a transaction value of over R500 000 were not procured by means of a competitive bidding process as per the requirements of Treasury Regulations 16A6.1 and 16A6.4 and National Treasury Practice Notes 6 and 8 of 2007/08 issued in terms of Section (76(4)(c) of the PFMA, 1999, which is disclosed as irregular expenditure in Note 23 to the financial statements.	2010/11	The matter was resolved. Disciplinary steps were instated against the responsible officials.
Employees were identified who performed remunerative work outside their employment in the department without written permission from the relevant authority as per the requirements of Section 30 of the Public Service Act of South Africa, 1994 (Act 103 of 1994).	2010/11	The matter was resolved. Officials were requested to apply for permission to perform remunerative work outside their normal duties.
The annual tariff structure for revenue was not approved by the relevant treasury as required by Treasury Regulation 7.3.1	2010/11	The matter was resolved. A submission was made to the National Treasury and Accounting Officer after which the structure was approved.

15. Interim financial statements

The department submitted four interim financial statements to National Treasury on the required due dates, namely 31 July 2011, 31 October 2011, 31 January 2012 and 30 April 2012. Although the interim financial statements provide a broad oversight of the state of financial affairs of mainly ledger and suspense accounts, the department is of the opinion that better financial reporting can be obtained by replacing the current interim financial statements with a half-yearly financial statement reporting framework, which includes an interim appropriation statement. This can be drafted and read together with the Adjusted Estimates of National Expenditure. The submission of a fourth-quarter interim financial statement, which is basically a draft of the annual financial statements, is also not clear.

Approval

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



Mr Jimmy Manyi

Chief Executive Officer

Date: 02 July 2012

Report by the Auditor-General

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VOTE NO. 9: GOVERNMENT COMMUNICATION AND INFORMATION SYSTEM

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Government Communication and Information System set out on pages 66 to 100, which comprise the appropriation statement, the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the Departmental financial reporting framework prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis of my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Government Communication and Information System as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with the Departmental Financial Reporting Framework prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

Additional matter

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Financial reporting framework

8. The financial reporting framework prescribed by the National Treasury and applied by the department is a compliance framework. The wording of my opinion on a compliance framework should reflect that the financial statements have been prepared in accordance with this framework. Section 20(2) (a) of the PAA, however, requires me to express an opinion on the fair presentation of the financial statements. The wording of my opinion therefore reflects this requirement.

Unaudited supplementary schedules

9. The supplementary information set out on pages 101 to 108 does not form part of the financial statements and is presented as additional information. I have not audited these schedule and, accordingly, I do not express an opinion thereon

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

10. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

11. I performed procedures to obtain evidence about the usefulness and reliability of the information in the report on predetermined objectives of the Government Communication and Information System for the year ended 31 March 2012 as set out on pages 17 to 46 of the annual report.

12. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable and relevant as required by the National *Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts

13. There were no material findings on the report on predetermined objectives concerning the usefulness and reliability of the information.

Additional matter

14. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives reported above.

Material adjustments to the annual performance report

15. Material misstatements in the report on predetermined objectives were identified during the audit, all of which were corrected by management.

Compliance with laws and regulations

16. I performed procedures to obtain evidence that the Government Communication and Information System has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Annual financial statements

17. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 40(1)(b) of the Public Finance Management Act. Material misstatements of disclosure items identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

18. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury Regulation 16A8.3.
19. Contracts and quotations were awarded to bidders who did not submit a declaration of past supply chain practices such as fraud, abuse of SCM system and non-performance, which is prescribed in order to comply with Treasury Regulation 16A9.1.

Internal control

20. I considered internal control relevant to my audit of the financial statements, report on predetermined objectives and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on compliance with the report on predetermined objectives and laws and regulations included in this report.

Leadership

21. The key management did not exercise adequate oversight responsibility regarding financial and predetermined objective reporting and compliance with laws and regulations.

Financial and performance management

22. Inadequate monitoring by supervisors resulted in material misstatements in the financial statements, report on predetermined objectives, and non-compliance with laws and regulations.

OTHER REPORTS

Investigations

27. An investigation is being conducted to establish whether procurement and approval processes were followed prior to payments being made to a service provider.

Auditor-General

Pretoria

31 July 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Appropriation Statement for the year ended 31 March 2012

Appropriation per programme

	2011/12				2010/11			
	Adjusted Ap- propriation	Virement	Final Ap- propriation	Actual Ex- penditure	Variance	Expenditure as % of final appropriation	Final Ap- propriation	Actual Ex- penditure
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1. Administration								
Current payment	122,167	(3,522)	118,645	98,333	20,312	82.9%	131,654	108,675
Transfers and subsidies	-	76	76	76	-	100.0%	64	64
Payment for capital assets	315	2,598	2,913	2,903	10	99.7%	2,924	2,924
Payment for financial assets		-	-	19	(19)	-	-	12
	122,482	(848)	121,634	101,331	20,303		134,642	111,675
2. Communication and Content Management								
Current payment	140,644	1,545	142,189	141,788	401	99.7%	154,321	150,191
Transfers and subsidies	77,636	202	77,838	77,837	1	100.0%	170,113	170,113
Payment for capital assets	1,728	830	2,558	2,536	22	99.1%	1,797	1,797
Payment for financial assets	-	-	-	16	(16)	-	-	23
	220,008	2,577	222,585	222,177	408		326,231	322,124
3. Government and Stakeholder Engagement								
Current payment	79,970	(3,569)	76,401	76,378	23	100.0%	71,324	70,386
Transfers and subsidies	19,115	19	19,134	19,134	-	100.0%	17,454	17,454
Payment for capital assets	368	1,821	2,189	2,189	-	100.0%	533	533
Payment for financial assets	-	-	-	12	(12)	-	-	157
	99,453	(1,729)	97,724	97,713	11		89,311	88,530
TOTAL	441,943	-	441,943	421,221	20,722	95.3%	550,184	522,329

Appropriation Statement for the year ended 31 March 2012

Reconciliation with statement of financial performance	2011/12		2010/11	
	Final Appropriation	Actual Expenditure	Final Appropriation	Actual Expenditure
ADD:				
Departmental receipts	948		1,558	
Actual amounts per statement of financial performance (total revenue)	442,891		551,742	
Actual amounts per statement of financial performance (total expenditure)		421,221		522,329

Appropriation Statement for the year ended 31 March 2012

Appropriation per Economic Classification

	2011/12				2010/11			
	Adjusted Appropriation	Virement	Final Ap-propriation	Actual Ex-penditure	Variance	Expendi-ture as % of final appro-priation	Final Ap-propriation	Actual Ex-penditure
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments								
Compensation of employees	166,936	(6,650)	160,286	160,264	22	100.0%	150,726	147,203
Goods and services	175,845	1,104	176,949	156,234	20,715	88.3%	206,573	182,050
Transfers and subsidies								
Departmental agencies & accounts	96,751	-	96,751	96,751	-	100.0%	187,378	187,378
Households	-	297	297	296	1	99.7%	208	208
Payments for capital assets								
Machinery and equipment	2,051	5,096	7,147	7,116	31	99.6%	5,299	5,298
Software & other intangible assets	360	153	513	513	-	100.0%	-	-
Payments for financial assets	-	-	-	47	(47)	-	-	192
Total	441,943	-	441,943	421,221	20,722	95.3%	550,184	522,329

Appropriation Statement for the year ended 31 March 2012

Details per Programme 1 – Administration for the year ended 31 March 2012

		2011/12					2010/11		
	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure	
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	
1.1 Departmental Management									
Current payment	7,125	563	7,688	7,684	4	99.9%	10,825	10,825	
Payment for capital assets	35	53	88	87	1	98.9%	65	65	
1.2 Corporate Services									
Current payment	46,281	(4,029)	42,252	42,244	8	100.0%	64,544	58,240	
Transfers and subsidies	-	72	72	72	-	100.0%	64	64	
Payment for capital assets	280	2,049	2,329	2,322	7	99.7%	2,134	2,134	
Payment for financial assets	-	-	-	4	(4)	-	-	12	
1.3 Financial Administration									
Current Payment	28,755	675	29,430	29,422	8	100.0%	34,885	18,210	
Transfers and subsidies	-	4	4	4	-	100.0%	-	-	
Payment for capital assets	-	474	474	472	2	99.6%	660	660	
1.4 Internal Audit									
Current payment	6,000	8	6,008	5,992	16	99.7%	5,496	5,495	
Payment for capital assets	-	22	22	22	-	100.0%	65	65	
Payment for financial assets	-	-	-	15	(15)	-	-	-	
1.5 Office Accommodation									
Current payment	34,006	(739)	33,267	12,991	20,276	39.1%	15,904	15,905	
Total	122,482	(848)	121,634	101,331	20,303	83.3%	134,642	111,675	

Appropriation Statement for the year ended 31 March 2012

Programme 1 per Economic Classification	2011/12					2010/11		
	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments								
Compensation of employees	47,865	(1,768)	46,097	46,088	9	100.0%	50,503	49,809
Goods and services	74,302	(1,754)	72,548	52,245	20,303	72.0%	81,151	58,866
Transfers and subsidies to:								
Households	-	76	76	76	-	100.0%	64	64
Payment for capital assets								
Machinery and equipment	315	2,109	2,424	2,414	10	99.6%	2,924	2,924
Software and other intangible assets	-	489	489	489	-	100.0%	-	-
Payment for financial assets								
	-	-	-	19	(19)	-	-	12
Total	122,482	(848)	121,634	101,331	20,303	83.3%	134,642	111,675

Appropriation Statement for the year ended 31 March 2012

Details per Programme 2 – Communication and Content Management for the year ended 31 March 2012

Details per Sub-programme	2011/12					2010/11		
	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
2.1 Programme Management for Communication and Content Management								
Current payment	2,601	752	3,353	3,352	1	100.0%	2,250	2,240
Payment for capital assets	-	58	58	58	-	100.0%	31	31
Payment for financial assets	-	-	-	-	-	-	-	10
2.2 Policy and Research								
Current payment	33,746	(5,438)	28,308	28,305	3	100.0%	24,938	24,737
Transfers and subsidies	-	163	163	163	-	100.0%	-	-
Payment for capital assets	140	163	303	300	3	99.0%	403	403
Payment for financial assets	-	-	-	2	(2)	-	-	-
2.3 Media Engagement								
Current payment	14,255	(2,092)	12,163	12,161	2	100.0%	14,975	13,144
Payment for capital assets	127	28	155	153	2	98.7%	333	333
2.4 Communication Service Agency								
Current payment	27,213	7,897	35,110	35,113	(3)	100.0%	72,732	71,600
Transfers and subsidies	-	35	35	35	-	100.0%	-	-
Payment for capital assets	1,259	230	1,489	1,484	5	99.7%	945	945
Payment for financial assets	-	-	-	-	-	-	-	8
2.5 Content and Writing								
Current payment	62,829	426	63,255	62,857	398	99.4%	39,426	38,470
Transfers and subsidies	-	4	4	3	1	75.0%	-	-
Payment for capital assets	202	351	553	541	12	97.8%	85	85
Payment for financial assets	-	-	-	14	(14)	-	-	5
2.6 International Marketing Council								
Transfers and subsidies	77,636	-	77,636	77,636	-	100.0%	170,113	170,113
Total	220,008	2,577	222,585	222,177	408	99.8%	326,231	322,124

Appropriation Statement for the year ended 31 March 2012

Programme 2 per Economic Classification	2011/12				2010/11			
	Adjusted Appropriation	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments								
Compensation of employees	65,257	(2,727)	62,530	62,522	8	100.0%	51,152	48,992
Goods and services	75,387	4,272	79,659	79,265	394	99.5%	103,169	101,199
Transfers and subsidies								
Departmental agencies and accounts	77,636	-	77,636	77,636	-	100.0%	170,113	170,113
Households	-	202	202	201	1	99.5%	-	-
Payment for capital assets								
Machinery and equipment	1,368	1,166	2,534	2,513	21	99.2%	1,797	1,797
Software and other intangible assets	360	(336)	24	24	-	100.0%	-	-
Payment for financial assets								
	-	-	-	16	(16)	-	-	23
Total	220,008	2,577	222,585	222,177	408	99.8%	326,231	322,124

Appropriation Statement for the year ended 31 March 2012

Details per Programme 3 – Government and Stakeholder Engagement for the year ended 31 March 2012

Details per Sub-programme	2011/12					2010/11		
	Adjusted Appropriation R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
3.1 Programme Management for Government and Stakeholder Engagement								
Current payment	3,562	2,592	6,154	6,153	1	100.0%	1,749	1,749
Payment for capital assets	-	96	96	96	-	100.0%	14	14
3.2 Provincial and Local Liaison								
Current payment	76,408	(6,161)	70,247	70,225	22	100.0%	69,575	68,637
Transfers and subsidies	-	19	19	19	-	100.0%	189	189
Payment for capital assets	368	1,725	2,093	2,093	-	100.0%	519	519
Payment for financial assets	-	-	-	12	(12)	-	-	157
3.3 Media Development and Diversity Agency								
Transfers and subsidies	19,115	-	19,115	19,115	-	100.0%	17,265	17,265
Total	99,453	(1,729)	97,724	97,713	11	100.0%	89,311	88,530

Appropriation Statement for the year ended 31 March 2012

Programme 3 per Economic Classification	2011/12					2010/11		
	Adjusted Ap-propriation	Virement	Final Ap-propriation	Actual Expendi-ture	Vari-ance	Expenditure as % of final appropria-tion	Final Ap-propriation	Actual Expendi-ture
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments								
Compensation of employees	53,814	(2,155)	51,659	51,654	5	100.0%	49,071	48,402
Goods and services	26,156	(1,414)	24,742	24,724	18	99.9%	22,253	21,985
Transfers and subsidies								
Departmental agencies and accounts	19,115	-	19,115	19,115	-	100.0%	17,265	17,265
Households	-	19	19	19	-	100.0%	144	144
Payment for capital assets								
Machinery and equipment	368	1,821	2,189	2,189	-	100.0%	578	577
Payment for financial assets	-	-	-	12	(12)	-	-	157
Total	99,453	(1,729)	97,724	97,713	11	100.0%	89,311	88,530

Notes to the Appropriation Statement for the year ended 31 March 2012

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

Detail of these transactions can be viewed in note 6 (Transfers and subsidies) and Annexure 1A and B 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 payments for financial assets

Detail of these transactions per programme can be viewed in note 5 (Payments for financial assets) to the Annual Financial Statements.

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

	Final Appropriation	Actual Expenditure	Variance R'000	Variance as a % of Final Appropriation
	R'000	R'000	R'000	%
4.1 Per Programme				
Administration	121,634	101,331	20,303	16.7%
Funds were allocated in respect of the new Head Office Building but occupation was postponed to May 2013				
Communication and Content Management	222,585	222,177	408	0.2%
The service provider did not deliver all the booklets in respect of the Programme of Action				
Government and Stakeholder Engagement	97,724	97,713	11	0%
Variance relates to savings in fix running cost				
4.2 Per Economic classification				
Current payments:				
Compensation of employees	160,286	160,264	22	0.01%
Goods and services	176,949	156,234	20,715	11.7%
Financial transactions in assets and liabilities	-	-	-	
Transfers and subsidies:				
Departmental agencies and accounts	96,751	96,751	-	-
Households	297	296	1	0.7%
Payments for capital assets:				
Machinery and equipment	7,147	7,116	31	0.4%

Software and other intangible assets	513	513	-	-
Payment for financial assets	-	47	(47)	(100.0%)

The variance in Compensation of Employees relates mainly to the filling of vacant posts. The variance in Goods and Services relates to funds that were allocated in respect of the new Head Office Building (R20,3 million) but did not realise as anticipated due to the occupation date that was postponed to May 2013. National Treasury was requested to roll-over the funds to the 2012/13 financial year in respect of the new building. A further R400 000 underspending was realised due to outstanding booklets of the Programme of Action that were not delivered by year-end.

Statement of Financial Performance for the year ended 31 March 2012

		2011/12	2010/11
	Note	R'000	R'000
REVENUE			
Annual appropriation	1	441,943	550,184
Departmental revenue	2	948	1,558
TOTAL REVENUE		442,891	551,742
EXPENDITURE			
Current expenditure			
Compensation of employees	3	160,265	147,203
Goods and services	4	156,235	182,239
Total current expenditure		316,500	329,442
Transfers and subsidies		97,046	187,586
Transfers and subsidies	6	97,046	187,586
Expenditure for capital assets			
Tangible capital assets	7	7,116	5,109
Software and other intangible assets	7	512	-
Total expenditure for capital assets		7,628	5,109
Payment for financial assets	5	47	192
TOTAL EXPENDITURE		421,221	522,329
SURPLUS FOR THE YEAR		21,670	29,413
Reconciliation of Net Surplus for the year			
Voted funds		20,722	27,855
Annual appropriation		20,722	27,855
Departmental revenue	12	948	1,558
SURPLUS FOR THE YEAR		21,670	29,413

Statement of Financial Position for the year ended 31 March 2012

		2011/12	2010/11
	Note	R'000	R'000
ASSETS			
Current assets			
Cash and cash equivalents	8	94,565	87,936
Prepayments and advances	9	363	378
Receivables	10	3,670	5,031
TOTAL ASSETS		98,598	93,345
LIABILITIES			
Current liabilities			
Voted funds to be surrendered to the Revenue Fund	11	19,475	27,855
Departmental revenue to be surrendered to the Revenue Fund	12	2	23
Payables	13	75,095	64,411
Non-Current liabilities			
Payables	14	3,878	961
TOTAL LIABILITIES		98,450	93,250
NET ASSETS		148	95
Represented by:			
Recoverable revenue		148	95
TOTAL		148	95
Excluded from cash and cash equivalents is a total amount of R3,9 million that was deposited into the bank account on 29 and 30 March 2012 respectively from other departments in respect of communication campaigns. This amount did not interface in the 2011/12 financial year against the PMG account, but interfaced on 2 April 2012 (2012/13 financial year).			

Statement of Changes in Net Assets for the year ended 31 March 2012

		2011/12	2010/11
	Note	R'000	R'000
Recoverable revenue			
Opening balance		95	184
Transfers:		53	(89)
Debts recovered (included in departmental receipts)		(86)	(187)
Debts raised		139	98
Closing balance		148	95
TOTAL		148	95

Cash Flow Statement for the year ended 31 March 2012

		2011/12	2010/11
	Note	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		441,644	551,742
Annual appropriated funds received	1	440,696	550,184
Departmental revenue received	2	948	1,558
Net decrease in working capital		12,060	26,650
Surrendered to Revenue Fund		(28,824)	(2,980)
Current payments		(316,500)	(329,442)
Payments for financial assets		(47)	(192)
Transfers and subsidies paid		(97,046)	(187,586)
Net cash flow available from operating activities	15	11,287	58,192
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets	7	(7,628)	(5,109)
Net cash flows from investing activities		(7,628)	(5,109)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in net assets		53	(89)
Increase/(decrease) in non-current payables		2,917	(1,925)
Net cash flows from financing activities		2,970	(2,014)
Net increase in cash and cash equivalents		6,629	51,069
Cash and cash equivalents at the beginning of the period		87,936	36,867
Cash and cash equivalents at end of period	16	94,565	87,936

Excluded from cash and cash equivalents is a total amount of R3,9 million that was deposited into the bank account on 29 and 30 March 2012 respectively from other departments in respect of communication campaigns. This amount did not interface in the 2011/12 financial year against the PMG account, but interfaced on 2 April 2012 (2012/13 financial year).

Accounting Policies for the year ended 31 March 2012

The Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the Act and the Division of Revenue Act, Act 1 of 2010.

1. Presentation of the Financial Statements

1.1 Basis of preparation

The Financial Statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid.

1.2 Presentation currency

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

1.3 Rounding

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

1.4 Comparative figures

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

1.5 Comparative figures - Appropriation Statement

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

2. Revenue

2.1 Appropriated funds

Appropriated funds comprises of departmental allocations as well as direct charges against revenue fund (i.e. statutory appropriation).

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

Unexpended appropriated funds are surrendered to the National Revenue Fund. Any amounts owing to the National Revenue Fund at the end of the financial year are recognised as payable in the statement of financial position.

Any amount due from the National Revenue Fund at the end of the financial year is recognised as a receivable in the statement of financial position.

2.2 Departmental revenue

All departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the National Revenue Fund, unless stated otherwise.

Any amount owing to the National Revenue Fund at the end of the financial year is recognised as a payable in the statement of financial position.

No accrual is made for amounts receivable from the last receipt date to the end of the reporting period. These amounts are however disclosed in the disclosure notes to the annual financial statements.

3. Expenditure

3.1 Compensation of employees

3.1.1 Salaries and wages

Salaries and wages are expensed in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

Other employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements at its face value and are not recognised in the statement of financial performance or position.

3.1.2 Social contributions

Employer contributions to post employment benefit plans in respect of current employees are expensed in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

No provision is made for retirement benefits in the financial statements of the department. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the financial statements of the employer department.

Employer contributions made by the department for certain of its ex-employees (such as medical benefits) are classified as transfers to households in the statement of financial performance.

3.2 Goods and services

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

The expense is classified as capital if the goods and/or services were acquired for a capital project or if the total purchase price exceeds the capitalisation threshold (currently R5, 000). All other expenditures are classified as current.

Rental paid for the use of buildings or other fixed structures is classified as goods and services and not as rent on land.

3.3 Interest and rent on land

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

rental for the use of buildings or other fixed structures. If it is not possible to distinguish between payment for the use of land and the fixed structures on it, the whole amount should be recorded under goods and services.

3.4 Payments for financial assets

Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or underspending of appropriated funds. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but an estimate is included in the disclosure notes to the financial statements amounts.

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

3.5 Transfers and subsidies

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

3.6 Unauthorised expenditure

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

Unauthorised expenditure approved with funding is derecognised from the statement of financial position when the unauthorised expenditure is approved and the related funds are received.

Where the amount is approved without funding it is recognised as expenditure in the statement of financial performance on the date of approval.

3.7 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as expenditure in the statement of financial performance according to the nature of the payment and not as a separate line item on the face of the statement. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

3.8 Irregular expenditure

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

4. Assets

4.1 Cash and cash equivalents

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

Bank overdrafts are shown separately on the face of the statement of financial position.

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

4.2 Other financial assets

Other financial assets are carried in the statement of financial position at cost.

4.3 Prepayments and advances

Amounts prepaid or advanced are recognised in the statement of financial position when the payments are made and are derecognised as and when the goods/services are received or the funds are utilised.

Prepayments and advances outstanding at the end of the year are carried in the statement of financial position at cost.

4.4 Receivables

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party (including departmental employees) and are derecognised upon recovery or write-off.

Receivables outstanding at year-end are carried in the statement of financial position at cost plus any accrued interest. Amounts that are potentially irrecoverable are included in the disclosure notes.

4.5 Inventory

Inventories that qualify for recognition must be initially reflected at cost. Where inventories are acquired at no cost, or for nominal consideration, their cost shall be their fair value at the date of acquisition.

All inventory items at year-end are reflected using the weighted average cost or FIFO cost formula.

4.6 Capital assets

4.6.1 Movable assets

Initial recognition

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

All assets acquired prior to 1 April 2002 are included in the register at R1.

Subsequent recognition

Subsequent expenditure of a capital nature is recorded in the statement of financial performance as “expenditure for capital assets” and is capitalised in the asset register of the department on completion of the project.

Repairs and maintenance is expensed as current “goods and services” in the statement of financial performance.

4.6.2 Intangible assets

Initial recognition

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

All intangible assets acquired prior to 1 April 2002 can be included in the asset register at R1.

Subsequent expenditure

Subsequent expenditure of a capital nature is recorded in the statement of financial performance as “expenditure for capital asset” and is capitalised in the asset register of the department.

Maintenance is expensed as current “goods and services” in the statement of financial performance.

5. Liabilities

5.1 Payables

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

5.2 Contingent liabilities

Contingent liabilities are included in the disclosure notes to the financial statements when it is possible that economic benefits will flow from the department, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably.

5.3 Contingent assets

Contingent assets are included in the disclosure notes to the financial statements when it is probable that an inflow of economic benefits will flow to the entity.

5.4 Commitments

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

5.5 Accruals

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

5.6 Employee benefits

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

5.7 Lease commitments

Finance lease

Finance leases are not recognised as assets and liabilities in the statement of financial position. Finance lease payments are recognised as an expense in the statement of financial performance and are apportioned between the capital and interest portions. The finance lease liability is disclosed in the disclosure notes to the financial statements.

Operating lease

Operating lease payments are recognised as an expense in the statement of financial performance. The operating lease commitments are disclosed in the disclosure notes to the financial statement.

5.8 Impairment

The department tests for impairment where there is an indication that a receivable, loan or investment may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. An estimate is made for doubtful loans and receivables based on a review of all outstanding amounts at year-end. Impairments on investments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows / service potential flowing from the instrument.

5.9 Provisions

Provisions are disclosed when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

6. Receivables for departmental revenue

Receivables for departmental revenue are disclosed in the disclosure notes to the annual financial statements.

7. Net Assets

7.1 Capitalisation reserve

The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the statement of financial position for the first time in the current reporting period. Amounts are recognised in the capitalisation reserves when identified in the current period and are transferred to the National/ Provincial Revenue Fund when the underlying asset is disposed and the related funds are received.

7.2 Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year. Amounts are either transferred to the National Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.

8. Related party transactions

Specific information with regards to related party transactions is included in the disclosure notes.

9. Key management personnel

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

Notes to the Annual Financial Statements for the year ended 31 March 2012

1. Annual Appropriation

2011/12				
1.1 Annual Appropriation	Final Appropriation	Actual Funds Received	Funds not requested /not received	Appropriation received 2010/11
	R'000	R'000	R'000	R'000
Administration	121,634	121,235	399	134,642
Communication and Content Management	222,585	220,008	2,577	326,231
Government and Stakeholder Engagement	97,724	99,453	(1,729)	89,311
Total	441,943	440,696	1,247	550,184

An underspending is realised in programme 1: Administration (Office Equipment) due to leases that have not realised in respect of the new Head Office Building.

2. Departmental revenue

	Note	2011/12	2010/11
		R'000	R'000
Sales of goods and services other than capital assets	2.1	213	1,177
Interest, dividends and rent on land	2.2	352	240
Transactions in financial assets and liabilities	2.3	383	141
Departmental revenue collected		948	1,558
2.1 Sales of goods and services other than capital assets			
Sales of goods and services produced by the department		213	1,177
Sales by market establishment		133	130
Other sales		80	1,047
Total	2	213	1,177
2.2 Interest, dividends and rent on land			
Interest		352	240
Total	2	352	240
2.3 Transactions in financial assets and liabilities			
Other Receipts including Recoverable Revenue		383	141
Total	2	383	141

3. Compensation of employees			
		2011/12	2010/11
	Note	R'000	R'000
3.1 Salaries and Wages			
Basic salary		107,988	98,333
Performance award		2,423	2,183
Service Based		35	4
Compensative/circumstantial		1,425	2,320
Periodic payments		1,009	1,006
Other non-pensionable allowances		27,456	25,034
Total		140,336	128,880
3.2 Social Contributions			
Employer contributions			
Pension		13,816	12,505
Medical		6,087	5,792
Bargaining council		26	26
Total		19,929	18,323
Total compensation of employees		160,265	147,203
Average number of employees		480	471

4. Goods and services			
		2011/12	2010/11
	Note	R'000	R'000
Administrative fees		268	148
Advertising		14,821	38,543
Assets less than R5,000	4.1	1,337	1,032
Bursaries (employees)		445	417
Catering		1,207	964
Communication		10,065	13,043
Computer services	4.2	11,105	17,395
Consultants, contractors and agency / outsourced services	4.3	19,962	19,054
Audit cost – external	4.4	1,911	1,489
Inventory	4.5	8,737	5,021
Operating leases		14,095	16,447
Owned and leasehold property expenditure	4.6	1,508	2,113
Travel and subsistence	4.7	22,250	18,283
Venues and facilities		4,428	3,741
Training and staff development		4,673	5,308
Other operating expenditure	4.8	39,423	39,241
Total		156,235	182,239

4.1 Assets less than R5,000

		2011/12	2010/11
	Note	R'000	R'000
Tangible assets		1,337	1,018
Machinery and equipment		1,337	1,018
Intangible assets		-	14
Total	4	1,337	1,032

4.2 Computer services

		2011/12	2010/11
	Note	R'000	R'000
SITA computer services		8,395	9,062
External computer service providers		2,710	8,333
Total	4	11,105	17,395

4.3 Consultants, contractors and agency / outsourced services

		2011/12	2010/11
	Note	R'000	R'000
Business and advisory services		1,516	1,121
Legal costs		4,239	227
Contractors		7,689	3,358
Agency and support/outsourced services		6,518	14,348
Total	4	19,962	19,054

4.4 Audit cost – External

		2011/12	2010/11
	Note	R'000	R'000
Regularity audits		1,666	1,381
Computer audits		245	108
Total	4	1,911	1,489

4.5 Inventory

		2011/12	2010/11
	Note	R'000	R'000
Learning and teaching support material		57	56
Food and food supplies		92	66
Other consumable materials		321	205
Maintenance material		1,593	1,147
Stationery and printing		6,594	3,510
Medical supplies		76	37
Medicine		4	-
Total	4	8,737	5,021

4.6 Property payments			
		2011/12	2010/11
	Note	R'000	R'000
Municipal services		380	1,030
Property maintenance and repairs		405	217
Other		723	866
Total	4	1,508	2,113

4.7 Travel and subsistence			
		2011/12	2010/11
	Note	R'000	R'000
Local		19,641	16,465
Foreign		2,609	1,818
Total	4	22,250	18,283

4.8 Other operating expenditure			
		2011/12	2010/11
	Note	R'000	R'000
Professional bodies, membership and subscription fees		94	49
Resettlement costs		350	462
Other		38,979	38,730
Total	4	39,423	39,241

5. Payments for financial assets			
		2011/12	2010/11
	Note	R'000	R'000
Material losses through criminal conduct		33	13
Theft	5.3	33	13
Other material losses written off	5.1	-	158
Debts written off	5.2	14	21
Total		47	192

5.1 Other material losses written off			
		2011/12	2010/11
	Note	R'000	R'000
Nature of losses			
Accident with rented vehicles		-	8
Storage cost: KZN Provincial Office		-	150
Total	5	-	158

5.2 Debts written off			
		2011/12	2010/11
	Note	R'000	R'000
Nature of debts written off			
Bursary debt		-	18
State guarantee		-	2
Interest on debt		-	1
Resettlement cost		14	-
Total	5	14	21

5.3 Details of theft

		2011/12	2010/11
	Note	R'000	R'000
Nature of theft			
Theft of laptops		25	13
Theft of petty cash		6	-
Missing publications		2	-
Total	5	33	13

6. Transfers and subsidies

		2011/12	2010/11
	Note	R'000	R'000
Departmental agencies and accounts	Annex 1A	96,751	187,378
Households	Annex 1B	295	208
Total		97,046	187,586

7. Expenditure for capital assets

		2011/12	2010/11
	Note	R'000	R'000
Tangible assets		7,116	5,109
Machinery and equipment		7,116	5,109
Software and other intangible assets		512	-
Computer software		512	-
Total		7,628	5,109

7.1 Analysis of funds utilised to acquire capital assets – 2011/12

		Voted funds	Total
		R'000	R'000
Tangible assets		7,116	7,116
Machinery and equipment		7,116	7,116
Software and other intangible assets		512	512
Computer software		512	512
Total		7,628	7,628

7.2 Analysis of funds utilised to acquire capital assets – 2010/11

		Voted funds	Total
		R'000	R'000
Tangible assets		5,109	5,109
Machinery and equipment		5,109	5,109
Total		5,109	5,109

8. Cash and cash equivalents

		2011/12	2010/11
	Note	R'000	R'000
Consolidated Paymaster General Account		105,735	93,555
Disbursements		(11,231)	(5,717)
Cash on hand		61	98
Total		94,565	87,936

Excluded is a total amount of R3,9 million that was deposited into the bank account on 29 and 30 March 2012 respectively from other departments in respect of communication campaigns. This amount did not interface in the 2011/12 financial year against the PMG account, but interfaced on 2 April 2012 (2012/13 financial year).

9. Prepayments and advances

		2011/12	2010/11
	Note	R'000	R'000
Travel and subsistence		363	378
Total		363	378

10. Receivables

	2011/12				2010/11
		Less than one year	One to three years	Total	Total
	Note	R'000	R'000	R'000	R'000
Claims recoverable	10.1 Annex3	922	2,528	3,450	4,780
Recoverable expenditure	10.4	13	-	13	-
Staff debt	10.2	113	-	113	100
Other debtors	10.3	94	-	94	151
Total		1,142	2,528	3,670	5,031

10.1 Claims recoverable

		2011/12	2010/11
	Note	R'000	R'000
National departments		3,380	4,540
Provincial departments		70	25
Public entities		-	215
Total	10	3,450	4,780

Excluded are amounts of R193 000 and R598 516 that were deposited into the bank account on 29 and 30 March 2012 from the National Youth Development Agency (NYDA) and Department of Cooperative Governance and Traditional Affairs (COGTA) respectively in respect of communication campaigns. These amounts did not interface in the 2011/12 financial year against the PMG account, but interfaced on 2 April 2012 (2012/13 financial year).

10.2 Staff debt

		2011/12	2010/11
	Note	R'000	R'000
Employees		94	81
Private telephone		18	19
Tax debt		1	-
Total	10	113	100

10.3 Other debtors

		2011/12	2010/11
	Note	R'000	R'000
Ex-employees		94	151
Total	10	94	151

10.4 Recoverable expenditure (disallowance accounts)

		2011/12	2010/11
	Note	R'000	R'000
Disallowance Damages and losses: CA		13	-
Total	10	13	-

11. Voted funds to be surrendered to the Revenue Fund

		2011/12	2010/11
	Note	R'000	R'000
Opening balance		27,855	1,365
Transfer from statement of financial performance		20,722	27,855
Voted funds not requested / not received	1.1	(1,247)	-
Paid during the year		(27,855)	(1,365)
Closing balance		19,475	27,855

12. Departmental revenue to be surrendered to the Revenue Fund

		2011/12	2010/11
	Note	R'000	R'000
Opening balance		23	80
Transfer from Statement of Financial Performance		948	1,558
Paid during the year		(969)	(1,615)
Closing balance		2	23

13. Payables – current

		2011/12	2010/11
	Note	R'000	R'000
Amounts owing to other entities	Annex 4	75,050	64,408
Other payables	13.1	43	3
Clearing accounts	13.2	2	-
Total		75,095	64,411

Excluded are amounts of R2 038 486 and R 1 098 343 that were deposited into the bank account on 29 and 30 March 2012 from the Compensation Fund and Department of Defence respectively in respect of communication campaigns. These amounts did not interface in the 2011/12 financial year against the PMG account, but interfaced on 2 April 2012 (2012/13 financial year).

13.1 Other payables

		2011/12	2010/11
	Note	R'000	R'000
Income Tax		43	3
Total	13	43	3

13.2 Clearing accounts			
		2011/12	2010/11
	Note	R'000	R'000
Salary reversal control		2	-
Total	13	2	-

14. Payables – non-current				
		2011/12		2010/11
		One to two years	Total	Total
	Note	R'000	R'000	R'000
Amounts owing to other entities	Annex 4	3,878	3,878	961
Total		3,878	3,878	961

15. Net cash flow available from operating activities			
		2011/12	2010/11
		R'000	R'000
Net surplus as per Statement of Financial Performance		21,670	29,413
Add back non cash/cash movements not deemed operating activities		(10,383)	28,779
(Decrease)/increase in receivables – current		1,687	(4,382)
Increase in prepayments and advances		(311)	(318)
Increase in payables – current		10,684	31,350
Expenditure on capital assets		7,628	5,109
Surrenders to Revenue Fund		(28,824)	(2,980)
Voted funds not requested / not received		(1,247)	-
Net cash flow generated by operating activities		11,287	58,192

16. Reconciliation of cash and cash equivalents for cash flow purposes			
		2011/12	2010/11
		R'000	R'000
Consolidated Paymaster General account		105,735	93,555
Disbursements		(11,231)	(5,717)
Cash on hand		61	98
Total		94,565	87,936
Excluded is a total amount of R3,9 million that was deposited into the bank account on 29 and 30 March 2012 respectively from other departments in respect of communication campaigns. This amount did not interface in the 2011/12 financial year against the PMG account, but interfaced on 2 April 2012 (2012/13 financial year).			

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2012

17. Contingent liabilities

			2011/12	2010/11
			R'000	R'000
Liable to	Nature			
Housing loan guarantees	Employees	Annex 2	48	48
Other departments (interdepartmental unconfirmed balances)		Annex 4	60,540	59,809
Total			60,588	59,857

There is legal dispute over contractual matters involving third parties, with an estimated value of R20 million, the outcome of which is unknown. As a result, we are unable to furnish details in this report until the investigation is finalised and the matter brought to a logical conclusion.

18. Commitments

			2011/12	2010/11
			R'000	R'000
Current expenditure				
Approved and contracted			23,727	42,279
			23,727	42,279
Capital expenditure				
Approved and contracted			1,181	299
			1,181	299
Total Commitments			24,908	42,578

19. Accruals

2011/12				2010/11
R'000				R'000
Listed by economic classification	30 Days	30+ Days	Total	Total
Goods and services	98	842	940	188
Capital assets	-	30	30	13
Other		20	20	-
Total	98	892	990	201

		2011/12	2010/11
		R'000	R'000
Listed by Programme level			
1. Administration		163	85
2. Communication and Content Management		677	67
3. Government and Stakeholder Engagement		150	49
Total		990	201

		2011/12	2010/11
		R'000	R'000
		Note	
Confirmed balances with departments		Annex 4	18,284
Confirmed balances with other government entities			105
Total			18,389
			5,560

20 Employee benefits

		2011/12	2010/11
	Notes	R'000	R'000
Leave entitlement		5,558	3,778
Service bonus (Thirteenth cheque)		4,526	4,060
Performance awards		2,253	2,481
Capped leave commitments		4,675	4,679
Total		17,012	14,998

21 Lease commitments

21.1 Operating leases expenditure

2011/12		Machinery and equipment	Total
Not later than 1 year		834	834
Later than 1 year and not later than 5 years		1,020	1,020
Total lease commitments		1,854	1,854

2010/11		Machinery and equipment	Total
Not later than 1 year		394	394
Later than 1 year and not later than 5 years		267	267
Total lease commitments		661	661

22. Receivables for departmental revenue

		2011/12	2010/11
	Notes	R'000	R'000
Sales of goods and services other than capital assets		-	200
Total		-	200

22.1 Analysis of receivables for departmental revenue

		2011/12	2010/11
	Notes	R'000	R'000
Opening balance		200	200
Less: amounts received		270	200
Add: amounts recognised		70	200
Closing balance		-	200

23. Irregular expenditure

		2011/12	2010/11
	Notes	R'000	R'000
23.1 Reconciliation of irregular expenditure			
Opening balance		-	-
Add: Irregular expenditure (current year)		14	518
Less: Amounts not recoverable (not condoned)		-	(518)
Less: Amounts condoned		(12)	-
Irregular expenditure awaiting condonation		2	-
Analysis of awaiting condonation per age classification			
Current year		2	-
Total		2	-

23.2 Details of irregular expenditure – current year

Incident	Disciplinary steps taken / criminal proceedings	2011/12 R'000
Only one quotation	Disciplinary process initiated against responsible persons	12
Overtime		2
		14

23.3 Details of irregular expenditure condoned

Incident	Condoned by (condoning authority)	2011/12 R'000
Only one quotation	Accounting Officer	12
		12

23.4 Details of irregular expenditure under investigation

Incident		2011/12 R'000
Overtime		2
Total		2

24. Fruitless and wasteful expenditure

		2011/12	2010/11
	Notes	R'000	R'000
Opening balance		-	-
Fruitless and wasteful expenditure – relating to current year		-	169
Less: Amounts condoned		-	(169)
Fruitless and wasteful expenditure awaiting condonement		-	-

25. Key management personnel

	No. of Individuals	2011/12	2010/11
		R'000	R'000
Officials:			
Level 15 to 16	5	5,839	5,827
Level 14 (incl. CFO if at a lower level)	12	10,800	8,827
Total		16,639	14,654

26. Impairment

	2011/12	2010/11
	R'000	R'000
Debtors	-	14
Total	-	14

27. Movable Tangible Capital Assets

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Opening balance	Current Year Adjustments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	40,198	(49)	6,558	2,713	43,994
Transport assets	266	-	-	-	266
Computer equipment	21,972	(36)	5,028	1,914	25,050
Furniture and office equipment	10,818	(13)	434	166	11,073
Other machinery and equipment	7,142	-	1,096	633	7,605
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	40,198	(49)	6,558	2,713	43,994

27.1 Additions

ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Cash	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	7,116	(558)	6,558
Computer equipment	4,960	68	5,028
Furniture and office equipment	488	(54)	434
Other machinery and equipment	1,668	(572)	1,096
TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS	7,116	(558)	6,558

27.2 Disposals**DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012**

	Transfer out or destroyed or scrapped	Total disposals
	R'000	R'000
MACHINERY AND EQUIPMENT	2,713	2,713
Computer equipment	1,914	1,914
Furniture and office equipment	166	166
Other machinery and equipment	633	633
TOTAL DISPOSAL OF MOVABLE TANGIBLE CAPITAL ASSETS	2,713	2,713

27.3 Movement for 2010/11**MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011**

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	36,634	5,109	1,545	40,198
Transport assets	266	-	-	266
Computer equipment	19,920	3,307	1,255	21,972
Furniture and office equipment	10,136	761	79	10,818
Other machinery and equipment	6,312	1,041	211	7,142
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	36,634	5,109	1,545	40,198

27.4 Minor assets**MOVEMENT IN MINOR ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012**

	Intangible assets	Machinery and equipment	Total
	R'000	R'000	R'000
Opening balance	258	9,516	9,774
Current year adjustments to prior year balances	(1)	(151)	(152)
Additions	-	786	786
Disposals	-	498	498
TOTAL MINOR ASSETS	257	9,653	9,910

	Intangible assets	Machinery and equipment	Total
Number of R1 minor assets	5	2,194	2,199
Number of minor assets at costs	162	7,021	7,183
TOTAL NUMBER OF MINOR ASSETS	167	9,215	9,382

Minor Assets

MOVEMENT IN MINOR ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011

	Intangible assets	Machinery and equipment	Total
	R'000	R'000	R'000
Opening balance	264	9,851	10,115
Current year adjustments to prior year balances	(6)	(342)	(348)
Additions	-	615	615
Disposals	-	608	608
TOTAL MINOR ASSETS	258	9,516	9,774

28. Intangible Capital Assets

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Opening balance	Current Year Adjustments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
COMPUTER SOFTWARE	2,021	-	151	81	2,091
TOTAL INTANGIBLE CAPITAL ASSETS	2,021	-	151	81	2,091

28.1 Additions

ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Cash	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000
COMPUTER SOFTWARE	512	(361)	151
TOTAL ADDITIONS TO INTANGIBLE CAPITAL ASSETS	512	(361)	151

28.2 Disposals

DISPOSALS OF INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Transfer out or destroyed or scrapped	Total disposals
	R'000	R'000
COMPUTER SOFTWARE	81	81
TOTAL DISPOSALS OF INTANGIBLE CAPITAL ASSETS	81	81

28.3 Movement for 2010/11**MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011**

	Opening balance	Additions	Closing balance
	R'000	R'000	R'000
COMPUTER SOFTWARE	1,911	110	2,021
TOTAL	1,911	110	2,021

Annexures to the Annual Financial Statements for the year ended 31 March 2012

ANNEXURE 1A

STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

DEPARTMENT/ AGENCY/ ACCOUNT	TRANSFER ALLOCATION				TRANSFER		2010/11 Appropriation Act
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	
	R'000	R'000	R'000	R'000	R'000	%	R'000
International Marketing Council	77,636	-	-	77,636	77,636	100%	170,113
Media Development and Diversity Agency	19,115	-	-	19,115	19,115	100%	17,265
	96,751	-	-	96,751	96,751	100%	187,378

ANNEXURE 1B

STATEMENT OF TRANSFERS TO HOUSEHOLDS

HOUSEHOLDS	TRANSFER ALLOCATION				TRANSFER		2010/11 Appropriation Act
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	
	R'000	R'000	R'000	R'000	R'000	%	R'000
Leave gratuity – retirement of 3 officials	-	-	297	297	295	100%	208
Total	-	-	297	297	295	100%	208

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

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2011/12 R'000	2010/11 R'000
Received in kind			
Beirsdorf Consumer Products	Nivea for men Hamper	11	-
Paarl Media	Durban July Entrance & Hospitality Marquee (Trip, transport and accommodation)	14	-
Avmark Systems	Black sweaters and golf shirts with GCIS and Panasonic. Embroidery Branding	5	-
Independent Media, Avusa Media and Vox Orion	Rugby tickets to Loftus Versfeld Stadium and Coca Cola Park	2	-
South African Breweries	Cellini Luggage bag	2	-
Spectrium Training	8 x Compaq Laptop Presario CQ57	20	-
Ngoboyi Training	3 x E- Machine Laptop	9	-
Ngoboyi Training	350 GB 15 inch Lenovo Laptop	2	-
Genesis Training Development	Junior Laptop	6	-
Aspigon Training Solutions	Compaq laptop Presario CQ57	14	-
Paarl Media	Invitation to end-year function in Cape Town	4	-
LRM Group	Johnnie Walker Blue Label	-	1
LRM Group	Stella McCartney "Stella Nude" fragrance	-	1
LRM Group	Armani Code fragrance	-	1
Prime Media	Stainless Steel	-	1
CMO Business Consultants	Karaoke Music	-	3
Harvey World Travel	Team building activities at East London Zoo	-	1
Africorp International Properties	Team building activities and year-end function logistics	-	3
TOTAL		89	11

ANNEXURE 1D**STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE AND REMISSIONS, REFUNDS AND PAYMENTS MADE AS AN ACT OF GRACE**

NATURE OF GIFT, DONATION OR SPONSORSHIP	2011/12	2010/11
	R'000	R'000
Made in kind (2011/12)		
Computer Equipment (43 CPU's, 44 Monitor's, 4 Laptops, 1 Docking Station)	-	-
Office Equipment (16 Printers, 9 Fax Machine, 2 Shredding machine, 1 screen projector, 1 fridge, 1 Air conditioner-saisho)	-	-
Office Furniture (24 Chairs, 2 desk and 1 Rack distribution, 1 bookcase, 10 filing cabinet)	-	-
Audio Visual equipment (2 tape deck and 4 Video recorder, 3 television set, 6 Avid mother board set, 3 Sony receiver radio, 4 sony charger and 2 battery, 2 B&W Speakers)	-	-
Photographic Equipment (6 Sony camera's, 4 miller tripod)	-	-
The following were recipients of the above items:		
SAPS K9 Academy, PLL MP: Pelonolo P. School, PLL MP: Busisiwe H School, PLL MP:Masitakhe H School		
Ekujabuleni School, South African Navy, SAN TV, Defence TV, Sikuphi Multimedia, Mpumalanga Premier's Office, Zamokuhle self help centre, Intuthuko yakwazanele centre		
Mooiplas Public School, Motshegofadiwa P. School, Mathevuva Traditional authority, Mugwazeni Community Project, Olyvenhoutsdrift P. School, Kleinmier Laerskool		
Grootdrink Intermediate School, ST. Patricks College, Vuuka-Uzenzele P. School, Zebediela blind SA and Thulong tse hlwahiwa youth centre.		
TOTAL	-	-
Made in kind (2010/11)		
Computer Equipment (43 CPU's, 44 Monitor's, 4 Laptops, 1 Docking Station)		-
Office Equipment (16 Printers, 9 Fax Machine, 2 Shredding machine, 1 screen projector, 1 fridge, 1 Air conditioner-saisho)		-
Office Furniture (24 Chairs, 2 desk and 1 Rack distribution, 1 bookcase, 10 filing cabinet)		
Audio Visual equipment (2 tape deck and 4 Video recorder, 3 television set, 6 Avid mother board set, 3 Sony receiver radio, 4 sony charger and 2 battery, 2 B&W Speakers)		
Photographic Equipment (6 Sony camera's, 4 miller tripod)		
The following were recipients of the above items:		
SAPS K9 Academy, PLL MP: Pelonolo P. School, PLL MP: Busisiwe H School, PLL MP:Masitakhe H School		
Ekujabuleni School, South African Navy, SAN TV, Defence TV, Sikuphi Multimedia, Mpumalanga Premier's Office, Zamokuhle self help centre, Intuthuko yakwazanele centre		
Mooiplas Public School, Motshegofadiwa P. School, Mathevuva Traditional authority, Mugwazeni Community Project, Olyvenhoutsdrift P. School, Kleinmier Laerskool		
Grootdrink Intermediate School, ST. Patricks College, Vuuka-Uzenzele P. School, Zebediela blind SA and Thulong tse hlwahiwa youth centre.		
TOTAL	-	-

ANNEXURE 2**STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2012 – LOCAL**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2011	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2012	Guaranteed interest for year ended 31 March 2012	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	Housing								
Old Mutual		20	20	-	-	-	20	-	-
VBS Mutual Bank		18	18	-	-	-	18	-	-
Standard Bank		158	10	-	-	-	10	-	-
	Total	196	48	-	-	-	48	-	-

ANNEXURE 3

CLAIMS RECOVERABLE

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2012 R'000	31/03/2011 R'000	31/03/2012 R'000	31/03/2011 R'000	31/03/2012 R'000	31/03/2011 R'000
Department						
Agriculture	-	-	1,157	266	1,157	266
Cooperative Governance and Traditional Affairs	-	-	598	296	598	296
Defence	-	-	1,625	-	1,625	-
KZN: Provincial Legislator	-	-	18	-	18	-
KZN: Office of the Premier	-	-	52	-	52	-
Basic Education	-	-	-	1,077	-	1,077
Public Works	-	-	-	2,539	-	2,539
Trade and Industry	-	-	-	209	-	209
KZN: Provincial Treasury	-	-	-	25	-	25
Home Affairs	-	-	-	153	-	153
	-	-	3,450	4,565	3,450	4,565
Other Government Entities						
National Youth Development Agency (NYDA)	-	-	-	215	-	215
TOTAL	-	-	3,450	4,780	3,450	4,780

ANNEXURE 4**INTER-GOVERNMENT PAYABLES**

GOVERNMENT ENTITY	Confirmed balance out-standing		Unconfirmed balance outstanding		TOTAL	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	R'000	R'000	R'000	R'000	R'000	R'000
DEPARTMENTS						
Current						
Agriculture, Forestry and Fisheries	-	-	1,514	64	1,514	64
Agriculture: Western Cape Provincial Govt	-	-	-	73	-	73
Arts and Culture	138	-	-	-	138	-
Basic Education	-	-	1,086	-	1,086	-
Defence	-	-	-	2,371	-	2,371
Public Service and Administration	-	1,614	617	-	617	1,614
Environmental Affairs	-	-	2,272	7,000	2,272	7,000
Health	-	-	7,925	8,444	7,925	8,444
Higher Education and Training	-	43	-	-	-	43
Home Affairs	-	-	3,119	335	3,119	335
Human Settlements	5,295	-	-	-	5,295	-
Justice	-	-	-	6,239	-	6,239
Labour	-	-	2,326	9,618	2,326	9,618
Presidency	1,142	-	-	-	1,142	-
Public Works	-	-	427	-	427	-
Premiers Office: KZN Prov Government	-	-	-	1,797	-	1,797
Rural Development and Land Reform	-	-	1,559	357	1,559	357
South African Police Service	-	-	2,466	-	2,466	-
Science and Technology	-	549	-	-	-	549
Social Development	-	-	1,076	2,256	1,076	2,256
State Security	-	-	2,898	-	2,898	-
Statistics South Africa	-	-	1,031	12,858	1,031	12,858
Water Affairs	11,709	-	-	3,971	11,709	3,971
Women and Children	-	-	510	-	510	-
Eastern Cape: Office of the Premier	-	-	4,500	-	4,500	-
Northwest: Prov Govt	-	-	276	-	276	-
Northwest: Office of the Premier	-	-	46	-	46	-
Sub-Total	18,284	2,206	33,648	55,383	51,932	57,589

INTER-GOVERNMENT PAYABLES						
GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	R'000	R'000	R'000	R'000	R'000	R'000
DEPARTMENTS						
Non-Current						
Defence	-	-	1,127	398	1,127	398
Public Service and Administration	-	491	-	-	-	491
Energy	-	-	-	72	-	72
Labour	-	-	138	-	138	-
Public Works	-	-	134	-	134	-
Sub-Total	-	491	1,399	470	1,399	961
TOTAL	18,284	2,697	35,047	55,853	53,331	58,550
OTHER GOVERNMENT ENTITY						
Current						
National Prosecuting Authority	-	2,863	603	-	603	2,863
National Youth Development Agency	-	-	1,081	-	1,081	-
South African Local Government Association	105	-	-	-	105	-
South Africa Social Security Agency	-	-	5,604	-	5,604	-
The Innovation Hub	-	-	87	-	87	-
Unemployment Insurance Fund	-	-	11,285	-	11,285	-
Compensation Fund	-	-	4,075	2,105	4,075	2,105
International Marketing Council	-	-	-	304	-	304
Palama	-	-	-	1,547	-	1,547
SA Tourism	-	-	278	-	278	-
Sub-Total	105	2,863	23,013	3,956	23,118	6,819
Non-Current						
Palama	-	-	1,547	-	1,547	-
Unemployment Insurance Fund	-	-	933	-	933	-
Sub-Total	-	-	2,480	-	2,480	-
TOTAL	105	2,863	25,493	3,956	25,598	6,819

ANNEXURE 5**INVENTORY**

Note	2011/12		2010/11	
	Quantity	R'000	Quantity	R'000
Inventory				
Opening balance	24,885	381	34,065	519
Add / (Less): Adjustments to prior year balances	3	1	-	-
Add: Additions/Purchases – Cash	110,255	6,037	163,383	8,840
(Less) : Disposals	-	-	(28)	(27)
(Less): Issues	(117,849)	(5,896)	(172,513)	(8,768)
Add/(Less): Adjustments	25,676	211	(22)	(183)
Total	42,970	734	24,885	381