

## PART V: ANNUAL FINANCIAL STATEMENTS

### 31 MARCH 2004



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# MANAGEMENT REPORT FOR THE YEAR ENDED 31 MARCH 2004

## 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

Government Communications (GCIS) was allocated R176 457 000 for the 2003/04 financial year. This was increased by 1,2% during the adjustments estimates, resulting in a total budget of R178 508 000. The additional funds were to cover the following expenses:

- (i) Roll-over funds of R1 677 000, which included R1 390 000 for invoices that were not received in time for payment by 31 March 2003, and R287 000 in respect of a tender for the analysis of media content and agenda setting
- (ii) R374 000 for salary increases that were higher than expected.

An amount of R178 619 915 was spent by 31 March 2004. This amount reflects an overexpenditure of R111 915 (0,06%). Included in the overexpenditure is theft and losses of R115 517 which consist of losses through criminal conduct valued at R11 091, R54 545 worth of assets that were lost or stolen that we could not recover and R49 881 other debts that were written off. These are losses for which investigations were conducted and it was established that there was no negligence on the part of any official. Over and above the aforementioned overexpenditure of theft and losses, GCIS has also realised an overexpenditure of R1 476 000 in its current budget, resulting in the total overexpenditure of R1 591 517. However, a saving of R1 479 000 was realised in our capital budget, which in terms of the Public Finance Management Act (PFMA), 1999 could not be used to off-set the overexpenditure.

In line with the requirements of the PFMA, GCIS continues to adhere to sound financial management through a closely monitored action plan that addresses the key requirements of the PFMA and National Treasury Regulations. On an annual basis all the departmental financial policies are re-

viewed to ensure that they are in line with the PFMA and the changed financial environment within the department.

GCIS is responsible for co-ordinating government communication and information dissemination to the public. It assists national departments with the drafting of communication strategies and programmes and ensures the integration of communication so that a coherent and uniform message is articulated by government.

The Chief Executive Officer (CEO) is the official government spokesperson, with the Secretariat serving as the strategising body.

A high premium is placed on development communication which emphasises direct dialogue, especially with citizens in disadvantaged areas. By the end of the 2003/04 financial year, 55 Multi-Purpose Community Centres (MPCCs) were operational. This figure is to increase to 79 during the 2004/05 financial year.

GCIS will continue to implement its mandate to keep the public informed of government's programmes, policies and plans. The key strategic focus areas of GCIS to achieve its key objectives are:

#### Strategic priorities of GCIS

- Giving greater direction to government communication
- Raising the standard of government communication through an appropriate performance evaluation system and development of core competencies for communicators
- Improving the communication environment through establishing the Media Development and Diversity Agency (MDDA) and the roll-out of the MPCC programme
- Developing a smarter working GCIS by improving the use of Information Communication Technologies
- Mass campaigns of unmediated public communication

including *imbizo*, multimedia campaigns, etc.

- Giving strategic coherence to the country's international marketing campaigns by consolidating the work of the International Marketing Council (IMC) Trust, including rolling out programmes in selected countries on the basis of a brand identity.

### GCIS strategic objectives

- Ensuring that the voice of government is heard
- Fostering a more positive communication environment
- Having a clear understanding of the public's information needs and government's communication needs
- Setting high standards for government communication.

### Main programmes of GCIS

- **Administration** is responsible for the overall management of the GCIS.
- **Policy and Research** conducts communication research, develops media policy, provides communication advice and monitors government's Programme of Action from a communication perspective.
- **Government and Media Liaison** ensures the integration of departmental communication and a professional service to the media.
- **Provincial and Local Liaison** facilitates national, provincial and local co-operation and co-ordinates the intersectoral committee for establishing MPCCs.
- **Communication Service Agency (CSA)** provides a range of media production services to GCIS and other government departments.
- **International Marketing and Mobilisation** markets South Africa to the international community. This Programme has been changed to International Marketing and Media Development from the 2004/05 financial year to include the two public entities, namely the IMC and the MDDA.

## 2. Services rendered by the department

### Tariff policy

GCIS produces posters, banners, photos and videos on behalf of other departments. Some of these photos and videos are sold to both the public and other departments. We also provide graphic design services to government

departments and for GCIS-initiated projects. GCIS also has a contract with a private company for the selling of the *SA Yearbook*.

Tariffs are developed after determining the direct costs linked to the production of the products. Prices make no provision for a profit margin.

A total amount of approximately R80 434 was generated during 2003/04 for the selling of photos and videos while R219 445 was received from the private company in respect of the *SA Yearbook*.

The income generated through sales is deposited directly into the South African Revenue Service account on a monthly basis.

### Inventories

Inventories kept at our main store consist of stationery to the value of R243 635. It is costed on the average price method.

## 3. Public entities

In respect of the IMC, irregular expenditure to the amount of R12,7 million was identified last year based on the report made by GCIS to the Office of the Auditor-General. At least R700 000 of this amount was identified as potentially fraudulent. Our immediate response was to ensure that the matter is reported to the Auditor-General, National Treasury and Standing Committee on Public Accounts. A report was also made to the South African Police Service, as well as the Scorpions. The Finance Manager has since been arrested and charged with theft. He appeared in court in March 2004 and the case was remanded to August 2004. Internal disciplinary steps were also instituted against the person responsible for the irregular expenditure.

As a means of preventing such an incident from recurring, we assisted the IMC to appoint consultants on a six-month contract to ensure the strengthening of the financial, human resource and administrative controls. Deloitte and Touche were appointed and finalised all the outstanding finance, procurement, human resource and administrative policies for the IMC by January 2004. We seconded one of

our Deputy Directors in Finance to work with the consulting firm in finalising the policies and ensuring continuity.

The IMC has appointed a Chief Financial Officer who commenced work on 1 April 2004. The allocation to the IMC is transferred quarterly, following an expenditure report outlining the utilisation of their budget. This expenditure report has to be signed by the CEO of the IMC. Through this process we trust that GCIS will be kept informed of the cash flow in the IMC.

Both the public entities under the control of GCIS, namely the IMC and the MDDA received transfer payments from GCIS. A once-off payment of R7 million was made to the MDDA on 1 April 2003, while four quarterly transfer payments totalling R62,7 million were made to the IMC, resulting in total transfers made to these two public entities of R69,7 million.

#### **4. Corporate governance arrangements**

GCIS developed a risk management and fraud prevention plan which is reviewed annually. A methodology/guideline was developed to assist in determining the risks facing GCIS. Among the factors taken into account in developing a risk management strategy were GCIS' previously audited financial statements and legislative requirements. The risk management strategy was integrated into the overall GCIS annual strategic planning session.

A fraud prevention policy has been developed to manage all fraud-related activities within the department. The work of the Internal Audit Section continues to ensure effective and efficient financial management systems within the organisation. Five Audit Committee meetings were held during the year under review, which evaluated the reports of the Internal Audit Section and those of the Auditor-General. All matters raised during the audit have been followed up and are being addressed.

#### **5. Events after the reporting date**

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

#### **6. Progress on financial management improvement**

An implementation plan, in line with the requirements of the PFMA, was introduced during July 2000 whereby all aspects of sound financial management and administration were addressed. Each year, all GCIS staff are invited to workshops during which GCIS' financial guidelines and internal policies that have been drafted in line with the PFMA, are reviewed. In respect of the 2003/04 financial year, financial guidelines and policies were reviewed during March 2003. For the 2004/05 financial year, they were reviewed during March 2004. After being discussed and approved by the Secretariat, the financial guidelines are signed by the Accounting Officer and implemented with effect from 1 April. The approved GCIS financial guidelines and policies are distributed to all sections and are also available on the GCIS Intranet website.

In addition to the financial guidelines and policies, Branch, Programme and Responsibility Managers are appointed in writing to manage their budgets. Their financial responsibilities are executed in conjunction with performance contracts. In order to further enhance good financial management and administration in line with the PFMA, the Finance Section embarks on a workshop each year whereby all aspects of financial management and administration are discussed. An action plan is thereafter drafted and implemented. The workshop for 2003/04 financial year was held in May 2003.

A great improvement has been achieved in the past year on the management of our assets. Having realised that we were unable to rely entirely on Logis for the proper accountability of our assets, a parallel manual process of accounting for our assets in an asset register was embarked upon. Most of our excess assets were donated to schools after approval was obtained from National Treasury. We are happy to indicate that our assets are fully accounted for at this stage, with a very limited amount that is unused.

We however wish to indicate that the reconciliation of Bas/Logis still remains a problem in the asset/inventory. Logis is purely a procurement and receipt system while BAS is a financial and budget system. They account differently

for inventories, thus making effective reconciliation very difficult. It is envisaged that this situation may improve with the introduction of Standard Chart of Accounts.

## 7. Performance information

### Major performances included:

- Policy and Research facilitated the process for setting up the South African Chapter of the Southern African Development Community Media Awards, resulting in the establishment of the National Adjudication Committee for the Awards in June 2003. The Media Content Analysis project has continued to provide government departments and Cabinet *Lekgotla* with important insights into how the media perceives government and its Programme of Action. Research and information to enhance effective government communication were made available through an ongoing quantitative government communication tracking research programme and ongoing qualitative research projects.
- In 2003, Government and Media Liaison started with road shows to provinces in an effort to assist provinces and municipalities with the development of communication strategies in line with the National Communication Strategy. A Ministerial Parliamentary Media Briefing Week was held following the 2003 Presidential State of the Nation Address. In July 2003, a series of post-Cabinet *Lekgotla* briefings were held. The Programme was also actively involved in the international World Parks Congress in October 2003. The Programme also formed partnerships with new international news agencies to increase the reach of government information to an international audience.

Four Government Communicators Forums were held during 2003 while the second Government Communicators' Awards ceremony – to recognise outstanding performances in all spheres of government – was held in December 2003. Fortnightly press briefings were held after Cabinet meetings and there was extensive press coverage of Cabinet decisions and positions.

*Bua Briefs* disseminates the positions adopted by Cabinet on all matters of public interest, not only through the

regular statements issued after each Cabinet meeting, but also more widely. It is distributed electronically nationally and internationally to opinion-makers and decision-makers in both business and government.

- A total of 55 MPCCs became operational between 2002/03 and 2003/04. Eighty-five Government Information Centres (GICs) have been established country-wide in local municipalities and MPCCs. Around 110 information points-of-presence distributing government information were established in local municipalities that do not have MPCCs or GICs, as a result of co-operation between GCIS and local authorities. More than 500 services in total have been made available to rural and developing communities, e.g. Home Affairs, Labour and Health services. Seventy Senior Communication Officials completed phases 1, 2 and 3 of training on development communication and general administration. Quarterly meetings with provincial Heads of Communication are held. Support to communication structures at local government level has been provided in the form of provincial communication as well as by holding work sessions with key stakeholders.
- The CSA was responsible for the production of publicity material for mass multimedia campaigns, including for the State of the Nation Address. In 2003, five million leaflets of a summarised version of the 2003 State of the Nation Address were produced in all official languages. Other initiatives of the campaign were the live link-up with 48 community radio stations to broadcast the Presidential Address, as well as consultation with organisations representing people with disabilities to publish the information in Braille and on tape. The event was also broadcast live (as part of outreach) at MPCCs and satellite points across South Africa through the 'Big Screen' programme which saw 58 community-based *Imbizo* events bringing the Address directly to the most rural communities.

The CSA participated in the National Orders ceremony and produced a programme for the ceremony, a booklet with citations, a video programme of the event and photographs.



In 2003/04, the *SA Yearbook* was sold at bookstores for the second year. Additional products included the first-ever *Pocket Guide to South Africa* and a wall chart on information contained in the *SA Yearbook*, i.e. South Africa's national symbols.

During 2003/04, the CSA also produced one million *imbizo* leaflets in all South African languages for the *Imbizo* Focus Week in April 2003 and one million tabloids in all official languages for the *Imbizo* Focus Week in October 2003.

The Programme also assisted clients with the production and outsourcing of a number of media products for key government campaigns such as Youth Month, Africa Day celebrations and the Identity Document Campaign, which was linked to the Elections 2004. The Programme did the layout and design of the *Ten-Year Review Synthesis Report* and assisted with outsourcing print production. At the request of The Presidency, the Programme also distributed 12 000 copies of the Report to various stakeholders. The CSA developed and organised the registration of an official logo for the 10-Year celebrations.

- A variety of information products were produced and disseminated in 2003 including posters, leaflets and booklets on the President's State of the Nation speech and the *SA Yearbook*. Information was also disseminated via community radio stations, Ministerial talk shows and other media, which increased the reach to citizens.

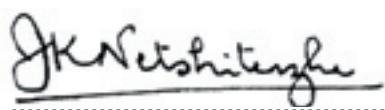
In order to finalise the budget allocations to programmes and sections for the following financial year and to complete the submission of the Estimates of National Expenditure and Medium Term Expenditure Framework, GCIS conducts a Budget *Lekgotla*. Programme and Responsibility Managers also submit reports on their performances for the previous year and business plans that indicate how they will spend their budget allocations in the new financial year.

During the financial year, a report is submitted monthly to the Budget Committee on the spending activities of each section. This is also used to determine the overall

spending trends of the department and the actual performance. The Internal Audit Section also conducts an audit on the performance of sections whereafter a report is submitted to the Secretariat. Responsibility Managers also report on a monthly basis to the *Indibano* meeting and Programme Managers account for the performance of sections and Programmes to the Secretariat, chaired by the CEO, which meets weekly.

#### **Approval**

The annual financial statements set out on pages 77 to 110 have been approved by the Accounting Officer.



**JK Netshitenzhe**

**Chief Executive Officer: GCIS**

**Date: 31 May 2004**