
ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2005

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MANAGEMENT REPORT for the year ended 31 March 2005

1. GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

GCIS was allocated R203 149 000 for the 2004/05 financial year. No additional funds were requested during the Adjustments Budget.

An amount of R202 841 317 was spent by 31 March 2005. This amount reflects a saving of R307 683 (0,15%). Of this, R255 414 was in respect of compensation of employees. The savings were the result of vacancies during the course of the year while the recruitment and filling of posts were taking place.

Goods and services realised a saving of R52 269. Provision has been made for the write-off of thefts and losses, which are valued at R216 417. All these losses and thefts were approved after investigations established that no negligence could be apportioned to any specific person.

In line with the requirements of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999), 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. All the departmental financial policies are reviewed on an annual basis to ensure that they are in line with the PFMA and the changed financial environment within the department.

GCIS is primarily responsible for setting up and consolidating a government communication system that ensures that the public is informed about government's policies, plans and programmes.

The department is primarily responsible for communication between government and the public. Importance is attached to development communication and direct dialogue, especially with people in rural and disadvantaged areas. GCIS prepares a national communication strategy, after which all clusters prepare subsidiary cluster communication strategies, as well as individual departmental strategies. All provinces, through the offices of the premiers, also prepare provincial communication strategies.

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

MANAGEMENT REPORT for the year ended 31 March 2005

GCIS will continue to implement its mandate to keep the public informed of government's programmes, policies and plans. Its current strategic objectives and focus areas include:

- providing leadership in government communication
- integrating and setting high standards for government communication
- developing the core competencies of government communicators
- prioritising development communication and direct dialogue
- democratising the communication environment
- marketing South Africa internationally.

Other strategic objectives and focus areas include:

- understanding and continually striving to meet the communication needs of both the public and government
- building partnerships and fostering a positive communication environment by improving relations with the media, advertising agencies and other sectors
- promoting a more effective and efficient GCIS by improving the use of Information Technology
- assisting in developing government media, communication and information policy.

MAIN PROGRAMMES OF GCIS

- **Administration** is responsible for the overall management of GCIS.
- **Policy and Research** conducts communication research to provide communication advice on government's Programme of Action, and monitors the development and implementation of policy from a communication perspective.
- **Government and Media Liaison** (G&ML) promotes co-ordination and integration of communication across government and provides a professional service to the media.
- **Provincial and Local Liaison** (P&LL) supports the provision of a development communication service and partners provincial and local government in extending the reach of government's information structures. It also facilitates the establishment of Multi-Purpose Community Centres (MPCCs) to bring services and information closer to the people, particularly in rural and disadvantaged areas.
- The **Communication Service Agency** (CSA) provides core communication services to GCIS and other government departments, both in-house and through outsourcing.
- The **International Marketing Council** (IMC) markets South Africa internationally and the **Media Development and Diversity Agency** (MDDA) promotes development and diversity in the South African media.

MANAGEMENT REPORT for the year ended 31 March 2005

2. SERVICES RENDERED BY THE DEPARTMENT

Tariff policy

GCIS produces a variety of 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 provides graphic design services to government departments and for GCIS-initiated projects. GCIS has issued a tender to a private company for the design, layout, printing, marketing and sale of the *SA Yearbook* and *Pocket Guide to South Africa*.

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

Approximately R73 681 was generated during 2004/05 for the selling of photos, videos and CDs while R107 748 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's account on a monthly basis.

Inventories

Inventories kept at GCIS' main store consist of limited stock of stationery, government forms and printer cartridges.

3. PUBLIC ENTITIES

There are two public entities under the control of the GCIS, namely the IMC and the MDDA.

The IMC's main objective is the marketing of South Africa through the *Brand South Africa* Campaign.

To achieve its objective, the IMC will:

- Establish a brand for South Africa (Brand South Africa), which positions the country in terms of its investment and credit worthiness, exports, tourism and international relations objectives.

MANAGEMENT REPORT for the year ended 31 March 2005

- Establish an integrated approach within government and the private sector towards the international marketing of South Africa.
- Build national support for the Brand within South Africa itself. To achieve this, the IMC enlists the co-operation of government departments, public entities, the private sector and non-governmental organisations.

The MDDA's main objective is to enable historically disadvantaged communities and persons not adequately served by the media to gain access to it. Its beneficiaries are community and small commercial media.

Both these public entities received transfer payments from GCIS. A once-off payment of R7 million was made to the MDDA on 1 April 2004, while four quarterly transfer payments totalling R65,9 million were made to the IMC, resulting in total transfers made to these two public entities of R72,9 million. GCIS holds quarterly meetings with the MDDA and IMC to obtain reports on the full transfer given to them.

In respect of the IMC, GCIS reported last year that irregular expenditure to the amount of R12,7 million was identified during 2003/04 based on the report made by GCIS to the Office of the Auditor-General. R689 919 of this amount was identified as potentially fraudulent. GCIS' immediate response was to ensure that the matter is reported to the South African Police Service (SAPS), Auditor-General, National Treasury and the Standing Committee on Public Accounts.

After an investigation by the SAPS, as well as the Scorpions, the IMC Finance Manager was arrested and charged with fraud. He appeared in court and was sentenced on 8 April 2005 to 12 years' imprisonment, of which four years were suspended for five years.

The IMC has appointed a new 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. This process ensures that GCIS is kept informed of the cash flow in the IMC. In addition to the GCIS CEO attending IMC Board and Exco meetings, monthly meetings are held with the management of the IMC.

MANAGEMENT REPORT for the year ended 31 March 2005**4. CORPORATE GOVERNANCE ARRANGEMENTS**

GCIS has developed a risk management and fraud prevention plan, which is reviewed on an annual basis. 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. The risk management strategy was compiled following workshops conducted with all chief directorates, and with regional offices represented by the regional managers and their administration officers. Workshops with other regional office staff members were undertaken as part of promoting awareness, particularly among staff based in MPCCs.

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

The Secretariat, which is the highest management forum of GCIS, meets on a weekly basis to discuss the communication environment and review the work of the department. Once a month, the Minister in The Presidency, who provides strategic leadership and guidance to the work of GCIS, is briefed on the work of the department. The other management forum, Indibano, consisting of all senior managers from director level upwards, meets monthly 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.

General staff briefings are conducted twice a year, and corporate social activities are undertaken by the Corporate Services Programme.

5. EVENTS AFTER THE REPORTING DATE

No material events occurred after the balance sheet date that influenced the financial statements and the financial position of GCIS.

MANAGEMENT REPORT for the year ended 31 March 2005

6. PROGRESS ON FINANCIAL MANAGEMENT IMPROVEMENT

An implementation plan, in line with the requirements of the PFMA, was already 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 2004/05 financial year, financial guidelines and policies were reviewed during March 2004. After being discussed and approved by the Indibano, the financial guidelines are signed by the Accounting Officer and implemented with effect from April. The approved GCIS financial guidelines and policies are distributed to all sections and are also available on the GCIS Intranet.

Branch, programme and responsibility managers are appointed in writing to manage their budgets. Their financial responsibilities are executed in conjunction with their respective performance contracts. The finance and procurement sections embark on a workshop each year during which all aspects of financial management and administration are discussed.

The CEO annually convenes a budget lekgotla to discuss the department's needs for the coming financial year. The Budget Lekgotla was held in June 2004 to discuss the 2005/06 budget needs.

Although GCIS has greatly improved on the management of its assets by introducing a manual system of accounting for assets, the reconciliation of BAS/Logis still remains a problem across government with regard to the asset/inventory system. 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 recommended that both these systems should record inventory items with the same economic classification structure, which will assist the reconciliation.

7. PERFORMANCE INFORMATION

As part of its strategic vision of providing leadership to government communication, GCIS provides support to government departments in the execution of their communication

MANAGEMENT REPORT for the year ended 31 March 2005

campaigns. In this regard, communication strategies were developed and implemented for, among others, the following campaigns, in liaison with respective lead departments and relevant structures: State of the Nation Address, May 2004 (GCIS); Imbizo (GCIS); Voter Education and Elections, 2004 (GCIS); Batho Pele Gateway (Department of Public Service and Administration); Truth and Reconciliation Commission Reparations (Department of Justice and Constitutional Development); Mass Campaign on Economic Opportunities (Forum of South African Directors-General: Economic Cluster); Expanded Public Works Programme (Department of Public Works); Youth Development Month (National Youth Commission); Women's Month (The Presidency); National Orders (The Presidency); HIV and AIDS (Department of Health); 16 Days of Activism (Department of Correctional Services); and Taxi Recapitalisation and Road Safety (Department of Transport).

In addition, GCIS received and processed approximately 15 requests for assistance related to communication strategising for campaigns driven by government departments.

GCIS, in partnership with Unilever, the Wits School for Public & Development Management (P&DM) and the Mandela-Rhodes Foundation has established a course at P&DM in Communication and Marketing for government communicators, which aims to improve the competencies of these communicators across all three spheres of government. The year under review realised the first intake of 47 students from national, provincial and local government, as well as from state-owned enterprises. Sixty-two percent of these students passed their exams and received their certificates during the Government Communicators' Awards held in December 2004.

Through the Policy and Research Programme, advice relating to communication messages on major issues, media content analysis, and qualitative and quantitative research has been provided to Cabinet. Both the national communication strategy and those of the individual departments have been informed by continuous research. Plans are in place to assist departments interested in acquiring specific media content analysis of their respective programmes.

During the past year, G&ML continued to ensure dynamic contact between the media and government by convening media briefings for ministers to report on the implications of the State

MANAGEMENT REPORT for the year ended 31 March 2005

of the Nation Address and the implementation of governments' Programme of Action. It facilitated communication co-ordination of national government communicators by convening monthly communication cluster meetings, the Government Communicators' Forum as well as provincial heads of communication meetings. The annual Government Communicators' Awards ceremony was held for the third time in December 2004.

The News Service undertook road shows to promote BuaNews as a viable government news product and conducted an impact assessment on the utility and efficacy of the agency. In 2004/05, the News Service enlisted the services of at least 13 provincial correspondents, enhanced coverage of news events on the continent and internationally, strengthened partnerships with media organisations both locally and abroad and continued with the vigorous marketing of BuaNews. It formed new partnerships with international news agencies to increase its international reach.

In 2004/05, the Communication Centre accessed online subscriptions to regional newspapers and e-mailed radio inserts to various clients. It performs extensive media monitoring of communication projects. The Centre is using a database to store and index cuttings, which will in time become accessible online to government departments.

Within P&LL, expenditure has increased due to the appointment of more communication officers in districts – increasing the total from 70 in 2003/04 to 85 in 2004/05. This has significantly extended the reach of government's development communication programme. It has resulted in increased investment in the training of communication staff as well as operational costs.

By December 2004, 65 MPCCs were operational. During 2004/05, the Gateway Project was piloted in nine MPCCs. Continuous assessments on the impact and feasibility of MPCCs is conducted through impact research as well as MPCC monitoring and evaluation workshops. Systems have been put in place to monitor and evaluate service provision at MPCCs. Significant progress has been made with regard to the development of the MPCC Business Plan towards the second generation of MPCCs. Eighty Government Information Centres have been established countrywide in local municipalities and MPCCs.

More than 500 services have been made available through MPCCs to rural and developing communities. In 2004/05 alone, an additional 50 information points of presence were

MANAGEMENT REPORT for the year ended 31 March 2005

established in local municipalities and other strategic locations in addition to the 110 established in the preceding financial years. The online electronic database, the Ward Information Management System, is fully operational. Short courses have been provided to 120 staff members on an ongoing basis. Additional training for 85 communication officers in Development Communication and Financial Management is underway.

During 2004/05, an additional amount of R10 million was allocated to the CSA to fund publicity activities for the Ten Years of Freedom Celebrations, the Presidential inauguration and the additional State of the Nation Address in May 2004. An amount of R2 070 000 was spent on the production of marketing, advertising and promotional material for the Ten-Year Celebrations and inaugural event. Some R4 055 000 was spent on the production of information material – including a tabloid publication combining a summarised version of the Government's Programme of Action for 2004/05 and a poster of the new Cabinet and premiers (*Faces of Government*) as well as a booklet containing the President's Inaugural and State of the Nation addresses. This is in addition to the normal products disseminated during the course of the year, most of which are produced in all official languages as well as on tape and in Braille.

Through the current media advertising contract, GCIS procured media space on behalf of government departments worth R100 million. This resulted in government saving 15% worth of funds allocated for media buying. The contract provides 15% discount due to its bulk buying leverage. Twenty-six departments made use of this contract in the year under review. Apart from media buying, GCIS received approximately 297 official requests from other departments for the rendering of communication services.

GCIS is involved in ongoing work towards the transformation of the marketing and advertising industry as mandated by the Portfolio Committee on Communications. Regular meetings with both the industry, through the Monitoring and Steering Committee for the Marketing and Advertising Industry, and governmental partners, through an interdepartmental task team, were convened, and a report-back briefing to the Portfolio Committee on Communications co-ordinated in October 2004. (A workshop to establish guidelines for the preferential procurement of marketing and advertising was convened as part of the Monitoring and Steering Committee Meeting during June 2004 to discuss best practices, and guidelines for the procurement of marketing and advertising by government have been finalised.)

MANAGEMENT REPORT for the year ended 31 March 2005

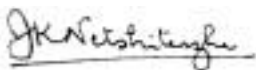
GCIS has developed and will manage the implementation of a uniform corporate identity for government. The *Corporate Identity Manual* has been developed and a bid for the training of corporate identity managers in government has been concluded.

Emphasis has also been placed on radio products for distribution through the satellite communication network to keep communities abreast of government programmes. A total of 25 live radio feeds to about 30 community radio stations on various government campaigns was done. Sixteen 'Talk to your Minister' radio shows were conducted in the year under review. Twenty-five radio advertisements of between 30 and 45 seconds, covering various government campaigns, were produced.

Eleven video documentaries and 16 editing requests were done on behalf of other departments. The Design Unit processed 30 design and exhibition requests. The *SA Yearbook 2003/04* was launched at the Open Window in Pretoria on 25 March 2004. Some 15 500 copies were printed and sold out by October 2004. For the first time, the *SA Yearbook* was also made available on CD-ROM, which has now become a permanent feature. The CSA also produced the *Pocket Guide to South Africa*. Some 24 000 copies were printed of which about 15 000 were purchased by the Department of Foreign Affairs.

Approval

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



JK NETSHITENZHE

CHIEF EXECUTIVE OFFICER:

DATE: 31 May 2005

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE GOVERNMENT COMMUNICATION AND INFORMATION SYSTEM (GCIS) – VOTE 7 FOR THE YEAR ENDED 31 MARCH 2005

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 103 to 136, for the year ended 31 March 2005 have been audited in terms of Section 188 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act 25 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

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

An audit includes:

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

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

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

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

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the GCIS at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with prescribed accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act 1 of 1999).

4. APPRECIATION

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



F Joubert
for Auditor-General
Pretoria
29 July 2005



STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

for the year ended 31 March 2005

The annual financial statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the annual financial statements and to comply with the statutory requirements of the Public Finance Management Act, 1999 (Act 1 of 1999), (as amended by Act 29 of 1999), the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Act and the Division of Revenue Act, 2004 (Act 5 of 2004). The following issued, but not yet effective, Standards of Generally Recognised Accounting Practice (GRAP) have not been fully complied with in the annual financial statements: GRAP 1, 2 and 3.

1. BASIS OF PREPARATION

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

2. REVENUE

Appropriated funds

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

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

for the year ended 31 March 2005

Departmental revenue

Tax revenue

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

Sale of goods and services other than capital assets

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

Fines, penalties and forfeits

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

Interest, dividends and rent on land

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

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

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

for the year ended 31 March 2005

Sale of capital assets

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

Financial transactions in assets and liabilities

Repayments of loans and advances previously extended to employees and public corporations for policy purposes are recognised as revenue in the statement of financial performance on receipt of the funds.

Cheques issued in previous accounting periods that expire before being banked are recognised as revenue in the statement of financial performance when the cheque becomes stale. When the cheque is reissued the payment is made from Revenue.

3. EXPENDITURE

Compensation of employees

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

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

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

for the year ended 31 March 2005

Short-term employee benefits

The cost of short-term employee benefits is expensed in the statement of financial performance in the reporting period when the final authorisation for payment is effected on the system. Short-term employee benefits, that give rise to a present legal or constructive obligation, are disclosed as a disclosure note to the annual financial statements and are not recognised in the statement of financial performance.

Long-term employee benefits and other post-employment benefits

Termination benefits

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

Medical benefits

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

Post-employment retirement benefits

The department provides retirement benefits for certain of its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are expensed when the final authorisation for payment to the fund is effected on the system. No provision is made for retirement benefits in the annual financial statements of the department. Any potential liabilities

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

for the year ended 31 March 2005

are disclosed in the annual financial statements of the National Revenue Fund and not in the annual financial statements of the employer department.

Other employee benefits

Obligations arising from leave entitlement, the 13th cheque and performance bonus that are reflected in the disclosure notes have not been paid for at year-end.

Goods and services

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

Interest and rent on land

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

Financial transactions in assets and liabilities

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

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

for the year ended 31 March 2005

Unauthorised expenditure

Unauthorised expenditure is defined as:

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

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

4. TRANSFERS AND SUBSIDIES

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

5. EXPENDITURE FOR CAPITAL ASSETS

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

6. RECEIVABLES

Receivables are not normally recognised under the modified cash basis of accounting.

However, receivables included in the statement of financial position arise from cash payments that are recoverable from another party, when the payments are made.

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

for the year ended 31 March 2005

Receivables for services delivered are not recognised in the statement of financial position as a current asset or as income in the statement of financial performance, as the annual financial statements are prepared on a modified cash basis of accounting, but are disclosed separately as part of the disclosure notes to enhance the usefulness of the annual financial statements.

7. CASH AND CASH EQUIVALENTS

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

8. PAYABLES

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

9. LEASE COMMITMENTS

Lease commitments for the period remaining from the reporting date until the end of the lease contract are disclosed as part of the disclosure notes to the annual financial statements. These commitments are not recognised in the statement of financial position as a liability or as expenditure as the annual financial statements are prepared on the cash basis of accounting.

Operating lease expenditure is expensed when the payment is made.

Finance lease expenditure is expensed when the payment is made, but results in the acquisition

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

for the year ended 31 March 2005

of the asset under the lease agreement. A finance lease is not allowed in terms of the Public Finance Management Act, 1999.

10. ACCRUALS

This amount represents goods/services that have been received, but no invoice has been received from the supplier at the reporting date, or an invoice has been received but final authorisation for payment has not been effected on the system. These amounts are not recognised in the statement of financial position as a liability or as expenditure as the annual financial statements are prepared on a modified cash basis of accounting, but are, however, disclosed as part of the disclosure notes.

11. CONTINGENT LIABILITY

This is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the department; or a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the statement of financial position, but the information is disclosed as part of the disclosure notes.

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

for the year ended 31 March 2005

12. COMMITMENTS

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

13. RECOVERABLE REVENUE

Recoverable revenue represents payments made and recognised in the statement of financial performance as an expense in previous years due to non-performance in accordance with an agreement, which have now become recoverable from a debtor. Repayments are transferred to the Revenue Fund as and when the repayment is received.

14. COMPARATIVE FIGURES

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

Appropriation per programme									
	2004/05						2003/04		
	Adjusted appropriation R'000	Shifting of funds 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
1. Administration									
Current payment	39,225	-	(2,916)	36,309	36,303	6	1	32,123	32,181
Transfers and subsidies	68	-	(6)	62	61	1	98.4%	-	-
Expenditure for capital assets	1,575	-	2,007	3,582	3,583	(1)	100.0%	5,232	5,232
2. Policy and Research									
Current payment	9,491	-	(4)	9,487	9,448	39	100%	16,259	16,264
Transfers and subsidies	15	-	(2)	13	13	-	100.0%	-	-
Expenditure for capital assets	30	-	(2)	28	27	1	96.4%	253	247
3. Government and Media Liaison									
Current payment	14,303	-	(891)	13,412	13,169	243	98%	12,183	12,330
Transfers and subsidies	32	-	(3)	29	29	-	100.0%	-	-
Expenditure for capital assets	460	-	(75)	385	384	1	99.7%	717	572
4. Provincial and Local Liaison									
Current payment	29,325	-	68	29,393	29,379	14	100%	24,852	25,503
Transfers and subsidies	67	-	11	78	77	1	98.7%	-	-
Expenditure for capital assets	440	-	105	545	546	(1)	100.2%	771	450
5. Communication Service Agency									
Current payment	33,331	-	1,481	34,812	34,810	2	100%	20,758	21,488
Transfers and subsidies	28	-	(3)	25	26	(1)	104.0%	-	-
Expenditure for capital assets	1,845	-	230	2,075	2,073	2	99.9%	2,674	1,667
6. International Marketing and Media Development									
Current payment	-	-	-	-	-	-	0%	-	-
Transfers and subsidies	72,914	-	-	72,914	72,914	-	100.0%	62,686	62,686
Expenditure for capital assets	-	-	-	-	-	-	0.0%	-	-
Total	203,149	-	-	203,149	202,842	307	99.8%	178,508	178,620
Reconciliation with Statement of Financial Performance									
Prior year unauthorised expenditure approved with funding				4,154				8,393	
Departmental receipts				4,282					
Actual amounts per Statement of Financial Performance (Total Revenue)				211,585				186,901	
Prior year unauthorised expenditure approved					4,154				-
Actual amounts per Statement of Financial Performance									
Expenditure					206,996				178,620

Vote 7

APPROPRIATION STATEMENT for the year ended 31 March 2005

Appropriation per economic classification									
	2004/05						2003/04		
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual payment R'000	Variance R'000	Payment as % of final appropriation %	Final appropriation R'000	Actual payment R'000
Current payments									
Compensation to employees	64,404	-	(1,087)	63,317	63,062	255	99.6%	55,240	55,239
Goods and services	61,271	-	(1,175)	60,096	59,831	265	99.6%	43,935	45,411
Financial transactions in assets and liabilities	-	-	-	-	216	(216)	0.0%	-	115
Transfers and subsidies									
Provinces and municipalities	210	-	(16)	194	192	2	99.0%	-	-
Departmental agencies and accounts	72,914	-	-	72,914	72,914	-	100.0%	69,686	69,686
Households	-	-	13	13	13	-	100.0%	-	-
Payment on capital assets									
Machinery and equipment	4,350	-	1,914	6,264	6,262	2	100.0%	9,597	8,119
Software and other intangible assets	-	-	351	351	352	(1)	100.3%	50	50
Total	203,149	-	-	203,149	202,842	307	99.8%	178,508	178,620

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APPROPRIATION STATEMENT for the year ended 31 March 2005

Detail per Programme 1 - Administration									
Programme per subprogramme	2004/05					2003/04			
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual payment R'000	Variance R'000	Payment as % of final appropriation %	Final appropriation R'000	Actual payment R'000
1.1 Management									
Current payment	4,210	-	(403)	3,807	3,806	1	100.0%	3,642	3,642
Transfers and subsidies	11	-	(3)	8	9	(1)	112.5%	-	-
Expenditure for capital assets	30	-	86	116	116	-	100.0%	81	81
1.2 Corporate Services									
Current payment	35,015	-	(2,513)	32,502	32,497	5	100.0%	28,481	28,539
Transfers and subsidies	57	-	(3)	54	52	2	96.3%	-	-
Expenditure for capital assets	1,545	-	1,921	3,466	3,467	(1)	100.0%	5,151	5,151
Total	40,868	-	(915)	39,953	39,947	6	100.0%	37,355	37,413

Economic classification	2004/05					2003/04			
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual payment R'000	Variance R'000	Payment as % of final appropriation %	Final appropriation R'000	Actual payment R'000
Current payments									
Compensation to employees	21,493	-	(354)	21,139	21,134	5	100.0%	18,962	18,962
Goods and services	17,732	-	(2,562)	15,170	15,119	51	99.7%	13,161	13,161
Financial transactions in assets and liabilities	-	-	-	-	50	(50)	0.0%	-	58
Transfers and subsidies									
Provinces and municipalities	68	-	(6)	62	61	1	98.4%	-	-
Payments for capital assets									
Machinery and equipment	1,575	-	1,656	3,231	3,231	-	100.0%	5,182	5,182
Software and other intangible assets	-	-	351	351	352	(1)	100.3%	50	50
Total	40,868	-	(915)	39,953	39,947	6	100.0%	37,355	37,413

Vote 7

APPROPRIATION STATEMENT for the year ended 31 March 2005

Detail per Programme 2 - Policy and Research										
Programme per subprogramme	2004/05						2003/04			
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual payment R'000	Variance R'000	Payment as % of final appropriation %	Final appropriation R'000	Actual payment R'000	
2.1 Management										
Current payment	843	-	4	847	846	1	99.9%	714	714	
Transfers and subsidies	3	-	(1)	2	2	-	100.0%	-	-	
Expenditure for capital assets	-	-	-	-	-	-	0.0%	43	43	
2.2 Policy										
Current payment	3,448	-	(642)	2,806	2,805	1	100.0%	10,040	10,045	
Transfers and subsidies	6	-	-	6	6	-	100.0%	-	-	
Expenditure for capital assets	-	-	-	-	-	-	0.0%	177	171	
2.3 Research										
Current payment	5,200	-	634	5,834	5,797	37	99.4%	5,505	5,505	
Transfers and subsidies	6	-	(1)	5	5	-	100.0%	-	-	
Expenditure for capital assets	30	-	(2)	28	27	1	96.4%	33	33	
Total	9,536	-	(8)	9,528	9,488	40	99.6%	16,512	16,511	
Economic classification	2004/05						2003/04			
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual payment R'000	Variance R'000	Payment as % of final appropriation %	Final appropriation R'000	Actual payment R'000	
Current										
Compensation to employees	4,171	-	(113)	4,058	4,056	2	100.0%	3,998	3,997	
Goods and services	5,320	-	109	5,429	5,392	37	99.3%	5,261	5,267	
Transfers and subsidies										
Provinces and municipalities	15	-	(2)	13	13	-	100.0%	-	-	
Dept agencies and accounts	-	-	-	-	-	-	0.0%	7,000	7,000	
Capital										
Machinery and equipment	30	-	(2)	28	27	1	96.4%	253	247	
Total	9,536	-	(8)	9,528	9,488	40	99.6%	16,512	16,511	

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APPROPRIATION STATEMENT for the year ended 31 March 2005

Detail per Programme 3 - Government and Media Liaison									
Programme per subprogramme	2004/05					2003/04			
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual payment R'000	Variance R'000	Payment as % of final appropriation %	Final appropriation R'000	Actual payment R'000
3.1 Management									
Current payment	3,401	-	(619)	2,782	2,546	236	91.5%	2,746	2,746
Transfers and subsidies	8	-	(1)	7	7	-	100.0%	-	-
Expenditure for capital assets	80	-	(52)	28	28	-	100.0%	487	371
3.2 National Liaison									
Current payment	2,989	-	167	3,156	3,156	-	100.0%	2,502	2,511
Transfers and subsidies	6	-	-	6	6	-	100.0%	-	-
Expenditure for capital assets	150	-	(31)	119	119	-	100.0%	54	53
3.3 International and Media Liaison									
Current payment	3,330	-	(413)	2,917	2,910	7	99.8%	4,168	4,279
Transfers and subsidies	6	-	-	6	6	-	100.0%	-	-
Expenditure for capital assets	100	-	(71)	29	28	1	96.6%	111	104
3.4 News Service									
Current payment	2,930	-	15	2,945	2,946	(1)	100.0%	2,767	2,794
Transfers and subsidies	9	-	(2)	7	7	-	100.0%	-	-
Expenditure for capital assets	100	-	(34)	66	65	1	98.5%	65	44
3.5 Parliamentary Liaison									
Current payment	1,653	-	(41)	1,612	1,611	1	99.9%	-	-
Transfers and subsidies	3	-	-	3	3	-	100.0%	-	-
Expenditure for capital assets	30	-	113	143	144	(1)	100.7%	-	-
Total	14,795	-	(969)	13,826	13,582	244	98.2%	12,900	12,902
Economic classification	2004/05					2003/04			
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual payment R'000	Variance R'000	Payment as % of final appropriation %	Final appropriation R'000	Actual payment R'000
Current									
Compensation to employees	9,946	-	(294)	9,652	9,408	244	97.5%	8,760	8,760
Goods and services	4,357	-	(597)	3,760	3,734	26	99.3%	3,423	3,434
Financial transactions in assets and liabilities	-	-	-	-	27	(27)	0.0%	-	36
Transfers and subsidies									
Provinces and municipalities	32	-	(3)	29	29	-	100.0%	-	-
Capital									
Machinery and equipment	460	-	(75)	385	384	1	99.7%	717	572
Total	14,795	-	(969)	13,826	13,582	244	98.2%	12,900	12,902

Vote 7

APPROPRIATION STATEMENT for the year ended 31 March 2005

Detail per Programme 4 - Provincial and Local Liaison									
Programme per subprogramme	2004/05						2003/04		
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual payment R'000	Variance R'000	Payment as % of final appropriation %	Final appropriation R'000	Actual payment R'000
4.1 Management									
Current payment	4,664	-	(189)	4,475	4,470	5	99.9%	4,174	4,233
Transfers and subsidies	13	-	10	23	23	-	100.0%	-	-
Expenditure for capital assets	50	-	(6)	44	44	-	100.0%	144	145
4.2 Liaison									
Current payment	24,661	-	257	24,918	24,909	9	100.0%	20,678	21,270
Transfers and subsidies	54	-	1	55	54	1	98.2%	-	-
Expenditure for capital assets	390	-	111	501	502	(1)	100.2%	627	305
Total	29,832	-	184	30,016	30,002	14	100.0%	25,623	25,953

Economic classification	2004/05						2003/04		
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual payment R'000	Variance R'000	Payment as % of final appropriation %	Final appropriation R'000	Actual payment R'000
Current									
Compensation to employees	21,102	-	(326)	20,776	20,773	3	100.0%	16,976	16,976
Goods and services	8,223	-	394	8,617	8,516	101	98.8%	7,876	8,513
Financial transactions in assets and liabilities	-	-	-	-	91	(91)	0.0%	-	14
Transfers and subsidies									
Provinces and municipalities	67	-	(2)	65	64	1	98.5%	-	-
Households	-	-	13	13	13	-	100.0%	-	-
Capital									
Machinery and equipment	440	-	105	545	545	-	100.0%	771	450
Total	29,832	-	184	30,016	30,002	14	100.0%	25,623	25,953

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APPROPRIATION STATEMENT for the year ended 31 March 2005

Detail per Programme 5 - Communication Service Agency									
Programme per subprogramme	2004/05						2003/04		
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual payment R'000	Variance R'000	Payment as % of final appropriation %	Final appropriation R'000	Actual payment R'000
5.1 Management									
Current payment	1,644	-	12	1,656	1,655	1	99.9%	1,442	1,441
Transfers and subsidies	5	-	(1)	4	4	-	100.0%	-	-
Expenditure for capital assets	58	-	-	58	57	1	98.3%	92	60
5.2 Marketing									
Current payment	16,392	-	3,444	19,836	19,836	-	100.0%	7,035	7,208
Transfers and subsidies	5	-	-	5	5	-	100.0%	-	-
Expenditure for capital assets	900	-	136	1,036	1,035	1	99.9%	890	148
5.3 Product Development									
Current payment	12,306	-	(1,605)	10,701	10,700	1	100.0%	10,091	10,649
Transfers and subsidies	14	-	(1)	13	13	-	100.0%	-	-
Expenditure for capital assets	841	-	140	981	981	-	100.0%	1,578	1,364
5.4 Content Development									
Current payment	2,989	-	(370)	2,619	2,619	-	100.0%	2,190	2,190
Transfers and subsidies	4	-	(1)	3	4	(1)	133.3%	-	-
Expenditure for capital assets	46	-	(46)	-	-	-	0.0%	114	95
Total	35,204	-	1,708	36,912	36,909	3	100.0%	23,432	23,155

Economic classification	2004/05						2003/04		
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual payment R'000	Variance R'000	Payment as % of final appropriation %	Final appropriation R'000	Actual payment R'000
Current									
Compensation to employees	7,692	-	-	7,692	7,691	1	100.0%	6,544	6,544
Goods and services	25,639	-	1,481	27,120	27,070	50	99.8%	14,214	14,936
Financial transactions in assets and liabilities	-	-	-	-	48	(48)	0.0%	-	7
Transfers and subsidies									
Provinces and municipalities	28	-	(3)	25	25	-	100.0%	-	-
Capital									
Machinery and equipment	1,845	-	230	2,075	2,075	-	100.0%	2,674	1,668
Total	35,204	-	1,708	36,912	36,909	3	100.0%	23,432	23,155

Vote 7

APPROPRIATION STATEMENT for the year ended 31 March 2005

Detail per Programme 6 - International Marketing and Media Development									
Programme per subprogramme	2004/05						2003/04		
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual payment R'000	Variance R'000	Payment as % of final appropriation %	Final appropriation R'000	Actual payment R'000
6.1 International Marketing Council									
Current payment	-	-	-	-	-	-	0.0%	-	-
Transfers and subsidies	65,914	-	-	65,914	65,914	-	100.0%	62,686	62,686
Expenditure for capital assets	-	-	-	-	-	-	0.0%	-	-
6.2 Media Development and Diversity Agency									
Current payment	-	-	-	-	-	-	0.0%	-	-
Transfers and subsidies	7,000	-	-	7,000	7,000	-	100.0%	-	-
Expenditure for capital assets	-	-	-	-	-	-	0.0%	-	-
Total	72,914	-	-	72,914	72,914	-	100.0%	62,686	62,686

Economic classification	2004/05						2003/04		
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual payment R'000	Variance R'000	Payment as % of final appropriation %	Final appropriation R'000	Actual payment R'000
Transfers and subsidies									
Dept agencies and accounts	72,914	-	-	72,914	72,914	100.0%	62,686	62,686	-
Total	72,914	-	-	72,914	72,914	100.0%	62,686	62,686	-

NOTES TO THE APPROPRIATION STATEMENT for the year ended 31 March 2005

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

Detail of these transactions can be viewed in note 7 (Transfers and subsidies) and Annexure 1 (A-K) to the annual financial statements.

2. Detail of specifically and exclusively appropriated amounts voted (after virement):

Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the annual financial statements.

3. Detail on financial transactions in assets and liabilities

Detail of these transactions per programme can be viewed in note 5 (Details of special functions (theft and losses) to the annual financial statements.

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

	Voted funds after virement	Actual expenditure	R'000	%
4.1 Per programme:				
Administration	39,953	39,947	6	100
Policy and Research	9,528	9,488	40	99.6
	Saving is mainly due to funds received at the end of the financial year for the Tracker research project			
Government and Media Liaison	13,826	13,582	244	98.2
	Saving is mainly due to the vacant post of Chief Director that was filled in the last quarter of the financial year			
Provincial and Local Liaison	30,016	30,002	14	100
Communication Service Agency	36,912	36,909	3	100
International Marketing and Media Development	72,914	72,914	-	-
4.2 Per economic classification:			R'000	
Current expenditure				
Compensation of employees			63,062	
Goods and services			59,830	
Financial transactions in assets and liabilities			216	
Unauthorised expenditure approved				
Transfers and subsidies				
Provinces and municipalities			192	
Departmental agencies and accounts			72,914	
Households			13	
Payments for capital assets				
Machinery and equipment			6,262	
Software and other intangible assets			352	

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STATEMENT OF FINANCIAL PERFORMANCE for the year ended 31 March 2005

	<i>Note</i>	2004/05 R'000	2003/04 R'000
REVENUE			
Annual appropriation	1	203,149	178,508
Appropriation for unauthorised expenditure approved		4,154	-
Departmental revenue	2	4,282	8,393
TOTAL REVENUE		211,586	186,901
EXPENDITURE			
Current expenditure			
Compensation of employees	3	63,062	55,239
Goods and services	4	59,830	45,411
Financial transactions in assets and liabilities	5	216	115
Unauthorised expenditure approved	6	4,154	-
Total current expenditure		127,262	100,765
Transfers and subsidies	7	73,119	69,686
Expenditure for capital assets			
Machinery and equipment	8	6,262	8,119
Software and other intangible assets	8	352	50
Total expenditure for capital assets		6,614	8,169
TOTAL EXPENDITURE		206,996	178,620
NET SURPLUS/(DEFICIT)		4,590	8,281
Add back unauthorised expenditure	6	-	1,591
NET SURPLUS/(DEFICIT) FOR THE YEAR		4,590	9,872
Reconciliation of net surplus/(deficit) for the year			
Voted Funds to be surrendered to the Revenue Fund	12	308	1,479
Departmental revenue to be surrendered to Revenue Fund	13	4,282	8,393
NET SURPLUS/(DEFICIT) FOR THE YEAR		4,590	9,872

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STATEMENT OF FINANCIAL POSITION as at 31 March 2005

	<i>Note</i>	2004/05 R'000	2003/04 R'000
ASSETS			
Current assets		5,725	24,992
Unauthorised expenditure	6	1,591	5,745
Cash and cash equivalents	9	-	7,211
Prepayments and advances	10	58	69
Receivables	11	4,076	11,967
TOTAL ASSETS		5,725	24,992
LIABILITIES			
Current liabilities		3,913	19,470
Bank overdraft	9	1,557	-
Voted funds to be surrendered to the Revenue Fund	12	308	1,479
Departmental revenue to be surrendered to the Revenue Fund	13	44	12
Payables	14	2,004	17,979
TOTAL LIABILITIES		3,913	19,470
NET ASSETS		1,812	5,522
Represented by:			
Recoverable revenue		1,812	5,522
TOTAL		1,812	5,522

STATEMENT OF CHANGES IN NET ASSETS for the year ended 31 March 2005

	2004/05 R'000	2003/04 R'000
Capitalisation reserve		
Recoverable revenue		
Opening balance	5,522	4,791
Debts recovered (included in departmental receipts)	(3,841)	-
Debts raised	131	731
Closing balance	1,812	5,522
TOTAL	1,812	5,522

Vote 7

CASH FLOW STATEMENT for the year ended 31 March 2005

	<i>Note</i>	2004/05 R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		219,488
Annual appropriated funds received		203,149
Appropriation for unauthorised expenditure received	6	4,154
Departmental revenue received		4,282
Net (increase)/decrease in working capital		7,903
Surrendered to Revenue Fund		(5,729)
Current payments		(139,083)
Transfers and subsidies paid		(73,119)
Net cash flow available from operating activities	15	1,557
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for capital assets		(6,614)
Net cash flows from investing activities		(6,614)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in loans received		(3,710)
Net cash flows from financing activities		(3,710)
Net increase/(decrease) in cash and cash equivalents		(8,767)
Cash and cash equivalents at beginning of period		7,211
Cash and cash equivalents at end of period		(1,557)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2005**1. Annual appropriation****1.1 Annual appropriation**

	Final appropriation R'000	Actual funds received R'000	Variance over/(under) R'000	Total Appropriation 2003/04 R'000
Administration	39,953	39,947	6	37,355
Policy and Research	9,528	9,488	40	16,512
Government and Media Liaison	13,826	13,582	244	12,900
Provincial and Local Liaison	30,016	30,002	14	25,623
Communication Service Agency	36,912	36,909	3	23,432
International Marketing and Media Development	72,914	72,914	-	62,686
TOTAL	203,149	202,842	307	178,508

The saving is mainly due to a payment for Tracker Research (Prog 2) that was received at the end of the financial year as well as the vacant post of Chief Director (Prog 3) that was filled in the last quarter of the financial year.

2. Departmental revenue to be surrendered to revenue fund

Description

Sales of goods and services other than capital assets

Interest, dividends and rent on land

Sales of capital assets

Financial transactions in assets and liabilities

Departmental revenue collected

Note

2004/05

2003/04

R'000

R'000

2.1

2.1 Financial transactions in assets and liabilities**Nature of loss recovered**

Cheques written back

Material losses recovered

Other

3. Compensation of employees**3.1 Salaries and wages**

Basic salary

Performance award

Service-based

Compensative/circumstantial

Periodic payments

Other non-pensionable allowances

43,306

39,152

1,338

221

80

91

412

186

545

242

8,060

6,865

53,741**46,757**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2005

3.2	Social contributions	<i>Note</i>	2004/05	2003/04
	3.2.1 Short-term employee benefits		R'000	R'000
	Pension		6,448	5,830
	Medical		2,863	2,643
	Bargaining council		11	-
	Official unions and associations		-	8
	Insurance		-	1
			9,321	8,482
	Total compensation of employees		63,062	55,239
	Average number of employees		365	349
4.	Goods and services		9,462	4,898
	Advertising		42	34
	Attendance fees (including registration fees)		44	29
	Bank charges and card fees		247	503
	Communication		5,536	2,778
	Computer services		3,978	3,176
	Consultants, contractors and special services		7,946	7,881
	Courier and delivery services		103	546
	Entertainment		540	375
	External audit fees	4.1	583	569
	Equipment less than R5 000		505	275
	Inventory	4.2	15,630	9,712
	Legal fees		193	430
	Licence agency fees		-	109
	Maintenance, repair and running costs		641	416
	Medical services		13	-
	Operating leases		1,932	2,052
	Personnel agency fees		31	-
	Photographic services		4	-
	Plants, flowers and other decorations		66	-
	Professional bodies and membership fees		6	-
	Resettlement costs		144	201
	Subscriptions		226	-
	Translations and transcriptions		134	-
	Travel and subsistence	4.3	8,069	8,063
	Venues and facilities		1,130	123
	Protective, special clothing and uniforms		-	9
	Training and staff development		2,625	3,063
	Previous years' unallocated items		-	169
			59,830	45,411
4.1	External audit fees		583	569
	Regulatory audits		583	569
	Total external audit fees			

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2005

	<i>Note</i>	2004/05 R'000	2003/04 R'000
4.2 Inventory			
Other inventory		-	106
Domestic consumables		201	529
Fuel, oil and gas		13	3
Parts and other maintenance		2,106	-
Stationery and printing		13,310	9,074
Medical supplies		1	-
Total inventory		15,630	9,712
4.3 Travel and subsistence			
Local		7,899	7,938
Foreign		171	125
Total travel and subsistence		8,069	8,063
5. Financial transactions in assets and liabilities			
Material losses through criminal conduct	5.1	59	11
Other material losses written off	5.2	20	55
Debts written off	5.3	137	49
		216	115
5.1 Material losses through criminal conduct			
Loss of amplifier		1	-
Loss of fax machine		3	-
Loss of 4 CPUs at Gauteng Regional Office		32	-
Loss of 2 fax machines at Gauteng Regional Office		7	-
Loss of laptop (Ms P McDonald)		14	-
Damage to hired vehicle		2	-
Theft of cheque for rental of photocopying machine		-	11
		59	11
5.2 Other material losses written off in Statement of Financial Performance			
Damage to window		1	-
Damage to hired vehicle		12	-
Damage to 2 government garage vehicles		6	31
Loss of cellphone		1	2
Loss of IBM computer		-	6
Loss of state properties		-	13
Damage to private car		-	3
		20	55
5.3 Bad debts written off			
Nature of debts written off			
Ex-personnel debts		137	49
		137	49

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2005

	<i>Note</i>	2004/05 R'000	2003/04 R'000
5.4 Details of theft and losses			
Programme 1: Administration		50	58
Programme 3: Government and Media Liaison		27	36
Programme 4: Provincial and Local Liaison		91	14
Programme 5: Communication Service Agency		48	7
		216	115
6. Unauthorised expenditure			
6.1 Reconciliation of unauthorised expenditure			
Opening balance		5,745	4,154
Unauthorised expenditure – current year		-	1,591
Unauthorised expenditure approved by Parliament/Legislature – current expenditure		(4,154)	-
Unauthorised expenditure awaiting authorisation		1,591	5,745
6.2 Unauthorised expenditure			
Incident	Disciplinary steps taken/criminal proceedings		Total
Overspend 2000/01	No negligence can be attributed to any official		4,154
Overspend 2003/04	No negligence can be attributed to any official		1,591
			5,745
7. Transfers and subsidies			
Provinces and municipalities	<i>ANNEXURE 1A</i>	192	-
Departmental agencies and accounts	<i>ANNEXURE 1B</i>	72,914	69,686
Households	<i>ANNEXURE 1C</i>	13	-
		73,119	69,686
8. Expenditure for capital assets			
Machinery and equipment	<i>ANNEXURE 3</i>	6,262	8,119
Software and other intangible assets	<i>ANNEXURE 4</i>	352	50
Total		6,614	8,169
9. Cash and cash equivalents			
Consolidated Paymaster General Account		4,649	7,363
Disbursements		(6,307)	(234)
Cash on hand		101	82
		(1,557)	7,211
10. Prepayments and advances			
Description			
Travel and subsistence		58	69
		58	69

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2005**11. Receivables**

					2004/05	2003/04
	<i>Note</i>	Less than one year	One to three years	Older than three years	R'000 Total	R'000 Total
Amounts owing by other entities	ANNEXURE 5	69	-	-	70	3,068
Staff debtors	11.1	64	-	-	63	54
Clearing accounts	11.2	12	-	-	12	-
Other debtors	11.3	230	159	3,541	3,930	8,845
		375	159	3,541	4,076	11,967

Amounts of R3 614 000 (2004: R4 818 000) included above may not be recoverable, but has not been written off in the Statement of Financial Performance

	2004/05 R'000	2003/04 R'000
11.1 Staff debtors		
Employees	47	38
Private telephone	16	16
PAYE debt	0	-
	63	54
11.2 Clearing accounts		
Theft and losses – pending matters	12	-
	12	-
11.3 Other debtors		
Ex-employees	3,927	5,085
Other debts	3	3,760
	3,930	8,845
12. Voted funds to be surrendered to the Revenue Fund		
Opening balance	1,479	1,682
Transfer from Statement of Financial Performance	308	1,479
Paid during the year	(1,479)	(1,682)
Closing balance	308	1,479
13. Departmental revenue to be surrendered to Revenue Fund		
Opening balance	12	312
Transfer from Statement of Financial Performance	4,282	8,393
Paid during the year	(4,250)	(8,693)
Closing balance	44	12

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2005

14. Payables – current				2004/05	2003/04
Description				R'000	R'000
	Note	30 Days	30+ Days	Total	Total
Amounts owing to other departments		–	–	–	–
Advances received	14.1	1,274	718	1,992	17,969
Other payables	14.2	12		12	10
		1,286	718	2,004	17,979
				2004/05	2003/04
				R'000	R'000
14.1 Advances received					
Agriculture				210	-
Housing				508	150
Public Works				1,274	3,000
Communications				-	1,680
Correctional Services				-	53
Health				-	6,960
Social Development				-	6,126
				1,992	17,969
14.2 Other payables					
South African Revenue Service				12	-
PAYE				-	7
Salary reversal control				-	3
				12	10
15. Reconciliation of net cash flow from operating activities to surplus/(deficit)					
Net surplus/(deficit) as per Statement of Financial Performance				4,590	
(Increase)/decrease in receivables – current				7,891	
(Increase)/decrease in prepayments and advances				11	
(Increase)/decrease in other current assets				4,154	
Increase/(decrease) in payables – current				(15,975)	
Surrenders				(5,729)	
Capital expenditure				6,614	
Net cash flow generated by operating activities				1,557	
16. Appropriated funds and departmental revenue surrendered					
Appropriated funds surrendered				(1,479)	(1,682)
Departmental revenue surrendered				(4,250)	(8,693)
				(5,729)	(10,375)

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2005

These amounts are not recognised in the financial statements and are disclosed to enhance the usefulness of the financial statements

		Note	2004/05 R'000	2003/04 R'000
17. Contingent liabilities				
	Liable to	Nature		
	Housing loan guarantees	Employees	898	898
	Capped leave commitments		3,905	3,861
	Other		200	200
			<u>5,003</u>	<u>4,959</u>
18. Commitments				
	Current expenditure			
	Approved and contracted		6,172	6,129
	Capital expenditure			
	Approved and contracted		351	544
	Total commitments		<u>6,523</u>	<u>6,673</u>
19. Accruals				
	By economic classification	30 Days 30+ Days Total	Total	
	Goods and services	1,617 2,122	3,739	3,254
	Machinery and equipment	- 358	358	-
		<u>1,617 2,480</u>	<u>4,097</u>	<u>3,254</u>
			2004/05 R'000	2003/04 R'000
	Listed by programme level			
	Programme 1: Administration		932	46
	Programme 2: Policy and Research		11	2,840
	Programme 3: Government and Media Liaison		163	190
	Programme 4: Provincial and Local Liaison		286	10
	Programme 5: Communication Service Agency		2,705	168
			<u>4,097</u>	<u>3,254</u>
20. Employee benefits				
	Leave entitlement		1,172	1,290
	Thirteenth cheque		1,978	1,810
	Performance awards		2,460	1,323
			<u>5,610</u>	<u>4,423</u>

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DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2005

21. Leases

	Buildings and other fixed structures	Machinery and equipment	Total	Total
21.1 Operating leases				
Not later than one year	-	1,011	1,011	616
Later than one year and not later than three years	-	32	32	427
Later than three years	-	-	-	3
Total present value of lease liabilities	-	1,043	1,043	1,046

22. Irregular expenditure	2004/05	2003/04
	R'000	R'000

22.1 Reconciliation of irregular expenditure

Opening balance	20,576	20,548
Irregular expenditure – current year	-	28
Irregular expenditure awaiting condonement	20,576	20,576

Analysis

Current	-	28
Prior years	20,576	20,548
	20,576	20,576

22.2 Irregular expenditure

Incident	Disciplinary steps taken/criminal proceedings		
Overtime	None	-	28
		-	28

24. Senior management personnel

The aggregate compensation of the senior management of the department and the number of individuals determined on a full-time equivalent basis receiving compensation within this category, showing separately major classes of key management personnel and including a description of each class for the current period and the comparative period. Detail on each type of compensation should be disclosed.

- The Minister, Deputy Ministers, Director-General	823	774
- Deputy Director-Generals	1,259	1,166
- Chief Directors	3,351	3,363
- Directors	7,096	6,602
	12,529	11,905

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2005**ANNEXURE 1A****STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES**

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT			2003/04
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of Available funds transferred %	Amount received by municipality R'000	Amount spent by municipality R'000	% of available funds spent by municipality %	Division of Revenue Act R'000	
Cacadu	-	-	-	-	14						
Motheo				-	7						
Ehlanzeni				-	4						
Frances Baard				-	6						
Capricorn				-	5						
Tshwane				-	135						
Greater Johannesburg				-	7						
Cape Metropolitan				-	3						
Ethekwini				-	7						
Central				-	4						
	-	-	-	-	192		-	-			-

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

AGENCY/ACCOUNT	TRANSFER ALLOCATION				TRANSFER		2003/04
	Adjusted Appropriation Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred %	Final Appropriation Act R'000
International Marketing Council	65,914	-	-	65,914	65,914	100.0%	62,686
Media Development and Diversity Agency	7,000	-	-	7,000	7,000	100.0%	7,000
	72,914	-	-	72,914	72,914		69,686

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2005

ANNEXURE 1C

STATEMENT OF TRANSFERS/SUBSIDIES TO HOUSEHOLDS

NON-PROFIT ORGANISATION	TRANSFER ALLOCATION				EXPENDITURE	
	Adjusted Appropriation Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred %
Transfers Capped leave to Ms S Booysen					13	
	-	-	-	-	13	
Total	-	-	-	-	13	
- List by major category						

ANNEXURE 1D

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED FOR THE YEAR ENDED 31 MARCH 2005

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2004/05 R'000	2003/04 R'000
Received in kind			
Good Hope	Air ticket	3	-
Presidential Golf	Air ticket and accommodation	3	-
The Peoples Republic of China	Contribution for a book	3	-
Daily Sun	Digital camera	4	-
SAA	Air ticket	3	-
MTN	Nokia cellphone	4	-
Iteleng, Datacentrix, Hlanganani, First Property Trust, City Park Travel, Sizwe Car Rental	Sponsorships for Finance Strategic Workshop	7	-
SABC, SAA, Oce, Mercury, Konica Minolta, Standard Bank and Siemens	Sponsorships for Government Communicators Awards	399	-
Subtotal		426	-
		426	-

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2005**ANNEXURE 1E****STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE AND REMISSIONS, REFUNDS AND PAYMENTS MADE AS AN ACT OF GRACE FOR THE YEAR ENDED 31 MARCH 2005**

NATURE OF GIFT, DONATION OR SPONSORSHIP (Group major categories but list material items including name of the organisation)	R'000
Made in kind	
Disposed furniture and computer equipment donated to primary and secondary schools	-
Subtotal	-
Total	-

ANNEXURE 2**STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2005 – LOCAL**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount R'000	Opening balance 01/04/2004 R'000	Guarantees issued during the year R'000	Guarantees released during the year R'000	Guaranteed interest outstanding as at 31 March 2005 R'000	Closing balance 31/03/2005 R'000	Realised losses i.r.o. claims paid out R'000
ABSA	Housing	256	189	57	54	-	192	-
Cash Bank	Housing	20	20	-	-	-	20	-
Community Bank	Housing	9	9	-	-	-	9	-
FBC Fedelity	Housing	36	36	-	-	-	36	-
First National Bank	Housing	91	75	50	52	-	73	-
Mashikeni	Housing	-	-	30	-	-	30	-
Nedcor	Housing	369	286	-	44	-	242	-
Old Mutual Bank	Housing	23	-	-	-	-	-	-
People's Bank	Housing	-	18	-	18	-	-	-
Saambou	Housing	139	78	-	-	-	78	-
Standard Bank	Housing	158	187	31	-	-	218	-
	Total	1,101	898	168	168	-	898	-
		1,101	898	168	168	-	898	-

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2005**ANNEXURE 3****PHYSICAL ASSET MOVEMENT SCHEDULE AS AT 31 MARCH 2005**

	Opening balance R'000	Additions R'000	Disposals R'000	Transfers in R'000	Transfers out R'000	Closing balance R'000
MACHINERY AND EQUIPMENT	18,119	6,262	-	-	-	24,381
Computer equipment	13,199	4,289	-	-	-	17,488
Furniture and office equipment	2,033	1,159	-	-	-	3,192
Other machinery and equipment	2,887	814	-	-	-	3,701
	18,119	6,262	-	-	-	24,381

PHYSICAL ASSET MOVEMENT SCHEDULE AS AT 31 MARCH 2004

	Opening balance R'000	Additions R'000	Disposals R'000	Transfers in R'000	Transfers out R'000	Closing balance R'000
MACHINERY AND EQUIPMENT	10,000	8,119	-	-	-	18,119
Computer equipment	7,191	6,008	-	-	-	13,199
Furniture and office equipment	1,613	420	-	-	-	2,033
Other machinery and equipment	1,196	1,691	-	-	-	2,887
	10,000	8,119	-	-	-	18,119

This is a movement schedule as at 1 March 2003

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2005**ANNEXURE 4****SOFTWARE AND OTHER INTANGIBLE ASSET MOVEMENT SCHEDULE AS AT 31 MARCH 2005**

	Opening balance	Additions	Disposals	Transfers in	Transfers out	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000
Computer software	50	352	-	-	-	402
	50	352	-	-	-	402
SOFTWARE AND OTHER INTANGIBLE ASSET MOVEMENT SCHEDULE AS AT 31 MARCH 2004						
Computer software	-	50	-	-	-	50
	-	50	-	-	-	50
This is a movement schedule as at 1 March 2003						

ANNEXURE 5**INTERGOVERNMENTAL RECEIVABLES**

Government entity	Confirmed balance outstanding		Unconfirmed balance outstanding	
	31/03/2005	31/03/2004	31/03/2005	31/03/2004
	R'000	R'000	R'000	R'000
Department				
Arts and Culture	-	-	-	1,870
Foreign Affairs	-	-	-	1,198
Education	-	-	3	-
South African Revenue Service	-	-	55	-
Public Works	-	-	11	-
	-	-	69	3,068
TOTAL	-	-	69	3,068

REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2005.

Audit Committee members and attendance

The Audit Committee consists of the members listed hereunder and meets at least two times a year as per its approved terms of reference. During the current year, three meetings were held.

Name of member	Number of meetings attended
ZP Manase (Chairperson)	2
M Vuso	3
G Mampone	1
T Zungu	1
I Mackay Langa	3
K Semakane	1

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 (PFMA), 1999 (Act 1 of 1999), and Paragraph 3.1.13 of the Treasury Regulations.

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 (examples of appropriate paragraphs below)

The system of controls is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and

management with 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. From the various reports of the internal auditors, the Audit Report on the annual financial statements, the matters of emphasis and management letter of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported. Accordingly, we can report that the system of internal control for the year under review was effective and efficient.

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

Evaluation of financial statements

The Audit Committee has:

- reviewed and discussed the audited annual financial statements to be included in the Annual Report with the Auditor-General and the Accounting Officer
- reviewed the Auditor-General's management letter and management's response thereto.

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



.....
ZP Manase

Chairperson of the Audit Committee