

## **PART 5: ANNUAL FINANCIAL STATEMENTS**



	<b>Page</b>
Management Report and Approval	<b>3 – 19</b>
Report of the Auditor-General	<b>20 – 24</b>
Statement of Accounting Policies and Related Matters	<b>25 – 30</b>
Appropriation Statement	<b>31 - 39</b>
Notes to the Appropriation Statement	<b>40 - 41</b>
Income Statement (Statement of Financial Performance)	<b>42</b>
Balance Sheet (Statement of Financial Position)	<b>43</b>
Statement of Changes in Net assets/ Equity	<b>44</b>
Cash Flow Statement	<b>45</b>
Notes to the annual financial statements	<b>46 - 59</b>
Disclosure Notes to the Annual Financial Statements	<b>60 - 63</b>
Statement of Conditional Grants Paid to Municipalities - Annexure 1A	<b>64</b>
Statement of Transfers to Departmental Agencies and Accounts - 1B	<b>65</b>
Statement of Transfers to Public Corporations and Private Enterprises -Annexure 1C	<b>66</b>
Statement of Transfers / Subsidies to Foreign Government and International Organisations - Annexure 1D	<b>67 - 68</b>
Statement of Transfers / Subsidies to Households - Annexure 1E	<b>69</b>
Statement of Gifts, Donations and Sponsorships - Annexure 1F	<b>70 - 72</b>
Statement of Financial Guarantees - Annexure 2	<b>73 - 79</b>
Claim - Annexure 3	<b>80</b>
Physical Assets Movement Schedule - Annexure 4	<b>81 - 83</b>
Intangible Asset Movement Schedule - Annexure 5	<b>84 - 85</b>
Inter-Governmental Receivables - Annexure 6	<b>86 - 87</b>
Inter-Departmental Payables - Annexure 7	<b>88</b>
African Renaissance and International Co-operation Fund (Annexure A)	<b>Separate table of content</b>



# ACCOUNTING OFFICER'S REPORT FOR THE YEAR ENDED 31 MARCH 2005

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

### 1.1 INTRODUCTION

The Department of Foreign Affairs (department) is responsible for the formulation, application and execution of all aspects of South Africa's foreign policy as entrusted to the Minister of Foreign Affairs (minister). Liaison with foreign governments on matters of international relations is conducted through South Africa's accredited representatives. The head of a South African mission abroad acts as the representative of the head of state.

In line with the Public Finance Management Act, 1999 (Act No. 1 of 1999 as amended) (PFMA) and the Treasury Regulations, the Department submitted its strategic plan for the medium term expenditure framework (MTEF) period 2004/05 to 2006/07. The following strategic priorities were identified for implementation during the year under review:

- Facilitate the reform of the Global Governance systems;
- Consolidate the African Agenda;
- Promote South-South Co-operation;
- Enhance Political and Economic Relations;
- Facilitate Human Resources Development; and

- Provide efficient and effective support services.

In order to align the resources of the Department to its strategic priorities and to enable the Department to comply with the new monitoring, evaluation and reporting processes introduced by government, the programmes are structured as follows:

- *Administration* provides for the overall policy development, execution and management of the Department.
- *Foreign Relations* promote relations with foreign countries, and participate in international organisations and institutions, in pursuit of South Africa's national values and foreign policy objectives.
- *Public Diplomacy and Protocol* promotes South Africa's foreign policy objectives; both domestically and internationally, project a positive image of South Africa and Africa, provides for the State protocol services and makes provision for the inauguration of the President of South Africa when required.
- *International Transfers* provides for the payment of membership fees to international organisations.

This report seeks to assist in measuring the extent to which the Department's resources allocated for the 2004/05 financial year were utilised in terms of the PFMA.

### 1.2 REVENUE

During the year under review, the Department received total revenue of **R 2,584** billion made

up of voted funds and non-voted funds, explained below as follows: -

### **(i) Annual Appropriation – R2,547 billion**

The Department received a budget allocation of R2,547 billion for the 2004/05 financial year after adjustment estimates. During the last financial year, the Department received an allocation of R2,329 billion, which was reduced by R356 million suspended by National Treasury in lieu of envisaged savings. Therefore, the actual budget increase based on the appropriated budget amounts to 9.36%. The budget increase of R218 million (R2,547 less R2,329) can be attributed to the strengthening of the rand against the major currencies; rollovers and funding which were received for specific projects. In view of the appreciation of the rand, National Treasury revised the foreign exchange forecast against the major currencies. The new rates resulted in the saving of approximately R136 million. However, an agreement was reached with National Treasury to fund NEPAD, Pan African Parliament as well as SADC and the balance of R45 million would be declared as savings at the end of the financial year.

The Department received additional funding for the following projects, which are regarded as once off:

- Presidential inauguration – R60 million; and
- 10 Years Freedom Celebrations – R20 million.

### **(ii) Departmental Revenue – R 37 million**

Other revenue relates to revenue received in

respect of *ad hoc* activities, as the Department does not have any income-generating programmes. The missions in other countries are allowed to reclaim value-added tax (VAT). The other revenue is in respect of proceeds from sale of equipment, interest received, stale cheques written back, etc., detailed in note 3 of the Annual Financial Statements.

In addition, the Department transfer funds to missions for their operations. The funds are transferred at spot rate and the balances at year-end are re-valued at the closing rate, which can result on foreign exchange gains or losses. In the previous financial year, the department reported a difference between the cashbook balances in the mission and the PMG account 8033-128-9. To resolve the problem as explained in note 9 the National Treasury approved that the difference be paid to the Revenue fund. In addition, during the year under review, R2,9 million was realised as foreign exchange gains.

## **1.3 EXPENDITURE**

### **Spending trends**

South Africa maintains diplomatic relations with countries and organisations through 105 missions located throughout the world. Therefore the bulk of its expenditure is incurred in foreign currencies. This poses a major risk with regard to budgetary controls as the Department has no control over the fluctuation of the Rand against major foreign currencies. Due to this unpredictable or uncontrollable situation, the Department can either overspend or under-spend its budget. However, the Department has reached an understanding with the National

Treasury to use the fixed exchange rates determined by the Treasury for budget purposes. Therefore, if there is a difference between the actual performance of the Rand and the budgeted rate, the allocated budget is adjusted accordingly. In the event of a depreciation of the Rand (lower than the fixed rate determined by the National Treasury) the adjustment estimate process is the only avenue available for the Department to be provided with resources to compensate for exchange rate losses.

During the year under review, the Rand performed fairly well as against major foreign currencies and during the adjustment estimates the new rates were determined, which resulted in a savings of approximately R136 million. However, an agreement was reached with National Treasury to fund NEPAD (R45, 5 million), Pan African Parliament (R 42 million) as well as SADC (R3, 5 million) and the balance of R45 million would be declared as savings at the end of the financial year. However, should either depreciation or appreciation of the Rand take place after the adjustment estimate process, the Department has to fund such losses from within its allocated resources or reflect such savings in the Annual Financial Statements.

During the adjustment estimates the following rates for major currencies were used:

Currencies	Budget Foreign Currency	Budget Foreign Exchange Rate	Budget Rand Amount	Adjustment estimates Foreign Exchange Rate	Average Rand Value	Foreign Exchange Rate Savings
	Million		R' 000		R' 000	R' 000
US \$	80,5	8.20	660 000	6.88	554 000	106 000
EUROS	30,6	9.50	291 000	8.77	269 000	22 000
POUND	4	13.50	53 000	12.57	49 000	4 000
YEN	384	0.14 3229	55 000	6.41	60 000	(5 000)
SFR	9	6.24	56 000	5.27	47 000	9 000
<b>TOTAL</b>			<b>1 115 000</b>		<b>979 000</b>	<b>136 000</b>

The recent movements of the Rand have therefore had a major impact on the budget of the Department. Over the years the expenditure on the vote as a whole has been increasing by an annual average rate of 5%. However, there was a considerable jump during the

2001/02 financial year of approximately 27% compared to previous financial years as well as an increase of 14.73% in the 2002/03 financial year and a drop of 10.70 % in the previous year. During the year under review, the expenditure has increased by 10.53 % as against the previous year. In overall, the Department has recorded savings amounting to R193,7 million, as shown in the table below:

<b>ANALYSIS OF UNDER/ (OVER) EXPENDITURE PER PROGRAMME</b>				
<b>PROGRAMME DESCRIPTION</b>	<b>VOTED 2004/05</b>	<b>ACTUAL EXPENDITURE</b>	<b>SAVINGS (EXCESS)</b>	<b>EXPENDITURE as % of</b>
	R'000	R'000	R'000	VOTE
1: Administration	492 437	425 617	66 820	86.43 %
2: Foreign Relations	1 598 119	1 510 540	87 579	94.51 %
3: Public Diplomacy and Protocol	157 108	140 846	16 262	89.64 %
4: International Transfers	298 985	275 924	23 061	92.28 %
<b>TOTAL</b>	<b>2 546 649</b>	<b>2 352 925</b>	<b>193 724</b>	<b>92.39 %</b>

During the year under review, the Department utilised 92,39 % of the total budget allocated for the 2004/05 financial year, which compares favourably to the 91,42 % spent during the last financial year. However, adding the R45 million savings as a result of the exchange rate and R94 million, which has been requested for the rollover, the Department spending is approximately 97.85 %. The under expenditure can be attributed to the following reasons:

**(i) Programme 1: Administration**

During the year under review, the capital projects of the Department were included under Programme 1. The savings realised can be attributable to the capital projects not completed as well as personnel expenditure. The department has already requested the roll over of funds, in this regard.

**(ii) Programme 2: Foreign Relations**

As mentioned above, the bulk of expenditure for the Department is incurred abroad through our Missions in different currencies. The savings reported are largely due to the favourable fluctuation of the rand. In addition, the savings can be attributable to the delay in

the opening of missions as well as vacant posts, which could not be filled during the reporting period.

**(iii) Programme 3: Public Diplomacy and Protocol**

During the year under review, the department received an amount of R60 million for the Presidential Inauguration and an amount of R8 million was not spent. The balance of savings is attributable to the vacant posts not filled.

**(iv) Programme 4: International Transfers**

The savings in the transfer payments can be attributable to the revision of the scale of assessment for the UN contributions (revised lower) as well as the impact of the favourable exchange rate. The Department does not have control on the final determination of assessments for a particular financial year.

**1.4 CASH FLOW**

**Annual Appropriated Funds received**

In the cash flow statement, an amount of R2 689 615 000 has been reflected as annual appropriated funds received whereas the Department received an Annual appropriation of R 2 546 649 000 as reflected in the income statement note 1. The difference of R142 966 000 is due to a refund from National Treasury. As reported in the previous financial year that National Treasury suspended an amount of R 356 million in lieu of envisaged savings. During the last financial year the department reflected a receivable of R142 966 000 (note 17) split hereunder as follows:

	<b>R' 000</b>
<b>Opening balance</b>	<b>73 098</b>
<b>Transfer from income statement (148 864)</b>	
<b>Paid during the year</b>	<b>(67 200)</b>
<b>Closing balance</b>	<b>(R142 966)</b>

During the year under review, the Department approached National Treasury to return the amount, which was suspended in excess of savings realised and was duly refunded.

**2. OTHER ORGANISATIONS TO WHOM TRANSFER PAYMENTS WERE MADE**

Transfer payments primarily arise from obligations undertaken by South Africa at international, regional and sub-regional multilateral levels. The payments, which are made by the Department, generally take the form of:-

- Membership dues to organisations such as the UN, the AU, the SADC, the Commonwealth, etc.
- Contributions to peacekeeping operations of the UN.
- Meetings of state (parties to international treaties) of which South Africa is a member, and in which South Africa has participated.
- Voluntary pledges that South Africa has made to international organisations for the purpose of humanitarian assistance, technical assistance, etc.

In the context of the UN, South Africa's assessed contributions to the regular budget are calculated at 0,41% of the total budget, while peacekeeping contributions are calculated at a 'developing country discounted rate' of 20% of 0,41% of the total cost of each specific UN peacekeep-

ing operation. Contributions to other UN organisations, treaty bodies, etc. are determined on the basis of the calculation for South Africa's contribution to the UN regular budget as adjusted to the membership of the particular organisation or body. With regard to the AU, South Africa's scale of assessment is at 8.25% of the total budget. South Africa also contributes 20% to the budget of SADC.

The Development Bank of Southern Africa (DBSA) was requested to establish and host the NEPAD secretariat, for the implementation of NEPAD. NEPAD is a pledge by African leaders to eradicate poverty and to place their countries on a path of sustainable growth and development, and to participate actively in the world economy and body politic. The South African contribution to the NEPAD secretariat is channelled through the Department of Foreign Affairs.

During the financial year under review, the department through the Humanitarian Aid programme contributed to the fighting of the locust plague experienced in the West African region. The project was to equip the affected countries with insecticide, its transport to the region as well as the spraying aircraft. This was done to ensure that the locust infestation was stopped from spreading and save as much as possible of the next harvest of crops including millet, sorghum and maize, which was to coincide with appearance of new swarms.

With regard to accountability, these organisations and institutions prepare detailed financial statements, which are subject to auditing and public scrutiny. The detailed list of the transfer

payments is per note 8 of the Annual Financial Statements.

### 3. SERVICES RENDERED BY THE DEPARTMENT

#### *(i) Consular services*

Consular services reflect the mandate of the South African government to provide assistance and protection to its citizen's abroad. Consular matters can be summarised as services provided by the Department in terms of the 1963 Vienna Convention on Consular Relations.

Consular services rendered to the public include visitation of injured, hospitalised and detained/imprisoned South African citizens abroad. These consular services involve mission personnel abroad having to travel to destinations where these services have to be rendered. During the year under review, the Department was involved in providing assistance to South African citizens involved in various human disasters, with particular reference to Tsunami disaster, which affected the Asia and East Africa as well as South African citizens detained abroad.

#### *(ii) Agency services*

Agency services are services rendered on behalf of other government departments, which are either not represented abroad or only represented at some missions. These departments include Home Affairs, Justice, Welfare, Transport, Agriculture, the South African Revenue Services and Trade and Industry. The directorate primarily supports the Department of Home Affairs with services that include passport processing,



visas, work and study permits. Where the services being rendered require a fee, collection and payment are managed according to the relevant department's requirements and in accordance with Treasury Guidelines and Regulations.

In addition, the Department is the custodian of the QED payroll system, which is used to process allowances payable to transferred officials, including those of other departments. This service to other departments takes place on an agency basis. The Department therefore incurs the expenditure on a recoverable basis.

### ***(iii) Legalisation functions***

A large percentage of the work at head office involves the legalisation/authentication of official documents for use abroad. The documents are either affixed to an Apostille (where countries are party to the Hague Convention of 1961) or to a Certificate of Authentication. Between 1000 and 1500 documents are handled/processed by the legalisation section per month. During the year under review, the department has undertaken a study to determine the possibility of charging for the service, which is in line with other countries.

### ***(iv) African Renaissance and International Co-operation Fund***

The Department, in consultation with the National Treasury, is responsible for the administration of the African Renaissance and International Co-operation Fund (fund).

The fund is under the control of the Director-General: Foreign Affairs who, as the accounting

officer, keeps records and accounts of all payments into and out of the fund. An Advisory Committee was appointed to make recommendations to the Ministers of Foreign Affairs and Finance on the disbursement of funds, as provided for in the African Renaissance and International Co-operation Fund Act, 2000 (Act No. 51 of 2000). Due to the urgency of some of the projects as well as the lengthy process to be followed to finalise the projects, the Department had to utilise its own funds after the approval of the Director-General or the Minister. This is done with a view of claiming it back from the fund once a letter of concurrence has been received from the Minister of Finance. This has resulted in the opening of control accounts (Payables and Receivables) in the books of the Department and the fund. This arrangement poses a risk to the Department, as the amount owed by the fund is not enforceable in the event that the Minister of Finance does not issue the letter of concurrence.

The financial statements of the fund are attached as **Annexure A**.

## **4. CAPACITY CONSTRAINTS**

The Department is responsible for co-ordinating and leading the entire spectrum of South Africa's interaction with the world. Its activities are therefore multifunctional, varied and complex. In addition, the improvements in government processes, amongst others, the implementation of the PFMA, which aimed to modernise budget and financial management practices in departments in order to maximise the capacity of departments to deliver services to all stakeholders (citizens, customers' etc) is a challenge.

The following are key challenges facing the department and some interventions have been identified for implementation in a phased manner and progress made is tabled below as follows:

### **(i) Management and Financial Skills**

The changed practices from a situation that was one-dimensional, financial processes that were generally controlled by prescribed bureaucratic rules and regulations that stifled managerial efficiency, inhibiting innovation and often resulting in poor decision-making have required staff to be capacitated in various management disciplines. This is to ensure that the quality of management processes improves for the attainment of the department's objectives.

The real challenge is therefore the lack of management skills to implement the PFMA as well as other supporting regulations. In its forward planning strategy, the Department has put processes in place to address this critical issue.

During the year under review, the decentralisation of some corporate services functions to branches was implemented, which will assist the managers in respective units to discharge their management responsibilities. The Decentralised units are also responsible, through line function managers to co-ordinate the operations of the missions, as the missions report directly to business units in all respects.

Within the context of the transformation of the Foreign Service Institute, proposals have been made to include the finance modules in all programmes. The Department is also organising

the conducting of a leadership course for senior managers. During the year under review, the department has filled all the critical posts in the finance division.

### **(ii) Information Communications Technology**

As reported in the previous financial year, the Department identified an urgent need to transform its current ICT infrastructure and to develop common information technology applications, networks, data-base and security, and network management capabilities to facilitate the achievement of its strategic objectives. The development of the Master Systems Plan has been completed and signed off. An implementation plan for recommended IT enablers have been developed. During the year under review, the department started the implementation of the following projects:

- Windows 2003 Server: Active Directory
- Business Intelligence/Data warehousing
- DIAP & CAS Workflow Systems

To optimise the capabilities of implemented technology and increase the return on investment in order to further the achievement of the Department's foreign policy objectives, a major ICT objective has been developed to modernise the Department's Information Communications Technology and ensure its optimum utilisation. It is the department's intention to explore innovative strategies in managing its business processes, and establishing procedures that will enable an integrated approach with its local and international customers thus providing more efficient and cost effective service.

During the year under review, the Department prioritised the filling of posts in the ICT Chief Directorate as well as Regional Centres abroad. Furthermore, the Department continued with the development of the phase 2 of an electronic financial system for the Missions.

## **5. CORPORATE GOVERNANCE ARRANGEMENTS**

During the year under review, the Department continued with its endeavours and efforts to subscribe to and comply with the principles of good corporate governance. In pursuance thereof, the Department has adopted the principles of good governance as detailed in the King 2 Report, relevant legislation and other literature on this subject. The Department furthermore ensures that departmental policies, practices and processes are in compliance with the principles enshrined in the Constitution and the Public Finance Management Act and that these policies, practices and processes are valid, fair, transparent, adequate, efficient and effective. Furthermore departmental policies, processes and practices are benchmarked against international best practices and comply with the principles of economy, efficiency and effectiveness.

### ***(i) Policies, Processes and Procedures***

The existence of a valid, approved set of policies, processes and procedures are critical for the promotion of good corporate governance. During the year under review, the Department has commenced with the reviewing of existing policies, processes and procedures and compiling policies, processes and procedures where these were either inadequate or non-existent. Fur-

thermore, during the financial year, a comprehensive review and re-haul of the Administrative Code of the Department has commenced. It is envisaged that this process will continue during the new financial year.

### ***(ii) Risk Management Approach***

The existence of an adequate and effective system of internal controls is necessary for management and the Department to obtain reasonable assurance that strategic objectives as well as goals and targets will be accomplished. The Department follows a risk-based approach to the systems of internal controls. During the year under review a comprehensive, departmental wide risk assessment was undertaken in accordance with the Department's approved Risk Management Strategy. A Strategic Risk Profile reflecting those risks that impact on the strategic objectives of the Department was compiled and accepted by both the Management and the Audit Committee of the Department. The Department has adopted Control Self Assessment as a management tool in the Total Risk Management approach and Control Self Assessment come into operation during the new financial year. During the year, the Risk Management Directorate has commenced with the assessment of operational risks for individual business units and directorates as part of Control Self Assessment and the Risk Management Strategy.

### ***(iii) Fraud Prevention***

As reported during the last financial year, the Management and the Audit Committee accepted the Fraud Prevention Policy and Strategy of the Department. During the current financial



year, the Policy and Strategy were extensively reviewed and presented to Departmental Management. Furthermore, the Department has established the Fraud Prevention Control Committee for the purposes of implementing the Policy and Strategy. The PFMA Sub-directorate has been tasked as the functional arm of the Fraud Prevention Control Committee. A draft Fraud Awareness Manual has been developed and is currently being reviewed by the Fraud Prevention Control Committee. It is envisaged that an extensive rollout of the Fraud Prevention Plan will commence during the new financial year after the Fraud Awareness Manual is completed.

The National Anti-Corruption and Fraud Prevention Hotline was implemented and activated by the Office of the Public Service Commission during the year under review. The Fraud Awareness Manual and the Fraud Prevention Plan encourages Departmental employees to utilise the National Anti-Corruption and Fraud Prevention Hotline for the purposes of reporting fraud, corruption and other irregularities.

#### ***(iv) Internal Audit***

The Internal Audit Unit continues to play an important role in the corporate governance mechanism of the Department. The Unit was strengthened during the year with the appointment of staff members at the middle management level. Furthermore the post of the Director: Internal Audit was advertised and it is envisaged that this post will be filled early in the new financial year and will further strengthen the Internal Audit Unit.

The Unit has conducted a number of internal

audits, performance audits and special investigations during the year and has offered the Department comprehensive recommendations for improvement, where relevant and necessary. The Unit was also involved in disciplinary cases initiated by the Department.

During the year under review, the Internal Audit Unit conducted a comprehensive departmental-wide risk assessment, the results of which have been accepted by both the Audit Committee and Departmental Management.

#### ***(v) Continuous Updating of Good Corporate Governance Principles***

The Department has also implemented measures to ensure that management and departmental staff members are continuously updated on good corporate governance principles. In pursuance thereof, Corporate Governance is included in the training offered to newly appointed Heads of Mission. Corporate Governance is also included as part of the Internal Audit matters as a standing item in the Departmental Management Committee meetings. Departmental Management Committee members are continuously updated on the latest developments of corporate governance and a presentation was made to the Heads of Mission Conference, which was held in February 2005.

## **6. PERFORMANCE INFORMATION**

The Department has developed its strategic plan for the next MTEF period, which articulates the strategic priorities of the Department. The plan includes all statutory requirements as defined in chapter 5 of the PFMA and chapter 1, part III B of

the new Public Service Regulations (2001).

To enhance service delivery and performance, measurable objectives, performance indicators and time frames have been developed.

### ***(i) Performance management system***

The performance management and development system is a management tool for the effective monitoring of individual performance to ensure that departmental goals are achieved in line with its strategic plan. The department's performance management system is well integrated into the Strategic Planning process of the Department, and encourages a cascading effect of priorities and goals from the Departmental Strategic Objectives to the Business unit level and down to the individual's performance agreement.

During the year under review, the department ensured that all employees have signed performance agreements and their activities are ultimately tied to the broader organisational goals. However, the implementation of the PMDS still poses some challenges with particular reference to compliance. The Department has gone to some lengths in embedding the PMDS and rewards, and recognition for employees during the year under review was based on the performance appraisal outcomes.

### ***(ii) Systems of implementation and monitoring***

The Minister, Deputy-minister and Director-general monitor the implementation of policy and the strategic plan by ambassadors at missions abroad and by senior officials of the Department. Branches of the Department and the pro-

gramme managers at chief director level determine regional priorities and objectives, which are aligned to the Department's strategic plan and priorities. Directorates and missions abroad implement business plans, which are country and region-specific. This level monitors implementation performance through a system of quarterly reports to head office on progress, supported by weekly and regular interaction and reports on the substance of the set objectives. The monitoring of progress and performance is further enhanced by the following systems:

- Head office business unit, business plans and quarterly reports;
- Mission business plans and quarterly reports;
- Six-monthly reviews of the operating environment and priorities;
- A performance management system at all levels; and
- A departmental in-house six-monthly/annual strategic review.

These systems are further integrated and coordinated by a process of departmental management committees to ensure a coherent and focused approach. As part of the Strategic monitoring process, the Department engaged in midterm reviews to determine the extent to which goals were achieved. This was an intense process that involved Branches and Business Units, including Missions abroad identifying achievements and gaps. During the year under review, a Heads of Mission conference was held in February 2005 to brief management on the new policy directions. The outcomes of the mid-term review informed what was done for the remainder of the year, while outcome of the year end review have been integrated into the 2005/06 Strategic Plan.



## 7. NEW/PROPOSED ACTIVITIES

The Department's project to acquire a suitable and sustainable working environment for its total Head Office staff complement has advanced through a number of milestones during the year under review. A detailed feasibility study was concluded and submitted to the National Treasury for approval. This feasibility study identified a suitable site for the project, proved the project to be in the best interest of the organisation and defined the scope of the project.

The project will namely include:

- a) the provision of office accommodation for the full Head Office staff complement, together with appropriate staff wellness facilities necessary for the Department to fulfil its mandate;
- b) a training facility to replace the present FSI;
- c) sufficient conference facilities for the many local and international conferences hosted by South Africa through the Department;
- d) the upgrading of the existing diplomatic guest house; and
- e) the construction of a new guest house on the selected site.

14

The feasibility study furthermore proved the project to be affordable and viable to be implemented via a Public Private Partnership. Treasury Approval 1 in respect of the feasibility study was received in November 2004, which approval paved the way for the commencement of the procurement process. This procurement process aims to select a Private Party with which the Department will enter into a long term (approximately 25 year) concession agreement to

finance, design, construct, operate and maintain the Head Office facility. After receipt of Treasury Approval 2A, the Department issued a "Request for Qualifications" bidding document to test the market's responsiveness to and interest in the project. Six bids were received in response to the RFQ and after careful evaluation, three short listed consortia were selected and announced.

The second stage of the procurement process, which entails the issuing of a Request for Proposals to the three short listed bidders, will commence upon receipt of Treasury Approval. It is envisaged that this process, which will culminate in the signing of a concession agreement with the Private Party and the start of the construction, will be concluded within the 2005/6 financial year.

## 8. FOREIGN CURRENCY SYSTEM

The Department incurs the bulk of its expenditure in various currencies through its missions abroad. The Department developed a Foreign Currency System (FCS) to:

- (i) record funds transferred to missions;
- (ii) record expenditure incurred by missions in various currencies; and
- (iii) convert such expenditure into RSA Rands.

The development of this system was necessitated by the fact that FMS/BAS could not manage multiple bank accounts as well as various foreign currencies. The only control account, which interfaces with BAS, is the FCS-Interface Account that deals with the expenditure incurred at the missions. To transfer the funds abroad, an agreement was reached between

National Treasury and DFA to open a second PMG Account number 8033-128-9 at the South African Reserve Bank. Funds are transferred to the missions through commercial banks. Once the amount is transferred, the Commercial Bank is reimbursed through the PMG Account 8033-128-9.

The amount transferred to the mission is regarded as an advance in both the Mission books of account and the FCS. The bank PMG Account 8033-128-9 will in turn be overdrawn by the same amount. Once the Mission spends the money, the expenditure is processed to the FCS, which interfaces with BAS. It is only at this point that the amount is taken out of the Departmental PMG Account to reimburse the PMG Account 8033-128-9. Amounts not spent remain in the Mission bank account and the PMG Account 8033-128-9 should reflect an overdraft of the same amount. Therefore, in theory the cash book balances in the missions should equal the value of overdraft in the PMG Account 8033-128-9. However, these accounts will always not balance due to the timing difference between:

- (i) transferring funds spent in the Missions for a particular month into PMG Account 8033-128-9, which amount is reflected as payable in BAS-FCS Interface Account; and
- (ii) funds transferred from the PMG Account 8033-128-9 but not yet received in the missions.

With the implementation of the PFMA, the Department acknowledges the limitation of the FCS, hence the department has put processes to replace this system by October 2005. During the year under review, the department has

managed to reconcile the control accounts in the FCS with the control accounts in BAS. The Department also stopped the use of the PMG Account 8033-128-9 for the transfer of funds to the missions. All transfers are processed directly to the Departmental PMG Account. In order to control the funds transferred as well as the expenditure incurred by the Missions the Department opened a control account in BAS.

The department also streamlined its processes for transferring of funds abroad and concluded the appointment of banks to effect the transfer of funds to our missions abroad.

### 9. OVERDRAFT ACCOUNT (PMG Account 8033- 128-9)

As indicated above, the Department stopped the use of this account, however this account reflects an overdraft balance of R59 million. The reconciliation of this account was not completed due to missing documents, which relates to period June 1995 to December 1996. In theory the balance in this account should reflect and carry the difference of the amounts advanced (transferred) to the missions and the actual expenditure incurred by the missions. The position as at 31 March 2004 was as follows:

	<b>R' 000</b>
<b>Actual Cash-on-hand at Missions</b>	<b>R68 433</b>
<b>Overdraft balance of the PMG Account</b>	<b><u>R62 451</u></b>
<b>Surplus Cash at Missions</b>	<b><u>R5 982</u></b>

In order to resolve the qualification of the 2003/04 Annual Financial Statements, the Department approached National Treasury to approve the following recommendations:



- The overdraft balance of R59,215 million (R62,451 million less R3,236 million confiscated), which reflects that portion of transfers to missions that have not been expended, and accounted for as actual expenditure be reimbursed to the South African Reserve Bank by being deducted from further advances to missions. Thus the cash-on-hand at missions will also be reduced by R59,215 million.
- The surplus balance of R5,982 million, which represents gains in terms of foreign exchange rate fluctuations and interest received on credit balances held by mission banking accounts, be paid into Revenue Fund. In this way, it will be ensured that the surplus cash-on hand is properly accounted for.

The Department has received the approval from National Treasury to implement its recommendations. The balance in the South African Reserve bank will be cleared in the next financial year.

## 10. SCOPA RESOLUTIONS

The table below summarises the Standing Committee on Public Accounts (SCOPA) resolutions under implementation, as contained in SCOPA seventy-seventh report, 2003 on the report of the Auditor-General on the financial statements of the department for the year ended 31 March 2002 [RP206/2002]:

Reference to previous audit report and SCOPA resolutions	Subject	Findings in progress
<p><b>(1) Resolution - audit report 2001/02</b></p> <p>The Committee recommends that:</p> <ul style="list-style-type: none"> <li>• the department resolves the matter with other departments as speedily as possible;</li> <li>• a progress report on the matter be furnished to Parliament within 60 days after the tabling of this report in Parliament</li> <li>• the Auditor-General reports thereon in his next report on foreign affairs</li> </ul>	Receivables- Interdepartmental balances	<p>The resolution is under implementation.</p> <p>Please refer to paragraph 11 of the Accounting Officer's report.</p>
<p><b>(2) Resolution - audit report 2001/02</b></p> <p>The Committee recommends that:</p> <ul style="list-style-type: none"> <li>• the department indicates the nature and impact of the corrective steps it intends to take to rectify the situation;</li> <li>• the Auditor-General reports thereon in his next report.</li> </ul>	Computer audit	<p>The resolution is under implementation.</p> <p>Please refer to paragraph 4(ii) of the Accounting Officer's report.</p>



Apart from the above-mentioned, there have been no other SCOPA resolutions since the 2001-02 audit report.

## 11. RECEIVABLES

The bulk of the amounts owing by other departments relate to foreign allowances and accommodation expenses in respect of employees of partner departments. In this regard, the Department incurs the expenditure on a recoverable basis. However, due to the lack of on-line financial systems, the Department is facing difficulties in forwarding claims to partner departments on a monthly basis. This situation severely impacts on the cash-flow management of the Department. The Department has put some processes in place to deal with this matter, including requesting departments to pay their accounts in advance.

During the year under review, the department made a concerted effort to manage the partner department's accounts. The results of these efforts are reflected in the decrease of the closing balances from R216 million in the 2003/04 financial year to R164 million in 2004/05 financial year.

Although the Department has an agreed process with the Departments to verify these debts, it would be prudent to make a provision for non-recovery, as other departments may in some cases be proved to be correct. Therefore a provision of R 40 million has been made.

## 12. MANAGEMENT OF FIXED ASSETS

During the year under review, the Department engaged in a process of constructing a proper

asset register for all its components. However, it was a challenging task since the costs of the assets were expensed fully in the year of purchase. As a consequence of the above, it was impossible to allocate all values to assets per invoice amount. Therefore, in some cases an average amount was used by using the cost, reflected in the income statement for the financial years starting 2002/03. All the assets of the Department have been uniquely identified with barcodes and linked to the official using that asset for control purposes.

## 13. PROGRESS WITH FINANCIAL MANAGEMENT IMPROVEMENTS

The Department has been able to implement the provisions of the Public Finance Management Act and continued to focus in improving internal controls. The following key initiatives were implemented:

### *(i) Issues raised by the Office of Auditor General*

The department under the guidance of the Audit Committee embarked on a structured processes to address the issues raised by the Office of Auditor General in the previous report. External consulting services were utilised to develop the Asset Register and the reconciliation of six mission accounts. The majority of the issues raised were resolved by using internal resources. It is important to mention that the Department would not have been able to achieve this success without the unwavering support of the National Treasury, with particular reference to the Office of the Accountant-General.

### ***(ii) Treasury Management***

The bulk of the Department expenditure is incurred abroad in various foreign currencies. The missions abroad on a monthly basis submit the request for funds to Head Office. During the year under review, the Department has restructured the Treasury Unit and formally appointed three banks to manage this service. Each bank is responsible for a particular region.

### ***(iii) Management of Missions***

During the year under review, the Department hosted regional conferences with corporate service staff to keep them informed of the new developments in the finance environment and what is expected of them in order to maximise the capacity of the Department to deliver on its objectives.

The Department has also developed a management score card for the missions which will assist both the Head of Mission and Business Units in the management of the missions. The said score card will be implemented in the 2005/06 financial year.

### ***(iv) Re-engineering of Strategic Financial Management Functions***

During the year under review, the Department commenced with the process of reviewing the operations of the CFO' unit to ensure its ability to meet the requirements of the PFMA. In this regard, the Foreign Service Institute has been removed from the Office of the CFO. The Department has managed to fill vacant funded posts within the Finance Chief Directorate more especially at management level, towards the end of the financial year.

## **14. CONTINGENCY LIABILITIES**

### ***(i) Housing and motor finance guarantees***

This relates to the financial guarantees made to commercial banks in respect of employees when they purchase a dwelling or a vehicle in terms of the housing policy or motor finance scheme. In the event that an employee fails to meet his/her obligations to the bank, the Department either deducts the guarantee amount in instalments from that employee's salary or against his/her pension. In addition, if the employee resigns from the service, the Department notifies the bank concerned and terminates the guarantee.

### ***(ii) Financial guarantees***

The Department of Water Affairs and the Lesotho Highlands Development Authority, through the Department of Foreign Affairs of the respective countries, entered into a water treaty agreement in terms of which the Lesotho Highlands Development Authority was to supply water to South Africa.

In order for the Lesotho Highlands Development Authority to meet this challenge, it had to improve its infrastructure. The Lesotho Highlands Development Authority then applied for a loan from the Development Bank of South Africa. As part of the agreement, the Department stood surety for the loan. It is important to report that all the repayments have been kept up to date.

## **15. EVENTS AFTER REPORTING DATE**

At the time of reporting, no material events affecting the operations of the Department

occurred except for the approval by National Treasury to repay the bank overdraft of R59,215 million (R62,451m less R3,236m already repaid) and the Cash Surplus at the missions amounting to R5,982 million. Details of the bank overdraft and cash surplus are reported fully under note 9 of the Accounting Officer's report.

## Approval

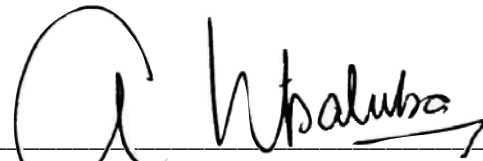
The financial position of the Department as at 31 March 2005 and the results of its operations are set out in the attached financial statements:

- Appropriation statement
- Notes to the appropriation statement
- Statement of Financial Performance
- Statement of Financial Position
- Statement of changes in Net Assets
- Cash flow statement
- Notes to the Annual Financial Statements
- Disclosure Notes to the Annual Financial Statements
- ANNEXURES
- **Annexure 1A** : Statement of Conditional Grant Paid to Municipalities
- **Annexure 1B** : Statement of Transfers to Departmental Agencies and Accounts
- **Annexure 1C** : Statement of Transfers

to Public Corporations and Private Enterprises

- **Annexure 1D** : Statement of Transfers to Foreign Govt. and Inter. Organisations
- **Annexure 1E** : Statement of Transfers/ Subsidies to Households
- **Annexure 1F** : Statement of Gifts, Donations and Sponsorships Received
- **Annexure 2** : Statement of Financial Guarantees Issued
- **Annexure 3** : Claims
- **Annexure 4** : Physical Asset Movement Schedule
- **Annexure 5** : Software and Other Intangible Asset Movement Schedule
- **Annexure 6** : Inter-Governmental Receivables
- **Annexure 7** : Inter-Departmental Payables – Current

The Accounting Officer has approved the above-mentioned financial statements.



**Dr Ayanda Ntsaluba**  
**Director-General:**  
**Department of Foreign Affairs**

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 3 – DEPARTMENT OF FOREIGN AFFAIRS FOR THE YEAR ENDED 31 MARCH 2005

## 1. AUDIT ASSIGNMENT

The financial statements as set out on pages 25 to 88, for the year ended 31 March 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

## 2. NATURE AND SCOPE

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

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,

- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

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

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

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

## 3. AUDIT OPINION

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

## 4. EMPHASIS OF MATTER

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

### 4.1 Inadequate debt management

The department's accounting and internal control systems were not geared towards a reliable debt management environment. This was evident from the increase in total receivables of 8 per cent from R314,3 million in 2003-04 to R339,5 million in 2004-05, as per note 16 to the financial statements. Furthermore, R76,8 million or 23 per cent of the total amount receivable has been outstanding for more than one year. These receivables include inter-departmental balances, staff debtors and other debtors, which have been outstanding for long periods of time.

Existing policies and procedures were not adhered to and monthly monitoring and follow-up activities were limited. Effective follow-up procedures were also constrained by an inadequate management information system, which could, for example, not provide age-analysis reports for independent review and follow-up by management. Another contributing factor was the inadequate flow of information within the department, as well as between the department and its external parties. The department planned to develop a debt management strategy, which would include a debt management policy, as well as a debt management committee.

With reference to my previous reports, the outstanding inter-departmental balances as disclosed in annexure 6 to the financial statements again require specific mention. The current year's amount owing of R164,7 million decreased by 24 per cent from R216,6 million in 2003-04. The bulk of these outstanding amounts relates to the payment of foreign allowances and accommodation expenses on behalf of other departments, which placed strain on the cash flow of the department.

While the decrease in the amounts owing is positive, the level of balances that remained unconfirmed by partner departments remained of concern, despite the department's efforts to obtain such confirmations.

### 4.2 Inadequate asset management

During the previous year's audit, I reported that the department did not have adequate systems in place to ensure that a complete and accurate listing of fixed assets was maintained. It was further reported that the Logistical Information System (LOGIS), used to maintain control over computer and transport assets, had not been updated with asset movements.

Although the department made a significant effort to address the previously identified shortcomings, there were a number of areas where controls did not function properly throughout the year under review. The following are the more important areas identified:



- A proper fixed asset register was only completed towards the end of the financial year.
- The department did not perform periodic asset or inventory counts.
- Proper control was not always exercised over the issuing and movement of computer equipment and other assets, while discrepancies identified between the computer asset registers and the physical assets were not followed up and resolved. Obsolete computer equipment and other assets awaiting disposal were not properly stored, which exposed them to further damage and loss.
- Access to storerooms housing high-value assets was not always restricted to authorised personnel only.

The matters mentioned above were the result of a lack of a proper management framework for the management of fixed assets.

### **4.3 Receivables – African Renaissance and International Co-operation Fund**

With reference to the previous years' audit reports, annexure 6 to the financial statements reflects R40,2 million that includes R29,9 million owing by the African Renaissance and International Co-operation Fund (fund). The department effected these payments on behalf of the fund to the Mali Trust Fund, which had been managed by Sports and Recreation South Africa, to enable the hosting of

the twenty-third Africa Cup of Nations soccer tournament.

Contrary to section 5 of the African Renaissance and International Co-operation Fund Act, 2000 (Act No. 51 of 2000), these payments were not regularised by the advisory committee and had been made without concurrence by the Minister of Finance. According to the department, the Minister of Finance is unable to issue a letter of concurrence for the expenditure incurred on behalf of the fund until the accounts of the Mali Trust Fund have been audited. The audit of the Mali Trust Fund has been completed and an audit report was due at the time of finalising this report.

The arrangement whereby the department utilises its own money to make payments on behalf of the fund due to the urgency of some projects poses a risk to the department. The amounts owed by the fund may not be enforceable in the event that the Minister of Finance does not issue a letter of concurrence.

### **4.4 Clearing of control/suspense accounts**

Transactions from control/suspense accounts were not cleared and reallocated to the correct ledger accounts on a monthly basis, as required by Treasury Regulations. The outstanding balances in the control/suspense accounts were also not supported by age analyses. A similar finding was made in my previous report.

This matter was exacerbated by the introduction of the new standard chart of accounts (SCOA), which resulted in changes to the presentation and layout of financial information and the classification of expenditure, while reducing the number of accounts to be mapped to the annual financial statements.

The implementation of SCOA has proven to be problematic for the department and resulted in various control/suspense accounts not being cleared on a regular and timely basis. Although policies and procedures existed in this regard, they were not always followed.

#### **4.5 Follow-up of the information systems audit of the general controls**

A review of the adequacy of actions taken by management to address the control weaknesses previously reported was completed in July 2005.

Some progress had been made in addressing the previously reported control weaknesses. However the following control weaknesses had not been adequately addressed:

- Procedures such as change management, user account management, incident and problem management, backup and recovery and network security administration had not been developed.
- The physical and environmental con-

trols in the server rooms were still considered inadequate.

- The logical access security and user monitoring controls at the network level were still considered inadequate.
- The disaster recovery plan had not been developed and implemented.

These control weaknesses could be attributed to the lack of documented and approved information systems environment procedures and guidelines.

#### **4.6 Late submission of the financial statements**

In terms of section 40(1)(c) of the PFMA, the accounting officer must submit financial statements within two months after the end of the financial year to the Auditor-General for auditing.

While the financial statements were submitted within two months, the department withdrew them to effect material/significant amendments and issued a new set on 4 July 2005. The accounting officer reported the fact and the reasons for the withdrawal of the financial statements to the Minister of Foreign Affairs and the National Treasury, as required by section 40(5) of the PFMA. The withdrawal and subsequent submission of a new set of financial statements is regarded as a late submission in terms of the PFMA.



## 5. APPRECIATION

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

*S. A. Fakie*

---

**SA Fakie**  
**Pretoria**

29/08/2005





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

### **1. BASIS OF PREPARATION**

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

## **2. REVENUE**

### **Appropriated funds**

Voted funds are the amounts appropriated to the 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.

### **Departmental revenue**

#### ***Tax revenue***

A tax receipt is defined as compulsory, irrecoverable revenue collected by entities. Tax receipts are recognised as revenue in the Statement of Financial Performance, on receipt of the funds.

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

This comprises the proceeds from the sale of goods and/or services produced by the entity. Revenue is recognised in the Statement of Financial Performance on receipt of the funds.

#### ***Fines, penalties and forfeits***

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

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

Interest and dividends received are recognised



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

Revenue received from the rent of land is recognised in the Statement of Financial Performance on receipt of the funds.

### ***Sale of capital assets***

The proceeds from the sale of capital assets 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.

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

Local and foreign aid assistance is recognised in the Statement of Financial Performance on receipt of funds. Where amounts are expensed

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

## **3. EXPENDITURE**

### ***Compensation of employees***

Salaries and wages comprise payments to employees. Salaries and wages are recognised as an expense in the Statement of Financial Performance when the payment is made. 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 payment is made.

### ***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 payment is made. 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 payment is made.

#### ***Medical benefits***

The department provides medical benefits for its employees through defined benefit plans. Employer contributions to the fund are incurred when money is paid to the fund. 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 money is paid to the fund. No provision is made for retirement benefits in the Annual Financial Statements of the department. Any potential liabilities are disclosed in the Annual Financial Statements of the National/Provincial Revenue Fund and not in the Annual Financial Statements of the employer department.

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

Obligations arising from leave entitlement, thirteenth cheque and performance bonuses 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 payment is made. 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 payment is made. 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 under-spending available to the department. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts.

#### ***Unauthorised expenditure***

Unauthorised expenditure, is defined as:

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



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

### ***Irregular expenditure***

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

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

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

### ***Fruitless and wasteful expenditure***

Fruitless and wasteful expenditure, is defined as:

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

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

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

## **4. TRANSFERS AND SUBSIDIES**

Transfers and subsidies include all irrecoverable payments made by the entity. Transfers and subsidies are recognised as an expense when the payment is made.

## **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 payment is made.

## **6. INVESTMENTS**

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

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

## **7. RECEIVABLES**

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

recoverable from another party, when the payments are made.

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

## 8. CASH AND CASH EQUIVALENTS

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

## 9. PAYABLES

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

## 10. LEASE COMMITMENTS

Lease commitments for the period remaining from the reporting date until the end of the lease contract are disclosed as part of the disclosure notes to the Annual Financial Statements. These commitments are not recognised in the

Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance as the Annual Financial Statements are prepared on the cash basis of accounting. Operating lease expenditure is expensed when the payment is made.

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

## 11. ACCRUALS

This amount represents goods/services that have been received, but no invoice has been received from the supplier at the reporting date, OR an invoice has been received but remains unpaid at the reporting date. These amounts are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance as the Annual Financial Statements are prepared on a modified cash basis of accounting, but are however disclosed as part of the disclosure notes.

## 12. CONTINGENT LIABILITIES

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

- it is not probable that an outflow of resources embodying economic benefits or



service potential will be required to settle the obligation; or

- the amount of the obligation cannot be measured with sufficient reliability

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

### 13. COMMITMENTS

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

### 14. CAPITALISATION RESERVE

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

### 15. RECOVERABLE REVENUE

Recoverable revenue represents payments made and recognised in the Statement of Financial Performance as an expense in previous years due to non-performance in accordance

with an agreement, which have now become recoverable from a debtor. Repayments are transferred to the Revenue Fund as and when the repayment is received.

### 16. COMPARATIVE FIGURES

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

### 17. EXPENDITURE INCURRED ABROAD IN FOREIGN CURRENCY

For expenditure incurred at missions abroad, the Rand value of cost is determined by the spot rate of exchange upon transfer of funds and the cost incurred in foreign currency. Mission cash-book balances are re-valued using daily spot rate of exchange upon each transfer of funds. Transactions processed against balance sheet items, at missions abroad are valued at historical rate of exchange.

## Appropriation Statement for the year ended 31 March 2005

### 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	329,679	-	78,225	407,904	360,531	47,373	88.4%	262,286	261,345	
Transfers and subsidies	-	-	5,588	5,588	5,185	403	92.8%	-	-	
Expenditure for capital assets	78,945	-	-	78,945	59,899	19,046	76%	121,712	81,159	
2. Foreign Relations										
Current payment	1,612,347	-	-96,119	1,516,228	1,414,376	101,852	93.3%	1,464,542	1,307,130	
Transfers and subsidies	12,696	-	-	12,696	17,516	-4,820	138.0%	-	-	
Expenditure for capital assets	69,195	-	-	69,195	78,648	-9,453	114%	84,845	84,845	
3. Public Diplomacy and Protocol										
Current payment	126,241	-	12,306	138,547	124,217	14,330	89.7%	78,168	78,168	
Transfers and subsidies	16,497	-	-	16,497	13,063	3,434	79.2%	-	-	
Expenditure for capital assets	2,064	-	-	2,064	3,566	-1,502	173%	1,470	477	
4. International Transfers										
Current payment	298,985	-	-	298,985	275,924	23,061	92.3%	-	-	
Transfers and subsidies	-	-	-	-	-	-	0.0%	315,556	315,556	
Expenditure for capital assets	-	-	-	-	-	-	0.0%	-	-	
<b>Subtotal</b>	<b>2,546,649</b>	<b>-</b>	<b>-</b>	<b>2,546,649</b>	<b>2,352,925</b>	<b>193,724</b>	<b>92.4%</b>	<b>2,328,579</b>	<b>2,128,680</b>	
Statutory Appropriation										
Current payments	-	-	-	-	-	-	0.0%	-	-	
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-	
Payment for capital assets	-	-	-	-	-	-	0.0%	-	-	
<b>Total</b>	<b>2,546,649</b>	<b>-</b>	<b>-</b>	<b>2,546,649</b>	<b>2,352,925</b>	<b>193,724</b>	<b>92.4%</b>	<b>2,328,579</b>	<b>2,128,680</b>	
<b>Reconciliation with Statement of Financial Performance</b>										
Prior year unauthorised expenditure approved with funding										
Departmental receipts				37,376				49,737		
Local and foreign aid assistance										
<b>Actual amounts per Statement of Financial Performance (Total Revenue)</b>				<b>2,584,025</b>				<b>2,378,316</b>		
Investments acquired and capitalised during the current financial year, but expensed for appropriation purposes										
Other payments in Appropriation Statement, not accounted for in the Statement of Financial Performance										
Local and foreign aid assistance										
Prior year unauthorised expenditure approved										
Prior year fruitless and wasteful expenditure condoned										
Actual amounts per Statement of Financial Performance										
Expenditure					<b>2,352,925</b>				<b>2,128,680</b>	

### Appropriation Statement for the year ended 31 March 2005

Appropriation per Economic classification

	2004/05						2003/05		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
<b>Current payments</b>									
Compensation to employees	1,138,101	-	-	1,138,101	1,011,746	126,355	88.9%	1,227,721	953,354
Goods and services	935,053	-	-	935,053	889,012	46,041	95.1%	577,275	693,237
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-
Financial transactions in assets and liabilities	33	-	-	33	365	-332	1106.1%	-	4
<b>Transfers &amp; subsidies</b>									
Provinces & municipalities	10,868	-	-	10,868	15,678	-4,810	144.3%	-	-
Departmental agencies & accounts	5,566	-	-	5,566	5	5,561	0.1%	-	-
Universities & technikons	-	-	-	-	-	-	0.0%	-	-
Foreign governments & international organisations	298,985	-	-	298,985	275,924	23,061	92.3%	315,556	315,556
Public corporations & private enterprises	11,236	-	-	11,236	8,329	2,907	74.1%	-	-
Non-profit institutions	7,111	-	-	7,111	11,752	-4,641	165.3%	-	-
Households	-	-	-	-	-	-	0.0%	-	-
Gifts and donations	-	-	-	-	-	-	0.0%	-	-
<b>Payment on capital assets</b>									
Buildings & other fixed structures	27,296	-	-	27,296	27,296	-	100.0%	100,685	72,750
Machinery & equipment	106,649	-	-	106,649	102,955	3,694	96.5%	107,342	91,190
Biological or cultivated assets	-	-	-	-	-	-	0.0%	-	-
Software & other intangible assets	5,751	-	-	5,751	9,863	-4,112	171.5%	-	2,589
Land & subsoil assets	-	-	-	-	-	-	0.0%	-	-
<b>Total</b>	<b>2,546,649</b>	<b>-</b>	<b>-</b>	<b>2,546,649</b>	<b>2,352,925</b>	<b>193,724</b>	<b>92.4%</b>	<b>2,328,579</b>	<b>2,128,680</b>



## Detail per programme 1 - Administration for the year ended 31 March 2005

Programme per subprogramme	2004/05						2003/04		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation	Final Appropriation R'000	Actual Payment R'000
<b>1.1 Minister</b>									
Current payment	791	-	-	791	791	-	100.0%	749	809
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Expenditure for capital assets	-	-	-	-	-	-	0.0%	-	-
<b>1.2 Deputy Minister (s)</b>									
Current payment	1,286	-	-	1,286	1,296	-10	100.8%	610	958
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Expenditure for capital assets	-	-	-	-	-	-	0.0%	-	-
<b>1.3 Management</b>									
Current payment	18,193	-	-	18,193	11,338	6,855	62.3%	10,192	24,156
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Expenditure for capital assets	149	-	-	149	511	-362	343.0%	-	805
<b>1.4 Corporate Services</b>									
Current payment	309,409	-	78,225	387,634	347,106	40,528	89.5%	250,735	235,422
Transfers and subsidies	-	-	5,588	5,588	5,185	403	92.8%	-	-
Expenditure for capital assets	78,196	-	-	78,196	56,703	21,493	72.5%	121,312	79,782
<b>1.5 Government Motor Transport</b>									
Current payment	-	-	-	-	-	-	0.0%	-	-
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Expenditure for capital assets	600	-	-	600	2,685	-2,085	447.5%	400	572
<b>Total</b>	<b>408,624</b>	<b>-</b>	<b>83,813</b>	<b>492,437</b>	<b>425,615</b>	<b>66,822</b>	<b>86.4%</b>	<b>383,998</b>	<b>342,504</b>

Economic classification	2004/05						2003/04		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
<b>Current payments</b>									
Compensation to employees	157,338	-	-	157,338	113,358	43,980	72.1%	128,051	108,714
Goods and services	174,204	-	83,813	258,017	247,319	10,698	95.9%	134,235	152,579
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-
Financial transactions in assets and liabilities	33	-	-	33	365	-332	1106.1%	-	4
<b>Transfers &amp; subsidies</b>									
Provinces & municipalities	288	-	-	288	410	-122	142.4%	-	-
Departmental agencies & accounts	-	-	-	-	-	-	0.0%	-	-
Universities & technikons	-	-	-	-	-	-	0.0%	-	-
Foreign governments & international organisations	-	-	-	-	-	-	0.0%	-	-
Public corporations & private enterprises	5,000	-	-	5,000	4,253	747	85.1%	-	-
Non-profit institutions	-	-	-	-	-	-	0.0%	-	-
Households	300	-	-	300	522	-222	174.0%	-	-
Gifts and donations	-	-	-	-	-	-	0.0%	-	-
<b>Payments for capital assets</b>									
Buildings & other fixed structures	27,296	-	-	27,296	27,296	-	100.0%	100,685	72,750
Machinery & equipment	38,414	-	-	38,414	22,229	16,185	57.9%	21,027	5,868
Biological or cultivated assets	-	-	-	-	-	-	0.0%	-	-
Software & other intangible assets	5,751	-	-	5,751	9,863	-4,112	171.5%	-	2,589
Land & subsoil assets	-	-	-	-	-	-	0.0%	-	-
<b>Total</b>	<b>408,624</b>	<b>-</b>	<b>83,813</b>	<b>492,437</b>	<b>425,615</b>	<b>66,822</b>	<b>86.4%</b>	<b>383,998</b>	<b>342,504</b>

## Detail per programme 2 - Foreign Relations for the year ended 31 March 2005

Programme per subprogramme	2004/05						2003/04		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
2.1 Africa Bilateral									
Current payment	305,720	-	-	305,720	314,350	-8,630	102.8%	487,095	438,718
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Expenditure for capital assets	22,701	-	-	22,701	29,353	-6,652	129.3%	30,456	44,328
2.2 Africa Multilateral									
Current payment	70,196	-	-	70,196	99,450	-29,254	141.7%	245,644	194,506
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Expenditure for capital assets	3,710	-	-	3,710	2,880	830	77.6%	13,471	7,972
2.3 Americas									
Current payment	224,931	-	-	224,931	199,006	25,925	88.5%	215,386	175,834
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Expenditure for capital assets	7,074	-	-	7,074	9,443	-2,369	133.5%	8,123	8,888
2.4 Europe									
Current payment	603,107	-	-	603,107	411,042	192,065	68.2%	386,122	383,679
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Expenditure for capital assets	13,156	-	-	13,156	16,415	-3,259	124.8%	26,469	19,477
2.5 Asia and Middle East									
Current payment	404,547	-	-96,119	308,428	387,707	-79,279	125.7%	108,503	14,495
Transfers and subsidies	12,696	-	-	12,696	17,516	-4,820	138.0%	-	-
Expenditure for capital assets	20,490	-	-	20,490	16,991	3,499	82.9%	2,764	231
2.6 Multilateral									
Current payment	3,846	-	-	3,846	2,821	1,025	73.3%	21,792	99,898
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Expenditure for capital assets	2,064	-	-	2,064	3,566	-1,502	172.8%	3,562	3,949
2.7 Europe									
Current payment	-	-	-	-	-	-	0.0%	-	-
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Expenditure for capital assets	-	-	-	-	-	-	0.0%	-	-
<b>Total</b>	<b>1,694,238</b>	<b>0</b>	<b>-96,119</b>	<b>1,598,119</b>	<b>1,510,540</b>	<b>87,579</b>	<b>94.5%</b>	<b>1,549,387</b>	<b>1,391,975</b>

Economic classification	2004/05						2003/04		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
<b>Current</b>									
Compensation to employees	937,671	-	-	937,671	861,736	75,935	91.9%	1,062,521	814,717
Goods and services	677,700	-	-96,119	581,581	554,146	27,435	95.3%	402,021	492,413
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-
Financial transactions in assets and liabilities	-	-	-	-	-	-	0.0%	-	-
<b>Transfers &amp; subsidies</b>									
Provinces & municipalities	130	-	-	130	3,995	-3,865	3073.1%	-	-
Dept agencies & accounts	94	-	-	94	5	89	5.3%	-	-
Universities & Technikons	-	-	-	-	-	-	0.0%	-	-
Foreign governments & international organisations	-	-	-	-	-	-	0.0%	-	-
Public corporations & private enterprises	6,236	-	-	6,236	4,076	2,160	65.4%	-	-
Non-profit institutions	-	-	-	-	-	-	0.0%	-	-
Households	6,236	-	-	6,236	9,440	-3,204	151.4%	-	-
Gifts and donations	-	-	-	-	-	-	0.0%	-	-
<b>Capital</b>									
Buildings & other fixed structures	-	-	-	-	-	-	0.0%	-	-
Machinery & equipment	66,171	-	-	66,171	77,142	-10,971	116.6%	84,845	84,845
Biological or Cultivated assets	-	-	-	-	-	-	0.0%	-	-
Software & other intangible assets	-	-	-	-	-	-	0.0%	-	-
Land & subsoil assets	-	-	-	-	-	-	0.0%	-	-
<b>Total</b>	<b>1,694,238</b>	<b>-</b>	<b>-96,119</b>	<b>1,598,119</b>	<b>1,510,540</b>	<b>87,579</b>	<b>94.5%</b>	<b>1,549,387</b>	<b>1,391,975</b>

### Detail per programme 3 - Public Diplomacy and Protocol for the year ended 31 March 2005

Programme per subprogramme	2004/05				2003/04				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
<b>3.1 Protocol Matters</b>									
Current payment	42,417	-	12,306	54,723	39,573	15,150	72.3%	42,912	50,533
Transfers and subsidies	15,922	-	-	15,922	11,273	4,649	70.8%	-	-
Expenditure for capital assets	619	-	-	619	2,974	-2,355	480.5%	1,189	376
<b>3.2 Public Diplomacy</b>									
Current payment	23,824	-	-	23,824	33,798	-9,974	141.9%	19,351	17,514
Transfers and subsidies	575	-	-	575	1,790	-1,215	311.3%	-	-
Expenditure for capital assets	1,445	-	-	1,445	592	853	41.0%	281	101
<b>3.3 Presidential Inauguration</b>									
Current payment	60,000	-	-	60,000	50,846	9,154	84.7%	15,905	10,121
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-
Expenditure for capital assets	-	-	-	-	-	-	0.0%	-	-
<b>Total</b>	<b>144,802</b>	<b>-</b>	<b>12,306</b>	<b>157,108</b>	<b>140,846</b>	<b>16,262</b>	<b>89.7%</b>	<b>79,638</b>	<b>78,645</b>

Economic classification	2004/05						2003/04		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
<b>Current</b>									
Compensation to employees	43,092	-	-	43,092	36,652	6,440	85.1%	37,149	29,923
Goods and services	83,149	-	12,306	95,455	87,547	7,908	91.7%	41,019	48,245
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-
Financial transactions in assets and liabilities	-	-	-	-	-	-	0.0%	-	-
<b>Transfers &amp; subsidies</b>									
Provinces & municipalities	10,450	-	-	10,450	11,273	-823	107.9%	-	-
Dept agencies & accounts	5,472	-	-	5,472	-	5,472	0.0%	-	-
Universities & Technikons	-	-	-	-	-	-	0.0%	-	-
Foreign governments & international organisations	-	-	-	-	-	-	0.0%	-	-
Public corporations & private enterprises	-	-	-	-	-	-	0.0%	-	-
Non-profit institutions	-	-	-	-	-	-	0.0%	-	-
Households	575	-	-	575	1,790	-1,215	311.3%	-	-
Gifts and donations	-	-	-	-	-	-	0.0%	-	-
<b>Capital</b>									
Buildings & other fixed structures	-	-	-	-	-	-	0.0%	-	-
Machinery & equipment	2,064	-	-	2,064	3,584	-1,520	173.6%	1,470	477
Biological or Cultivated assets	-	-	-	-	-	-	0.0%	-	-
Software & other intangible assets	-	-	-	-	-	-	0.0%	-	-
Land & subsoil assets	-	-	-	-	-	-	0.0%	-	-
<b>Total</b>	<b>144,802</b>	<b>-</b>	<b>12,306</b>	<b>157,108</b>	<b>140,846</b>	<b>16,262</b>	<b>89.7%</b>	<b>79,638</b>	<b>78,645</b>

### Detail per programme 4 - International Transfers for the year ended 31 March 2005

Programme per subprogramme	2004/05						2003/		
	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 Current payment Transfers and subsidies Expenditure for capital assets	298,985	-	-	298,985	275,924	23,061	92.3%	315,556	315,556
<b>Total</b>	<b>298,985</b>	<b>-</b>	<b>-</b>	<b>298,985</b>	<b>275,924</b>	<b>23,061</b>	<b>92.3%</b>	<b>315,556</b>	<b>315,556</b>
Economic classification	2004/05						2003/04		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
<b>Current</b>	-	-	-	-	-	-	0.0%	-	-
Compensation to employees	-	-	-	-	-	-	0.0%	-	-
Goods and services	-	-	-	-	-	-	0.0%	-	-
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-
Financial transactions in assets and liabilities	-	-	-	-	-	-	0.0%	-	-
<b>Transfers &amp; subsidies</b>	-	-	-	-	-	-	0.0%	-	-
Provinces & municipalities	-	-	-	-	-	-	0.0%	-	-
Dept agencies & accounts	-	-	-	-	-	-	0.0%	-	-
Universities & Technikons	-	-	-	-	-	-	0.0%	-	-
Foreign governments & international organisations	298,985	-	-	298,985	275,924	23,061	92.3%	315,556	315,556
Public corporations & private enterprises	-	-	-	-	-	-	0.0%	-	-
Non-profit institutions	-	-	-	-	-	-	0.0%	-	-
Households	-	-	-	-	-	-	0.0%	-	-
Gifts and donations	-	-	-	-	-	-	0.0%	-	-
<b>Capital</b>	-	-	-	-	-	-	0.0%	-	-
Buildings & other fixed structures	-	-	-	-	-	-	0.0%	-	-
Machinery & equipment	-	-	-	-	-	-	0.0%	-	-
Biological or Cultivated assets	-	-	-	-	-	-	0.0%	-	-
Software & other intangible assets	-	-	-	-	-	-	0.0%	-	-
Land & subsoil assets	-	-	-	-	-	-	0.0%	-	-
<b>Total</b>	<b>298,985</b>	<b>-</b>	<b>-</b>	<b>298,985</b>	<b>275,924</b>	<b>23,061</b>	<b>92.3%</b>	<b>315,556</b>	<b>315,556</b>

**Department of Foreign Affairs - Vote 3**  
**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 11 (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 8 (Details of special functions (theft and losses)) to the annual financial statements.

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

**4.1 Per programme:**

	Voted Funds after virement	Actual Expenditure	Variances R'000	%
--	----------------------------	--------------------	-----------------	---

**Administration**

	492,437	425,615	66,822	13.57%
--	---------	---------	--------	--------

The savings relate to capital projects that could not be completed as well as personnel expenditure

**Foreign Relations**

	1,598,119	1,510,540	87,579	5.48%
--	-----------	-----------	--------	-------

The savings relate mainly to favourable fluctuation of rand in relation to major currencies

**Public Diplomacy and Protocol**

	157,108	140,846	16,262	10.35%
--	---------	---------	--------	--------

The savings is attributable to the vacant posts not filled.

**International Transfers**

	298,985	275,924	23,061	7.71%
--	---------	---------	--------	-------

The scale of assessment for the UN contributions was revised favourable and the stronger rand resulted into savings referred above.



## 4.2 Per economic classification:

R'000

### Current expenditure

Compensation of employees	1,011,746
Goods and services	889,012
Interest and rent on land	-
Financial transactions in assets and liabilities	365
Unauthorised expenditure approved	-

### Transfers and subsidies

Provinces and municipalities	15,678
Departmental agencies and accounts	5
Universities and technikons	-
Public corporations and private enterprises	275,924
Foreign governments and international organisations	8,329
Non-profit institutions	-
Households	11,752

### Payments for capital assets

Buildings and other fixed structures	27,296
Machinery and equipment	102,955
Heritage assets	-
Biological assets	9,863
Software and other intangible assets	-
Land and sub soil assets	-



**Department of Foreign Affairs - Vote 3**  
**Statement of Financial Performance for the year ended 31 March 2005**

	Note	2004/05 R'000	2003/04 R'000
<b>REVENUE</b>			
Annual appropriation	1.	2,546,649	2,328,579
Departmental revenue	2.	37,376	49,737
Drawings debited by Treasury/Not drawn by department	1.	-	-355,642
<b>TOTAL REVENUE</b>		<b>2,584,025</b>	<b>2,022,674</b>
<b>EXPENDITURE</b>			
<b>Current expenditure</b>			
Compensation of employees	4.	1,011,746	953,354
Goods and services	5.	889,012	693,237
Financial transactions in assets and liabilities	6.	365	4
Unauthorised expenditure approved	7.	-	-
<b>Total current expenditure</b>		<b>1,901,123</b>	<b>1,646,595</b>
<b>Transfers and subsidies</b>	8.	311,688	315,556
<b>Expenditure for capital assets</b>			
Buildings and other fixed structures	9.	27,296	72,750
Machinery and Equipment	9.	102,955	91,190
Software and other intangible assets	9.	9,863	2,589
Unauthorised expenditure approved	7.	-	-
<b>Total expenditure for capital assets</b>		<b>140,114</b>	<b>166,529</b>
<b>TOTAL EXPENDITURE</b>		<b>2,352,925</b>	<b>2,128,680</b>
<b>NET SURPLUS/(DEFICIT)</b>		<b>231,100</b>	<b>-106,006</b>
Add back unauthorised expenditure	7.	-	6,879
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>231,100</b>	<b>-99,127</b>
<b>Reconciliation of Net Surplus/(Deficit) for the year</b>			
Voted Funds to be surrendered to the Revenue Fund	15.	193,724	-148,864
Departmental revenue to be surrendered to revenue fund	16.	37,376	49,737
Local and foreign aid assistance	3.	-	-
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>231,100</b>	<b>-99,127</b>

**Department of Foreign Affairs - Vote 3**  
**Statement of Financial Position as at 31 March 2005**

	Note	2004/05 R'000	2003/04 R'000
<b>ASSETS</b>			
<b>Current assets</b>		<b>460,167</b>	<b>420,430</b>
Unauthorised expenditure	7.	19,136	19,136
Cash and cash equivalents	10.	92,646	76,806
Loans	14.	1,046	1,037
Other financial assets	11.	-	-
Prepayments and advances	12.	7,821	9,102
Receivables	13.	339,518	314,349
Local and foreign aid assistance receivable	3.	-	-
<b>Non-current assets</b>		<b>33,644</b>	<b>41,885</b>
Investments		-	-
Loans	14.	33,644	34,010
Other financial assets	11.	-	7,875
<b>TOTAL ASSETS</b>		<b>493,811</b>	<b>462,315</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>459,121</b>	<b>417,784</b>
Voted funds to be surrendered to the Revenue Fund	15.	193,724	-142,966
Departmental revenue to be surrendered to the Revenue Fund	16.	53,056	40,091
Bank overdraft	17.	59,215	358,789
Payables	18.	153,126	161,806
Local and foreign aid assistance repayable	3.	-	64
Local and foreign aid assistance unutilised	3.	-	-
<b>Non-current liabilities</b>			
Payables	19.	-	9,238
<b>TOTAL LIABILITIES</b>		<b>459,121</b>	<b>427,022</b>
<b>NET ASSETS</b>		<b>34,690</b>	<b>35,293</b>
Represented by:			
Capitalisation reserve		34,690	35,029
Recoverable revenue		-	264
<b>TOTAL</b>		<b>34,690</b>	<b>35,293</b>

**Department of Foreign Affairs - Vote 3**  
**Statement of Changes in Net Assets for the year ended 31 March 2005**

	Note	2004/05 R'000	2003/04 R'000
<b>Capitalisation reserve</b>			
Opening balance		35,029	34,076
Transfers		-339	953
Closing balance		34,690	35,029
<b>Recoverable revenue</b>			
Opening balance		264	233
Debts written off		-	-
Debts recovered (included in departmental receipts)		-264	-2
Debts raised		-	33
Prior year adjustment		-	-
Closing balance		-	264
<b>TOTAL</b>		<b>34,690</b>	<b>35,293</b>

**Department of Foreign Affairs - Vote 3**  
**Cash Flow Statement for the year ended 31 March 2005**

	<b>Note</b>	<b>2004/05</b> <b>R'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts		2,702,260
Annual appropriated funds received		2,689,615
Statutory appropriated funds received		-
Appropriation for unauthorised expenditure received	7.	-
Departmental revenue received		36,533
Local and foreign aid assistance received	3.	-
Net (increase)/decrease in working capital		-23,888
Surrendered to Revenue Fund		-24,411
Current payments		-1,919,105
Transfers and subsidies paid		-311,688
<b>Net cash flow available from operating activities</b>	<b>20.</b>	<b><u>447,056</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for capital assets		-140,114
Proceeds from sale of capital assets	2.	843
Proceeds from sale of investments	20.	-
Proceeds from sale of other financial assets		7,875
(Increase)/ decrease in loans granted		357
<b>Net cash flows from investing activities</b>		<b><u>-131,039</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Distribution/dividend to government		-
Increase/(decrease) in loans received		-603
<b>Net cash flows from financing activities</b>		<b><u>-603</u></b>
Net increase/(decrease) in cash and cash equivalents		315,414
Cash and cash equivalents at beginning of period		-281,983
<b>Cash and cash equivalents at end of period</b>	<b>10.</b>	<b><u>33,431</u></b>



**Department of Foreign Affairs - Vote 3**  
**Notes to the Annual Financial Statements for the year ended 31 March 2005**

**1. Annual Appropriation**

**1.1 Annual Appropriation**

Included are funds appropriated in terms of the Appropriation Act for National Departments (Voted Funds)

	Final Appropriation R'000	Actual Funds Received R'000	Variance over/ (under) R'000	Total Appropriation 2003/04 R'000
Administration	492,437	492,437	-	383,998
Foreign Relations	1,598,119	1,598,119	-	1,193,745
Public Diplomacy and Protocol	157,108	157,108	-	79,638
International Transfers	298,985	298,985	-	315,556
<b>Total</b>	<b>2,546,649</b>	<b>2,546,649</b>	<b>-</b>	<b>1,972,937</b>

Explanation of material variances including whether or not application will be made for a rollover.

Refer to the Accounting Officer's report regarding variances (Note 1.3)

**2. Departmental revenue to be surrendered to revenue fund**

**Description**

Tax revenue		-	7,297
Sales of goods and services other than capital assets		-	-
Fines, penalties and forfeits		-	-
Interest, dividends and rent on land		3,066	1,376
Sales of capital assets		843	701
Recoverable revenue received		-	-
Financial transactions in assets and liabilities	2.1	33,051	40,180
Transfers received consist of:		416	183
Gifts, donations and sponsorships received	ANNEXURE 1F	416	183
Other transfers		-	-
Total revenue collected		37,376	49,737
Less: Departmental revenue budgeted *		-	-
<b>Departmental revenue collected</b>		<b>37,376</b>	<b>49,737</b>

**Department of Foreign Affairs - Vote 3**  
**Notes to the Annual Financial Statements for the year ended 31 March 2005**

**2.1 Financial transactions in assets and liabilities**

**Nature of loss recovered**

Cheques written back	124	170
Material losses recovered	81	-
Other	32,846	40,010
	<u>33,051</u>	<u>40,180</u>

**3. Local and foreign aid assistance**

**3.1 Assistance received in cash**

Name of donor and purpose	Opening Balance	Revenue	Expendi- ture	Closing balance
<b>Local</b>	-	-	-	-
<b>Foreign</b>				
Local foreign aid payable to RDP fund/donors	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Analysis of balance**

Local and foreign aid receivable	-
Local and foreign aid unutilised	-
Local foreign aid payable to RDP fund/donors	-64
Closing balance	<u>-64</u>

**4. Compensation of employees**

**4.1 Salaries and wages**

Basic salary	476,126	441,120
Performance award	7,183	3,543
Service Based	2,746	5,784
Compensative/circumstantial	25,222	1,848
Periodic payments	1,073	-
Other non-pensionable allowances	406,700	415,096
	<u>919,050</u>	<u>867,391</u>



**Department of Foreign Affairs - Vote 3**  
**Notes to the Annual Financial Statements for the year ended 31 March 2005**

	Note	2004/05 R'000	2003/04 R'000
<b>4.2 Social contributions</b>			
<b>4.2.1 Short term employee benefits</b>			
Pension		37,271	32,045
Medical		55,371	53,866
UIF		1	3
Bargain council		52	49
Official unions and associations		-	-
Insurance		1	-
		<b>92,696</b>	<b>85,963</b>
<b>4.2.2 Post employment retirement benefits</b>			
Pensions		-	-
Medical		-	-
Insurances		-	-
		-	-
<b>Total compensation of employees</b>		<b>1,011,746</b>	<b>953,354</b>
Average number of employees		3,986	3,558
<b>5. Goods and services</b>			
Advertising		3,958	31,213
Attendance fees (including registration fees)		22,367	141
Bank charges and card fees		3,466	2,010
Bore waterhole drilling		-	-
Bursaries (employees)		435	1,115
Cash discount (temporary)		-	-
Communication		67,822	47,418
Computer services		46,597	3,563
Commission		-	-
Consultants, contractors and special services		15,111	9,387
Courier and delivery services		10,625	8,439
Tracing agents & debt collections		-	-
Drivers licences and permits		125	-
Entertainment		40,841	32,360
External audit fees	5.1	3,822	3,261
Equipment less than R5 000		3,828	-
Firearm handling fees		-	-



Freight service		34,391	24,273
Government motor transport		-	669
Helicopter services		-	7,721
Honoraria (Voluntary workers)		658	1,365
Inventory	5.2	40,254	34,237
Land reform/restitution		-	-
Learnerships		-	-
Legal fees		3,100	4,362
Licence agency fees		-	5,009
Housing		-	636
Maintenance, repair and running costs		82,836	55,718
Medical services		10,013	9,859
Operating leases		187,159	10,680
Mint of decorations/medals		-	-
Personnel agency fees		-	-
Photographic services		-	-
Plant flowers and other decorations		492	14,428
Printing and publications		1,706	998
Professional bodies and membership fees		703	18
Resettlement costs		6,063	4,670
Road laboratories		-	-
Road worthy tests		-	-
School & boarding fees		-	33
Subscriptions		220	-
Storage of furniture		6,829	6,557
System access fees		-	11,665
Taking over of contractual obligations		-	-
Owned and leasehold property expenditure		35,689	165,652
Translations and transcriptions		1,565	4,966
Transport provided as part of the departmental activities		-	-
Travel and subsistence	5.3	225,242	147,852
Venues and facilities		30,292	19,310
Protective, special clothing & uniforms		2,803	22,537
Training & staff development		-	1,115
Town & regional planning		-	-
Water research/testing		-	-
Witness and related fees		-	-
Previous years unallocated items		-	-
		<b>889,012</b>	<b>693,237</b>



**Department of Foreign Affairs - Vote 3**  
**Notes to the Annual Financial Statements for the year ended 31 March 2005**

Due to changes in code structure from FAF to SCOA some items (eg municipality rates and taxes; gifts and donations) that were previously classified as goods and services are now classified as transfer payments. Foreign allowances were also classified as goods and services and are now classified as compensation of employees.

	<b>2004/05</b>	<b>2003/04</b>
<b>Note</b>	<b>R'000</b>	<b>R'000</b>
<b>5.1 External audit fees</b>		
Regulatory audits	3,822	3,261
Performance audits	-	-
Other audits	-	-
<b>Total external audit fees</b>	<b>3,822</b>	<b>3,261</b>
<b>5.2 Inventory</b>		
Inventory surcharges	-	-
Medas inventory interface	-	-
Construction work in progress	-	-
Other inventory	-	9,576
Strategic stock	-	-
Domestic Consumables	3,792	3,737
Agricultural	-	-
Learning and teaching support material	-	-
Food and Food supplies	8,358	-
Fuel, oil and gas	4,710	-
Laboratory consumables	-	-
Other consumables	61	2,142
Parts and other maint mat	1,322	-
Sport and recreation	-	-
Stationery and Printing	21,040	18,704
Veterinary supplies	-	-
Restoration and fittings	-	-
Road construction and supplies	-	-
Medical Supplies	971	78
Weapons and armaments	-	-
<b>Total Inventory</b>	<b>40,254</b>	<b>34,237</b>

**Department of Foreign Affairs - Vote 3**  
**Notes to the Annual Financial Statements for the year ended 31 March 2005**

	Note	2004/05 R'000	2003/04 R'000
<b>5.3 Travel and subsistence</b>			
Local		126,564	1,806
Foreign		98,678	146,046
<b>Total travel and subsistence</b>		<b>225,242</b>	<b>147,852</b>
<b>6. Financial transactions in assets and liabilities</b>			
Material losses through criminal conduct	6.1	365	-
Other material losses written off	6.2	-	4
		<b>365</b>	<b>4</b>
<b>6.1 Material losses through criminal conduct</b>			
Nature of losses		365	-
Theft and losses		-	-
		<b>365</b>	<b>-</b>
<b>6.2 Other material losses written off in Statement of Financial Performance</b>			
<b>Nature of losses</b>			
Damage goods - WSSD		-	4
		<b>-</b>	<b>4</b>
<b>7. Unauthorised expenditure</b>			
<b>7.1 Reconciliation of unauthorised expenditure</b>			
Opening balance		19,136	12,257
Unauthorised expenditure – current year		-	6,879
Unauthorised expenditure approved by Parliament/ Legislature – current expenditure		-	-
Unauthorised expenditure approved by Parliament/ Legislature – expenditure for Capital assets		-	-
Transfer to receivables for recovery		-	-
Unauthorised expenditure awaiting authorisation		<b>19,136</b>	<b>19,136</b>

**Department of Foreign Affairs - Vote 3**  
**Notes to the Annual Financial Statements for the year ended 31 March 2005**

**7.2 Unauthorised expenditure**

Incident	Disciplinary steps taken/ criminal proceedings	Total
Excess expenditure - 2000/01	None	6,359
Excess expenditure - 2001/02	None	5,898
Excess expenditure 2002/03	None	6,879
		<b>19,136</b>

8. Transfers and subsidies	Note	2004/05 R'000	2003/04 R'000
Provinces and municipalities	ANNEXURE 1A	15,678	-
Departmental agencies and accounts	ANNEXURE 1B	5	-
Foreign governments and international organisations	ANNEXURE 1D	275,924	315,556
Public corporations and private enterprises	ANNEXURE 1C	8,329	-
Households	ANNEXURE 1E	11,752	-
		<b>311,688</b>	<b>315,556</b>

**9. Expenditure for capital assets**

Buildings and other fixed structures	ANNEXURE 4	27,296	72,750
Machinery and equipment	ANNEXURE 4	102,955	91,190
Software and other intangible assets	ANNEXURE 5	9,863	2,589
<b>Total</b>		<b>140,114</b>	<b>166,529</b>

52

**10. Cash and cash equivalents**

Consolidated Paymaster General Account	100	-
Cash on hand	88	2,772
Cash with commercial banks	88,320	68,433
Cash in transit	4,138	5,601
	<b>92,646</b>	<b>76,806</b>

The R33,431m reported on the face of the Cash flow Statement is after deducting the bank overdraft of R59,215m (R92,646-R59,215)

**Department of Foreign Affairs - Vote 3**  
**Notes to the Annual Financial Statements for the year ended 31 March 2005**

	2004/05	2003/04
	Note	R'000
<b>11. Other financial assets</b>		
<b>Description</b>		
<b>Current</b>		
	-	-
<b>Non-current</b>		
Theft & Losses	-	2,042
Disputed Claims	-	-
Logis	-	857
Telkom Control	-	4,341
Rate of Exchange	-	635
	-	7,875
	-	7,875

R10,911m is reclassified as Amount owing by other entities as it relates to amount disputed by Partner Departments. R4,341m has been settled. Logis and Rate of Exchange have been reclassified.

**12. Prepayments and advances**

<b>Description</b>		
Staff advances	-	-
Travel and subsistence	7,821	4,889
Prepayments	-	-
Advances paid to other entities	-	4,213
Claims recoverable	-	-
	<b>7,821</b>	<b>9,102</b>



**Department of Foreign Affairs - Vote 3**  
**Notes to the Annual Financial Statements for the year ended 31 March 2005**

**13. Receivables**

					2004/05	2003/04
					R'000	R'000
		Less than one year	One to three years	Older than three years	Total	Total
Amounts owing by other entities	ANNEXURE 6	162,229	6,084	36,555	204,868	216,572
Staff debtors	13.1	6,573	1,157	2,474	10,204	11,001
Other debtors	13.2	93,918	17,392	13,136	124,446	86,776
		<b>262,720</b>	<b>24,633</b>	<b>52,165</b>	<b>339,518</b>	<b>314,349</b>

Amounts of R40 million (2004: R50 million) included above may not be recoverable, but has not been written off in the Statement of financial performance. R10,911 million included above under "amounts owing by other entities" relates to claims under dispute. This amount was previously classified as non current assets. The R40 million for provisions for doubtful debt includes this amount. National Treasury will be approached for possible write off of amounts in dispute.

**13.1 Staff debtors**

(Group major categories, but list material items)

Departmental Debt account	2	2,410
Staff debtors	8,884	6,291
Claims recoverable	-	2,299
Persal Accounts	1,318	-
Dishonoured cheque	-	1
	<b>10,204</b>	<b>11,001</b>

**Department of Foreign Affairs - Vote 3**  
**Notes to the Annual Financial Statements for the year ended 31 March 2005**

	2004/05	2003/04
Note	R'000	R'000
<b>13.2 Other debtors</b>		
Nature of advances (Group major categories, but list material items)		
Detainees	145	26
Debtor Governments	10,000	20,826
Sundry debtors	13,177	1,228
Balance of the vote	-	-
Claims recoverable: Institutions	101,124	64,696
Advance to State Departments	-	-
Subsistence and Transport advances	-	-
	<b>124,446</b>	<b>86,776</b>

**14. Loans**

**Granted to**

Rental Deposits: Residences - Landlords	13,630	11,809
Rental Deposits: Offices - Landlords	19,102	21,716
Interest Free Motor Loans	1,958	1,161
Interest Free Loans: Other - Schools abroad	-	362
	34,690	35,047
Current portion of Long Term Loans	1,046	1,037
	<b>33,644</b>	<b>34,010</b>

The department pays rental deposit for both official residences and chancery abroad. This rental deposit is classified as loan because of its long term nature. Loans are also given to staff posted abroad to acquire own vehicles.

**15. Voted Funds to be surrendered to the Revenue Fund**

Opening balance	-142,966	73,098
Transfer from Statement of Financial Performance	193,724	-148,864
Received from National Revenue Fund	142,966	-
Paid during the year	-	-67,200
<b>Closing balance</b>	<b>193,724</b>	<b>-142,966</b>

**Department of Foreign Affairs - Vote 3**  
**Notes to the Annual Financial Statements for the year ended 31 March 2005**

	2004/05 R'000	2003/04 R'000
<b>16. Departmental revenue to be surrendered to revenue fund</b>		
Opening balance	40,091	4,868
Transfer from Statement of Financial Performance	37,376	49,737
Transfer from local and foreign aid assistance**	-	-
Paid during the year	-24,411	-14,514
<b>Closing balance</b>	<b>53,056</b>	<b>40,091</b>

The department paid over R24,411 million to the National Revenue fund out of the R37,376 million collected during the year. The R53,056 million is due to be paid over.

**17. Bank overdraft**

Paymaster General Account	59,215	358,789
	<b>59,215</b>	<b>358,789</b>

**18. Payables – current**  
**Description**

		30 Days	30+ Days	Total	Total
Amounts owing to other departments	ANNEXURE 7	87,812	-	87,812	34,775
Advances received	18.1	62,789	-	62,789	95,711
Other payables	18.2	2,525	-	2,525	31,320
		<b>153,126</b>	-	<b>153,126</b>	<b>161,806</b>



## Department of Foreign Affairs - Vote 3

### Notes to the Annual Financial Statements for the year ended 31 March 2005

	2004/05 R'000	2003/04 R'000
<b>18.1 Advances received</b>		
Office of Public Service Commission	-	265
Post & Telecommunication	-	278
Labour	5,737	26,981
Trade & Industry	9,624	5,321
Mineral & Energy Affairs	1	146
Transport	-	5,009
Health	20,689	16,226
Public Works	-	19,497
Housing	-	650
Justice	-	911
Agriculture	139	1,084
Welfare & Population Development	-	30
Art, Culture, Science & Technology	387	7,516
Inland Revenue	510	510
South African Police Service	-1,679	-
South African Defence Force	-822	-
Others	-1,517	-
South African Communication Service	-1,296	-
North West Province	154	-
Western Cape Province	2	-
Advance received from state institution	30,860	11,287
	<b>62,789</b>	<b>95,711</b>

#### 18.2 Other payables

Description

(Identify major categories, but list material amounts)

FCS Reconciliation Account	-	11,582
Persal Accounts	1,499	237
Disallowances	-	15,422
Balance of vote	-	-
Other receipts payables	1,026	4,079
	<b>2,525</b>	<b>31,320</b>

**Department of Foreign Affairs - Vote 3**  
**Notes to the Annual Financial Statements for the year ended 31 March 2005**

The FCS reconciliation account which relates to foreign exchange gain has been reconciled and written on to Statement of Financial Performance in the current financial year (refer to Accounting Officer's report note number 9). The disallowances against mission has also been reconciled and is reported as part of receivables in the current financial year.

**19. Payables – Non-current**

Description					2004/05	2003/04
					R'000	R'000
		One to two years	Two to three years	More than three years	Total	Total
Other payables	19.1	-	-	-	-	9,238
		-	-	-	-	9,238

**19.1 Other payables**

Description			
African Renaissance Fund		-	9,238
		-	-
		-	9,238

**Department of Foreign Affairs - Vote 3**  
**Notes to the Annual Financial Statements for the year ended 31 March 2005**

<b>20 Reconciliation of net cash flow from operating activities to surplus/(deficit)</b>	Note	<b>2004/05 R'000</b>
Net surplus/(deficit) as per Statement of Financial Performance		231,100
Non-cash movements		
(Increase)/decrease in receivables – current		-25,169
(Increase)/decrease in prepayments and advances		1,281
Increase/(decrease) in payables – current		-8,680
Increase/(decrease) in current liabilities		142,902
Increase/(decrease) in non-current liabilities		-9,238
Surrenders		-24,411
Proceeds from sale of equipment		-843
Capital expenditure		140,114
<b>Net cash flow generated by operating activities</b>		<b>447,056</b>

**21. Appropriated funds and departmental revenue surrendered**

		<b>2004/05 R'000</b>	<b>2003/04 R'000</b>
Appropriated funds surrendered	15	-142,966	355,642
Departmental revenue surrendered	16	24,411	14,514
		<b>-118,555</b>	<b>370,156</b>



**Department of Foreign Affairs - Vote 3**  
**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.

		2004/05	2003/04
	Note	R'000	R'000
<b>22. Contingent liabilities</b>			
<b>Liable to</b>	<b>Nature</b>		
Motor vehicle guarantees	Employees	ANNEXURE 2 528	292
Housing loan guarantees	Employees	ANNEXURE 2 3,241	3,627
Other guarantees		ANNEXURE 2 329,877	358,152
Claims		ANNEXURE 3 3,047	1,237
Capped Leave Commitments		56,418	54,984
		<b>393,111</b>	<b>418,292</b>

The R192,117,000 that was previously reported as other guarantees was understated, as some projects were not taken into account. The correct figure after taking into account all the projects guaranteed by the department is R358,152,000.

**23. Commitments**

**Current expenditure**

Approved and contracted	45,690	-
Approved but not yet contracted	-	-
	<u>45,690</u>	<u>-</u>

**Capital expenditure**

Approved and contracted	48,603	-
Approved but not yet contracted	-	54,049
	<u>48,603</u>	<u>54,049</u>
<b>Total Commitments</b>	<b>94,293</b>	<b>54,049</b>

**Department of Foreign Affairs - Vote 3**  
**Disclosure notes to the Annual Financial Statements for the year**  
**ended 31 March 2005**

**24. Accruals**

			2004/05	2003/04
			R'000	R'000
<b>By economic classification</b>	<b>30 Days</b>	<b>30+ Days</b>	<b>Total</b>	<b>Total</b>
Compensation of employees	-	35	35	-
Goods and services	-	3,340	3,340	1,662
Machinery and Equipment	-	8	8	130
Land and subsoil assets	-	-	-	-
			<b>3,383</b>	<b>1,792</b>
Listed by programme level				
Programme 1: Administration			276	1,372
Programme 2: Foreign Relations			3,041	301
Programme 3: Public Diplomacy and Protocol			66	119
			<b>3,383</b>	<b>1,792</b>

**25. Employee benefits**

Leave entitlement	11,615	4,948
Thirteenth cheque	10,836	9,331
Performance awards	5,350	4,263
	<b>27,801</b>	<b>18,542</b>

**26. Leases**

**26.1 Operating leases**

	<b>Buildings &amp; other fixed structures</b>	<b>Machinery and equipment</b>	<b>Total</b>	<b>Total</b>
Type of financial institution				
Not later than 1 year	259,832	3,544	263,376	221,743
Later than 1 year and not later than 3 years	314,420	3,448	317,868	193,200
Later than three years	158,255	908	159,163	124,559
<b>Total present value of lease liabilities</b>	<b>732,507</b>	<b>7,900</b>	<b>740,407</b>	<b>539,502</b>

**Department of Foreign Affairs - Vote 3**  
**Disclosure notes to the Annual Financial Statements for the year**  
**ended 31 March 2005**

	Buildings & other fixed structures	Machinery and equipment	2004/05 R'000 Total	2003/04 R'000 Total
<b>26.2 Finance leases</b>				
Type of financial institution				
Not later than 1 year	-	-	-	-
Later than 1 year and not later than 3 years	-	-	-	-
Later than three years	-	-	-	-
	-	-	-	-
Future finance charges	-	-	-	-
Present value of lease liabilities	-	-	-	-
<b>Total present value of lease liabilities</b>	<b>732,507</b>	<b>7,900</b>	<b>740,407</b>	<b>539,502</b>
<b>27. Irregular expenditure</b>				
<b>27.1 Reconciliation of irregular expenditure</b>				
Opening Balance			-	-
Irregular expenditure – current year			-	-
Transferred to Statement of Financial Performance - authorised losses (Condoned)			-	-
Transfers to receivables for recovery (Not condoned)			-	-
Irregular expenditure awaiting condonement			-	-
Analysis				
Current			-	-
Prior years			-	-
			-	-
<b>27.2 Irregular expenditure Incident</b>				
<b>Disciplinary steps taken/criminal proceedings</b>			-	-

**Department of Foreign Affairs - Vote 3**  
**Disclosure notes to the Annual Financial Statements for the year**  
**ended 31 March 2005**

**28. 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.

	<b>2004/05</b>	<b>2003/04</b>
	<b>R'000</b>	<b>R'000</b>
- The Minister, Deputy Ministers, Director-General	2,934	2,566
- Deputy Director Generals	6,920	5,661
	<u><b>9,854</b></u>	<u><b>8,227</b></u>



**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year ended 31 March 2005**

<b>ANNEXURE 1A</b>											
<b>STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES</b>											
<b>NAME OF MUNICIPALITY</b>	<b>GRANT ALLOCATION</b>				<b>TRANSFER</b>			<b>SPENT</b>			<b>2003/04</b>
	<b>Division of Revenue Act</b>	<b>Roll Overs</b>	<b>Adjustments</b>	<b>Total Available</b>	<b>Actual Transfer</b>	<b>% of Available Funds Transferred</b>	<b>Amount received by municipality</b>	<b>Amount spent by municipality</b>	<b>% of available funds spent by municipality</b>	<b>Division of Revenue Act</b>	<b>R'000</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>R'000</b>
Tshwane municipality	-	-	-	-	15,678	0.0%	-	-	0.0%	-	-
	-	-	-	-	<b>15,678</b>	<b>0.0%</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>-</b>



**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year ended 31 March 2005**

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
Departmental agencies	94	-	-	94	5	5.3%	-
	<b>94</b>	<b>-</b>	<b>-</b>	<b>94</b>	<b>5</b>	<b>5.3%</b>	<b>-</b>

**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year ended 31 March 2005**

<b>ANNEXURE 1C</b>											
<b>STATEMENT OF TRANSFERS TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES</b>											
(NAME OF PUBLIC CORPORATION/ PRIVATE ENTERPRISE)	TRANSFER ALLOCATION					EXPENDITURE					2003/04
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Capital	Current			Total Available
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000			R'000
Public Corporations	-	-	-	-	-	0.0%	-	-			-
Transfers	-	-	-	-	8,329	0.0%	-	-			-
<b>Subtotal</b>	-	-	-	-	<b>8,329</b>	<b>0.0%</b>	-	-			-
Subsidies	-	-	-	-	-	0.0%	-	-			-
<b>Subtotal</b>	-	-	-	-	-	-	-	-			-
<b>Total</b>	-	-	-	-	<b>8,329</b>	<b>0.0%</b>	-	-			-
Private Enterprises	-	-	-	-	-	0.0%	-	-			-
Transfers	-	-	-	-	-	0.0%	-	-			-
<b>Subtotal</b>	-	-	-	-	-	-	-	-			-
Subsidies	-	-	-	-	-	0.0%	-	-			-
<b>Subtotal</b>	-	-	-	-	-	-	-	-			-
<b>Total</b>	-	-	-	-	-	-	-	-			-
<b>TOTAL</b>	-	-	-	-	<b>8,329</b>	<b>0.0%</b>	-	-			-

**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year ended 31 March 2005**

ANNEXURE 1D STATEMENT OF TRANSFERS/SUBSIDIES TO FOREIGN GOVERNMENT AND INTERNATIONAL ORGANISATIONS	TRANSFER ALLOCATION				EXPENDITURE			2003/04
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Final Appropriation Act	
	R'000	R'000	R'000	R'000	R'000	%	R'000	
Transfers								
African Caribbean & Pacific	2,161	-	-	2,161	1,838	85.1%	2,088	
Commonwealth	7,000	-	-	7,000	5,078	72.5%	7,000	
GLOC	2,400	-	-	2,400	3,367	140.3%	2,400	
AU Membership Fees	30,000	-	-	30,000	31,374	104.6%	14,500	
South Centre	1,000	-	-	1,000	1,007	100.7%	1,000	
UN Human Rights	300	-	-	300	96	32.0%	300	
UNDP	950	-	-	950	950	100.0%	950	
OIRARC	120	-	-	120	86	71.7%	65	
PGTF	50	-	-	50	49	98.0%	50	
CTBT	3,120	-	-	3,120	2,396	76.8%	1,777	
SADC Membership	15,221	-	-	15,221	25,764	169.3%	8,620	
NEPAD	70,500	-	-	70,500	70,500	100.0%	25,000	
Intern Seabed Authority	286	-	-	286	164	57.3%	286	
Humanitarian Aid	28,525	-	-	28,525	34,707	121.7%	10,000	
UN Membership fees	76,000	-	-	76,000	44,107	58.0%	76,000	
Africa Renaissance Fund	50,000	-	-	50,000	50,000	100.0%	50,000	
UNDP Rentals	9,000	-	-	9,000	4,352	48.4%	4,400	
G77 TCBC	100	-	-	100	-	0.0%	100	
BTWC	414	-	-	414	-	0.0%	414	

**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year ended 31 March 2005**

UNCLOS	500	-	-	500	-	0.0%	500
UN Econ Comm	200	-	-	200	-	0.0%	200
Permanent Court of Arbitration	115	-	-	115	-	0.0%	-
OIOR Research Centre	120	-	-	120	-	0.0%	120
Intern Tribunal Law of the Sea	458	-	-	458	-	0.0%	458
UNICEF	200	-	-	200	-	0.0%	200
UN Technical Coop	100	-	-	100	-	0.0%	100
Asia-African Legal Consultative Organisation (AALCO)	120	-	-	120	89	74.2%	120
BIE	25	-	-	25	-	0.0%	25
World Food Programme	-	-	-	-	-	0.0%	100,000
<b>Total</b>	<b>298,985</b>	<b>-</b>	<b>-</b>	<b>298,985</b>	<b>275,924</b>		<b>306,673</b>
<b>Total</b>	<b>298,985</b>	<b>-</b>	<b>-</b>	<b>298,985</b>	<b>275,924</b>		<b>306,673</b>

**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year ended 31 March 2005**

<b>ANNEXURE 1E</b>									
<b>STATEMENT OF TRANSFERS/SUBSIDIES TO HOUSEHOLDS</b>									
<b>NON PROFIT ORGANISATION</b>	<b>TRANSFER ALLOCATION</b>					<b>EXPENDITURE</b>			<b>2003/04</b>
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Transferred %	Final Appropriation Act R'000		
<b>Transfers</b>									
Household	-	-	-	-	11,752	0.0%			-
<b>Subsidies</b>	-	-	-	-	-	0.0%			-
<b>Total</b>	-	-	-	-	<b>11,752</b>				-

**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year ended 31 March 2005**

<b>ANNEXURE 1F</b>			
<b>STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED FOR THE YEAR ENDED 31 MARCH 2005</b>			
<b>NAME OF ORGANISATION</b>	<b>NATURE OF GIFT, DONATION OR SPONSORSHIP</b>	<b>2004/05</b>	<b>2003/04</b>
		<b>R'000</b>	<b>R'000</b>
<b>Received in cash</b>			
SA conference 2003 London	Cash	-	177
Gaberone		-	2
Sao Paulo		-	4
PetroSA	Cash	416	-
<b>Subtotal</b>		<b>416</b>	<b>183</b>
<b>Received in kind</b>			
Several countries	Different- as per 03/04	-	326
Algiers	Wooden costers	-	-
Athens	Liquor & stationery left overs after NOCSA olympic games	1	-
Bamako	Leather Bottle holders, wall clock, Diaries	37	-
Bern	Freedom day celebration	927	-
Brussels	Freedom day celebration	460	-
Doha	2 return tickets	30	-
Kigali	Toyotal land Cruiser, Sculpture, wall hanging, baskets	240	-
Los Angeles	Function in honour of SA's first Oscar Nomination	226	-
Manila	Heritage Day function	48	-
Maseru	Suit hanger, tie, A4 Diary	-	-
Maputo	10th Anniversary celebrations - seats	454	-
Milan	Freedom day celebration	95	-
Munich	Freedom day celebration	43	-

ANNEXURE 1F (Continued)			
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	2003/04
		R'000	R'000
Muscat	Three inaugural tickets economy class	23	-
Nairobi	Oil painting of Zulu chief in gold frame	6	-
New Delhi	Hugh Masekela concert	130	-
Paris	Painting by SA artists	3	-
Santiago	Embassy's children's art competition	13	-
Stockholm	Celebrations of ten year democracy	600	-
Tehran	Crockery set, sony Ericson,leather brief case	116	-
Warsaw	Freedom day celebration	123	-
Washington	Freedom day celebration	1,266	-
Windhoek	Freedom day celebration	38	-
Los Angeles	Function in honour of SA's first Oscar Nomination	226	-
Los Angeles	Function in honour of SA's first Oscar Nomination	226	-
Manila	Heritage Day function	48	-
<b>Subtotal</b>		<b>5,379</b>	<b>326</b>
		<b>5,795</b>	<b>509</b>
- Group major categories but list material items including name of the organisation			
- Totals do not form part of the totals as on the face of the Statement of Financial Performance			

<b>ANNEXURE 1F (continued)</b>			
<b>STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED FOR THE YEAR ENDED 31 MARCH 2004</b>			
<b>NAME OF ORGANISATION</b>	<b>NATURE OF GIFT, DONATION OR SPONSORSHIP</b>	<b>2004/05</b>	<b>2003/04</b>
		<b>R'000</b>	<b>R'000</b>
<b>Received in cash</b>			
Donations received - SA Conference 2003 London		-	177
Donations received - Gaborone		-	2
Donation received - SaoPaulo		-	4
<b>Subtotal</b>		-	<b>183</b>
<b>Received in kind</b>			
Uniglobe Travel & Tours Tanzania, Pretoria Hotels, Air Tanzania, SAA, Royal Palm Hotel, Sea Cliff Hotel, Holiday Inn, Oysterbay Grill,	Jazz concert - 2 nights holiday, return ticket, artist return ticket, hotel accommodation, dinner	-	71
SAB, Countrywide Wine & Spirit Distr Ltd, KWV International, Protea Hotel	Beverages and wine	-	23
Just Refrigeration Products	2 metre sliding top freezer	-	5
Grupo Dragados & Acerinox	SA Culinary Week	-	120
Mr Robert Grybowski SAA Rep	10th Anniversary celebrations - seats	-	1
RISA Charitable Trust	Hotel Accommodation and meals	-	2
Rutgers State University of New Jersey	Honararium	-	2
National Liberty Museum	Honararium	-	2
SA & Cathay Pacific South African Tourism	Airtickets	-	100
<b>Subtotal</b>		-	<b>326</b>
<b>Total</b>		-	<b>509</b>
- Group major categories but list material items including name of the organisation			
- Totals do not form part of the totals as on the face of the Statement of Financial Performance			



**Department of Foreign Affairs - Vote 3  
Annexures to the Annual Financial Statements for the year ended 31 March 2005**

<b>ANNEXURE 2 STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2005 - LOCAL</b>									
Guarantor institution	Guarantee in respect of	Original Guaranteed capital amount	Opening Balance 01/04/2004	Guarantees issued during the year	Guarantees Released during the year	Guaranteed interest outstanding as at 31 March 2005	Closing Balance 31/03/2005	Realised losses i.r.o. claims paid out	
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Motor Vehicles</b>									
Stannic	Motor Finance	292	292	565	329	-	528	-	-
		<b>292</b>	<b>292</b>	<b>565</b>	<b>329</b>	<b>-</b>	<b>528</b>	<b>-</b>	<b>-</b>
<b>Housing</b>									
Standard Bank	Housing loans	504	540	-	57	-	483	-	-
Nedbank Ltd.	Housing loans	378	378	8	-	-	386	-	-
Firstrand Bank: FNB	Housing loans	399	546	18	124	-	440	-	-
ABSA Bank	Housing loans	690	673	18	69	-	622	-	-
Fedility Bank	Housing loans	46	-	-	-	-	0	-	-
BOE Bank (NBS Division)	Housing loans	464	474	64	14	-	524	-	-
FNB/Saambou Bank	Housing loans	898	667	-	115	-	552	-	-
Peoples/ Permanent Bank	Housing loans	259	63	124	-	-	187	-	-
Old Mutual	Housing loans	23	259	-	239	-	20	-	-
VBS	Housing loans	-	23	-	-	-	23	-	-
Hlano Fin Services	Housing loans	4	4	-	-	-	4	-	-
		<b>3,665</b>	<b>3,627</b>	<b>232</b>	<b>618</b>	<b>-</b>	<b>3,241</b>	<b>-</b>	<b>-</b>

**ANNEXURE 2 (Continued)**  
**STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2005 - LOCAL**

Guarantor institution	Guarantee in respect of	Original Guaranteed capital amount	Opening Balance 01/04/2004	Guarantees issued during the year	Guarantees Released during the year	Guaranteed interest outstanding as at 31 March 2005	Closing Balance 31/03/2005	Realised losses i.r.o. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
South African Development Bank	Lesotho Highlands Development Authority for the northern access road project IHT 02021	54,045	28,492	-	6,937	2,626	24,181	-
South African Development Bank	Lesotho Highlands Development Authority for the northern access road project IHT 02022	154,279	89,834	-	16,528	6,506	79,812	-
South African Development Bank	Lesotho Highlands Development Authority Au- thority Katze Bridge Project IHT 02023	2,385	1,081	-	324	116	873	-
South African Development Bank	Loan granted to Lesotho Highlands Development Authority for northern access road project IHT 01 678	24,805	10,293	-	4,390	2,406	8,309	-

South African Development Bank	Loan granted to Lesotho Highlands Development Authority for Lesotho infrastructure (construction northern access road project) IHT 02 485	41,600	25,425	-	5,028	2,192	22,589	-
South African Development Bank	Loan granted to Lesotho Highlands Authority for Katze-town programme (project 1) IHC 02 024	21,393	16,849	-	4,605	2,953	15,197	-
South African Development Bank	Loan granted to Lesotho Highlands Development Authority for Advanced infrastructure. Upgrading of boarder-post facilities Maputo and Caledonspoort IHT 02 270/2	7,530	5,133	-	1,025	506	4,614	-

**ANNEXURE 2 (Continued)**  
**STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2005 - LOCAL**

Guarantor institution	Guarantee in respect of	Original Guaranteed capital amount	Opening Balance 01/04/2004	Guarantees issued during the year	Guarantees Released during the year	Guaranteed interest outstanding as at 31 March 2005	Closing Balance 31/03/2005	Realised losses i.r.o. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
South African Development Bank	Loan granted to Lesotho Highlands Development Authority for advanced infrastructure. Upgrading of current roads. IHT 02 214/2	29,059	15,010	-	3,941	1,282	12,351	-
South African Development Bank	Loan granted to Lesotho Highlands Development Authority for communication system IHK 02 653	1,546	-	-	-	-	-	-
South African Development Bank	Loan granted to Lesotho Highlands Development Authority for Phase 1B Feeder Roads Loan 201 Lhwp	929	929	-	8	-	921	-

South African Development Bank	Loan granted to Lesotho Highlands Development Authority for Phase 1B Feeder Roads Loan 201 - Tranche 1	3,552	3,552	-	39	-	3,513	-
South African Development Bank	Loan granted to Lesotho Highlands Development Authority for Phase 1B Feeder Roads Loan 301 - Tranche 2	47,249	47,249	-	-	-	47,249	-
South African Development Bank	Loan granted to Lesotho Highlands Development Authority for Phase 1B Feeder Roads Loan 302 - Tranche 3	27,030	27,030	-	-	-	27,030	-
South African Development Bank	Loan granted to Lesotho Highlands Development Authority for Phase 1B Feeder Roads Loan 303 - Tranche 4	2,466	2,466	-	-	-	2,466	-

**ANNEXURE 2 (Continued)**  
**STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2005 - LOCAL**

Guarantor institution	Guarantee in respect of	Original	Opening	Guarantees	Guarantees	Guaranteed	Closing	Realised
		Guaranteed capital amount	Balance 01/04/2004	issued during the year	Released during the year	interest out-standing as at 31 March 2005	Balance 31/03/2005	losses i.r.o. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
South African Development Bank	Loan granted to Lesotho High-lands Development Authority for Phase 1B Feeder Roads Loan 304 - Tranche 5	38,773	38,773	-	-	-	38,773	-
South African Development Bank	Loan granted to Lesotho High-lands Development Authority for Muel Rein-statement And Enhancement Project Loan 201	1,800	2,676	-	965	905	2,616	-
South African Development Bank	Loan granted to Lesotho High-lands Development Authority for Muel High-dropower Programme Loan 103 Lhwyp	43,200	25,484	-	9,123	7,980	24,341	-

South African Development Bank	Loan granted to Lesotho Highlands Development Authority for Muel High-drawpower Programme Loan 103 Lhwp	6,835	3,366	-	2,022	397	1,741	-
South African Development Bank	Loan granted to Lesotho Highlands Development Authority for Buthe-Buthe Village Programme Loan 102 Buthe-Buthe 1	14,415	12,244	-	3,516	2,432	11,160	-
South African Development Bank	Loan granted to Lesotho Highlands Development Authority for Lhwp Rdp Construction Comm-Loan 101	2,320	2,266	-	519	394	2,141	-
<b>Total</b>		<b>525,211</b>	<b>358,152</b>	<b>-</b>	<b>58,970</b>	<b>30,695</b>	<b>329,877</b>	<b>-</b>
		<b>529,168</b>	<b>362,071</b>	<b>797</b>	<b>59,917</b>	<b>30,695</b>	<b>333,646</b>	<b>-</b>

### Annexure 3

#### Claims

#### Liability to

	2004/05 R'000	2003/04 R'000
Catlin v Minister of Foreign Affairs	280	280
Vespa - Munich, Germany v Republic of South Africa	12	-
De Souza - Brasilia, Brazil v Republic of South Africa	55	-
Gangat v Minister of Foreign Affairs	2,500	-
Madencilik Metal Ticaret Anonm Sirket (Istanbul) v Government of South Africa	200	200
Smit v Minister of Foreign Affairs	-	75
De'eb v Minister of Foreign Affairs	-	252
Jaquest v Minister of Foreign Affairs (Land court)	-	30
Rajoo v Department of Foreign Affairs	-	400
	<b>3,047</b>	<b>1,237</b>



**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year**  
**ended 31 March 2005**

**ANNEXURE 4**  
**PHYSICAL 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
<b>BUILDINGS AND OTHER FIXED STRUCTURES</b>	-	<b>27,296</b>	-	-	-	-
Dwellings	-	-	-	-	-	-
Non-residential buildings	-	27,296	-	-	-	-
Investment properties	-	-	-	-	-	-
Other structures (Infrastructure assets)	-	-	-	-	-	-
Capital work in progress	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-
<b>MACHINERY AND EQUIPMENT</b>	-	<b>102,955</b>	-	-	-	-
Computer equipment	-	20,290	-	-	-	-
Furniture and office equipment	-	54,708	-	-	-	-
Other machinery and equipment	-	13,174	-	-	-	-
Specialised military assets	-	-	-	-	-	-
Transport assets	-	14,783	-	-	-	-
<b>BIOLOGICAL OR CULTIVATED ASSETS</b>	-	-	-	-	-	-

**ANNEXURE 4****PHYSICAL ASSET MOVEMENT SCHEDULE AS AT 31 MARCH 2005**

	<b>Opening Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers in</b>	<b>Transfers Out</b>	<b>Closing Balance</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>

**LAND AND SUBSOIL****ASSETS**

Land	-	-	-	-	-	-
Mineral and other non regenerative assets	-	-	-	-	-	-
	-	<b>130,251</b>	-	-	-	-

**BUILDINGS AND OTHER  
FIXED STRUCTURES**

Dwellings	-	-	-	-	-	-
Non-residential buildings	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Other structures (Infra-structure assets)	-	7,561	-	-	-	-
Capital work in progress	-	65,189	-	-	-	-
Heritage assets	-	-	-	-	-	-
	-	<b>72,750</b>	-	-	-	-

**MACHINERY AND  
EQUIPMENT**

Computer equipment	-	9,357	-	-	-	-
Furniture and office equipment	-	16,490	-	-	-	-
Other machinery and equipment	-	53,473	-	-	-	-
Specialised military assets	-	-	-	-	-	-
Transport assets	-	11,870	-	-	-	-
	-	<b>91,190</b>	-	-	-	-

**BIOLOGICAL OR CULTIVATED ASSETS**

-	-	-	-	-	-
---	---	---	---	---	---

**LAND AND SUBSOIL ASSETS**

Land  
Mineral and other non regenerative assets

-	-	-	-	-	-
-	-	-	-	-	-

---

-	<b>163,940</b>	-	-	-	-
---	----------------	---	---	---	---

---



**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year**  
**ended 31 March 2005**

**ANNEXURE 5**  
**SOFTWARE AND OTHER INTANGIBLE ASSET MOVEMENT SCHEDULE AS AT 31 MARCH 2005**

	<b>Opening Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers In</b>	<b>Transfers Out</b>	<b>Closing Balance</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Patents, Copyrights, brand names &amp; trademarks</b>	-	-	-	-	-	-
<b>Computer software</b>	-	9,863	-	-	-	-
<b>Mastheads and publishing titles</b>	-	-	-	-	-	-
<b>Recipes, formulas, prototypes, designs and models</b>	-	-	-	-	-	-
<b>Service and operating rights</b>	-	-	-	-	-	-
Airport landing rights	-	-	-	-	-	-
Import/export licences	-	-	-	-	-	-
Fishing Quotas	-	-	-	-	-	-
Utility rights	-	-	-	-	-	-
Mineral extraction rights	-	-	-	-	-	-
<b>Capitalised development costs</b>	-	-	-	-	-	-
	-	<b>9,863</b>	-	-	-	-

**ANNEXURE 5 (continued)**

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

	<b>Opening Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers In</b>	<b>Transfers Out</b>	<b>Closing Balance</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Patents, Copyrights, brand names &amp; trademarks</b>	-	-	-	-	-	-
<b>Computer software</b>	-	2,589	-	-	-	-
<b>Mastheads and publishing titles</b>	-	-	-	-	-	-
<b>Recipes, formulas, prototypes, designs and models</b>	-	-	-	-	-	-
<b>Service and operating rights</b>	-	-	-	-	-	-
Airport landing rights	-	-	-	-	-	-
Import/export licences	-	-	-	-	-	-
Fishing Quotas	-	-	-	-	-	-
Utility rights	-	-	-	-	-	-
Mineral extraction rights	-	-	-	-	-	-
<b>Capitalised development costs</b>	-	-	-	-	-	-
	-	<b>2,589</b>	-	-	-	-



**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year**  
**ended 31 March 2005**

**ANNEXURE 6**  
**INTER-GOVERNMENTAL 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
<b>Department</b>				
Eastern Cape	-	-	1,168	1,072
Northern Cape	-	-	427	469
Free State	-	-	1,185	613
Limpopo	-	-	3,129	2,617
Mpumalanga	-	-	830	965
North West	-	-	192	1,403
Kwazulu Natal	-	-	1,518	1,091
Gauteng	-	43	3,849	3,896
Western Cape	64	-	2,478	772
Art, Culture	-	-	2,901	6,440
Science & Technology	327	-	2,703	3,597
Welfare	-	406	1,264	30
Agriculture	-	-	6,011	5,002
National Prosecution Authority	-	-	6	190
Justice	-	-	2,825	1,807
Public Service Administration	74	186	1,240	643
Housing	-	583	-176	102
Public Service Comm	-	-	214	179
Environmental Affairs	-	-	-1,360	1,062
Public Works	-	2,422	-1,680	42,464
Health	7,447	-	8,500	31,107
Office of the President	-	-	8,357	6,182
Transport	-	-	1,703	5,582
Minerals and Energy	984	590	1,911	1,071
Office for the Public Enterprises	-	-	-226	-
Trade & Industry	22,844	18,778	4,624	5,679
Water Affairs and Forestry	-	-	1,567	1,234
Home Affairs	-	-	-	-
Labour	-	21,833	4,197	-

**ANNEXURE 6 (Continued)**  
**INTER-GOVERNMENTAL 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
Land Affairs	3	-	22	98
National Treasury	-	-	262	257
Finance	-	-	3,790	3,880
Finance Pension	3,864	2,764	4,886	507
Post & Telecommunication	116	-	1,379	1,637
Sport & Recreation	120	-	594	186
South African Comm. Service	-	-	82	84
South African Revenue Service	-	-	3,175	1,211
Police	-	-	18,888	13,466
Education	46	-	-189	85
National Defence Force (combined with a/c "A")	-	-	26,057	11,126
Provincial and Local Affairs	-	-	158	5
Government Printer	-	101	101	-
Central Statistical Services	-	-	3	3
Correctional Services	-	-	152	142
Unsettled claims	-	-	10,910	10,910
Departmental Interface	-	-	-861	-
	<b>35,889</b>	<b>47,706</b>	<b>128,766</b>	<b>168,866</b>
<b>Other Government Entities</b>				
African Renaissance and International co-operation Fund	40,213	-	-	-
	<b>40,213</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>76,102</b>	<b>47,706</b>	<b>128,766</b>	<b>168,866</b>

The unconfirmed balance above includes R63 million which represents documents/claims that were still not received by the partner departments due to difficulties experienced with geographical spread of the Department. In addition, some Departments made advance payments to the Department of Foreign Affairs to the value of R32 million. These amounts have not been utilised to "offset" the debt owing and have been reported as account payable under note 18.1.

**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year**  
**ended 31 March 2005**

**ANNEXURE 7**  
**INTER-DEPARTMENTAL PAYABLES- CURRENT**

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
<b>Department</b>				
<b>Amounts included in Statement of financial position</b>				
<b>Current</b>				
National Departments	-	-	-	33,799
Mpumalanga	-	-	-	158
Western Cape	-	-	-	45
Eastern Cape	-	-	-	14
Free State	-	-	-	1
North West	-	-	-	1
Limpopo	-	-	-	46
Department of Finance	-	-	-	673
South African Revenue Service	-	-	-	38
Home Affairs	-	-	87,812	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>87,812</b>	<b>34,775</b>



**ANNEXURE A  
AFRICAN RENAISSANCE AND  
INTERNATIONAL CO-OPERATION FUND**

**Annual Financial Statements for the year ended 31 March 2005**



	<b>Page</b>
Management report and approval	<b>03 - 09</b>
Report of the Auditor-General	<b>10 - 12</b>
Statement of accounting policies and related matters	<b>13 -14</b>
Income statement	<b>15</b>
Balance sheet	<b>16</b>
Statement of changes in net assets/equity	<b>17</b>
Cash flow statement	<b>18</b>
Notes to the annual financial statements	<b>19 - 21</b>
Statement of Local and Foreign assistance paid - Annexure 1	<b>22</b>
Statement of Loans - Annexure 2	<b>23 - 24</b>
Statement of Local and Foreign assistance receivables - Annexure 3	<b>25</b>
Statement of Local and Foreign assistance payables - Annexure 4	<b>26</b>



# AFRICAN RENAISSANCE AND INTERNATIONAL CO-OPERATION FUND

## REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2005

Report by the Accounting Officer to the executive authority and Parliament of the Republic of South Africa.

### 1. INTRODUCTION

The African Renaissance and International Co-operation Fund (hereafter referred to as the fund) was established in terms of section 2(1) of the African Renaissance and International Co-operation Fund Act, 2000 (Act No. 51 of 2000) and is under the control of the Director-General: Foreign Affairs (DG). The current act replaced the former Economic Co-operation Promotion Loan Fund Act, 1968 (Act No. 68 of 1968) that was repealed on 22 January 2001. The report covers the activities of the fund during the 2004/2005 financial year in terms of the objectives and goals of the act.

### 2. PURPOSE OF THE FUND

The purpose of the fund is to promote economic co-operation between the Republic of South Africa and other countries by granting loans or rendering of other financial assistance in respect of development projects in such countries. Therefore, the fund will enable the South African government to identify and fund, in a proactive way:

- co-operation between the Republic of South Africa and other countries, in particular African countries;
- promotion of democracy and good governance;
- prevention and resolution of conflict;
- the socio-economic development and integration;
- humanitarian assistance; and
- human resource development.

Loans or other financial assistance are granted in accordance with an agreement entered into by the country in question and the Minister of Foreign Affairs (hereafter referred to as the minister). Assistance granted is subject to such terms and conditions as may be agreed upon by that country and the minister, acting in each case in consultation with the Minister of Finance.

An Advisory Committee has been established to manage the fund and to also make recommendations to the Minister and the Minister of Finance on the disbursement of funds through loans or other financial assistance. The Advisory Committee consists of the following members:

- the director-general or the delegate of the director-general.
- three officers of the department appointed by the minister.
- two officers of the department of finance appointed by the Minister of Finance.

### 3. GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

#### 3.1 Income

In terms of the act, the fund amongst other sources consists of money appropriated by Par-

liament for the fund. During the year, under review, a transfer payment of R50 million was effected by the Department of Foreign Affairs to the fund.

The interest received from investments relates to the amount deposited with the Corporation for Public Deposits in the South African Reserve Bank. The decrease in interest earned as compared to the last financial year is due to the decrease in the repo rate as determined by South African Reserve Bank.

### 3.1 Expenditure

During the year under review, an amount of approximately R54 million was utilised to fund the following projects:

#### (a) **Institution and Capacity building project for Southern Sudan (DFA-SPLM/A-UNISA) – R7, 1 million**

The peace negotiations between the Government of Sudan (GoS) and the people of Southern Sudan represented by the Sudanese People's Liberation Movement/Army (SPLM/A), mediated by the Intergovernmental Authority on Development (IGAD) are still continuing. The GoS and the SPLM/A on 26 May 2004 signed a further three protocols on:

- power-sharing in national government during the transition period;
- the administration of the Abyei disputed area; and
- the administration of the Nuba Mountains and the Southern Blue Nile disputed regions.

The signing of these three key protocols, as well as the Machakos Protocol (20 July 2002), the protocols on Wealth Sharing (7 January 2004) and Security Arrangements (25 September 2003) brings the parties significantly closer to ending Africa's longest running civil war.

The overall objective is to assist in providing the necessary skills to the Southern Sudan leadership that will be responsible for governing and service delivery. This will enable the SPLM/A leadership to participate equitably in the Transitional National Government of the Sudan during the six-year transition period, which in turn, will contribute positively to the process of post-conflict reconstruction of the Sudan.

The project is to provide training in areas of governance, financial management, public administration, diplomacy and international relations, as well as telecommunications and information systems.

The project will also assist in equipping the SPLM/A cadre with the necessary skills for governing and delivering of basic social services to the people of South Sudan as provided for by the Machakos Protocol of July 2002. The training will serve to lay foundation for the work to be carried out by the African Union (AU) Committee on Post-Conflict Reconstruction of Sudan, chaired by South Africa.

The parties to the project agreed that theoretical training for capacity and institutional building would take place in South Sudan as well as in Kenya, while practical training will be provided in South Africa. It was further agreed that University of South Africa (UNISA) will co-ordi-

nate the aspect of the theoretical training. The facilitators will be drawn from UNISA and other South African institutions. The South African government and UNISA are jointly funding the project.

This project supports South Africa's commitment to the African Renaissance and the creation of a better world for all. It is also in line with the vision of the AU to promote peace, security and stability on the continent as a key for the implementation of the development and integration agenda of the AU. The success of the project will not only benefit the people of Sudan, but the Horn of Africa region and the entire African Continent.

**(b) South African Women in Dialogue  
– R3,5 million**

South African Women in Dialogue (SAWID), is a South African women's organisation founded by the first lady, Mrs Zanele Mbeki. Its main goal is to define and promote development initiatives by women in the country and abroad, through visioning and acting together. SAWID held dialogues for Burundian and Congolese women in 2003 and 2004, respectively. Due to the success of the dialogues held, SAWID has been requested to hold similar dialogues for the women in the Somali conflict, Great Lakes Region, Cote d'Ivoire and Sudan. To co-ordinate and account for the funds, SAWID set up the Isigodlo Trust.

The purpose of the dialogues is to:

- Exchange strategies regarding South African women's integration within their own political party formations;
- Share experiences across the political

spectrum about how South African women achieved a common women's agenda during the democratisation process leading to the elections of 1994, such as the Women's Coalition and Women's Charter;

- Outline processes that were followed to ensure that South African women were included in key decision-making state institutions; and
- To highlight the dividend of peace for women's development.

**(c) Pre-election Public Administration Support Programme for the Democratic Republic of Congo (DRC) – R 3.5 million**

Over the past several years South Africa has been one of the leading regional and global partners actively facilitating and supporting the peace process in the DRC. During August 2004 the president visited the DRC with the aim of strengthening ties between the respective countries and to concretise the specific areas of South Africa's support to the Congolese stabilisation efforts. The outcome of the state visit was the generation of an action plan that would support the establishment of an environment for the envisaged democratic elections in June 2005 and that would provide a smooth period of transition. The plan included three strategic areas:

- Stabilisation;
- Building confidence in the state; and
- Developing a governance framework.

The Ministers of Public Services of the DRC and South Africa met on 30 September 2004 and agreed that attention should be given to two specific areas that warranted immediate attention, namely:

- Establishing the size of the current DRC public service by conducting a census of personnel and establishing a personnel database; and
- Developing an anti-corruption framework for the DRC public service and strengthening anti-corruption initiatives.

The purpose of this project was to address some of the critical challenges that faced the DRC public sector:

- The non-availability of reliable database of personnel and salary information;
- Lack of framework or system to monitor the movement of public sector officials and to control personnel;
- Lack of policies and procedures to govern the promotion and appointment of public sector officials and the management of the relevant benefits and pension funds; and
- The general absence of a basic administration systems.

#### **(d) The Zimbabwe Observer Parliamentary Elections – R5 million**

At the Southern African Development Community (SADC) Ministerial Troika meeting held in July 2004 in South Africa, the SADC Member States agreed to observe each others' elections. This principle was further strengthened by the adoption of the SADC Principles and Guidelines governing the conduct of democratic election by Heads of States and Government.

South Africa as both the chair of the SADC Organ on Politics, Defence and Security Co-operation and a Member State of SADC had to play a leading role in assisting Zimbabwe to secure a peaceful, free and fair election process.

The objective of the project was to contribute towards the creation of a conducive environment for free and fair elections in Zimbabwe and to ensure that the election outcomes are both successful and legitimate.

#### **(e) Burundi Project – R10 million**

The Arusha Peace and Reconciliation Agreement for Burundi that resulted in cease-fire agreements and subsequent Pretoria Agreements was reached through many consultations and compromises by the Burundi role-players. South Africa is committed to the social and economic post-reconstruction and development of Burundi in terms of the objectives of the African Union blueprint for eradicating poverty on the continent New Partnership for Africa's Development (NEPAD).

The transitional government of Burundi, political parties, armed movements and civil societies engaged in peace-building and national reconciliation. The region, AU and international community are playing a critical role in ensuring a successful political settlement and establishment of democratic institutions in Burundi. After a prolonged negotiation and consultation, a National Independent Electoral Commission (NIEC) was established to manage the elections and a draft post-transitional constitution for the referendum was adopted. The Summit of the Great Lakes Regional Peace Initiative on Burundi held in Nairobi, on 15 October 2004 endorsed the electoral calendar proposing election dates at all levels.

South Africa is committed to the facilitation of the entire peace process and supports elections

at all levels, hence funding specific operational areas. This project would assist the NIEC to organise free, fair, transparent and credible elections. The realisation of successful elections would contribute towards the consolidation of the peace process and sustainable democracy in Burundi. The project on the Women for Peace Dialogue was a resounding success.

The project covers the entire peace process to the future of post-conflict reconstruction and development for Burundi. The focus would be on capacity-building, institutional transformation, management training, human resource development and agricultural development.

#### **(f) Post-Conflict Reconstruction and Development (DRC) – R25 million**

South Africa's efforts to assist the DRC on its road to peace culminated in the signing in Pretoria of the Global and All- Inclusive Agreement between the belligerents in December 2002 and the endorsement thereof at the final session of the Inter-Congolese Dialogue at Sun City in April 2003. In terms of this agreement, the parties involved committed, among others, to the establishment of a representative transitional government and the holding of elections by June 2005.

The transitional government was established in May 2003 and five institutions in support of democracy: The Independent Electoral Commission, Higher Media Authority, The Commission for Truth and Reconciliation, The Commission for Ethics and Struggle against Corruption, and The National Observatory for Human Rights, were officially established on 28 August 2003. In

May 2004, President Joseph Kabila announced his roadmap of actions to be taken by the transitional government to take the country to elections.

During the state visit to the DRC in August 2004, all the role-players emphasised the continued support of South Africa, particularly during the transitional period leading up to the elections. The constitution was launched in Kinshasa on 16 May 2005 and paved the way for the adoption of an electoral law.

In order to assess South Africa's assistance to the DRC, various government departments and institutions were deployed in the country to finalise material needs on the ground and proposals have been developed. The overall objective of the project is capacitate the DRC government and agencies on issues of governance and the establishment of institutions with a view to promote integration, peace and stability, thereby creating an atmosphere conducive to the holding of elections and post-conflict reconstruction and development. South Africa has pledged the amount of R25 million to kick-start the work as proposed by the government departments and institutions.

### **3.3 Loans**

During the year under review, no loans were issued (Annexure 2). As reported, during the last financial year, the conversion of non-recoverable loans to grants is still being reviewed, since the Minister in consultation with the Minister of Finance has in terms of the Act, the prerogative to convert loans to grants. Therefore, during the period under review, no loans were written off

and / or converted to grants. However, based on payment history a decision has been taken that provision for impairment be made for the loans that are considered irrecoverable. This provision for impairment is estimated at R43,886 million which is the 90% of installments in arrears. The fund is applying the provisions of AC 133 for the first time and this impairment has been disclosed in the annual financial statements in the following manner:

- (a) R12,983 million which relates to the current year provision for impairment was debited against the income statement.
- (b) R30,903 million which related to prior years was charged against accumulated profits.

### 3.4 Payables

Included in payables is the amount of R52 million, which relates to the amounts paid from the departmental funds whilst waiting for concurrence from the Minister of Finance. This is due to the lengthy process to be followed in obtaining concurrence from the Ministry of Finance. Therefore, due to the urgency of some of the projects, departmental funds were utilised to facilitate

the implementation of the projects. However, during the year under review, the department managed to receive the letters of concurrence with regard to grants paid.

Furthermore, as reported in the last financial year, payables include an amount of R30 million, which were paid for the Mali African Soccer Cup. Sports and Recreation South Africa, through a trust account, managed this project. The Minister of Finance was unable to issue a letter of concurrence for the expenditure incurred until the account was fully audited. The Office of the Auditor-General was mandated to carry such audit, which is not yet finalised.

### 4. Scopa Resolutions

The table below summarises the Standing Committee on Public Accounts (SCOPA) resolutions under implementation, as contained in SCOPA seventy-seventh report, 2003 on the report of the Auditor-General on the financial statements of the African Renaissance Fund and International Co-operation Fund for the year ended 31 March 2002 [RP206/2002]:

Reference to previous audit report and SCOPA resolutions	Subject	Findings in progress
The Committee recommends that the department submits a report to Parliament within 60 days after the tabling of this report in Parliament indicating the age analysis of the various loans, and the nature of the measures it has taken or intends taking to recover the instalments in arrears.	Long-term loans	The resolution is under implementation.  Please refer to paragraph 3.3 of the Accounting Officer's report.



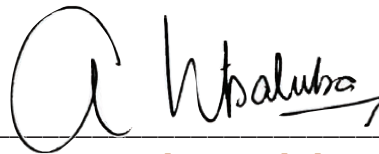
Apart from the above-mentioned, there have been no other SCOPA resolutions since the 2001-02 audit report.

The financial position of the African Renaissance and International Co-operation Fund as at 31 March 2005 and the results of its operations are set out in the attached annual financial statements:

- Income Statement
- Balance Sheet
- Statement of Changes in Equity

- Cash Flow Statement
- Notes to the Annual Financial Statements
- Annexures

The accounting officer has approved the above-mentioned financial statements.



---

**Dr Ayanda Ntsaluba**  
**Director-General:**  
**Department of Foreign Affairs**



## AFRICAN RENAISSANCE AND INTERNATIONAL CO-OPERATION FUND

### REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE AFRICAN RENAISSANCE AND INTERNATIONAL CO-OPERATION FUND FOR THE YEAR ENDED 31 MARCH 2005

#### 1. AUDIT ASSIGNMENT

The financial statements as set out on pages 13 to 26, for the year ended 31 March 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 6(1) of the African Renaissance and International Co-operation Fund Act, 2000 (Act No. 51 of 2000). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

#### 2. NATURE AND SCOPE

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

An audit includes:

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

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

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

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

#### 3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the African Renaissance and International Co-operation Fund at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999, as amended).

## 4. EMPHASIS OF MATTER

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

### 4.1 Payables – Department of Foreign Affairs

As reported in the previous year's audit report and noted in note 5 to the current year's financial statements, payables include an amount of R165 000 (2003-04: R5,165 million) in respect of transfer payments. These transfer payments include R84 000 (2003-04: R5,084 million) paid to the African Union Peace Fund for the Comoros elections and R81 000 (2003-04: R81 000) paid as South Africa's contribution to the Guinea elections.

These payments were not made in terms of section 5 of the African Renaissance and International Co-operation Fund Act, 2000, which requires, inter alia, regularisation by the advisory committee and the Minister of Finance. Based on my review of the minutes of the advisory committee meetings held during the year, it was noted that the minutes did not contain any approval for these payments. This situation stems from a lack of independent management reconciliations and monitoring of expenditure incurred on behalf of the African Renaissance and International Co-operation Fund (fund) and prompt follow-up of the letters of concurrence from the Minister of Finance.

During the year under review, the Department of Foreign Affairs (department) was successful in obtaining letters of concurrence from the

Minister of Finance for the bulk of the transfer payments, as reported in the previous year. This is commendable and the department planned further measures to improve the follow-up and monitoring of letters of concurrence.

### 4.2 Payables – twenty-third Africa Cup of Nations soccer tournament

As reported in the previous year's audit report, the payables as per note 5 to the financial statements include R29,9 million owing to the department. The department effected these payments on behalf of the fund to the Mali Trust Fund, which had been managed by Sports and Recreation South Africa, to enable the hosting of the twenty-third Africa Cup of Nations soccer tournament.

Contrary to section 5 of the African Renaissance and International Co-operation Fund Act, 2000, these payments were not regularised by the advisory committee and had been made without concurrence by the Minister of Finance. According to the department, the Minister of Finance is unable to issue a letter of concurrence for the expenditure incurred on behalf of the fund until the accounts of the Mali Trust Fund have been audited. The audit of the Mali Trust Fund has been completed and an audit report was due at the time of finalising this report.

### 4.3 Long-term loans

The fund inherited loans from the previous Economic Co-operation Promotion Loan Fund. As reported in the previous year's audit report, the instalments in arrears amounted to approxi-

mately R48,8 million or 72,1 per cent (2003-04: R44,1 million or 58,6 per cent) of the total amount outstanding for the period under review.

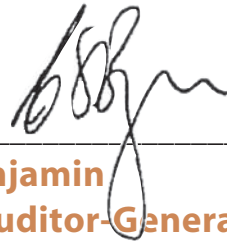
With the first time adoption of the accounting standard AC 133 Financial instruments: recognition and measurement, a provision for impairment was created since it seemed probable that the fund would not be able to collect all amounts due according to the contractual terms of the loans.

The provision for impairment amounted to R13 million and R30,9 million as a charge against in-

come and the opening balance of accumulated profit, respectively.

## 5. APPRECIATION

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



---

**C Benjamin**  
**for Auditor-General**

**31/07/2005**



AUDITOR-GENERAL

# **AFRICAN RENAISSANCE AND INTERNATIONAL CO-OPERATION FUND**

## **STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS for the year ended 31 March 2005**

### **1. Basis of accounting**

The financial statements have been, unless otherwise indicated, prepared in accordance with Statements of Generally Accepted Accounting Practice, which have been applied consistently in all material respects.

However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999) and the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the act.

### **2. Revenue**

Revenue from state contributions and interest from investments is accounted for on the accrual basis of accounting. Interest on loans is brought into account in the year in which it is capitalised or accrued. Interest on loans is calculated bi-annually in arrears on the balance outstanding, and where withdrawals were made during the period, from the date of each withdrawal. In accordance with international practice interest is calculated on the basis of a 360 day year, consisting of 12 months of 30 days

each. Interest is not charged on instalments in arrears.

### **3. Comparative figures**

The comparative figures shown in these financial statements are limited to the figures shown in the previous year's audited financial statements and such other comparative figures that the Department may reasonably have available for reporting in terms of the Public Finance Management Act.

### **4. Unauthorised, irregular, and fruitless and wasteful expenditure**

Unauthorised, irregular, and fruitless and wasteful expenditure is treated as a current asset in the balance sheet until such expenditure is recovered, authorised by Parliament, or set off against future voted funds.

### **5. Debts written off**

In terms of the current act "the Minister may, in consultation with the Minister of Finance and upon recommendation of the advisory committee, write off or convert any outstanding debts owed to the previous Economic Co-operation Promotions Loans Fund".

### **6. Financial Instruments**

The fund's principal financial assets are Cash and Cash Equivalents, Receivables and Long Term Loans granted to other countries. These financial assets are reported at fair value at year end as reduced by provision for impairment.



Financial liabilities are classified according to the substance of the agreement or arrangement entered into. The main financial liabilities of the fund are amounts due to the Department of Foreign Affairs for loans that are awaiting concurrence letters from the Minister of Finance, as well as amounts owed to outside parties in respect of projects approved in terms of the African Renaissance and International Co-operation Fund Act, 2000 (Act No. 51 of 2000)

## 7. Impairment of assets

The carrying amounts of the fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. In arriving at the recoverable amount management uses its judgement. The impairment loss is recognised in the Income statement whenever the carrying amount of an asset exceeds its estimated recoverable amount.

## African Renaissance and International Cooperation Fund Income Statement for the year ended 31 March 2005

		31/03/2005	31/03/2004
	Notes	R'000	R'000
Grants and transfers	1	50,000	50,000
Other income	4	19,733	31,649
		<b>69,733</b>	<b>81,649</b>
Financial transactions in assets and liabilities	5	(12,983)	-
Local and foreign aid assistance paid	3	(54,100)	(62,188)
Profit/(loss) from operations		<b>2,650</b>	<b>19,461</b>
Net profit for the year		<b>2,650</b>	<b>19,461</b>



## African Renaissance and International Cooperation Fund Balance Sheet for the year ended 31 March 2005

	Notes	31/03/2005 R'000	31/03/2004 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Loans	6	32,138	74,985
<b>Current assets</b>			
Trade and other receivables	7	6,670	6,670
Prepayments and advances	8	2,072	2,072
Local and foreign aid assistance receivable	2	-	54,950
Cash and cash equivalents	9	308,580	239,886
		317,322	303,578
<b>Total assets</b>		<b>349,460</b>	<b>378,563</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>	10	243,782	272,035
<b>Non-current liabilities</b>			
Local and foreign aid assistance payable	3	105,678	106,528
<b>Total equity and liabilities</b>		<b>349,460</b>	<b>378,563</b>



**African Renaissance and International Cooperation Fund**  
**Statement of Changes in Equity for the year ended 31 March 2005**

		31/03/2005	31/03/2004
	Notes	R'000	R'000
<b>Share Capital</b>			
<b>Accumulated profit/(loss)</b>			
Balance at 1 April as originally stated	10	272,035	252,574
Net profit for the year		2,650	19,461
Transfers		(30,903)	-
<b>Balance at 31 March</b>		<b>243,782</b>	<b>272,035</b>
<b>Total Equity</b>			
Balance at 1 April as originally stated		272,035	252,574
Net profit for the year		2,650	19,461
Transfers		(30,903)	-
<b>Balance at 31 March</b>		<b>243,782</b>	<b>272,035</b>



## African Renaissance and International Cooperation Fund Cash Flow Statement for the year ended 31 March 2005

	Notes	31/03/2005 R'000	31/03/2004 R'000
<b>Operating activities</b>			
<b>Cash generated from/(utilised in) operations</b>	11	68,694	(18,920)
Interest paid		-	-
Normal tax paid		-	-
<b>Net cash from/(used in) operating activities</b>		<b>68,694</b>	<b>(18,920)</b>
<b>Net cash from/(used in) investing activities</b>	12	-	2,017
<b>Net cash from/(used in) financing activities</b>		-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		68,694	(16,903)
<b>Cash and cash equivalents at the beginning of the year</b>	9	239,886	256,789
<b>Cash and cash equivalents at end of the year</b>		<b>308,580</b>	<b>239,886</b>

**African Renaissance and International Cooperation Fund**  
**Notes to the Annual Financial Statements for the year ended 31 March 2005**

Notes		31/03/2005	31/03/2004
		R'000	R'000
<b>1 Grants and transfers</b>			
National Departments		50,000	50,000
<b>Total</b>		<b>50,000</b>	<b>50,000</b>
<b>2 Local and foreign aid assistance</b>			
Local and foreign aid assistance receivable	Annexure 3	-	54,950
<b>Total</b>		<b>-</b>	<b>54,950</b>
<b>3 Local and foreign aid assistance</b>			
Local and foreign aid assistance paid	Annexure 1	54,100	62,188
<b>Non Current - Local and foreign aid assistance payable</b>	Annexure 4	<b>105,678</b>	<b>106,528</b>
<b>4 Other income</b>			
Refund - Inter-Congolese Dialogue		-	4,950
Refund - Mali Trust		-	1,020
Interest on Loans		1,039	991
Interest on Investments		18,694	24,688
<b>Total</b>		<b>19,733</b>	<b>31,649</b>
<b>5 Financial transactions in assets and liabilities</b>			
Impairment of financial assets		12,983	-
<b>6 Loans</b>			
Non Current Loans	Annexure 2	32,138	74,985
<b>7 Trade and other receivables</b>			
Other receivables		6,670	6,670
<b>8 Prepayments and Advances</b>			
Prepayments		2,072	2,072

**African Renaissance and International Cooperation Fund**  
**Notes to the Annual Financial Statements for the year ended 31 March 2005**

<b>Notes</b>	<b>31/03/2005</b>	<b>31/03/2004</b>
<b>9 Cash and cash equivalents</b>	<b>R'000</b>	<b>R'000</b>
Cash at bank	<b>308,580</b>	<b>239,886</b>
For the purposes of the cash flow statement:		
Cash and cash equivalents at the beginning of the year	<b>239,886</b>	<b>256,789</b>
<b>10 Capital and reserves</b>		
<b>Share Capital</b>		
<b>Accumulated profit/(loss)</b>		
Balance at 1 April as originally stated	272,035	252,574
Net profit for the year	2,650	19,461
Prior year effect impairment of financial assets	-30,903	-
<b>Balance at 31 March</b>	<b>243,782</b>	<b>272,035</b>
<b>Total Equity</b>		
Balance at 1 April as originally stated	272,035	252,574
Net profit for the year	2,650	19,461
Transfers	-30,903	-
<b>Balance at 31 March</b>	<b>243,782</b>	<b>272,035</b>
<b>11 Reconciliation of profit/(loss) before taxation to cash generated from/(utilised in) operations</b>		
Profit/(loss) before taxation	2,650	19,461
Provision for impairment of financial assets	12,983	-
Operating cash flows before working capital changes	15,633	19,461
Working capital changes	53,061	-38,381
Cash generated from operations	<b>68,694</b>	<b>-18,920</b>
<b>12 Net cash from/(used in) investing activities</b>		
Redemption of loan	-	2,017
<b>Cash from/(used in) investing activities</b>	<b>-</b>	<b>2,017</b>
<b>13 Net cash from/(used in) financing activities</b>		
<b>Net cash from/(used in) financing activities</b>	<b>-</b>	<b>-</b>

**African Renaissance and International Cooperation Fund**  
**Notes to the Annual Financial Statements for the year ended 31 March 2005**

	<b>31/03/2005</b>	<b>31/03/2004</b>
	<b>R'000</b>	<b>R'000</b>
Decrease in Net surplus	12,983	-

**Notes**

**14 First Time adoption of AC133**

The fund has adopted the accounting statement AC133 for the first time in 2004/05 financial year. This adoption has affected the valuation of Long-term loans from a book value with no provision for impairment to a fair value method in order to ensure fair presentation. The effect of the change was as follows:

**Restatement of opening Accumulated profit**

Decrease in accumulated profit	30,903	-
--------------------------------	--------	---



**African Renaissance and International Cooperation Fund  
Annexure to the Annual Financial Statements  
for the year ended 31 March 2005**

**Annexure 1 Statement of local and foreign aid assistance paid**

Name of Donor		Purpose	31/03/2005	31/03/2004
Foreign Aid paid			R'000	R'000
Grant	DFA/SPLM/UNISA		7,100	5,165
Grant	Burundi Peace Process		10,000	57,023
Grant	DRC Pre-election Public Support Programme		3,500	-
Grant	South African Woman in Dialogue		3,500	-
Grant	Zimbabwe Elections		5,000	-
Grant	DRC Post Conflict Reconstruction and Development		25,000	-
Total Foreign			54,100	62,188
<b>Total local and foreign aid assistance paid</b>			<b>54,100</b>	<b>62,188</b>

**African Renaissance and International Cooperation Fund**  
**Annexure to the Annual Financial Statements**  
**for the year ended 31 March 2005**

**Annexure 2**

**Statement of loans**

<b>Long term loans</b>	<b>31/03/2005</b>	<b>31/03/2004</b>
	<b>R'000</b>	<b>R'000</b>
<b>Granted to Comoros Islands</b>		
Opening Balance	33,559	33,028
Advances	542	531
Repayments	-	-
Less: Amount payable within Twelve months (Incl. in current assets)	-	-
<b>Closing balance</b>	<b>34,101</b>	<b>33,559</b>
<b>Granted to Gabon</b>		
Opening Balance	6,273	6,273
Advances	-	-
Repayments	-	-
Less: Amount payable within Twelve months (Incl. in current assets)	-	-
<b>Closing balance</b>	<b>6,273</b>	<b>6,273</b>
<b>Granted to Lesotho</b>		
Opening Balance	952	1,357
Advances	-	-
Repayments	-	-405
Less: Amount payable within Twelve months (Incl. in current assets)	-	-
<b>Closing balance</b>	<b>952</b>	<b>952</b>
<b>Granted to Mozambique</b>		
Opening Balance	8,369	8,369
Advances	-	-
Repayments	-	-
Less: Amount payable within Twelve months (Incl. in current assets)	-	-
<b>Closing balance</b>	<b>8,369</b>	<b>8,369</b>



**Annexure 2 (Continued)**

	31/03/2005 R'000	31/03/2004 R'000
<b>Granted to Malawi</b>		
Opening Balance	14,329	14,134
Advances	219	195
Repayments	-	-
Less: Amount payable within Twelve months (Incl. in current assets)	-	-
<b>Closing balance</b>	<b>14,548</b>	<b>14,329</b>
<b>Granted to Paruguay</b>		
Opening Balance	365	365
Advances	-	-
Repayments	-	-
Less: Amount payable within Twelve months (Incl. in current assets)	-	-
<b>Closing balance</b>	<b>365</b>	<b>365</b>
<b>Granted to Central Africa</b>		
Opening Balance	6,368	6,103
Advances	278	265
Repayments	-	-
Less: Amount payable within Twelve months (Incl. in current assets)	-	-
<b>Closing balance</b>	<b>6,646</b>	<b>6,368</b>
<b>Granted to Swaziland</b>		
Opening Balance	4,770	6,382
Advances	-	-
Repayments	-	-1,612
Less: Amount payable within Twelve months (Incl. in current assets)	-	-
<b>Closing balance</b>	<b>4,770</b>	<b>4,770</b>
<b>Total</b>	<b>76,024</b>	<b>74,985</b>
Less: Provisions for impairment	-43,886	-
<b>Total Long term loans</b>	<b>32,138</b>	<b>74,985</b>



**African Renaissance and International Cooperation Fund  
Annexure to the Annual Financial Statements  
for the year ended 31 March 2005**

**Annexure 3                      Statement of local and foreign aid assistance receivable**

	<b>Name of Donor</b>	<b>Purpose</b>	<b>31/03/2005</b>	<b>31/03/2004</b>
			<b>R'000</b>	<b>R'000</b>
Local aid receivable				
	Department of Foreign Affairs	Transfer	-	50,000
	Department of Foreign Affairs	Loan- Intercongolese Dialogue	-	4,950
<b>Total Local</b>			-	<b>54,950</b>
<b>Total local and foreign aid assistance receivable</b>			-	<b>54,950</b>



**African Renaissance and International Cooperation Fund  
Annexure to the Annual Financial Statements  
for the year ended 31 March 2005**

**Annexure 4 Statement of local and foreign aid assistance payable**

<b>Name of Donor</b>		<b>31/03/2005</b>	<b>31/03/2004</b>
		<b>R'000</b>	<b>R'000</b>
<b>Non Current</b>			
Local aid payable	Department of Foreign Affairs	51,882	101,363
	SA contribution to AU Peace Fund for the Comores	5,084	5,084
	SA contribution to Guinea Elections	81	81
	DFA/SPLM/UNISA	3,322	-
	Burundi Peace Process	8,943	-
	DRC Pre-election Public Support Programme	3,500	-
	South African Women in Dialogue	3,250	-
	Zimbabwe elections	4,616	-
	DRC Post Conflict Reconstruction and Development	25,000	-
<b>Total Local</b>		<b>105,678</b>	<b>106,528</b>
<b>Total local and foreign aid assistance payable</b>		<b>105,678</b>	<b>106,528</b>