

**WESTERN CAPE PROVINCE
DEPARTMENT OF FINANCE
VOTE 3**

**STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS
for the year ended 31 March 2002**

The financial statements have been, unless otherwise indicated, prepared in accordance with the following policies, 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), the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Act, and the Division of Revenue Act, Act 1 of 2001.

Basis of preparation

The financial statements have been prepared on the cash basis of accounting except where stated otherwise. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid. This basis of accounting measures financial results for a period as the difference between cash receipts and cash payments.

Revenue

Voted funds are the amounts appropriated to a department in accordance with the final budget known as the adjustment estimate. Interest received is recognised upon receipt of the funds, and no accrual is made for interest receivable from the last receipt date to the end of the reporting period. Unexpended voted funds are surrendered to the Provincial Revenue Fund.

Dividends received are recognised as revenue in the financial statements of the department, however, it is also recognised as an expense in the same year, as the dividends are paid over to the Provincial Revenue Fund.

Expenditure

Capital and current expenditure is recognised in the income statement when the payment is made. Interest paid is also recognised when paid and no accrual for interest is made between the payment date and the reporting date.

Unauthorised, irregular, and fruitless and wasteful expenditure

Unauthorised expenditure means:

- 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.

Unauthorised expenditure is treated as a current asset in the balance sheet until such expenditure is recovered from a third party, authorised by Provincial Parliament, or funded from future voted funds.

**WESTERN CAPE PROVINCE
DEPARTMENT OF FINANCE
VOTE 3**

**STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS
for the year ended 31 March 2002 (continued)**

Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of 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.

Irregular expenditure is treated as expenditure in the income statement until such expenditure is either not condoned by Provincial Treasury or the Western Cape Provincial Tender Board, at which point it is treated as a current asset until it is recovered from a third party.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is treated as a current asset in the balance sheet until such expenditure is recovered from a third party.

Debts written off

Debts are written off when identified as irrecoverable. No provision is made for irrecoverable amounts.

Assets

Physical assets (fixed assets, moveable assets and inventories) are written off in full when they are paid for and are accounted for as expenditure in the income statement.

Receivables

Receivables are not normally recognised under the cash basis of accounting. However, receivables included in the balance sheet arise from cash payments that are recoverable from another party.

Payables

Payables are not normally recognised under the cash basis of accounting. However, payables included in the balance sheet arise from cash receipts that are due to either the Provincial Revenue Fund or another party.

Provisions

Provisions are not normally recognised under the cash basis of accounting.

Lease commitments

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS
for the year ended 31 March 2002 (continued)

Lease commitments for the period remaining from the accounting date until the end of the lease contract are disclosed as a note to the financial statements. These commitments are not recognised in the balance sheet as a liability or as expenditure in the income statement as the financial statements are prepared on the cash basis of accounting.

Subsequent payments

Payments made after the accounting date that relates to goods and services received before or on the accounting date are disclosed as a note to the financial statements. These payments are not recognised in the balance sheet as a liability or as expenditure in the income statement as the financial statements are prepared on the cash basis of accounting.

Employee benefits

Short-term employee benefits

The cost of short-term employee benefits is expensed in the income statement in the reporting period that the payment is made. Short-term employee benefits, that give rise to a present legal or constructive obligation, are deferred until they can be reliably measured and then expensed. Details of these benefits and the potential liabilities are disclosed as a note to the financial statements and are not recognised in the income statement.

Termination benefits

Termination benefits are recognised and expensed only when the payment is made.

Retirement benefits

The department provides retirement benefits for 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 financial statements of the department. Any potential liabilities are disclosed in the financial statements of the Provincial Revenue Fund and not in the financial statements of the employer department.

Medical benefits

The department provides medical benefits for (certain/all) its employees through defined benefit plans. These benefits are funded by employer and/or employee contributions. Employer contributions to the fund are expensed when money is paid to the fund. No provision is made for medical benefits in the financial statements of the department.

Retirement medical benefits for retired members are expensed when the payment is made to the fund.

13.Capitalisation reserve

**WESTERN CAPE PROVINCE
DEPARTMENT OF FINANCE
VOTE 3**

**STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS
for the year ended 31 March 2002 (continued)**

The capitalisation reserve represents an amount equal to the value of the investments and/or loans capitalised, or deposits paid on behalf of employees of a foreign mission, for the first time in the previous financial year. On disposal, repayment or recovery, such amounts are transferable to the Provincial Revenue Fund.

Recoverable revenue

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

Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. 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.

WESTERN CAPE PROVINCE
DEPARTMENT OF FINANCE
VOTE 3

INCOME STATEMENT (STATEMENT OF FINANCIAL PERFORMANCE)
for the year ended 31 March 2002

	Note	2001/02 (R'000)	2000/01 (R'000)
REVENUE			
Voted funds			
- Conditional grants	1	1 666	3 000
- Own Revenue	2	112 791	29 410
- Equitable share		(52 220)	171 176
Non voted funds			
- Own Revenue	2	185 650	185 384
TOTAL REVENUE		<u>247 887^a</u>	<u>388 970</u>
EXPENDITURE			
Personnel	3	28 407	48 362
Administrative		3 528	4 710
Inventories		1 069	919
Equipment	4	1 433	39 791
Professional and special services	5	8 018	61 712
Transfer payments	6	6 000	5 300
Miscellaneous		-	195
Special functions: authorised losses	7	9	25
TOTAL EXPENDITURE		<u>48 464</u>	<u>160 989</u>
NET SURPLUS FOR THE YEAR		<u>199 423</u>	<u>227 981</u>
ANALYSIS OF NET SURPLUS FOR THE YEAR			
Voted funds to be surrendered to Revenue Fund			
- Gross funds to be surrendered	11	13 773	42 597
Revenue surrendered or to be surrendered to Revenue Fund	12	185 650	185 384
		<u>199 423</u>	<u>227 981</u>

^a The Information Technology (IT) function was transferred to Vote 1: Premier, Director-General and Corporate Services as from 1 April 2001.

WESTERN CAPE PROVINCE
DEPARTMENT OF FINANCE
VOTE 3

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
at 31 March 2002

	Note	2002 R'000	2001# R'000
ASSETS			
Current assets		18 886	-
Cash and cash equivalents	8	18 854	-
Receivables	9	9	-
Loans	10	23	-
Total assets		<u>18 886</u>	<u>-</u>
LIABILITIES			
Current liabilities		18 886	-
Voted funds to be surrendered	11	13 773	-
Revenue funds to be surrendered	12	18	-
Payables	13	5 095	-
Total liabilities		<u>18 886</u>	<u>-</u>
Total net assets/equity		<u>-</u>	<u>-</u>

No comparative figures for 2001 are available, since the paymaster-general account (bank account) was centrally held per FMS department code 70.

**WESTERN CAPE PROVINCE
DEPARTMENT OF FINANCE
VOTE 3**

**CASH FLOW STATEMENT
for the year ended 31 March 2002**

	Note	2001/02 R'000	2000/01# R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash flow generated by operating activities	14	313 528	-
Cash generated to decrease working capital	15	5 063	-
Voted funds and Revenue funds surrendered	16	(298 423)	-
Net cash flow available from operating activities		<u>20 168</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	4.1	(1 314)	-
		<u>(1 314)</u>	<u>-</u>
Cash and cash equivalents at end of period	8	<u>18 854</u>	<u>-</u>

No comparative figures for 2000/01 are available, since the paymaster-general account (bank account) was centrally held per FMS department code 70.

**WESTERN CAPE PROVINCE
DEPARTMENT OF FINANCE
VOTE 3**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2002**

1. Conditional grants

	Total Allocation R'000	Actual expenditure R'000	Variance over/(under) R'000
Received from National Treasury	1 666	1 666	-

2. Other receipts

Description	2001/02 R'000	2000/01 R'000
Bookmakers Tax	15 780	18 724
Totalisator Tax	9 015	9 009
Gambling	85 630	21 654
Licences: Bookmakers	481	481
Recoveries: Interest	45	80
Recoveries: Loan Debt Redemption	31	62
Interest: Bookmakers	36	-
Fines and Forfeitures	262	9
Casino Bid Fees	-	11 400
Stale Cheques	281	2 209
Administration Fees	44	166
Interest: First National Bank	184 830	149 722
Refunds: Previous Year	1 993	1 133
Cash Surplus / Unclaimed salaries	-	45
Other	13	100
	298 441	214 794

3. Personnel

	2001/02 R'000	2000/01 R'000
Basic salary costs	19 982	41 080
Pension contributions	2 715	2 317
Medical aid contributions	1 319	1 092
Other salary related costs	4 391	3 873
	28 407	48 362
Average number of employees	215	324

4. Equipment

	2001/02 R'000	2000/01 R'000
Current (Rentals, maintenance and sundry)	119	156
Capital	1 314	39 635
	1 433	39 791

Note

4.1

**WESTERN CAPE PROVINCE
DEPARTMENT OF FINANCE
VOTE 3**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2002 (continued)**

4.1 Capital equipment analysed as follows:

	2001/02 R'000	2000/01 R'000
Computer equipment	990	39 222
Furniture and office equipment	324	413
	<u>1 314</u>	<u>39 635</u>

5. Professional and special services

	Current expenditure R'000	Capital expenditure R'000	2001/02 R'000	2000/01 R'000
Auditors' remuneration	1 533	-	1 533	1 328
Contractors	2 349	-	2 349	5 220
Consultants and advisory services	3 746	-	3 746	2 730
Commissions and committees	244	-	244	214
Computer services	-	-	-	50 661
Other	146	-	146	1 559
	<u>8 018</u>	<u>-</u>	<u>8 018</u>	<u>61 712</u>

6. Transfer payments

	Current expenditure R'000	Capital expenditure R'000	2001/02 R'000	2000/01 R'000
Transfer to Western Cape Gambling and Racing Board	6 000	-	6 000	5 300

7. Special functions: Authorised losses

	Note	2001/02 R'000	2000/01 R'000
Other material losses written off	7.1	<u>9</u>	<u>25</u>

7.1 Other material losses written off in income statement in current period

Nature of losses	Current expenditure R'000	Capital expenditure R'000	2001/02 R'000	2000/01 R'000
Write off: GG accident	6	-	6	1
Fraud Warrant vouchers	-	-	-	17
Lost and damaged cellphones	-	-	-	6
Write off: Repairs to hired vehicle	2	-	2	-
Departmental Debt	-	-	-	1
Write off: Damage to GG vehicle	1	-	1	-
	<u>9</u>	<u>-</u>	<u>9</u>	<u>25</u>