

**Provincial Government
Western Cape**

**ANNUAL
CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended 31 March 2004**



Provincial Treasury

APOLOGY

We fully acknowledge the Province's language policy and endeavour to implement it. However, it has been our experience that only the English version of the document is in demand. Consequently, the document is only available in English.

VERSKONING

Ons gee volle erkening aan die Provinsie se taalbeleid en streef daarna om dit toe te pas. Praktyk het egter geleer dat slegs die Engelse weergawe van die document in aanvraag is. Die document is gevolglik slegs in Engels beskikbaar.

ISINGXENGXEZO

Siyawuqonda umgapo-nkqubo weelwimi wePhondo kwaye siyazama akukuwufesekisa. Kambe ke into esiye sayiqwalasela yeyokuba lulwimi lwesiNgesi ekufuneka lusetyenzisiwe kolu xwebhu. Ngoko ke olu xwebhu lufumaneka ngesiNgesi kuphela.

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WESTERN CAPE PROVINCE

DEPARTMENTS

PUBLIC ENTITIES AND TRADING ENTITIES

Annual consolidated financial statements

For the year ended 31 March 2004

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WESTERN CAPE PROVINCE

DEPARTMENTS

PUBLIC ENTITIES AND TRADING ENTITIES

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 MARCH 2004

Management Report prepared by the Provincial Treasury

WESTERN CAPE PROVINCE

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 MARCH 2004

MANAGEMENT REPORT BY THE PROVINCIAL TREASURY

Legal and prescriptive framework

Section 19(1) of the Public Finance Management Act, 1999 (Act 1 of 1999 as amended) (PFMA) requires provincial treasuries to prepare consolidated annual financial statements, in accordance with Generally Recognised Accounting Practice (GRAP). Due to the delay of the implementation of this section, consolidated annual financial statements have for the first time been prepared in respect of the 2003/04 financial year as per the prescribed templates, formats and guidelines provided by the National Treasury.

The guidelines provided for these statements to be submitted for auditing on 15 August 2004, and not on 30 June as required in terms of the PFMA, thus affording the Province the opportunity to compile consolidated annual financial statements based on audited annual financial statements of departments, public entities and trading entities. The annual financial statements of departments and the Provincial Revenue Fund (PRF) have been consolidated in accordance with the National Treasury guidelines, as both these statements are prepared in terms of GRAP. The PFMA, however, does not prescribe time frames for the compilation and auditing of the PRF statements.

Similarly, the annual financial statements of public entities and trade accounts (trading entities) have been consolidated, as these are prepared in terms of Generally Accepted Accounting Practice (GAAP).

The guidelines required that a consolidated cash flow statement of the consolidated annual financial statements of departments and public entities and trading entities be compiled. This consolidation was not compiled due to it not being possible to consolidate information accounted for in terms of GAAP (accrual) and GRAP (cash) principles without consolidating the balance sheets and income statements based on the same accounting principles.

Where uniform accounting policies were not used in the preparation of the annual financial statements, these items have been disclosed separately in the relevant annual consolidated financial statements.

General comments

National Treasury developed guidelines and templates for the consolidation process in consultation with provincial treasuries. Subsequently consolidated annual financial statements were submitted to the Auditor-General on

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15 August 2004. The magnitude, complexity and relevant uncertainties pertaining to the compilation of the statements, resulted in ongoing discussions with the Auditor-General and to a lesser extent with the National Treasury. Amendments were made to the statements during the auditing process. Although the consolidation process required the inclusion of the Provincial Revenue Fund (PRF) statement information, such statements were not audited at the time of the initial submission of the annual consolidated financial statements on 15 August 2004.

The MEC responsible for financial matters, in terms of section 19(5) of the PFMA submitted to the Provincial Parliament on 30 November 2004, an explanation for the delay in tabling the annual consolidated financial statements.

The Auditor-General and the Provincial Treasury agreed that:

- the annual financial statements of the Provincial Revenue Fund would be audited for the purpose of consolidation.
- due to certain shortcomings in the guidelines and templates, and technical problems encountered with the consolidation, changes were made to the initial consolidation submitted on 15 August 2004, and
- the statements should be re-submitted.

Provincial departments and Provincial Revenue Fund (GRAP)

The annual financial statements of thirteen provincial departments, the Provincial Parliament and the Provincial Revenue Fund were consolidated.

The provincial departments are listed below:

- Provincial Administration Western Cape
- Provincial Treasury
- Community Safety
- Education
- Health
- Social Services and Poverty Alleviation
- Housing
- Environmental Affairs and Development Planning
- Transport and Public Works
- Agriculture

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- Local Government
- Economic Development and Tourism
- Cultural Affairs and Sport

Consolidations were prepared in respect of the following:

- Statement of Accounting Policies and related matters
- Appropriation statement
- Notes to the appropriation statement
- Balance sheet (statement of financial position)
- Income statement (statement of financial performance)
- Statement of Change in net assets
- Cash flow statement
- Notes to the annual financial statements
- Disclosure notes to the annual financial statements

The annual consolidated financial statements in respect of provincial departments have been prepared in terms of the modified cash basis of accounting.

Public Entities and Trading Entities

Public Entities and other GAAP based statements were consolidated. The consolidation is in respect of nine provincial public entities, inclusive of one provincial government enterprise (PGE), three trade accounts (trading entities) as well as the Provincial Housing Development Fund. These are listed below:

Public Entities:

- Western Cape Gambling Board
- Western Cape Nature Conservation Board
- Provincial Development Council
- Western Cape Tourism Board
- Western Cape Cultural Commission

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MANAGEMENT REPORT BY THE PROVINCIAL TREASURY

- Western Cape Language Committee
- Western Cape Investment and Trade Promotion Agency (WESGRO)
- Western Cape Heritage Foundation
- Cape Agency for Sustainable Development and Rural Areas (CASIDRA (Pty) Ltd) (PGE)

Trade accounts (trading entities):

- Government Motor Transport
- Cape Medical Depot
- Karl Bremer Hospital

Consolidations were prepared in respect of the following:

- Balance sheet (statement of financial position)
- Income statement (statement of financial performance)
- Statement of Changes in Equity
- Cash flow statement
- Notes to the annual financial statements
- Disclosure notes to the Annual Financial Statements

The annual financial statements of public entities have been consolidated, as these are prepared in terms of Generally Accepted Accounting Practice (GAAP). The Province was informed by the National Treasury that the so-called "Trading Accounts" should also comply with gaap and be consolidated with the public entities. The nationally provided templates for the consolidation of the annual financial statements in respect of departments as well as public entities did not fully provide for transactions of provincial government business enterprises and trade accounts (trading entities). These "trade accounts" did not fully comply with gaap principles. Since the PFMA does not provide for "trade accounts" these should preferably migrate to trading entities and fully comply with GAAP. The Auditor-General qualified the annual financial statements of the "trade accounts" for non-compliance with GAAP. These annual financial statements have nonetheless been consolidated into the annual consolidated financial statements for GAAP entities, and where necessary, notes have been added to improve reporting.

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MANAGEMENT REPORT BY THE PROVINCIAL TREASURY

The Western Cape Province has one provincial government business enterprise, which is listed under the name Casidra (Pty) Ltd in Schedule 3, part D of the PFMA. Its annual financial statements have been prepared in terms of GAAP, since it is by definition also a public entity and as such included in the consolidated financial statements.

The annual financial statements for the Western Cape Housing Development Fund were consolidated into the annual consolidated financial statements for public entities, since it is prepared in terms of GAAP. It was de-listed as a public entity with effect from 1 August 2002, but the Board has not yet been abolished. The Auditor-General could not express an opinion on its annual financial statements due to the significant nature of its findings, hence the Audit Report for 2003/04 was qualified with a disclaimer.

Financial results

Total revenue received by the Province increased from R14,602,192 million in the 2002/03 financial year, to R16,745,454 million in 2003/04. This represents an increase of 14.7%. During the same period total expenditure increased by 12.5% from R14,542,959 million to R16,366,880 million. The consolidated surplus for 2002/03 amounted to R52,976 million and increased to R421,870 million in 2003/04. Surplus funds are available for re-appropriation during subsequent financial years.

Public entities and trade accounts (trading entities) realized a net loss of R37,984 million during the 2002/03 financial year and a net loss of R90,699 million for 2003/04. This is mainly due to losses incurred by the Western Cape Housing Development Fund.

Conclusion

In conclusion, being the first consolidation of its kind it was a learning experience for the Provincial Treasury team. These experiences need to be taken forward in an effort to smooth the process of consolidation within the set time limits.

DR JC STEGMANN
HEAD OFFICIAL: PROVINCIAL TREASURY
DATE: 18 February 2005



A U D I T O R - G E N E R A L

**REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL PARLIAMENT
OF THE WESTERN CAPE ON THE CONSOLIDATED FINANCIAL
INFORMATION OF THE PROVINCIAL DEPARTMENTS OF THE WESTERN
CAPE PROVINCE FOR THE YEAR ENDED 31 MARCH 2004**

1. AUDIT ASSIGNMENT

The consolidated financial information as set out on pages 19 to 48, for the year ended 31 March 2004, 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), Auditor-General Directive No. 1 of 2005 and section 19(2) of the Public Finance Management Act, 1999. The consolidated financial information, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the Provincial Treasury. My responsibility is to express an opinion on the consolidated financial information, 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 information is free of material misstatement.

An audit includes:

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

However, due to the unique nature of the consolidation process followed, the scope of the audit was limited to the consolidation format as prescribed by national treasury.

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

3. QUALIFICATION

3.1 Accounts receivable

Accounts receivable is understated by a net amount of R139,8 million and uncertainty exists with regard to the recoverability of debtors amounting to R132,4 million, as a result of the matters enumerated below.

3.1.1 Department of Health

(a) Staff debt

The new debtors system is unable to generate a debtor's age analysis report. Uncertainty therefore exists with regard to the recoverability of debtors amounting to R11,1 million.

The following control weaknesses further contributed to the uncertainty expressed above:

- (i) reconciliations between the debtors' balances recorded on the debtors system and the debtors' records were not performed; and
- (ii) the system cannot classify the category of debtors thereby impeding the effective control and monitoring of staff debtor balances.

(b) Employee benefits: Leave entitlement

The leave entitlement balances in respect of current and previous cycles, amounting to R26,9 million and R19,4 million respectively, were not disclosed in the applicable note to the financial statements.

The leave entitlement balance amounting to R255,4 million is therefore understated by R46,3 million.

Furthermore, the following control weaknesses relating to the administration of leave were identified, which also affect the disclosed balance of R255,4 million:

- (i) leave taken by officials at various hospitals/institutions was recorded in the attendance registers, but not captured on PERSAL;
- (ii) a PERSAL exception report indicated that:

- 11 510 leave forms were recorded more than 365 days after the leave was actually taken,
 - leave was recorded after the relevant officials had resigned; and
- (iii) differences were identified between the capped leave credits recorded on PERSAL and that reflected on a PERSAL report generated as at 31 March 2004 (sample error rate of 66%).

(c) Receivables for services delivered: Hospital fees

- (i) Debtors' balances recorded on the Hospital Information System (HIS) for the two academic hospitals (estimated at R75,9 million) as well as the debtors' balances for Red Cross and Victoria hospitals, which could not be provided for audit purposes, have not been disclosed in notes to the financial statements as the system is unable to provide adequate management reports, debtors age analysis and the cumulative opening debtors' balance from prior financial years.

Consequently receivables for services delivered: hospital fees, amounting to R82,6 million, is understated by approximately R75,9 million.

Furthermore the hospital fee debt balances in respect of Alexandra Hospital, which have not been submitted for audit purposes, have also not been included in the receivables for service delivered: hospital fee balance.

- (ii) No disclosure of the possible irrecoverable portion of debt balances was made in the notes to the financial statements. An analysis of the debtors ageing report for hospitals/institutions utilising Delta 9 and HFS, however, revealed that approximately R28,3 million represents debtor balances in excess of 365 days.

3.1.2 Department of Social Services and Poverty Alleviation

Overpayments of social grants

During the financial year overpayments in respect of social grants amounting to R17,2 million in 5 774 cases (R17,2 million in 7 344 cases at 31 March 2003), were made. This had not yet been recovered or written off at 31 March 2004. In addition, R8,9 million (3 883 cases), in respect of social grants debt, had been written off during the year under review.

During the audit of social security grants, further overpayments amounting to R0,4 million (45 cases) were identified. These errors, identified on a sample basis, translate into potential additional overpayments, which cannot be quantified.

Due to the nature of the circumstances of the beneficiaries and the inadequate system controls of SOCPEN, doubt exists regarding the existence, completeness, and recoverability of outstanding amounts. Receivables in the balance sheet may, therefore, be overstated by an undetermined amount.

3.1.3 Department of Education

Doubt exists with regard to the existence, completeness and recoverability of debtors amounting to R93 million, due to the following:

- (a) Numerous cases were found where there were inconsistencies with the debt take-on date.
- (b) The debtors age analysis revealed that debt amounting to R59,7 million (95%) had been outstanding for a period greater than two years, of which 78% related to bursary debt.
- (c) Numerous cases were found where inadequate follow-up was performed on debt cases by both the bursary administration and debtors' sections.
- (d) Inconsistencies arose with the reflection of some of the debtors' balances on the debtors systems. Mostly, the system reflects the debtors' balance as capital plus interest. Cases were, however, found where the balance only reflects the capital amount. Due to the quantum of transactions involved, audit was not in a position to quantify the possible understatement of debtors on the financial statements.
- (e) Inspection of files revealed that there was insufficient documentation on the files to prove the existence of debtors.

3.2 Statement of changes in net assets/equity

A statement of changes in net assets/equity was not included with the financial statements of the Provincial Revenue Fund and the Department of Health. Consequently the consolidated statement of changes in net assets/equity reflects the situation exclusive of these two entities' balances. The reasons for the non-submission of the statements of changes in net assets/equity was due to the Provincial Revenue Fund's inability to reconcile the opening balance of reserves of R1,6 billion and the Department of Health's inability to extract the relevant information with regard to recoverable revenue relating to employees.

3.3 Inter-departmental transactions

National treasury guidelines states that only balance sheet items should be eliminated on consolidation. Because of this the inter-departmental underlying transactions have not been eliminated. As these transactions were not disclosed by the departments, the effect on the consolidated financial information could not be determined. Furthermore, the inter-departmental receivables and payables do not agree. The assumption was therefore made that the receivables are correct and because of this the eliminating transaction only took the receivables into account.

4. AUDIT OPINION

In my opinion, except for the effect on the consolidated financial information of the matters referred to in paragraph 3, the consolidated financial information fairly presents, in all material respects, the financial position of the Western Cape provincial departments at 31 March 2004, and the results of its operations and cash flows for the year then ended, in accordance with generally recognised accounting practice and in the manner required by the Public Finance Management Act, 1999.

5. EMPHASIS OF MATTER

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

5.1 Late submission

Section 19 of the PFMA requires consolidated financial statements to be submitted to the Auditor-General for auditing within three months after the end of the financial year. The consolidated financial information could, however, only be prepared once the audits of the individual departments and entities had been finalised. Consequently, national treasury issued a guideline postponing the submission date to 15 August 2004 for the 2003-04 financial year. The consolidated financial information that was submitted by the provincial treasury on 15 August 2004 contained numerous errors, omissions and incorrect disclosures and consequently revised consolidated financial information was only resubmitted for audit purposes on 18 February 2005.

5.2 Significant matters in individual audit reports

5.2.1 Transversal matters

I refer you to the annexure to this report for a complete description of the departments represented by the vote numbers referred to after each matter. For more detail on each of the matters, I refer you to my report to the Provincial Parliament of the Western Cape on the financial statements of the individual departments for the year ended 31 March 2004.

- (a) Internal audits were not performed at four departments for the financial year under review (votes 1, 5, 6 and 7). At three departments only one internal audit assignment was performed at the department during the financial year under review, which focussed on the adequacy of certain policies and systems (votes 4, 8 and 12). A three-year strategic internal audit plan had not been compiled as required by the treasury regulations at one department (vote 3).
- (b) The PERSAL system at two departments did not have adequate controls over the segregation of duties as users could be allowed access to incompatible functions. In addition, the system controller was required to

process PERSAL transactions specifically related to appointments and salary adjustments, which conflicts with the principle of segregating users and administrators of the system (votes 1 and 3).

- (c) The LOGIS register, which is the official register for accounting purposes, did not contain sufficient information regarding assets. Consequently eight departments were unable to present a proper asset register for audit purposes (votes 1, 3, 4, 5, 6, 7, 11 and 12). At two departments the asset registers did not meet the minimum requirements prescribed by national treasury (votes 2 and 13).
- (d) Various shortcomings with regard to proper control measures over transfer payments were revealed at four departments (votes 5, 6, 10 and 14).
- (e) Housing loan guarantees issued since inception of PFMA had not been properly authorised at four departments (votes 4, 5, 11 and 12).
- (f) Internal control shortcomings covering various areas of financial, personnel, asset and tender administration were identified at seven departments and reported to the accounting officer (votes 4, 5, 6, 7, 8, 10 and 14).
- (g) Certain errors and non-compliance with the requirements of DORA were identified at two departments (votes 5 and 6).
- (h) A micro risk assessment had not been performed at two departments. As a result only draft fraud prevention plans or plans that is not tailored to the departments' specific needs exist (votes 4 and 8). At one department no fraud prevention plan was developed and implemented (vote 13).
- (i) Policies and procedures to ensure that the expenditure according to FMS/BAS and PERSAL is reconciled on a monthly basis were not implemented during the year under review at three departments (votes 3, 4 and 6).
- (j) Section 43(3) of the PFMA requires that the accounting officer report within seven days, on the utilisation of a saving to the executive authority and the provincial treasury. At two departments the prescribed report was not submitted (votes 1 and 3). In addition, the accounting officers of those two departments did not establish structured procedures for quarterly reporting to the executive authority to facilitate effective monitoring, evaluation and corrective action as prescribed by the treasury regulations.

5.2.2 Specific matters

For more detail on each of the matters, I refer you to my report to the Provincial Parliament of the Western Cape on the financial statements of the individual department for the year ended 31 March 2004.

(a) Department of Health

- (i) The budgets of three programmes were exceeded, resulting in unauthorised expenditure of R20,6 million. As a result of the aforementioned expenditure, the standard item inventory was also exceeded by R36,3 million.
- (ii) Unauthorised expenditure for the 2002-03 financial year amounting to R24,1 million, resulting from the overspending on three programmes, had not been disallowed in the financial records of the department. A journal entry was processed in the current financial year to account for the related unauthorised expenditure.
- (iii) Due to shortcomings in internal checking and control, uncertainty exists with regard to the validity, accuracy and completeness of the inventory balance of R115,5 million.
- (iv) The verification of financial guarantees disclosed in the financial statements, amounting to R46,7 million at 31 March 2004, with reports provided by the department, revealed that financial guarantees amounting to R3 million, dated back more than 10 years and were not recalled and reviewed to account for property revaluations.

(b) Department of Education

- (i) The budget of one programme was exceeded, resulting in unauthorised expenditure of R22,7 million.
- (ii) Confirmation received from the national treasury revealed a difference of R1,8 million with the opening balance of investments in the financial statements. Furthermore, interest received on investments could not be reconciled with the interest disclosed in the financial statements.

(c) Department of Social Services and Poverty Alleviation

- (i) The budget for the child support extension grant (7 to 9 year old) was under-spent by R11,8 million.
- (ii) A confirmation letter from the department's bank indicated that the department had an unfavourable bank balance of R165,2 million at 31 March 2004. This overdraft is contrary to section 66(1) of the PFMA.

(d) Provincial Administration: Western Cape

The PERSAL system report which was utilised to obtain the capped leave figure of R9 million, as disclosed in the note to the financial statements, was not regularly updated to reflect all movements. Furthermore, this report did not agree with the leave credits reflected on the leave credit enquiry function on PERSAL as at 31 March 2004.

(e) Department of Transport and Public Works

- (i) An analysis of the information in respect of the acquisition of land and buildings revealed that only 38 of the 133 properties purchased during the 2002-03 (R31,7 million) and 2003-04 (R47,4 million) financial years respectively, were registered in the name of the Provincial Government by 31 March 2004.
- (ii) A study known as the Building Audit Plan (BAP) was prepared with the assistance of consultants at a cost of approximately R4,9 million during 1999 in order to map a process to bring state-owned buildings to a functional state. In this study it was indicated that 77% of properties were found to be in a less than good condition as a result of poor maintenance over a prolonged period. The study indicated that approximately R1,2 billion was required to eliminate the backlog on maintenance and only thereafter would it be possible to implement a routine maintenance program. It was concluded that if properties were not maintained regularly, restoration and maintenance costs would escalate dramatically over a relatively short period.

(f) Department of Economic Development and Tourism

- (i) The Western Cape Liquor Board, a listed schedule 3C Provincial Public Entity, did not keep full and proper records of its financial affairs and did not prepare and submit financial statements on its activities in accordance with the requirements of section 55 of the PFMA. The Liquor Board could not adhere to these requirements due to the implications of the provisions of the Liquor Act, 1989 (Act No 27 of 1989) that does not enable the Liquor Board to have an allocated budget and an independent staffing component separate from the department. Adherence to the provisions of the PFMA by the Liquor Board, as far as accountability and reporting is concerned, is currently the responsibility of the accounting officer of the department.

This resulted in the overstatement of income in the consolidated financial statements by R3,7 million and the overstatement of expenditure by an undetermined amount due to the fact that the operating expenditure of the Western Cape Liquor Board could not be separated from the operating expenditure of the Department of Economic Development and Tourism.

- (ii) Furthermore, the Department of Economic Development and Tourism was unable to monitor the completeness of the income collected by the South African Revenue Services (SARS), on behalf of that department, as SARS did not supply the department with a complete and detailed breakdown of the income recovered. It could therefore not be determined whether the department received all income for liquor licences issued and renewed, as only the actual income received from SARS could be verified during the audit. The Department of Economic Development and Tourism is awaiting the approval of new Western Cape liquor legislation through which the collection processes of liquor licence income would be changed.

(g) Department of Community Safety

- (i) A register does not exist to verify the value of store-items. Furthermore, no inventory balance as at 31 March 2004 was disclosed in the management report as prescribed by the national treasury, due to a lack of a formal policy regarding the general controls over stores. The store purchases during the year was included under the item inventories, which amounted to R7,4 million.
- (ii) The value of the leave entitlement of R7,7 million, included in the disclosure notes, was based on a PERSAL report. As the system does not provide for validation checks of the details of the report and no independent check of the data was performed, this report included capped leave of employees who were re-appointed or who have, on resignation, lost their right to be paid out the balance of this leave. The accuracy of this report and the disclosed amount could therefore not be verified.

(h) Department of Housing

External account administrators perform a fiduciary function in administering People's Housing Process subsidies within trust accounts and are required to submit reconciliations of all the trust accounts. It was, however, noted that reconciliations were received late, resulting in inadequate monthly reporting to management, and interest received on the trust accounts were not in all cases supported by bank statements to substantiate the amount of interest paid to the department.

5.3 Consolidated cash flow statement

In terms of national treasury's guidelines separate consolidated annual financial information must be prepared for departments and public entities. After the two separate consolidations have been prepared a single consolidated cash flow statement must be completed. As mentioned on page 2 of the management report to the consolidated financial information, the consolidated cash flow statement was not compiled because it was not possible to consolidate information accounted for in terms of an accrual and cash basis of accounting without consolidating the income statements and balance sheets on the same accounting basis.

5.4 Annexures to the consolidated financial information

Annexures providing additional information to the figures and balances included in the financial statements and the notes thereto have not been included in the consolidated financial information. This method of work was agreed to by the national treasury.

5.5 Subsequent events

Due to the number of departments included in the consolidated financial information, it was impractical to consider subsequent events. Consequently, events occurring after the audit report date of the individual departments that could impact on the consolidated financial information for the 2003-04 financial year have not been considered.

5.6 Comparative figures

Consolidated financial information for the 2003-04 financial year were prepared and submitted for the first time. As a result, comparative figures reflected in the financial information were not audited.

5.7 Department 70

Financial statements were not submitted for the former FMS department 70, which was previously shared by a number of departments. Uncertainty therefore exists with regard to the completeness, existence and validity of the balances disclosed.

5.8 Preparation of consolidated financial information

Section 19(1)(a) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) requires the provincial treasury to prepare consolidated financial statements in accordance with generally recognised accounting practice, for each financial year in respect of –

- (i) provincial departments in the province;
- (ii) public entities under the ownership control of the provincial executive of the province; and
- (iii) the provincial legislature in the province.

The preparation of consolidated financial information has the following two fundamental consequences:

(a) Transition from cash basis of accounting to accrual basis of accounting

Government is currently in a transition period where financial accounting is changing from the cash basis of accounting to the accrual basis of accounting. 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.

Currently, different government sectors apply different bases of accounting to prepare financial statements. Departments prepare financial statements on a modified cash basis of accounting, which consists of the cash basis of accounting,

supplemented with additional disclosure items. Public entities, trading entities and constitutional institutions prepare financial statements on the accrual basis of accounting.

As result of the different basis of accounting being applied, it is not possible to prepare consolidated financial information that encompasses all these entities, and for that reason two different sets of consolidated financial information have been prepared. All the individual entities that prepare financial statements on the modified cash basis of accounting have been consolidated into a single set of consolidated financial information. All the entities that prepare financial statements on the accrual basis of accounting have been consolidated in a separate set of consolidated financial information.

(b) Consolidation of entities that do not financially interact

Normally, consolidated financial information is prepared for a group of enterprises under the control of a parent. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. A parent is an enterprise that has one or more subsidiaries.

Due to the unique nature followed in the preparation of the consolidated financial information as set out in paragraph 1(a), enterprises are consolidated even if there is no relationship of control.

In the absence of control and inter-entity transactions the consolidated financial information merely presents an aggregation of financial information rather than a consolidation.

6. APPRECIATION

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

**I JEEWA
for Auditor-General**

**Cape Town
18 April 2005**

**ANNEXURE TO THE REPORT OF THE AUDITOR-GENERAL TO THE
PROVINCIAL PARLIAMENT OF THE WESTERN CAPE ON THE
CONSOLIDATED FINANCIAL INFORMATION OF THE PROVINCIAL
DEPARTMENTS OF THE WESTERN CAPE PROVINCE FOR THE YEAR ENDED
31 MARCH 2004**

Western Cape provincial departments :

- Vote 1 : Provincial Administration Western Cape
- Vote 2 : Provincial Parliament
- Vote 3 : Provincial Treasury
- Vote 4 : Community Safety
- Vote 5 : Education
- Vote 6 : Health
- Vote 7 : Social Services and Poverty Alleviation
- Vote 8 : Housing
- Vote 9 : Environmental Affairs and Development Planning
- Vote 10 : Transport and Public Works
- Vote 11 : Agriculture
- Vote 12 : Local Government
- Vote 13 : Economic Development and Tourism
- Vote 14 : Cultural Affairs and Sport

**ANNUAL CONSOLIDATED FINANCIAL
STATEMENTS OF THE WESTERN CAPE
PROVINCIAL DEPARTMENTS**

for the year ended 31 MARCH 2004

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS for the year ended 31 March 2004

The consolidated 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 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 7 of 2003.

1. Basis of preparation

The consolidated 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 disclosures. The reporting entity is in transition from reporting on a cash basis of accounting to reporting on an accrual basis of accounting. 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.

The consolidated financial statements were compiled from the annual financial statements of departments and the provincial revenue fund, with inter-departmental balances and balances between the provincial revenue fund and departments being eliminated upon consolidation.

2. Revenue

Voted funds are the amounts appropriated to a department in accordance with the final budget known as the Adjusted Estimates of Provincial Expenditure. Unexpended voted funds are annually surrendered to the Provincial Revenue Fund.

Interest and dividends received are recognised upon receipt of the funds, and no accrual is made for interest or dividends receivable from the last receipt date to the end of the reporting period. It is recognised as revenue in the financial statements of the departments and then transferred annually to the Provincial Revenue Fund.

3. Donor Aid

Donor Aid is recognised in the income statement in accordance with the cash basis of accounting.

4. Current expenditure

Current expenditure is recognised in the income statement when the payment is made.

Inter-departmental expenditure and revenue transactions is not eliminated from the income statement for both financial years.

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

5. 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 or funded from future voted funds.

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.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful must be recovered from a responsible official (a debtor account should be raised), or the vote if responsibility cannot be determined. It is treated as a current asset in the balance sheet until such expenditure is recovered from the responsible official or funded from future voted funds.

6. Debts written off

Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of surplus funds available to the department. No provision is made for irrecoverable amounts.

7. Capital expenditure

Expenditure for physical items on hand on 31 March 2004 to be consumed in the following financial year, is written off in full when they are received and are accounted for as expenditure in the income statement.

8. Investments

Non-current investments excluding marketable securities are shown at cost and adjustments are made only where in the opinion of the directors, the investment is impaired. Where an investment has been impaired, it is recognised as an expense in the period in which the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

9. Investments in controlled entities

Investments in controlled entities are those entities where the reporting entity has the ability to exercise any of the following powers to govern the financial and operating policies of the entity in order to obtain benefits from its activities:

- To appoint or remove all, or the majority of, the members of that entity's board of directors or equivalent governing body;
- To appoint or remove the entity's chief executive officer;
- To cast all, or the majority of, the votes at meetings of that board of directors or equivalent governing body; or
- To control all, or the majority of, the voting rights at a general meeting of that entity.

Investments in controlled entities are shown at cost.

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

10. 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.

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

Inter departmental receivables and payables are eliminated from the consolidated balance sheets.

11. 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 the Provincial/National Revenue Fund or another party.

Inter departmental receivables and payables are eliminated from the consolidated balance sheets.

12. Provisions

A provision is a liability of uncertain timing or amount. Provisions are not normally recognised under the cash basis of accounting, but are disclosed separately as part of the disclosure notes to enhance the usefulness of the financial statements.

13. Lease commitments

Lease commitments for the period remaining from the accounting date until the end of the lease contract are disclosed as part of the disclosure 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.

14. Accruals

This amount represents goods/services that have been delivered, but no invoice has been received from the supplier at year end, OR an invoice has been received but remains unpaid at year end. These amounts are not recognised in the balance sheet as a liability or as expenditure in the income statement as the financial statements are prepared on a cash basis of accounting, but are however disclosed as part of the disclosure notes.

15. Employee benefits

Short-term employee benefits

The cost of short-term employee benefits is expensed in the income statement in the reporting period when 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 disclosure note to the financial statements and are not recognised in the income statement.

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

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 National/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.

16. Capitalisation reserve

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

17. Recoverable revenue

Recoverable revenue represents payments made and recognised in the income statement 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.

18. 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.

19. Provincial Revenue Fund

The consolidation is based on the elimination of balances between the Provincial Revenue Fund and departments.

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

APPROPRIATION STATEMENT
for the year ended 31 March 2004

	Programme						2002/03	
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / (Underspend) (Excess) R'000	Expenditure as % of revised allocation	Revised Allocation R'000	Actual Expenditure R'000
2003/04								
1. Provincial Administration Western Cape								
Current	275490	-6136	269354	256715	12639	95.31%	219783	206019
Capital	45002	6136	51138	49907	1231	97.59%	181038	129743
2. Provincial Parliament								
Current	28550	-182	28368	27797	571	97.99%	23188	23183
Capital	884	182	1066	1043	23	97.84%	1226	704
3. Provincial Treasury								
Current	90569	1186	91755	54492	37263	59.39%	64310	50995
Capital	12082	-1186	10896	10143	753	93.09%	5274	5272
4. Community Safety								
Current	133981	-483	133498	133360	138	99.90%	103920	103633
Capital	7349	483	7832	7827	5	99.94%	15039	15118
5. Education								
Current	5043728	-1222	5042506	5071459	-28953	100.57%	4641414	4588847
Capital	48444	1222	49666	43426	6240	87.44%	36835	43264
6. Health								
Current	4279179	0	4279179	4287714	-8535	100.20%	3810945	3824191
Capital	107413	0	107413	93908	13505	87.43%	60691	51371
7. Social Services and Poverty Alleviation								
Current	3874322	-78	3874244	3759693	114551	97.04%	3208499	3135303
Capital	13462	78	13540	10934	2606	80.75%	4371	3171
8. Housing								
Current	83317	0	83317	77864	5453	93.46%	79041	73213
Capital	457295	0	457295	292755	164540	64.02%	404840	384965
9. Environmental Affairs and Development Planning								
Current	121449	-3134	118315	115316	2999	97.47%	137354	136029
Capital	2212	3134	5346	5306	40	99.25%	3847	3808
10. Transport and Public Works								
Current	803023	-17006	786017	776547	9470	98.80%	667045	660065
Capital	791190	17006	808196	795264	12932	98.40%	712741	667261
11. Agriculture								
Current	145400	-118	145282	143128	2154	98.52%	120004	119447
Capital	26299	118	26417	17463	8954	66.11%	45413	38349
12. Local Government								
Current	0	0	0	0	0	0	0	0
Capital	73942	-8	73934	54082	19852	73.15%	54025	36375
13. Economic Development and Tourism								
Current	107212	-1825	105387	105161	226	99.79%	38761	33427
Capital	23888	1825	25713	24695	1018	96.04%	78282	78028
14. Cultural Affairs and Sport								
Current	126091	-1406	124685	121797	2888	97.68%	78980	78816
Capital	12063	1406	13469	12680	789	94.14%	5718	5621
Total	16738656	0	16738656	16352467	386189	97.69%	14804149	14497659
Reconciliation with Income Statement								
Add: Other Receipts			18034	11233			5048	34520
Less: Unauthorised, Fruitless and wasteful expenditure			0	0			34231	34231
Actual amounts per Income Statement			16756690	16363700			14809197	14532179

APPROPRIATION STATEMENT
for the year ended 31 March 2004

Direct charge against the Provincial Revenue Fund	2003/04						2002/03	
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings (Excess) R'000	Expenditure as % of revised allocation	Revised Allocation R'000	Actual Expenditure R'000
List all direct charges against the Provincial Revenue Fund	13826	0	13826	12164	1662	0	12568	11340
Total	13826	0	13826	12164	1662	0	12568	11340

Economic classification	2003/04						2002/03	
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings (Excess) R'000	Expenditure as % of revised allocation	Revised Allocation R'000	Actual Expenditure R'000
Current	15186252	-30412	15155840	14985125	170715	98.87%	13247269	13069544
Personnel	7723610	-112433	7611177	7557412	53765	99.29%	7043875	7015251
Transfer payments	4481565	51805	4533370	4431664	101706	97.76%	3803195	3680142
Other	2981077	30216	3011293	2996049	15244	99.49%	2400199	2374151
Capital	1552404	30412	1582816	1367342	215474	86.39%	1556880	1428115
Transfer payments	618126	4604	622730	438130	184600	70.36%	598974	584163
Acquisition of capital asset	934278	25808	960086	929212	30874	96.78%	957906	843952
Total	16738656	0	16738656	16352467	386189	97.69%	14804149	14497659

Standard item classification	2003/04						2002/03	
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings (Excess) R'000	Expenditure as % of revised allocation	Revised Allocation R'000	Actual Expenditure R'000
Personnel	7723610	-112433	7611177	7557840	53337	99.30%	7043875	7015251
Administrative	313760	-543	313217	301531	11686	96.27%	243493	247348
Inventories	945252	35137	980389	1033852	-53463	105.45%	923159	934973
Equipment	307205	13534	320739	292242	28497	91.12%	372021	294676
Land and buildings	143997	1355	145352	143877	1475	98.99%	104044	103303
Professional and special service:	2150133	-8305	2141828	2082661	59167	97.24%	1693921	1626798
Transfer payments	5099691	56409	5156100	4869794	286306	94.45%	4402169	4264305
Miscellaneous	54964	2909	57873	55803	2070	96.42%	19161	8675
Special functions	44	11937	11981	14567	-2586	121.58%	2306	2330
Total	16738656	0	16738656	16352167	386489	97.69%	14804149	14497659

**NOTES TO THE APPROPRIATION STATEMENT
for the year ended 31 March 2004**

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

Transfer payments appropriated amounted to R5,156 million of which R4,533 million was allocated to current expenditure and R0,623 million towards capital expenditure. From the appropriated funds, 97.76% (R4,431 million) was spent on current expenditure and 70.36% (R0,438 million) on capital expenditure.

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

There are no amounts specifically or exclusively appropriated to departments. The total of appropriated funds after virement is provided in note 1 (Annual Appropriation) to the annual consolidation of financial statements.

3. Detail of special functions (theft and losses)

Thefts and losses written off by departments amounted to R5,195 million in 2002/03 and R17,283 million in 2003/04. The increase of 232% is mainly due the departments writing of amounts in lieu of transferring balances to a new accounting system on 1 April 2004.

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

4.1 Per department:

Provincial Treasury

The underspending was due to the consultancy and advisory services not utilised and savings due to no further demands registered to meet unforeseeable and unavoidable expenditure from the Contingency Provision.

Housing

Capital - Equipment: Underspending due to the non-purchasing of equipment by the department.

Capital - Transfer Payments: Saving due to slow spending on housing projects

Local Government

Savings due to the non-appointment of consultants and the late approval of management support programme business plans.

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

CONSOLIDATED INCOME STATEMENT (STATEMENT OF FINANCIAL PERFORMANCE)

for the year ended 31 March 2004

REVENUE

	Note	2003-04 Total R'000	2002-03 Total R'000
Voted funds		15,219,716	13,313,388
Provincial Equitable Share	1	12,903,816	11,294,254
Provincial Conditional Grants	1	2,314,642	2,019,134
Statutory appropriation	2	1,258	-
Own revenue collected	3	1,525,738	1,288,804
Local and foreign aid assistance (incl. RDP funds)	4	-	-

TOTAL REVENUE

DIRECT EXPENDITURE AGAINST REVENUE FUND

Other Expenditure		-	10,183
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EXPENDITURE

Current

Personnel	5	7,569,577	7,026,594
Administrative		301,832	247,350
Inventories	6	1,033,746	934,972
Machinery and Equipment	7	49,481	51,501
Land and buildings	8	80,452	69,768
Professional and special services	9	1,460,012	1,070,793
Transfer payments	10	4,431,663	3,699,279
Miscellaneous	11	53,086	5,800
Special functions: authorised losses	12	17,283	5,195
Local and foreign aid assistance (incl. RDP funds)	4	-	-
Unauthorised expenditure approved	13	2,250	33,960

TOTAL CURRENT EXPENDITURE

Capital

Personnel	5	428	-
Administrative		-	-
Inventories	6	106	-
Machinery and Equipment	7	242,762	243,173
Land and buildings	8	63,425	33,535
Professional and special services	9	622,646	556,002
Transfer payments	10	438,131	565,027
Miscellaneous	11	-	10
Local and foreign aid assistance (incl. RDP funds)	4	-	-
Unauthorised Expenditure approved	13	-	-

TOTAL CAPITAL EXPENDITURE

TOTAL EXPENDITURE

NET SURPLUS

Add back unauthorised and fruitless and wasteful expenditure disallowed	13.2	43,296	3,926
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NET SURPLUS FOR THE YEAR

	421,870	52,976
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Reconciliation of Net Surplus for the year

The reconciliation of the net surplus is not included due to the Consolidation Guidelines for 2004/05 only prescribing consolidation journals for balance sheet transactions.

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
as at 31 March 2004

	Note	2003-04 Total R'000	2002-03 Total R'000
ASSETS			
Current assets			
		2,998,949	2,636,751
Unauthorised and fruitless and wasteful expenditure	13.1	551,285	486,156
Voted Funds receivable from National Revenue Fund	1.3	1	1,023
Outstanding surrenders		447	-
Cash and cash equivalents	14	1,810,245	1,533,800
Receivables	15	636,971	615,766
Revenue funds to be reimbursed		-	6
		8,596	6,053
Non-current assets			
Investments	16	8,468	5,893
Other financial assets	17	128	160
TOTAL ASSETS	A	3,007,545	2,642,804
RESERVES AND LIABILITIES			
RESERVES			
		1,579,555	1,356,408
LIABILITIES			
Current liabilities			
		1,163,363	1,013,178
Voted funds to be surrendered to the PRF		-	-
Other Revenue Funds to be surrendered		-	-1,144
Bank overdraft	18	171,490	20,270
Payables	19	991,873	994,052
		171,288	177,189
Non-current liabilities			
Payables	20	171,288	177,189
TOTAL RESERVES AND LIABILITIES	B	2,914,206	2,546,775
NET ASSETS	A - B	93,339	96,029
Represented by:			
Capitalisation reserve		8,719	7,833
Recoverable revenue		84,620	88,196
TOTAL		93,339	96,029

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 March 2004**

	Note	2003-04 Total R'000	2002-03 Total R'000
Capitalisation reserve			
Opening balance		7,833	-
Transfers		886	7,833
Closing balance		<u>8,719</u>	<u>7,833</u>
Recoverable revenue			
Opening balance		88,227	66,084
Transfer to Revenue Fund		-34	-14
Debts written off	12.4	-3,887	7
Debts raised		314	22,119
Closing balance		<u>84,620</u>	<u>88,196</u>
TOTAL		<u>93,339</u>	<u>96,029</u>

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

CASH FLOW STATEMENT for the year ended 31 March 2004	Note	2003-04 Total R'000	2002-03 Total R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash flow generated by operating activities	21	2,867,234	2,272,961
Cash generated / (utilised) to (increase)/decrease working capital	22	-95,996	211,092
Voted funds and Revenue funds surrendered	23	-1,303,199	-924,209
Unauthorised expenditure approved	13.1	2,250	33,960
Net cash flow available from operating activities		<u>1,470,289</u>	<u>1,593,804</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		-1,338,175	-1,385,496
Proceeds from sale of equipment	3	-1,345,679	-1,389,310
Proceeds from sale of land and buildings	3	7,504	3,723
Net cash flows from operating and investing activities		132,114	208,308
Net increase in cash and cash equivalents		132,114	208,308
Cash and cash equivalents at beginning of period		<u>1,509,061</u>	<u>1,300,753</u>
Cash and cash equivalents at end of period	14	<u>1,641,175</u>	<u>1,509,061</u>

In terms of the preparation guide on financial statements issued by the National Treasury, Section C3.3 indicated that departments had to analyse the movement on the working capital changes. This analysis was not applied consistently by all departments, resulting in the working capital changes per cash flow statement not agreeing to the balance sheet.

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004**

	Note	2003-04 Total R'000	2002-03 Total R'000
1 Annual Appropriation			
1.1 Included are funds appropriated in terms of the Appropriation Act for Provincial Departments (Equitable Share):			
TOTAL		<u><u>12,903,816</u></u>	<u><u>11,294,254</u></u>
Not provided per program in the Consolidated Financial Statements			
1.2 Conditional grants			
Total grants received		<u><u>2,314,642</u></u>	<u><u>2,019,134</u></u>
1.3 Voted Funds receivable from the National Revenue Fund		1	1,023
2 Statutory appropriation			
Direct charges		<u><u>1,258</u></u>	<u><u>-</u></u>
		<u><u>1,258</u></u>	<u><u>-</u></u>
3 Own revenue collected			
Access to information		-	1
Accident data report		127	65
Accommodation: Staff		180	158
Accommodation: Private		961	31
Administration fees		2,662	3,393
Board and lodging		8,877	8,523
Boat Launching Site permits		45	-
Bookmakers & Totalisator Licences		97	669
Bookmakers & Totalisator taxes		13,004	21,345
Casino Bid Fees		-	6,124
Casino Licences		608	-
Casino taxes		132,640	111,079
Chapmans Peak concession award		2,500	-
Cheques written back/stale cheques		963	724
Commission on insurance		4,562	4,581
Contract debt		3,043	639
Contributions by Universities (Cape Town and Stellenbosch)		5,126	8,804
Course fees		669	350
Debt recoveries		1,218	-28
Endowment fees		81	121
Examination remarks		133	101
Fines and Forfeitures		314	232
Gifts, donations and sponsorships received		206	1,129
Hospital Fees		137,145	95,161
Housing income		21,730	-
Interest: Accrued previous year		-7,120	4,753
Interest: Earned current year		237,218	17,326
Interest: Accrual next year		5,992	226,325
Interest: PMG account		3,365	7,120
Interest Allpay		6,095	6,472
Interest Departmental debt		25	-
Interest on Bookmakers		38	39
Interest on debt		1,445	879

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004 (continued)**

	Note	2003-04 Total R'000	2002-03 Total R'000
Interest on trust accounts		1,381	-
Interest received		5,134	1,996
Letting of immovable property		16,918	13,886
Liquor licenses		3,681	3,284
Lost library books		1,200	2,080
Membership: Spes Bona Gym		46	35
Miscellaneous		536	1,977
Miscellaneous and capital receipts		2,010	1,921
Motor vehicle licenses and permits		654,895	535,338
Operating licences		410	267
Other		5,854	1,445
Other: Sales		336	330
Other: Receipts		241	392
Parking		41	103
Parking fees		-	5
Private telephone calls		53	23
Proceeds from sale of equipment		-	91
Proceeds from sale of land and buildings		7,504	3,723
Provincial working capital account		70	1
Publication and forms		24	-
Publications: Provincial Gazette		393	389
Recoveries of housing rent		897	937
Recovery: interest		24	24
Recovery: loans		-	8
Recovery: previous years		5,403	4,756
Refunds: Previous years claims		25,202	133
Registration /Tuition/Examination Fees		3,573	3,348
Registration fees		264	199
Rental of facilities		172	-
Rental: dwellings and other		215	267
Reprographic services		1,036	2,658
Revenue: Previous years		127	111
Road maintenance charge		-	55
Royalties		471	-
Sales		28	21
Sales of agriculture products		3,253	2,970
Sale of moveable assets		1	1
Services rendered		2,550	2,688
Sport gatherings: Public Roads		1,013	677
Subsidised motor transport		29	216
Surplus vehicle acquisition fund: Government motor transport		4,380	6,708
Tender documents: Non-refundable deposit		616	626
Total other revenue collected		191,271	166,594
Transport fees		107	102
Water/electricity/sanitation		430	524
Weigh bridges contributions		-	998
Plus amount overpaid iro 2001/2002		-	781
Total revenue collected		<u>1,525,738</u>	<u>1,288,804</u>

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004 (continued)**

	Note	2003-04 Total R'000	2002-03 Total R'000
3.1 Gifts, donations and sponsorships received by the department			
Nature of gift, donation and sponsorship			
Agriculture			
Monkey Films: Token of appreciation		8	-
SA Ostrich Chamber of Commerce: Evaluation of ostrich practices		14	-
Virbac: Research project		7	-
Award from Imphumelelo for Meiringspoort			50
Baxter Auto Services and Speedy Exhaust Services: Donations received for Government			1
Motor Transport Cleaning Services			
Surplus surrendered to revenue after completion of the Ebenhaezer dam project funded National		-	19
Agri-Wes Cape: Promotion of resource conservation		-	266
Cape Town College & Hewat Memorium Trust - Teacher recruitment drive		177	792
Other		-	1
		<u>206</u>	<u>1,129</u>
3.2 Gifts, donations and sponsorships received in kind excluding RDP funds by the department (Total not included above)			
Nature of gift, donation and sponsorship			
Western Cape Animal Production Research Trust: IT equipment		4	-
Western Cape Animal Production Research Trust: Reparation of farm equipment		36	-
Outeniqua Tea Club: Projector		2	-
Lwazi public primary school		150	-
General		1,548	616
Textiles and clothing		63	12
Audiovisual equipment		343	45
Medical equipment		3,368	1,528
		<u>5,514</u>	<u>2,201</u>
4 Local and foreign aid assistance (including RDP funds)			
4.1 Assistance received in kind			
Foreign aid assistance			
European Union Parliamentary Support Programme		-	941
Canadian Parliamentary Centre Legislative Accountability		103	-
Total local and foreign aid assistance received in kind		<u>103</u>	<u>941</u>
5 Personnel			
Current	5.1	7,569,577	7,026,594
Capital	5.2	428	-
Total current and capital expenditure		<u>7,570,005</u>	<u>7,026,594</u>
5.1 Current expenditure			
Appropriation to Executive and Legislature		22,626	19,594
Basic salary costs		5,435,978	5,019,391
Pension contributions		719,902	674,491
Medical aid contributions		356,663	356,038
Other salary related costs		1,034,408	957,080
		<u>7,569,577</u>	<u>7,026,594</u>
5.2 Capital expenditure			
Basic salary costs		428	-
		<u>428</u>	<u>-</u>
Average number of employees		65,690	65,500

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004 (continued)**

	Note	2003-04 Total R'000	2002-03 Total R'000
6 Inventories			
Current	6.1	1,033,746	934,972
Capital	6.2	106	-
Total current and capital expenditure		<u>1,033,852</u>	<u>934,972</u>
6.1 Current expenditure			
Inventories purchased during the year			
Ammunition		32	602
Audiovisual requisites		314	-
Bedding/linen/needlework		49	15
Blood		64,898	56,033
Chemical, fertiliser and fodder		2,571	1,356
Cleaning laundry/toiletries		209	131
Clothing: Patients/Boarders		447	548
Computer accessories		723	122
Computer requisites		3,625	4,084
Consumable Stores		670	539
Domestic Hardware		168	294
Electricity		1,759	1,400
Electricity, fuel and water		55,174	53,547
Fencing and irrigation material		817	238
Gas		140	127
General stores		546	352
Government Printer Stationery		4,153	3,474
Govt Printer, Stationery/Trading Account		27	67
Household		25	23
Library material		30,946	27,592
Live stock		13	61
Maintenance		11,890	11,223
Medical and surgical requisites		220,704	207,459
Medical Stores		557	266
Other		66,448	85,483
Packing material		473	451
Paper products		17,151	15,311
Pharmaceuticals		333,331	289,082
Photocopy paper		1,455	1,025
Plants		264	289
Promotional material		1,268	1,005
Protective clothes		455	488
Provisions		33,748	30,348
Publication and subscriptions		443	449
Publication, printing and binding		650	569
Publications		2,414	1,783
Purchase of seed/Plants/tree		9	11
Requisites		457	784
Road signs		1,137	510
School provisions		141,933	110,707
Spares, Accessories, etc		977	874
Special registration number plates		247	233
Stationery		5,989	6,238
Stationery/Print/Bind/Repair		21,226	17,684
Toiletries		222	203
Uniforms		1,644	1,494
Vehicle assesories		23	45
Water		1,318	342
Works of Art		7	11
		<u>1,033,746</u>	<u>934,972</u>

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004 (continued)**

	Note	2003-04 Total R'000	2002-03 Total R'000
6.2 Capital expenditure			
Inventories purchased during the year		106	-
		<u>106</u>	<u>-</u>
Total cost of inventories		<u><u>1,033,852</u></u>	<u><u>934,972</u></u>
7 Machinery and equipment			
Current		49,481	51,501
Capital	7.1	<u>242,762</u>	<u>243,173</u>
Total current and capital expenditure		<u><u>292,243</u></u>	<u><u>294,674</u></u>
7.1 Capital machinery and equipment analysed as follows:			
Audiovisual Requisite		93	-
Cellular telephone requirements		106,949	158,364
Cellular telephones		5,568	2,141
Computer and printers		554	286
Computer equipment		2	8
Computer requirements		7	28
Domestic equipment		82	47
Furniture and office equipment		26,069	15,050
Household equipment		63	31
Laboratory equipment		310	128
Labour saving devices		52	45
Motor vehicles		5,912	611
Motor vehicles: GMT		1,007	16,712
Other		240	50
Other machinery and equipment		93,413	49,061
Photographic equipment		413	25
Tools		158	178
Transport		2	6
Two way radio's		1,868	286
Workshop Equipment		-	116
		<u><u>242,762</u></u>	<u><u>243,173</u></u>
8 Land and buildings			
Current expenditure		-	67,137
Maintenance		936	661
Rental		79,516	1,970
Total current expenditure		<u>80,452</u>	<u>69,768</u>
Capital expenditure	8.1	<u>63,425</u>	<u>33,535</u>
Total current and capital expenditure		<u><u>143,877</u></u>	<u><u>103,303</u></u>
8.1 Capital land and building expenditure analysed as follows:			
Land		2,269	1,855
Non-residential buildings		61,156	31,680
		<u><u>63,425</u></u>	<u><u>33,535</u></u>

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004 (continued)**

	Note	2003-04 Total R'000	2002-03 Total R'000
9 Professional and special services			
Current	9.1	1,460,012	1,070,793
Capital	9.2	622,646	556,002
Total current and capital expenditure		<u>2,082,658</u>	<u>1,626,795</u>
9.1 Current expenditure			
Auditors' remuneration		4,510	7,127
Other Audits		126	595
Performance		1,564	741
Regulatory		15,962	13,313
Advertising cost		127	-
Agency fees/ motor vehicle licences		109,362	88,622
Architectural		119	178
Artwork/Photography/Design		32	97
Bank charges		1,140	1,097
Board members		479	345
Catering		4,182	6,426
Cleaning		559	645
Commissions and committees		850	536
Computer services		46,637	28,249
Computer time		66,547	47,158
Consultants and advisory services		100,945	49,439
Contractors		432,233	344,115
Courier services		67	19
Debt collecting fees		144	-
Deeds fees		411	-
Development of photo's		6	2
Devolution		1,530	-
Discount benefit		1,070	-
Freelance translation		73	87
Functional training		413	1,664
Furniture		120	23
HIV/AIDS		40	-
Human resource development		3,293	4,350
Injury on duty		1,777	1,136
Interpreting Services		223	183
Laboratory costs		149,284	25,589
Learner Transport Scheme		105,297	95,236
Legal fees (State Attorney and private)		2,028	508
Levies		130	-
Machines		121	329
Maintenance		1,993	22
Mechanical		4	4
Municipal services		40,619	52,598
Other		333,216	288,955
Private attorney fees		306	1,425
Promotion material		4,065	3,026
Rates and taxes		11,201	21
Refuse removal		8	5
Removal of furniture		65	-
Reprographic work		-	16

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004 (continued)**

	Note	2003-04 Total R'000	2002-03 Total R'000
Safety training		5	3
Sanitation		1,672	7
Security services		2,785	1,640
Special services other		968	571
State Attorneys		7	-
Terrain		107	113
Transfers(4/1987)		6,602	-
Vehicles		5	144
Water and electricity		4,983	4,434
		<u>1,460,012</u>	<u>1,070,793</u>
9.2 Capital expenditure			
Contractors		513,931	470,124
Consultants and advisory services		108,511	85,848
Other		204	30
		<u>622,646</u>	<u>556,002</u>
Total Professional and special services		<u>2,082,658</u>	<u>1,626,795</u>
10 Transfer payments			
Conditional grant transfers		310,859	406,698
Transfers to public entities and institutions		105,117	92,731
Other transfers		4,453,818	3,764,877
		<u>4,869,794</u>	<u>4,264,306</u>
Analysis of transfer payments			
Capital		438,131	565,027
Current		4,431,663	3,699,279
		<u>4,869,794</u>	<u>4,264,306</u>
11 Miscellaneous			
Current	11.1	53,086	5,800
Capital	11.2	-	10
Total current and capital expenditure		<u>53,086</u>	<u>5,810</u>
11.1 Current expenditure			
Group insurance		2	37
Local Authorities Medical Aid Fund (LAMAF)		134	105
Pension surplus staff		105	202
Accidents Insurance		240	223
Claims against the State		731	3,934
Exchange rate losses		1	-
Gifts, donations and sponsorships	11.4	978	133
Interest and penalties		-	205
Karl Bremer hospital Trading Account		2,240	-
Other (specify material amounts separately)		18	-
Other: Deferred payments		47,773	-
Parmed		826	688
Remissions, refunds and payments made as an act of grace	11.3	38	270
Stabilisation fund (termination after 2001)		-	3
		<u>53,086</u>	<u>5,800</u>
11.2 Capital expenditure			
Other (specify material amounts separately)		-	10
		<u>-</u>	<u>10</u>
Total miscellaneous expenditure		<u>53,086</u>	<u>5,810</u>

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004 (continued)**

	Note	2003-04 Total R'000	2002-03 Total R'000
11.3 Remissions, refunds and payments made as an act of grace			
Nature of remissions, refunds and payments			
Acts of Grace		1	-
Claims against the state		16	-
Injury on duty		2	23
Local Authorities Medical Aid Fund (LAMAF)		-	-
Drakenstein Municipality		-	200
Ex-Gratia payments		17	46
Other		2	1
		<u>38</u>	<u>270</u>
11.4 Gifts, donations and sponsorships paid in cash by the department (items expensed during the current year)			
Nature of gifts, donations and sponsorships			
Current		99	-
SACTWU (Fashion brunch)		-	45
Cape Town Highlanders (Opening of Parliament)		-	1
Incentives awarded in terms of the Incentive and Reward Policy		2	-
T-shirts and peak caps for the Provincial Sports Day		4	4
Accommodation for the youth sector		-	23
Other		798	60
Sponsorship towards ACSA Airline destination workshop		75	-
		<u>978</u>	<u>133</u>
11.5 Gifts, donations and sponsorships made in kind (items expensed in previous periods -Total value not included above)			
Nature of gifts, donations and sponsorships			
Current		119	15
Transfer of farm equipment to "Kleinplasia museum"		1	-
Gifts to foreign delegations and visits abroad		6	-
Donation of Corporate Image items		25	14
SMS visit to Malaysia		-	1
Gifts made on SMS benchmarking trip		4	-
Gifts donated during the Cape Argus/Pick 'N Pay cycle tour		83	-
Capital		127	1,958
Transfer of farm implements to small farmer communities		12	1,958
Transfer of a tractor and farm equipment to Pacaltsdorp Tourism Board		115	-
		<u>246</u>	<u>1,973</u>
12 Special functions: Authorised losses			
Material losses through criminal conduct	12.1	629	488
Other material losses written off in income statement	12.2	4,038	1,782
Debts written off	12.4	12,616	2,925
		<u>17,283</u>	<u>5,195</u>
12.1 Material losses through criminal conduct			
Nature of losses			
Theft of equipment (9 cases)		123	101
Theft of trailer (1 case)		11	-
Mala fide - damage to govt vehicles		305	4
Fraudulent encashment of cheques (2 cases)		58	-
Fraud		22	360
Thefts- GG equipment		12	6
Theft		98	17
		<u>629</u>	<u>488</u>

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004 (continued)**

	Note	2003-04 Total R'000	2002-03 Total R'000
12.2 Other material losses written off in income statement			
Nature of losses			
Buy back service		324	-
Claims against the State		1,664	674
Damage (Accidents)		181	227
Damage to government vehicles		1	-
GG-Accidents		667	15
Government Garage losses		28	37
Interest on Municipal services		262	235
Interest payment related		40	-
Motor vehicle accidents		29	20
Other		20	94
Other losses		253	66
Redundant and unserviceable stock		-	217
Repairs to hired vehicles		94	2
Road reconstruction		395	-
Sundry		3	64
Thefts		8	31
Vis Major		69	100
		<u>4,038</u>	<u>1,782</u>
12.3 Other material losses of items expensed in previous periods (Total not included above)			
Nature of losses			
Criminal conduct		296	10
Bursary debt		182	-
Salary Debt		377	-
Other		73	-
Irregular expenditure		-	10
		<u>928</u>	<u>20</u>
12.4 Debts written off			
Nature of debts written off			
Accommodation		57	145
Bursaries		-	220
Debts		44	-
Departmental debt		22	1
Employee Tax		893	-
GG Vehicle		179	241
Guarantees		261	185
Interest		7	36
irrecoverable		2	1
Library material written off		37	26
Misc. debt overpayment of learner transport services		-	164
Nutrition programme		424	170
Other		349	342
Outstanding rent		-	89
Pension/ Grants		8,863	-
Salary		268	-
salary debts		47	49
Salary overpayments		846	1,027
State guarantees		161	74
Tax		155	155
WC Housing Development Board: Debtors		1	-
		<u>12,616</u>	<u>2,925</u>
Recoverable revenue written off (included above)		-3,887	7

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004 (continued)**

	Note	2003-04 Total R'000	2002-03 Total R'000
12.5 Details of special functions (theft and losses)		17,283	5,168
<i>Not provided per program in the Consolidated Financial Statements</i>		<u>17,283</u>	<u>5,168</u>
13 Unauthorised and fruitless and wasteful expenditure disallowed			
Unauthorised expenditure	13.2	<u>156,642</u>	<u>135,082</u>
		<u>156,642</u>	<u>135,082</u>
13.1 Reconciliation of unauthorised expenditure balance			
Opening balance		486,156	516,229
Unauthorised expenditure current year		67,391	3,926
Approved by Parliament		-2,250	-33,960
Transfer to income statement – authorised losses		-12	-29
Transfer to receivables for recovery		-	-10
Closing balance		<u>551,285</u>	<u>486,156</u>
13.2 Unauthorised expenditure Incident			
2002/2003 Overspending on vote		24,095	3,926
2003/2004 Overspending on vote		43,296	-
1991/92- Literacy Programmes: Purchase of Computers, equipment and software		21,949	21,949
1995/96- Overspending of vote by ex Administration: House of Representatives		10,707	10,707
1995/96 Insufficient authority		-	12
Unauthorised expenditure 93/94		466	466
Unauthorised expenditure 94/95		53,879	53,879
Unauthorised expenditure PRF 2002/2003		2,250	44,143
		<u>156,642</u>	<u>135,082</u>
14 Cash and cash equivalents			
ACB control account EFT payments		-4,437	-39,980
Advance Petty cash		19	10
Cash in transit (Actual)		-	1
Cash on hand		71	99
Cheques cancelled and re-issued		-	-26
Deposits		191	141
EFT rejected and re-issued		-59	-36
Electronic amounts payable		-	-180
Erroneous bank deposits		8	8
Exchequer account		184,003	5,176
Orders Payable		-24,106	-8,107
Outstanding Cheques		-	-3,928
Outstanding Electronic Fund Transfers		-779	-5
Paymaster General Account		5,847	-16,215
PMG adjustment account		-2,330	-1,804
Receipt suspense account		-	58
Short-term investments		1,654,000	1,600,000
Suspense miscellaneous receipts		-2,183	-1,412
		<u>1,810,245</u>	<u>1,533,800</u>

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004 (continued)**

	Note	2003-04 Total R'000	2002-03 Total R'000
15 Receivables - current			
Amounts owing by other departments		241,641	122,085
Interest accrual next year		5,992	7,120
Staff debtors	15.2	27,019	113,990
Other debtors	15.3	109,087	135,570
Advances	15.4	253,214	211,442
Miscellaneous claims		6	25,559
Persal control accounts		12	-
		<u>636,971</u>	<u>615,766</u>
15.1 Age analysis – receivables current			
Less than one year		-	-
One to two years (List material amounts)		-	-
More than two years (List material amounts)		-	-
<i>Consolidated information not provided due to inconsistent disclosure by departments.</i>			
15.2 Staff debtors			
Damage to GG-vehicles		198	554
Deduction disallowance		15	45
Departmental debt		597	643
Disallowance (Ex-employees)		19	3
Ex Departments Mopping-up		-	92,339
Income Tax and Site debt		187	10
Insurance		-	9
Medical scheme		-	3
Members		27	9
Miscellaneous Debts (Personnel)		106	69
New debtor system		11,102	12,277
Old debtor system		1	9
Other		460	553
Personnel debt		8	26
Private Telephone calls		24	75
Recoverable interest		-1	-
Salary		8	124
Salary overpayments		13,983	6,911
Salary Reversal Control		124	204
State guarantees		19	7
Tax (SITE)		126	112
Telephone debt		1	3
Tax (SITE) arrears from employees		2	5
Unclaimed staff debt		13	-
		<u>27,019</u>	<u>113,990</u>
15.3 Other debtors			
Accidents		862	422
Analytical services debt		109	16
Belgium Funding: TB/AIDS		281	-
Cheque fraud		72	92
Claims payable GG Transport		1,883	2,408
Claims payable PMG Dt Post & Tel		1,145	1,145
Claims payable PMG Dt Tres. ACB/BDB		325	740
Claims Recoverable Miscellaneous		2,224	1,781
Contract debt		3,006	3,557
Debt boarding fees		551	541
Debtors		560	574
Debtors debt		13,439	20,863
Deduction account: UIF		7	-
Departmental debt: Fraud		53	53
Dept Debt: Disallowance- loss other		21	99
Disal Periodic Payment Class 50		827	827
Disallowance: Accident Claims		374	550
Disallowance: Control account		101	-

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004 (continued)**

	Note	2003-04 Total R'000	2002-03 Total R'000
Disallowance: GG Accidents		320	370
Disallowance: GG Miscellaneous		39	48
Disallowance: Miscellaneous		1,514	5,893
Disallowance: Overpayments		15	95
Disallowance: Periodic Payment		-	3
Disallowance: Store issues		625	4,419
Disallowance: Suppliers		4,008	3,108
Disallowance: Telephone		51	85
Disallowance: Thefts and losses suppliers		638	645
Dishonoured cheques		301	284
Ex personnel & members, Suspense: Persal, Dept Debt		3	26
Insurance		-	19
Loss control account		224	169
Medical schemes		5	43
Miscellaneous		202	-42
Miscellaneous debt		1,369	1,416
Miscellaneous debt: Social Pension		8	8
Motor vehicle license control account		359	-
New debtors account		62,833	62,103
Other		172	336
Out of service debt		35	29
Payments Awaiting Approval		-	1
Rent		47	161
Salary deduction-Medical Aid		-	963
Salary deductions- Tax		4,051	4,084
Salary deductions-Pension		-	9,326
SITE/PAYE		-	177
State guarantees		25	108
Student debt		118	90
Sundry debtors		97	87
Suspense miscellaneous		827	4,530
Telephone debt of staff transferred to Northern Cape		3	-
Thefts and losses		4	35
Trade debts		2,871	2,237
Trading Account: Cape Medical Depot		2,483	-
Trading Account: Karl Bremer Hospital		-	978
Warrant Vouchers: Fraud External		-	68
		<u>109,087</u>	<u>135,570</u>

15.3 Advances

Nature of advances

Advances granted	75	75
Advances Social Pensions	247,922	207,614
Advances: Other	15	-
Advances-Hostels	1,821	-
Advances-Special schools	36	-
Arrive Alive	408	-
Feeding schemes	729	1,473
Miscellaneous Advances	25	141
Personnel: Advances	2	70
Sexual transmitted diseases	867	215
Subsistence & Transport advances	1,226	1,854
Travel and Subsistence Persal	88	-
	<u>253,214</u>	<u>211,442</u>

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004 (continued)**

	Note	2003-04 Total R'000	2002-03 Total R'000
16 Investments			
Investee			
Royal Reception Fund		36	28
Sir David Harris Trust		10	7
John L Bisset		256	188
Graham Civil Service Burs Fund		35	27
De Waal Education Fund		203	203
School Building Fund		7,927	5,440
		<u>8,468</u>	<u>5,893</u>
17 Other financial assets			
Description			
Suspense accounts		113	125
Balance accounts		15	35
		<u>128</u>	<u>160</u>
18 Bank overdraft			
Paymaster General Account (Exchequer account)		171,490	18,692
ACB Control account EFT Payments			1,573
EFT payments			5
		<u>171,490</u>	<u>20,270</u>
19 Payables - current			
Description			
Amounts owing to other departments		451,993	738,964
Advances received	19.1	4,769	5,160
Balance accounts		97	10,613
Integrated Service Land Project (ISLP)		18,522	28,756
Masakhane Project		311	311
WC Housing Development Fund		52,116	52,161
Outstanding cheques		-	2,170
Outstanding Bank debits/credits		-	17
Other payables	19.2	464,065	155,900
		<u>991,873</u>	<u>994,052</u>
19.1 Advances received			
Arrive Alive		-	52
Implementation of LOGIS		4,730	4,730
Other		39	378
		<u>4,769</u>	<u>5,160</u>

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004 (continued)**

	Note	2003-04 Total R'000	2002-03 Total R'000
19.2 Other payables			
ACB Recalls		-	3
ACB Recalls: Persal		35	-
ACB/BDB Persal Debits		-	36,312
Claims Payable Treasury ACB/BDB		84	1,763
Cultivar Evaluation project		38	21
Deduction Account		10	-
Deductions disallowance		1	-
Deposits: Contract Securities		2,466	1,346
Disallowance Control Account		-	115
Disallowance Miscellaneous		-	125
Disallowance: Overpayments		1	-
Disallowance: Previous year		42	-
DOW evaluation		7	-
Drought		14,649	-
EFT write back& re-issue		676	-
European Union Funding: HBC Project		4,825	-
Ex Department Mopping-up:		36,780	-
Flood 2003		5,850	-
Funding: Special Projects		-	270
Goedgedacht project		81	79
GRV suspense		12	-
Garnishee Orders		1	-
Impumelelo project		52	54
Income tax		361	24
Income Tax: category B		-	23
Income Tax: Persal		15	1
Intern drainage course		52	52
Inter-responsibility clearance control		10	-
LRAD Training project		122	197
Med aid deductions		2	-
Miscellaneous		38	-19
Motor vehicle licence control account		-	266
Official Associates		1	-
Other		1,068	1,037
PAETA		36	-
Pension fund (Cat B & Persal)		42	57
Persal Adjustments		157	222
Persal control accounts (SARS, Medical, funds, etc)		333	27
Preferred provider medical aid		741	277
Prosopis project		160	119
Provincial Transport Fund		24,303	19,890
Provide Project		3,700	3,343
PRF Dept of Housing		-	24,191
PRF Dept 70		337,464	
PRF Dept of Transport and Public Works		1,187	
PRF Provincial Parliament		1,258	
PRF Provincial Treasury			26,665
RDP: Public Works		-	255
Recall Control-Salary ACB		-	9

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004 (continued)**

	Note	2003-04 Total R'000	2002-03 Total R'000
Receipt suspense account		-	25,317
Recoverable Capital control		26	36
Recoverable Revenue Capital		208	195
Recoverable revenue Control		151	199
Salary deduction- Pension		3,395	-
Salary disallowance-cr objective		4,974	4,987
Salary reversal control account		6	-
South African National Defence		109	-
Short-term investments		-	279
SITE/PAYE (Persal & Cat B)		16	50
South Cape College course		9	3
Sport Development Fund		-	2
Supplementary tax to be paid to SARS		16	11
Suspense accounts		10	209
Suspence: Receipts payable		-	665
Suspence: Miscellaneous		225	-
Suspence: Patient private money		8	8
Trading Account: Government Motor Transport		15,391	7,212
Warrant vouchers cancelled and re-issued		1	3
Western Cape Water Summit		14	-
World Population Fund: Reproductive Health		525	-
		<u>461,744</u>	<u>155,900</u>

The difference of R2,321 million to the total reflected in note 19 above results from a difference between the published annual financial statements of Departments and the Provincial Revenue Fund.

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004 (continued)**

Note	2003-04 Total R'000	2002-03 Total R'000
20 Payables – non-current		
CPRS Trading account	11,530	24,016
Amounts owing to other departments	112,725	112,725
Enrichment Centre Project (ISLP)	3,272	4,691
Community Builder	13	-
Disallowance: Previous years	21,138	5,038
Recoverable Revenue Capital	20,683	28,492
Recoverable Revenue Interest	1,927	2,227
	<u>171,288</u>	<u>177,189</u>
21 Net cash flow generated by operating activities		
Net surplus as per Income Statement	421,871	52,976
Adjusted for items separately disclosed	2,447,644	2,219,985
Own revenue budget	1,109,623	832,615
Proceeds from sale of equipment ()	-	-91
Proceeds from sale of land and buildings ()	-7,504	-3,723
Proceeds on sale of investments ()	-2,574	1,875
Purchase of equipment	1,025	659
Voted funds not collected	-562	-
Capital expenditure	1,347,636	1,388,650
Voted funds not requested / not received	-2,281	-
Net cash flow generated by operating activities	<u>2,867,234</u>	<u>2,272,961</u>
22 Cash generated / (utilised) to (increase)/decrease working capital		
(Increase) / decrease in receivables – current	194,164	-50,953
(Increase) / decrease in receivables – non-current	-24,164	10
Increase in prepayments and advances	-40,542	-33,934
(Increase) / decrease in other current assets	-44,646	193,960
(Increase) / decrease in other non-current assets	280	-3,926
Increase / (decrease) in payables - current	# -172,202	71,697
Increase in payables - non-current	8,028	2,251
Increase / (decrease) in other current liabilities	-	-
Increase / (decrease) in other non-current liabilities	-13,929	10,143
(Increase) / decrease in outstanding surrenders	-	-
Increase / (decrease) in capital reserve	886	-1
Increase / (decrease) in recoverable revenue	-3,871	21,845
	<u>-95,996</u>	<u>211,092</u>
# Differs to the previous year as a result of the movement between journals passed in the 2002/03 and 2003/04 financial years, to eliminate short term investments between the Provincial Revenue Fund and departments.		
23 Voted funds and revenue funds surrendered		
Voted funds surrendered	-310,621	-158,349
Revenue funds surrendered	-992,578	-765,860
	<u>-1,303,199</u>	<u>-924,209</u>

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004 (continued)**

	Note	2003-04 Total R'000	2002-03 Total R'000
28 Employee benefits			
Leave entitlement		1,116,812	999,256
Thirteenth cheque		99,445	90,627
Performance bonus		3,964	2,482
		<u>1,220,221</u>	<u>1,092,365</u>
29 Leases			
29.1 Operating leases			
Not later than 1 year		79,637	130,457
Later than 1 year and not later than 3 years		93,030	87,358
Later than 3 years		130,372	122,168
Total present value of lease liabilities		<u>303,039</u>	<u>339,983</u>
30 Receivables for services delivered			
Nature of services			
House Rent		262	210
Student dept		328	-
Analytical services dept		177	-
Motor vehicle administration		191,078	182,076
Property Rentals		16,739	11,926
Healthcare provided		82,588	95,526
Other known amounts	30.1	109	-
		<u>291,281</u>	<u>289,738</u>
30.1 Other known amounts			
Thefts and losses		78	-
Provincial Treasury Northern Cape		3	-
Escorting services		28	-
		<u>109</u>	<u>-</u>
31 Irregular expenditure			
31.1 Movement Schedule of irregular expenditure			
Opening Balance		247	-
Irregular expenditure current year		461	259
Expenditure condoned		-	-12
Expenditure waiting condonement		708	247
		<u>708</u>	<u>247</u>
Analysis			
Current		461	-
Prior Years		247	-
		<u>708</u>	<u>-</u>
31.2 Not condoned expenditure			
Incident			
Alleged petty cash fraud		12	-
		<u>12</u>	<u>-</u>
32 Key management personnel			
32.1 Remuneration			
The aggregate remuneration of the key management of the departments and the number of individuals determined on a full time equivalent basis receiving remuneration within this category, showing separately major classes of key management personnel		36,602	21,307

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004 (continued)**

Note	2003-04	2002-03
	Total	Total
	R'000	R'000

32.2 Other remuneration and compensation provided to key management and close members of the family of key management personnel

The total amount of all other remuneration and compensation provided to key management during the reporting period showing separately the aggregate amounts provided to:

· The Minister, Deputy Ministers, Director-General, Deputy Director-General, CFO,	14,750	7,583
· Other members of key management	-	8,560

32.3 Loans that are not widely available (and/or widely known) to persons outside the key management

For each individual member of key management, the amount of:

· where the individual is not a director or member of senior management, the relationship of the individual to such.	1,533	-
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33 Gifts, donations and sponsorships

Nature of gift, donation or sponsorship

Donations	12	-
Complimentary hotel room	2	-
Sponsorship towards the Provincial Sportsday	43	-
Donation towards National Trainers Conference	126	-
Sunburn cream from Health Products for Africa Ltd	-	30
Klipdrift	-	2
KWV Wine	-	3
Sponsorship for functions	10	-
	193	35

34 Biological / Cultivated assets

Biological / Cultivated assets on hand

Sheep	1,785	-
Cattle - Dairy	760	-
Cattle - Beef	55	-
Horses	101	39
Vines	1,892	1,520
Orchards	714	546
	5,307	2,105

35 Annexures

Annexures to the annual financial statements of departments are excluded due to inconsistencies with the information contained in the notes.

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004**

Note **2003-04** **2002-03**
Total **Total**
R'000 **R'000**

The amounts disclosed in the following notes are not recognised in the financial statements, and are 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)

24 Contingent liabilities
Liable to

Motor vehicle guarantees	90	337
Housing loan guarantees	114,924	117,019
Workman's compensation	-	71
Other guarantees	-	1,931
Claims	109,023	66,032
Samilco	4	-
State Attorney	-	259
	<u>224,041</u>	<u>185,649</u>

25 Commitments

Current expenditure

Approved and contracted/ordered	222,256	94,655
Approved but not yet contracted	6,478	6,350
	<u>228,734</u>	<u>101,005</u>

Capital expenditure

Approved and contracted/ordered	386,284	487,766
Approved but not yet contracted	196	675
	<u>386,480</u>	<u>488,441</u>

Total Commitments	<u>615,214</u>	<u>589,446</u>
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26 Accruals

Listed by standard Item

Personnel	11	3,652
Administrative	4,489	3,719
Inventories	31,439	-
Stores & Livestock	647	562
Equipment & Machinery	7,900	5,813
Land & Buildings	84	233
Professional and Special Services	50,331	37,047
Transfers	10,789	34,367
Miscellaneous	-	5
Lapsed cheques	2,106	1,866
Consumables	11	18
	<u>107,807</u>	<u>87,282</u>

27 Provisions

Purpose of provision

Medical aid contributions: Emergency Medical Services retired staff	122	122
	<u>122</u>	<u>122</u>

27.1 For each class of provision listed above:

Opening balance	122	-
Increase in provision made during the period	-	122
Amounts used (i.e. incurred and charged against the provision)	-	-
Unused amounts reversed during the period	-	-
Closing balance	<u>122</u>	<u>122</u>

CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004 (continued)**

	Note	2003-04 Total R'000	2002-03 Total R'000
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CONSOLIDATED FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEPARTMENTS

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004 (continued)**

Note	2003-04	2002-03
	Total	Total
	R'000	R'000

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Sponsorship for functions	10	-
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Orchards	714	546
	5,307	2,105

35 Annexures

Annexures to the annual financial statements of departments are excluded due to inconsistencies with the information contained in the notes.



A U D I T O R - G E N E R A L

**REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL PARLIAMENT
OF THE WESTERN CAPE ON THE CONSOLIDATED FINANCIAL
INFORMATION OF THE PUBLIC ENTITIES OF THE WESTERN CAPE
PROVINCE FOR THE YEAR ENDED 31 MARCH 2004**

1. AUDIT ASSIGNMENT

The consolidated financial information as set out on pages 57 to 70, for the year ended 31 March 2004, 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), Auditor-General Directive No. 1 of 2005 and section 19(2) of the Public Finance Management Act, 1999. The consolidated financial information, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the Provincial Treasury. My responsibility is to express an opinion on the consolidated financial information, 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 information is free of material misstatement.

An audit includes:

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

However, due to the unique nature of the consolidation process followed, the scope of the audit was limited to the consolidation format as prescribed by national treasury.

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

3. QUALIFICATION

3.1 Western Cape Housing Development Fund

3.1.1 Non-current assets: Property

- (a) A title deed search performed on a sample of properties included in the property listing, indicated that 15 properties with a total value of approximately R154 million were not registered in the name of the Western Cape Housing Development Board. Due to the data inaccuracies included on the property listing the property balance may be overstated.
- (b) Although valuations had been performed on certain properties, these were performed between 9 and 15 years ago in respect of those properties tested and are thus not in line with present municipal valuations. It was therefore not possible to substantiate the valuation of property in the financial statements.
- (c) Accounting policy note 1.5 on page 58 of the consolidated financial information states that land and buildings are shown at valuation. However, it was found that a total of 2 617 properties included in the property list were reflected at a nil value.
- (d) From the sample of 45 property files selected for testing, 24 files could not be submitted during the audit. Of the 21 files tested it was found that there was no supporting documentation for the valuations attributed to the property. In certain instances there were inconsistencies between the information reflected on the property listing and the documentation on the relevant file. The records maintained by the Western Cape Department of Housing in respect of the Western Cape Housing Development Fund did not permit for alternative audit procedures to be performed. As a result of the limitation of scope it was not possible to conclude on the valuation, accuracy and validity of the property balance.

3.1.2 Current assets: Receivables

(a) Credit balances

Included in trade receivables of R903,4 million were debtor accounts with credit balances amounting to approximately R40 million. From the sample of credit balances tested it was found that approximately R12 million represented credit balances relating to various unallocated receipts for which the Western Cape Department of Housing had no supporting information.

The records maintained by the department in respect of the Western Cape Housing Development Fund did not permit for alternative audit procedures to be performed. As a result of the limitation of scope, the existence, accuracy and completeness of the credit balances amounting to approximately R40 million could not be verified.

(b) Suspense account

A suspense account debtor of R22 million relating to historical transactions which was included as part of the debtors listing, could not be substantiated as no audit trail existed.

(c) Interest on debtors: 'In duplum' rule

The '*in duplum*' rule in essence states that the total interest raised on debt may not exceed the original capital balance. The national debtor's system presently does not prohibit the charging of interest in excess of the original capital balance. The '*in duplum*' rule is only applied at the settlement of any outstanding balance and the excess interest is written off as part of the finalisation of the relevant transactions. From a sample of debtors tested, interest raised in excess of the capital balance amounted to approximately R18,7 million, resulting in the debtor's balance and interest being overstated by at least the latter amount. Due to the non-application of the '*in duplum*' rule, the accuracy of the debtor's balance could therefore not be verified.

(d) Invalid debtors

Included as part of the individual debtors' listing, debtor accounts amounting to approximately R3,3 million were identified that were not in respect of the Western Cape Housing Development Fund and should have been transferred to another department.

(e) Provision for doubtful debts

The provision for doubtful debts in respect of trade receivables amounted to R686,9 million. Based on a review of the method used to arrive at the provision for doubtful debts, it was noted that the provision was calculated based on the recovery rate for debt raised during the financial year under review. The ageing of debtors' balances was not taken into account in calculating the provision, nor could a full and accurate age analysis be obtained for audit purposes. Due to the inaccuracies included in the debtors' balances as well as the non-availability of a complete age analysis, the reasonableness of the provision could not be verified.

3.1.3 Revaluation reserve

The revaluation of properties represented R11,8 million of the revaluation reserve of R12,3 million. However, no list detailing the properties' revaluation or explanation could be submitted for audit purposes and the amount of R11,8 million could therefore not be verified.

3.2 Trading entities

Non-compliance with general accepted accounting practice

In terms of the prescripts of chapter 18 of the treasury regulations, the annual financial statements of trading entities must be prepared in terms of generally accepted accounting practice (gaap). The following trading entities however compiled their financial statements on a combination between the modified cash basis and accrual accounting and therefore did not comply with this requirement:

- Cape Medical Depot
- Karl Bremer Hospital
- Government Motor Transport (GMT)

The provincial treasury had not made any adjustments to the consolidated financial information to ensure that uniform accounting policies for like transactions had been applied.

As a result of the above a material difference arose in the consolidated financial information, where receivables included debts owing to GMT in respect of services rendered and billed to the different government departments, which are not normally recognised as receivables under the cash basis of accounting. These debts were created with a corresponding credit to current liabilities and were accounted for in the balance sheet only. This resulted in an overstatement of trade and other payables by R33,5 million (2002-03: R51,3 million) and an understatement of revenue by the same amount.

3.3 Public entity listed in the PFMA not included in the consolidated financial information

The Western Cape Liquor Board, a listed schedule 3C Provincial Public Entity, did not keep full and proper records of its financial affairs and did not prepare and submit financial statements on its activities in accordance with the requirements of section 55 of the PFMA. The Liquor Board could not adhere to these requirements due to the implications of the provisions of the Liquor Act, 1989 (Act No 27 of 1989) that does not enable the Liquor Board to have an allocated budget and an independent staffing component separate from the department. Adherence to the provisions of the PFMA by the Liquor Board, as far as accountability and reporting is concerned, is currently the responsibility of the accounting officer of the department.

This resulted in the understatement of income in the consolidated financial information by R3,7 million and the understatement of expenditure by an undetermined amount due to the fact that the operating expenditure of the Western Cape Liquor Board could not be separated from the operating expenditure of the Department of Economic Development and Tourism.

Furthermore, the Department of Economic Development and Tourism was unable to monitor the completeness of the income collected by the South African Revenue Services (SARS), on behalf of that department, as SARS did not supply the department with a complete and detailed breakdown of the income recovered. It could therefore not be determined whether the department received all income for liquor licences issued and renewed, as only the actual income received from SARS could be verified during the audit. The Department of Economic Development and Tourism is awaiting the approval of new Western Cape liquor legislation through which the collection processes of liquor licence income would be changed.

4. AUDIT OPINION

Because of the significance of the matters referred to in paragraph 3, I do not express an opinion on the consolidated financial information.

5. EMPHASIS OF MATTER

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

5.1 Late submission

Section 19 of the PFMA requires consolidated financial statements to be submitted to the Auditor-General for auditing within three months after the end of the financial year. The consolidated financial information could, however, only be prepared once the audits of the individual departments and entities had been finalised. Consequently, national treasury issued a guideline postponing the submission date to 15 August 2004 for the 2003-04 financial year. The consolidated financial information that was submitted by the provincial treasury on 15 August 2004 contained numerous errors, omissions and incorrect disclosures and consequently revised consolidated financial information was only resubmitted for audit purposes on 18 February 2005.

5.2 Significant matters in individual audit reports

5.2.1 Western Cape Tourism Board

The commencement of the Western Cape Tourism Act, 2004 (No.1 of 2004) led to the dissolution of the former Western Cape Tourism Board at 31 March 2004. On 1 April 2004 all assets, liabilities and records of the Board as well as staff employed by the Board were transferred to the newly established Destination Marketing Organisation.

5.2.2 Government Motor Transport Trading Account

- (a) During the audit, vehicle inventory lists of five provincial departments were compared with the asset register of GMT. This comparison indicated differences between the two listings. The reason for the above is an

inadequate and incomplete asset register as well as a lack of a proper process in place for reconciling departmental records to the GMT asset register.

- (b) Included in trade and other receivables is an amount of R34,8 million that is owed by other departments. Although the debtor balances were audited and confirmed, an amount of R28,8 million was still unconfirmed by the applicable debtors on 31 March 2004. Furthermore, an amount of R19,9 million of that amount is reflected as irrecoverable, but not provided for as doubtful debt.

5.2.3 Cape Medical Depot Trading Account

A debit balance of R0,97 million was incorrectly disclosed in the financial statements as payables instead of receivables, thereby understating both receivables and payables.

5.3 Entities not audited by the Auditor-General

Certain entities which have been included in the consolidated financial information have not been audited by me. I have, however, placed reliance on the audited financial statements of these entities. These entities are the Western Cape Investment and Trade Promotion Agency (Wesgro) and Casidra (Pty) Ltd.

5.4 Consolidated cash flow statement

In terms of national treasury's guidelines separate consolidated annual financial information must be prepared for departments and public entities. After the two separate consolidations have been prepared a single consolidated cash flow statement must be completed. As mentioned on page 2 of the management report to the consolidated financial information, the consolidated cash flow statement was not compiled because it was not possible to consolidate information accounted for in terms of an accrual and cash basis of accounting without consolidating the income statements and balance sheets on the same accounting basis.

5.5 Comparative figures

Various qualifications and emphasis of matter paragraphs that relate to the comparative figures in the consolidated financial information were contained in the individual audit reports of entities. Although the comparative figures were audited, the impact of those findings were not considered in this report.

5.6 Subsequent events

Due to the number of entities included in the consolidated financial statements, it was impractical to consider subsequent events. Consequently, events occurring after the audit report date of the individual entities that could impact on the consolidated financial statements for the 2003-04 financial year have not been considered.

5.7 Preparation of consolidated financial information

Section 19(1)(a) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) requires the provincial treasury to prepare consolidated financial statements in accordance with generally recognised accounting practice, for each financial year in respect of –

- (i) provincial departments in the province;
- (ii) public entities under the ownership control of the provincial executive of the province; and
- (iii) the provincial legislature in the province.

The preparation of consolidated financial information has the following two fundamental consequences:

(a) Transition from cash basis of accounting to accrual basis of accounting

Government is currently in a transition period where financial accounting is changing from the cash basis of accounting to the accrual basis of accounting. 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.

Currently, different government sectors apply different bases of accounting to prepare financial statements. Departments prepare financial statements on a modified cash basis of accounting, which consists of the cash basis of accounting, supplemented with additional disclosure items. Public entities, trading entities and constitutional institutions prepare financial statements on the accrual basis of accounting.

As result of the different basis of accounting being applied, it is not possible to prepare consolidated financial information that encompasses all these entities, and for that reason two different sets of consolidated financial information have been prepared. All the individual entities that prepare financial statements on the modified cash basis of accounting have been consolidated into a single set of consolidated financial information. All the entities that prepare financial statements on the accrual basis of accounting have been consolidated in a separate set of consolidated financial information.

(b) Consolidation of entities that do not financially interact

Normally, consolidated financial statements are prepared for a group of enterprises under the control of a parent. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. A parent is an enterprise that has one or more subsidiaries.

Due to the unique nature followed in the preparation of the consolidated financial information as set out in paragraph 1(a), enterprises are consolidated even if there is no relationship of control.

In the absence of control and inter-entity transactions the consolidated financial information merely presents an aggregation of financial information rather than a consolidation.

6. APPRECIATION

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

I JEEWA
for Auditor-General

Cape Town
18 April 2005

**ANNUAL CONSOLIDATED FINANCIAL
STATEMENTS OF THE WESTERN CAPE
PROVINCIAL PUBLIC ENTITIES**

for the year ended 31 MARCH 2004

CONSOLIDATED FINANCIAL STATEMENTS OF WESTERN CAPE: PUBLIC ENTITIES
STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS
For the year ended 31 March 2004

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The annual financial statements have been prepared under the historical cost convention. The principal accounting policies adopted in the preparation of the annual financial statements are set out below and are consistent with those of the previous year in all material aspects.

1.2 Revenue Recognition

Income is recognised on the accrual basis, except for donations and voluntary receipts that are recognised in the year of receipt.

1.3 Government Grants received

The subsidies received from the Provincial Government : Western Cape towards the Public Entity's responsibilities are accounted for in the period to which they apply. There are no unfulfilled conditions or other contingencies relating to these subsidies.

1.4 Foreign currency translation

Foreign currency translations are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such translations and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement.

1.5 Property, Plant and Equipment

Land and buildings are shown at valuation. Plant and equipment acquired by the entity after 1 April 2000, is stated at historical cost. Plant and equipment acquired in terms of a transfer from the Provincial Government : Western Cape as at 1 April 2000 was valued by management at a depreciated replacement cost.

The value of the assets transferred from Provincial Government: Western Cape is set off against the depreciated replacement cost of the assets so acquired as at 1 April 2000.

Depreciation is calculated on a straight-line method to write off the historical cost amount of the assets over their expected useful lives as follows:

Boats	4 to 6 years
Plant, Machinery and Tools	2 to 6 years
Office Furniture and Equipment	3 to 6 years
Computer Equipment	2 to 3 years
Buildings	50 years

Land is not depreciated as it is deemed to have an indefinite life.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the entity. Major renovations are depreciated over the remaining useful life of the related asset.

1.6 Accounting for leases – where the entity is a lessee

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.7 Consumables

Consumables are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less any costs of disposal. Cost is determined on the following bases:

- Equipment, consumable and uniform stores are valued at average cost;
- Merchandise is valued at cost price;
- Petrol and diesel stocks are stated at cost.

1.8 Trade Receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows.

CONSOLIDATED FINANCIAL STATEMENTS OF WESTERN CAPE: PUBLIC ENTITIES
STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS
For the year ended 31 March 2004

1.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

1.10 Employee Benefits

Pension benefits

The entity's contribution to the Government Employees Pension Fund is charged to the income statement in the year to which it relates.

The liability in respect of these benefits is the present value of the obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The obligation is calculated by independent actuaries and is determined based on assumptions relating to the real rate of return and the rates of staff turnover and early/normal retirement.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to these benefits are charged or credited to income over the average remaining service lives of the related employees.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The entity recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

1.11 Provisions

Provisions are recognised when the entity has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying financial benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

1.12 Financial Instruments

Financial assets and financial liabilities are recognised on the organisation's balance sheet when the organisation becomes a party to the contractual provisions of the instrument.

Financial assets

The organisation's principal financial assets are bank balances and cash, trade and other receivables. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts, based on estimated future cash flows.

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

The net profit and loss emanating from adjustments made with regard to securities held for short-term trade, is recognised as income. The non-trade portion is recognised as equity till the financial asset is sold, at which time the realised profit or loss is recognised as income or expenditure.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Significant financial liabilities include trade and other payables.

1.13 Comparative information

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year. These changes simplifies the income statement. In particular certain expenses items have been regrouped with no impact on the total expenses.

1.14 Investments

Management determines the classification of investments on acquisition, based on the reason for the acquisition. Investments that are going to be held for an undetermined period of time, and that may be sold for liquidity purposes, are classified as available-for-sale.

Purchases and sales are recognized at the date of trade, which is the date at which the investment was acquired or disposed. Purchase cost includes transaction costs. Available-for-sale investments are carried at fair value. Unrealized profit and loss, which results from changes in the fair value, is acknowledged in the equity. The fair value of investments is determined by using quoted selling prices. When available-for-sale securities are sold or weaken, the accumulated value in the income statement is recognized as profit or loss from investment securities. Dividends are recognised when the entity becomes entitled to it.

Investments were previously recognized at the lower of cost price or market value.

CONSOLIDATED FINANCIAL STATEMENTS OF WESTERN CAPE: PUBLIC ENTITIES
CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2004

	Notes	2003/04 R'000	2002/03 R'000
Revenue	2	536,698	437,222
Cost of sales		<u>-265,563</u>	<u>-209,200</u>
Gross profit		271,135	228,022
Other operating income	3	16,108	108,397
Administrative expenses		-35,232	-28,216
Other operating expenses		<u>-505,155</u>	<u>-887,124</u>
Loss from operations	4	-253,144	-578,921
Other income	5	<u>157,869</u>	<u>535,597</u>
Loss before investment income		<u>-95,275</u>	<u>-43,324</u>
Income from investments	6	<u>4,576</u>	<u>5,340</u>
Net loss for the year		<u>-90,699</u>	<u>-37,984</u>

CONSOLIDATED FINANCIAL STATEMENTS OF WESTERN CAPE: PUBLIC ENTITIES
CONSOLIDATED BALANCE SHEET
As at 31 March 2004

	Notes	2003/04 R'000	2002/03 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	586,898	583,708
Investments in securities	8	522	31
Loans and advances	9	207	406
Financial Instruments	10	2,087	-
		589,714	584,145
Current assets			
Consumables	11	29,956	27,703
Trade and other receivables	12	224,649	263,539
Bank balances and cash	13	58,817	61,413
		313,422	352,655
Total assets		903,136	936,800
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	25,000	25,000
Reserves		788,942	806,432
		813,942	831,432
Non-current liabilities			
Retirement benefit obligations	15	2,667	973
Deferred Revenue	18	2,080	1,040
		4,747	2,013
Current liabilities			
Trade and other payables	16	75,957	95,818
Provisions	17	8,490	7,537
		84,447	103,355
Total equity and liabilities		903,136	936,800

CONSOLIDATED FINANCIAL STATEMENTS OF WESTERN CAPE: PUBLIC ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2004

	Share Capital R'000	Accumulated profit/(loss) R'000	Revaluation reserve R'000	Total R'000
Balance at 1 April 2002 as originally stated	25,000	800,005	9,500	834,505
Revaluation increase on property, plant and equipment			2,232	2,232
Net loss for the year		-37,984		-37,984
Transfers		32,679	-	32,679
Balance at 31 March 2003	25,000	794,700	11,732	831,432
VAT claims to SARS for previous fin. years		373		373
Paid to PAWC		-1,626		-1,626
Net loss for the year		-90,699		-90,699
Transfers		73,935	527	74,462
Balance at 31 March 2004	25,000	776,683	12,259	813,942

CONSOLIDATED FINANCIAL STATEMENTS OF WESTERN CAPE: PUBLIC ENTITIES CONSOLIDATED CASH FLOW STATEMENT For the year ended 31 March 2004

	Notes	2003/04 R'000
Operating activities		
Cash generated from operations	19.1	122,006
Changes in working capital	19.2	<u>-73,371</u>
Cash generated from operations after working capital changes		48,635
Investment income		<u>4,576</u>
Net cash from operating activities		<u>53,211</u>
Net cash used in investing activities	19.3	<u>-57,424</u>
Net cash from financing activities	19.4	<u>1,617</u>
Net decrease in cash and cash equivalents		-2,596
Cash and cash equivalents at beginning of year	20	<u>61,413</u>
Cash and cash equivalents at end of year	20	<u>58,817</u>

Although the cash flow statement of the public entities/trading accounts balanced the inconsistent use of generally accepted accounting practice (GAAP) principles by the various entities/trading accounts complicated the preparation of the cash flow statement.

Certain public entities/trading accounts applied the direct method whilst others applied the indirect method in the preparation of the cash flow statement, which complicated the consolidation of the cash flow statement.

The following factors further complicated the preparation of the consolidated cash flow statement for the 2003/04 financial year.

- Government Motor Transport (GMT), Cape Medical Depot and Karl Bremer Hospital were qualified by the Auditor-General due to a departure from Generally Accepted Accounting Practice (GAAP);
- The Western Cape Housing Development Fund's financials were disclaimed by the Auditor-General.

CONSOLIDATED FINANCIAL STATEMENTS OF WESTERN CAPE: PUBLIC ENTITIES
NOTES TO THE FINANCIAL STATEMENTS - Continued
For the year ended 31 March 2004

2 REVENUE

	2003/04	2002/03
	R'000	R'000
An analysis of the group's revenue is as follows:		
- Sales of goods	308,405	252,855
- Rendering of services	226,642	184,367
- Rental income	1,651	-
Total revenue	<u>536,698</u>	<u>437,222</u>

3 OTHER OPERATING INCOME

	2003/04	2002/03
	R'000	R'000
Sponsorships	5,740	1,074
Income Recoveries	1,615	4,798
Services Rendered	2,548	102,039
Sundry Income Non-tourism	1,743	61
Other- Anhalt Project/Credit Life Insurance	4,462	425
	<u>16,108</u>	<u>108,397</u>

4 PROFIT/(LOSS) FROM OPERATIONS

	2003/04	2002/03
	R'000	R'000
Profit/(loss) from operations has been arrived at after taking into account the following:		
Auditors' remuneration	1,011	726
- Audit fees	690	458
- Fees for other services	321	268
Fees for services		
- Administrative	8,353	4,972
Depreciation	68,202	55,885
- Land, buildings and structures	93	93
- Plant, machinery and equipment	2,566	1,670
- Vehicles	65,543	54,122
Rentals in respect of operating leases (minimum lease payments)		
- Land and buildings	241	393
Staff costs	48,770	54,691
Included in staff costs are:		
- Defined benefit plan expense	770	-
- current service cost	272	-
- interest cost	498	-
Directors' emoluments (note 23)	9,800	7,598
Deferred income in respect of government grants recognised during the year		
- Plant and equipment	1,040	708

5 OTHER INCOME

	2003/04	2002/03
	R'000	R'000
An analysis of the group's other income is as follows:		
-Net profit/(loss) on disposal of intangible assets	-	22
-Government Grants	157,869	535,575

CONSOLIDATED FINANCIAL STATEMENTS OF WESTERN CAPE: PUBLIC ENTITIES

NOTES TO THE FINANCIAL STATEMENTS - Continued

For the year ended 31 March 2004

6 INCOME FROM INVESTMENTS

	2003/04	2002/03
	R'000	R'000
Dividend received	23	15
- Unlisted investments	23	15
Interest received	4,553	5,325
- Bank deposits	4,553	5,325
Total	4,576	5,340

7 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles R'000	Total R'000
Year ended 31/3/2004				
Net book value 1 April 2003	422,388	4,234	157,086	583,708
Cost or valuation	422,934	11,735	353,351	788,020
Accumulated depreciation	-546	-7,501	-196,265	-204,312
Revaluation adjustments	29	-	-	29
Additions	21	4,650	79,049	83,720
Disposals	-9,748	-161	-2,448	-12,357
Cost or valuation	-9,871	-219	-2,765	-12,855
Accumulated depreciation	123	58	317	498
Depreciation charge	-93	-2,566	-65,543	-68,202
Net carrying amount 31 March 2004	412,597	6,157	168,144	586,898
Cost or valuation	413,113	16,166	429,635	858,914
Accumulated depreciation	-516	-10,009	-261,491	-272,016
Net carrying amount 31 March 2004	412,597	6,157	168,144	586,898
Year ended 31/3/2003				
Net book value 1 April 2002	430,990	3,610	126,571	561,171
Cost or valuation	431,839	10,055	269,606	711,500
Accumulated depreciation	-849	-6,445	-143,035	-150,329
Revaluation adjustments	2,232	-	402	2,634
Additions	16	2,628	87,063	89,707
Disposals	-10,757	-334	-2,828	-13,919
Cost or valuation	-11,153	-948	-3,720	-15,821
Accumulated depreciation	396	614	892	1,902
Depreciation charge	-93	-1,670	-54,122	-55,885
Net carrying amount 31 March 2003	422,388	4,234	157,086	583,708
Cost or valuation	422,934	11,735	353,351	788,020
Accumulated depreciation	-546	-7,501	-196,265	-204,312
Net carrying amount 31 March 2003	422,388	4,234	157,086	583,708

8 INVESTMENTS IN SECURITIES

	2003/04	2002/03
	R'000	R'000
Available-for-sale investments		
Opening balance	31	31
Additions during the year	491	-
Closing balance	522	31

CONSOLIDATED FINANCIAL STATEMENTS OF WESTERN CAPE: PUBLIC ENTITIES
NOTES TO THE FINANCIAL STATEMENTS - Continued
For the year ended 31 March 2004

9 LOANS AND ADVANCES

	2003/04 R'000	2002/03 R'000
Loans and advances		
Opening Balance	406	406
Receipts	-199	-
Closing balance	207	406
Analysis of Loans and Advances		
Medium term loans and advances		
Total	207	406
Provisions	-	-
Net amount	207	406
Total Loans and advances		
Total	207	406
Provisions	-	-
Net amount	207	406

10 FINANCIAL INSTRUMENTS

Non-Current Assets/ Liabilities

Year end 31 March 2004

	Opening Balance Asset	Opening Balance	Raised and settled	Closing Balance asset	Closing Balance liabilities
Market making	-	-	2,087	2,087	-
	-	-	2,087	2,087	-

11 CONSUMABLES

	2003/04 R'000	2002/03 R'000
Consumable stores	29,956	27,703
	29,956	27,703

12 TRADE AND OTHER RECEIVABLES

	2003/04 R'000	2002/03 R'000
Trade receivables	903,428	852,001
Less: Provision for doubtful debts	-686,911	-596,389
	216,517	255,612
Prepayments	951	191
Other receivables(Disclosure note 24)	7,181	7,736
	224,649	263,539

13 BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term, highly liquid investments that are held with registered banking institutions with maturities of three months or less and that are subject to insignificant interest rate risk. The carrying amount of these comprise the following:

	2003/04 R'000	2002/03 R'000
Cash and cash equivalents		
Cash at bank	38,919	41,173
Cash on hand	38	53
Short term investments	19,860	20,187
	58,817	61,413

CONSOLIDATED FINANCIAL STATEMENTS OF WESTERN CAPE: PUBLIC ENTITIES

NOTES TO THE FINANCIAL STATEMENTS - Continued

For the year ended 31 March 2004

14 SHARE CAPITAL

	2003/04	2002/03
	R'000	R'000
Authorised:		
25000 ordinary shares of R1each	25,000	25,000
Issued and fully paid:		
25000 ordinary shares of R1 each	25,000	25,000
	Ordinary	Total
	shares	R' 000
	R' 000	R' 000
At 1 April 2003	25,000	25,000
Issue of shares	-	-
Treasury shares purchased	-	-
At 31 March 2004	<u>25,000</u>	<u>25,000</u>

15 RETIREMENT BENEFIT OBLIGATIONS

The group has made provision for pension and provident schemes covering all employees substantially. The funds are governed by the Pension Funds Act, 1956 (Act No. 24 of 1956).

The amount included in the balance sheet arising from the group's obligation in respect of the defined benefit retirement benefit plan is as follows:

	2003/04	2002/03
	R'000	R'000
Movements in the net liability in the current period were as follows:		
Opening balance	973	-
Amounts charged to income	1,694	973
Contributions	-	-
Closing balance	<u>2,667</u>	<u>973</u>
Analysis for financial reporting purposes:		
Non-current liabilities (recoverable after 12 months)	2,667	973
Current liabilities (recoverable within 12 months)	-	-
	<u>2,667</u>	<u>973</u>

16 TRADE AND OTHER PAYABLES

	2003/04	2002/03
	R'000	R'000
Trade creditors	27,257	36,401
Other payables(Disclosure note 25)	48,700	59,417
	<u>75,957</u>	<u>95,818</u>

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

17 PROVISIONS

	Leave pay	Other	Total
	R'000	R'000	R'000
Opening balance at 1 April 2002	5,683	242	5,925
Additional provisions and adjustments	1,721	637	2,358
Utilisation of provision	-746	0	-746
Closing balance at 31 March 2003	<u>6,658</u>	<u>879</u>	<u>7,537</u>
Opening balance at 1 April 2003	6,658	879	7,537
Additional provisions and adjustments	2,323	985	3,308
Utilisation of provision	-1,597	-758	-2,355
Closing balance at 31 March 2004	<u>7,384</u>	<u>1,106</u>	<u>8,490</u>

CONSOLIDATED FINANCIAL STATEMENTS OF WESTERN CAPE: PUBLIC ENTITIES
NOTES TO THE FINANCIAL STATEMENTS - Continued
For the year ended 31 March 2004

18 GOVERNMENT ASSISTANCE

Deferred income:

Amounts received to be recognised in future accounting periods:	2003/04	2002/03
	R'000	R'000
Balance at beginning of year	1,040	1,219
Assets received non monetary grant	2,080	529
	<u>3,120</u>	<u>1,748</u>
Less: Deferred income to be recognised in the year:		
- Depreciation for year	1,026	706
- Disposals and transfers out	14	2
	<u>1,040</u>	<u>708</u>
Balance at end of year	<u>2,080</u>	<u>1,040</u>

19 RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO CASH GENERATED FROM/(UTILISED IN) OPERATIONS

	2003/04
	R'000
19.1 Cash generated from/(utilised in) operations	2003/04
	R'000
Profit/(loss) before taxation	-90,699
Adjusted for:	
- Depreciation and amortisation	68,202
- Loss on revaluation of listed shares	8
- (Gain)/loss on disposal of property, plant and equipment	-12,383
- Increase/(decrease) in provisions	-397
- Increase/(decrease) in doubtful debt provision	90,521
- Increase/(decrease) in deferred income	-517
- Income from investments	-4,576
- Non Cash items	-60
- Paid over to Revenue Fund	-6,160
- Flow In Dept CFS	78,067
Operating cash flows before working capital changes	<u>122,006</u>
19.2 Changes in working capital	2003/04
	R'000
- Decrease/(increase) in consumables	-2,253
- Decrease/(increase) in trade and other receivables	-50,497
- Increase/(decrease) in trade and other payables	-19,861
- Decrease/(increase) in prepayments	-760
	<u>-73,371</u>
19.3 Investing activities	2003/04
	R'000
- Proceeds on disposal of property, plant and equipment	24,735
- Acquisition of property, plant and equipment	-82,159
Net cash from/(used) in investing activities	<u>-57,424</u>
19.4 Financing activities	2003/04
	R'000
- Increase/(decrease) in retirement benefit obligations	1,694
- Increase/(decrease) in loans and advances	1,549
- Prior year surplus paid to PAWC	-1,626
Net cash from/(used) in financing activities	<u>1,617</u>

CONSOLIDATED FINANCIAL STATEMENTS OF WESTERN CAPE: PUBLIC ENTITIES
NOTES TO THE FINANCIAL STATEMENTS - Continued
For the year ended 31 March 2004

20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks, investments in money market instruments and bank overdrafts. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2003/04	2002/03
	R'000	R'000
Cash on hand and balances with banks	38,957	41,226
Short-term investments	19,860	20,187
Cash and cash equivalents at end of year	<u>58,817</u>	<u>61,413</u>
Cash and cash equivalents as previously reported	<u>61,413</u>	<u>46,285</u>
Cash and cash equivalents movement	<u>-2,596</u>	<u>15,128</u>

21 CONTINGENT LIABILITIES

Various claims lodged against Cape Nature Conservation (which previously formed part of the Provincial Government Western Cape - Department of Environmental Affairs and Development Planning) in respect of damage caused by fires on properties adjacent to those currently managed by the Board in the period up to 31 March 2000.	14,646	16,966
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22 OPERATING LEASE ARRANGEMENTS

The group as lessee

At the balance sheet date the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2003/04	2002/03
	R'000	R'000
Up to 1 year	686	725
1 to 5 years	691	1,119
More than 5 years	0	19
	<u>1,377</u>	<u>1,863</u>

Fair values

The fair values of the financial assets and liabilities are disclosed in the relevant notes.

The above information was only disclosed by some of the public entities. The generally accepted accounting practice (GAAP) are not applied by all entities thus the inconsistencies in respect of disclosures.

23 Emoluments

	2003/04	2002/03
	R'000	R'000
Director's and board members emoluments	9,800	7,598

The above information was only disclosed by some of the public entities. The generally accepted accounting practice (GAAP) are not applied by all entities thus the inconsistencies in respect of disclosures.

CONSOLIDATED FINANCIAL STATEMENTS OF WESTERN CAPE: PUBLIC ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

24 Other Receivables

	2003/04	2002/03
	R'000	R'000
Salaries	1	1
Amounts due in respect of other activities	31	79
VAT Refunds	2,264	647
Sundry debtors/accounts	700	1,008
Provincial Government Grant	0	2,750
City of Cape Town	1,440	2,159
Suspense: Pre-packing	2,745	1,092
	<u>7,181</u>	<u>7,736</u>

25 Other Payables

	2003/04	2002/03
	R'000	R'000
Accrued expenses	2,207	2,138
Pro Rata bonus and leave pay	62	0
PAWC and WP racing club taxes and levies	412	423
SARS	597	546
Income received in advance	2,382	514
Outstanding cheques	301	134
Trust accounts	1,840	1,352
Deposits	3,249	2,614
Project Grant	699	0
Project funds administered	3,351	0
Debtor control account	33,490	51,254
Production loans	110	442
	<u>48,700</u>	<u>59,417</u>