

## PART 5: Annual Financial Statement

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# ACCOUNTING OFFICER'S REPORT FOR THE YEAR ENDED 31 MARCH 2006

Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa.

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

### 1.1 INTRODUCTION

The Department of Foreign Affairs (DFA) is responsible for the formulation, application and execution of all aspects of South Africa's foreign policy as entrusted to the Minister of Foreign Affairs. Liaison with foreign governments on matters of international relations is conducted through South Africa's accredited representatives. The head of a South African mission abroad acts as the representative of the Head of State. In pursuit of the achievement of South Africa's foreign policy, the Department is currently represented through 113 missions abroad.

In line with the Public Finance Management Act, 1999 (Act No. 1 of 1999 as amended) (PFMA) and the Treasury Regulations, the Department submitted its strategic plan for the medium term expenditure framework (MTEF) period 2005/06 to 2007/08. The following strategic priorities were identified for implementation during the year under review:

- Promote the reform of the global governance systems;
- Consolidate the African Agenda;
- Promote South-South co-operation;
- Enhance bilateral political and socio-economic relations;
- Facilitate human resource development; and
- Strengthen organisational capacity to deliver on the government's programme.

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

- Administration provides for the overall policy development, execution and management of the Department.

- Foreign Relations promotes relations with foreign countries and participates in international organisations and institutions in pursuit of South Africa's national values and foreign policy objectives.
- Public Diplomacy and Protocol promotes South Africa's foreign policy objectives; both domestically and internationally, it projects a positive image of South Africa and Africa. It provides for State Protocol services and makes provision for the inauguration of the President of South Africa when required.
- International Transfers provides for the payment of membership fees to international organisations.

This report seeks to present the extent to which the Department's resources allocated for the 2005/06 financial year were utilised in terms of the PFMA.

### 1.2 REVENUE

During the year under review, the Department received total revenue of R 2,725 billion made up of voted and non-voted funds, explained below as follows:

#### (i) Annual Appropriation – R2, 694 billion

The Department received a budget allocation of R2, 694 billion for the 2005/06 financial year after adjustment estimates, which reflected an increase of 5, 77% as against the budget allocated for the 2004/05 financial year. The budget increase of R147 million (R2, 694 billion less R2, 547 billion) can be attributed to the additional funding for the Africa Agenda (R129m), Improving Service Delivery (R9m) International Commitments (R4m) and Capital Works (R5m).

#### (ii) Departmental Revenue – R 31 million

Other revenue relates to revenue received in respect of ad hoc activities explained further hereunder, as the department does not have any income-generating programmes. The missions in other countries are allowed to reclaim value-added tax (VAT) and the amount reclaimed in respect of the current year may be utilised by the mission however, it must be utilised under the same standard item from where it was originally disbursed. The VAT (R27 million) received in the current year for claims dating from previous financial years is paid back to

the state revenue account. The other revenue (R4 million) collected by the Department relates to the proceeds from the sale of unwanted equipment, interest received on bank accounts, stale cheques written back, etc., as detailed in note 3 to the Annual Financial Statements.

## 1.3 EXPENDITURE

### Spending trends

South Africa maintains diplomatic relations with countries and organisations through its 113 missions located throughout the world. Consequently, the bulk of its expenditure is incurred in foreign currencies. In addition, the Department transfers funds to its missions using five major currencies. The missions in turn purchase local currencies in their host countries, which may result in currency exchange gains or losses. This poses a major risk with regard to the management of the budget of the DFA, as the Department has no control over the fluctuation of the Rand against major foreign currencies, nor of the various local currencies against major currencies. This unpredictable and uncontrolled situation may cause the Department to either overspend or underspend its budget. To counter this effect, the Department has reached an understanding with the National Treasury to use fixed exchange rates determined by the Treasury for budget purposes. In this manner, if there is a difference between the actual performance of the Rand and the budgeted rate, the allocated budget is adjusted accordingly. In the event of a depreciation of the Rand (lower than the fixed rate determined by the National Treasury) the adjustment estimate process is the only avenue available for the Department to be provided with resources to compensate for exchange rate losses. Should either depreciation or appreciation of the Rand take place after the adjustment estimate process, the Department has no recourse but to fund such losses from within its allocated resources or, in the event of savings, reflect these in the Annual Financial Statements.

During the year under review, a saving of R49, 4 million has been realised. The savings can be attributable, amongst other things to foreign exchange gains (National Treasury focused rates as opposed to market rates) due to the fact that the Rand performed relatively well against major foreign currencies. During the allocation of budget the following rates for major currencies were used:

Currencies	Budget Foreign Currency	Budget Rate (N.T) for 2005/06	Budget Rand Amount	Average Spot Rate for 2005/06	Average Rand Value	Foreign Exchange Gain/ (Loss)
	Million	R. Cent	R' 000	R. Cent	R' 000	R' 000
USD \$	89,254	6.40	571 226	6.52	581 936	(10 710)
EURO €	39,387	8.64	340 304	7.90	311 157	29 147
POUND	4,223	12.17	51 394	11.56	48 818	2 576
YEN ¥	408,167	0.0600	24 490	0.0574	23 429	1 061
SFr	9,437	5.76	54 357	5.08	47 940	6 417
<b>TOTAL</b>			<b>1 041 771</b>		<b>1 013 280</b>	<b>28 491</b>

Over the years the expenditure on the Vote as a whole has been increasing by an annual average rate of 5%. However, there was a considerable increase during the 2001/02 financial year of approximately 27% compared to previous financial years as well as an increase of 14.73% in the 2002/03 financial year and a decrease of 10.70 % in the 2003/04 financial year. During

the year under review, the expenditure has increased by 12.41 % as against the previous year. In overall, the Department has recorded savings amounting to R49, 4 million , as shown in the table below.

#### ANALYSIS OF UNDER/ (OVER) EXPENDITURE PER PROGRAMME

PROGRAMME DESCRIPTION	VOTED 2005/06	ACTUAL EXPENDITURE	Under/(Over)	EXPENDITURE as % of
	R'000	R'000	R'000	VOTE
1: Administration	488 210	457 980	30 230	93.81 %
2: Foreign Relations	1 734 334	1 718 445	15 889	99.08 %
3:Public Diplomacy and Protocol	112 480	109 180	3 300	97.07 %
4:International Transfers	358 742	358 742	0	100%
<b>TOTAL</b>	<b>2 693 766</b>	<b>2 644 347</b>	<b>49 419</b>	<b>98.17 %</b>

During the year under review, the Department utilised 98, 17 % of the total budget allocated for the 2005/06 financial year, which compares favourably to the 92, 39 % spent during the previous financial year. However, considering the amount of R71 million which was paid in respect of pensions for non-statutory forces and the R21 million for the exchange rate losses the Department has utilised 94,75% of its budget, which still shows an improvement as against the previous financial year. Furthermore, during the year under review funds were transferred within a programme to defray over-expenditure between economic classifications and virement was done between Programme 2 and Programme 4. The overall under-expenditure can be attributed to the following reasons:

#### (i) Programme 1: Administration

As explained above, savings were utilised for the payment of pensions for the non-statutory forces and R11 million was utilised from this programme under Personnel. However, due to the delay in the filling of posts, further savings were realised under Personnel. In addition, during the year under review the Department engaged in a process to develop a feasibility study to determine alternative ways of procuring properties abroad. This study is intended to form the basis for formulating the Department's property acquisition plan. Delays in completing the report resulted in the realisation of savings in the Programme.

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

As in Programme1, an amount of R60 million was utilised for the payment of pensions for the non-statutory forces from Personnel. The savings in Personnel can be attributed to the delays in the filling of posts as well as a correction in the implementation of the 'new' Foreign Service Dispensation (FSD: allowances for employees serving abroad) in respect of the members at managerial level. The 'new' FSD was implemented on 1<sup>st</sup> December 2003 and numerous problems were identified, particularly i.r.o. personnel at managerial level. A budget provision was made to correct the discrepancies in the event that approval was received. An approval has been received, but the amount paid has been less than what was anticipated due to favourable exchange rate.

Although the total expenditure is within the budget, during the year under review the re-evalu-

ation of expenditure at the year-end resulted in a foreign exchange loss. As explained in note 1.3 above, the Department transfers funds to missions for their operations, therefore the bulk of its expenditure is incurred in foreign currencies. In addition, the Department transfers funds to the missions using five major currencies, due to the non-availability of other foreign currencies in South Africa. The missions in turn purchase the local currencies of their host countries. This process may result in exchange rate gains or losses. The funds are transferred at the spot rate and the balances at the end of the month are re-valued at the closing rate, which may result in foreign exchange gains or losses.

In 2003/04 financial year the Department was requested by National Treasury to change from the Financial Management System (FMS) to the Basic Accounting System (BAS-FAF) and again in 2004/05 to change from BAS-FAF to BAS-SCOA (Standard Chart of Accounts). This resulted in the foreign exchange losses that were not expensed at the year-end being posted to a control account. An amount of R21 million relates to the past three financial years, allocated as follows: R9, 7 million (2003/04); R1, 8 million (2004/05) and R9, 5 million (2005/06).

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

The savings are attributable to the vacant posts not being filled.

### **1.4 PROVISION FOR REPLACEMENT OF VEHICLES FOR HEADS OF MISSION**

The Department provides Heads of Missions with official vehicles to carry out their official duties. In this regard, the Department developed a policy that defines the norms, usage of the vehicle, the replacement period, etc. The current system poses various problems to Department that make the scheme difficult to manage, with particular reference to the maintenance and replacement of these vehicles.

During the year under review, the Department has negotiated an agreement whereby vehicles for Heads of Missions will be provided on a finance lease basis. In line with the PFMA, National Treasury was approached and approval was granted to the Department for this method of acquisition. The Department is in the process of implementing the project.

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

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


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

In the context of the UN, South Africa's assessed contributions to the regular budget are calculated at 0,41% of the total budget, while peacekeeping contributions are calculated at a 'developing country discounted rate' of 20% of 0,41% of the total cost of each specific UN peacekeeping operation. Contributions to other UN organisations, treaty bodies, etc. are determined on the basis of the calculation for South Africa's contribution to the UN regular budget as adjusted to the membership of the particular organisation or body.

With regard to the AU, South Africa's scale of assessment was at 8.25% of the total budget, which was duly paid. However, during the 8<sup>th</sup> Extraordinary Session of the AU Executive Council held in Khartoum, Sudan in January 2006 a total AU budget comprising of an Operational Budget (based on a new Scale of Assessment approved in July 2005 in Sirte) and a Programme Budget (provided on voluntary basis) was approved. South Africa's scale of assessment has been increased to 15 % for the 2006/07 financial year. To facilitate the operations of the AU, South Africa was requested to make its first payment in the first quarter of the AU financial year, which commences in January of each year.

South Africa also contributes 20% to the budget of SADC and during the year under review there was an increase as against the previous year.

The Development Bank of Southern Africa (DBSA) was re-



requested to establish and host the NEPAD secretariat, for the implementation of NEPAD. NEPAD is a pledge by African leaders to eradicate poverty, to place their countries on a path of sustainable growth and development and to participate actively in the world economy and body politic. The South African contribution (R30 million) to the NEPAD secretariat is channelled through the Department of Foreign Affairs.

During the financial year under review, the budget for the Humanitarian Aid programme was increased by R8 million during the adjustment estimates to provide for South Africa's contribution to the Timbuktu Manuscripts Project. The aim of the project is to restore the preservation of ancient manuscripts dating back to the 12/13<sup>th</sup> century kept at the Ahmed Baba Institute of Higher Learning & Islamic Research and to rehabilitate the buildings in Timbuktu. In summary the project consists of three components: the conservation of the manuscripts and the offering of training in conservation to Malian archivists; research on the manuscripts being preserved in Timbuktu and the construction of a new library and archive to host the approximately twenty three thousand (23 000) manuscripts. The project is managed through a Trust Fund established by the Development Bank of Southern Africa.

Furthermore, an amount of R13 million was transferred to the Department of Provincial and Local Government in its capacity as Government's coordinator of the Tsunami relief efforts.

With regard to accountability, these organisations and institutions prepare detailed financial statements, which are subject to auditing and public scrutiny. The detailed list of the transfer payments is per note 9 and Annexure IJ of the Annual Financial Statements.

### **3. SERVICES RENDERED BY THE DEPARTMENT**

#### **(i) Consular services**

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

Consular services rendered to the public include visitation of injured, hospitalised and detained/imprisoned South African citizens abroad. These consular services involve mission personnel abroad having to travel to destinations where these services need to be rendered.

During the year under review, the Department was involved in providing assistance to South African citizens involved in various human disasters, e.g. the London bomb blasts and the storm surge that caused catastrophic damage along the eastern seaboard of the United States of America.

#### **(ii) Agency services**

Agency services are services rendered on behalf of other government departments, which are either not represented abroad or only represented at some missions. These departments include Home Affairs, Justice, Welfare, Transport, Agriculture, the South African Revenue Services and Trade and Industry. The Chief Directorate: Consular & Agency Services primarily supports the Department of Home Affairs with services that include passport processing, visas, work and study permits. Where the services being rendered require a fee, collection and payment are managed according to the relevant department's requirements and in accordance with Treasury Guidelines and Regulations.

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

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

A large percentage of the work at Head Office involves the legalisation/authentication of official documents for use abroad. The documents are either affixed to an Apostil (where countries are party to the Hague Convention of 1961) or to a Certificate of Authentication. During the year under review, 20 610 such documents were processed.

## 4. TRADING ENTITIES AND PUBLIC ENTITIES

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

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

The financial statements of the Fund are prepared separately from those of the Department because the Fund is registered as a Public Entity in terms of the Public Finance Management Act.

## 5. CAPACITY CONSTRAINTS

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

The following are key challenges facing the Department. Some interventions have been identified for implementation in a phased manner and the progress made is tabled below:


### (i) Management and Financial Skills

The changed practices from a situation that was one-dimensional, financial processes that were generally controlled by prescribed bureaucratic rules and regulations that stifled managerial efficiency, inhibiting innovation and often resulting in poor decision-making, have required staff to be capacitated in various management disciplines. The real challenge, in particular, is the lack of management skills to implement the PFMA and to design appropriate interventions to improve service delivery. In this regard, the Department conducted a skills audit to establish skills levels in the Department.

During the year under review, in an attempt to address some of the issues pointed out by the skills audit, the Department has implemented different programmes to ensure that the quality of management processes improves and contributes effectively and efficiently to the attainment of the Department's objectives.

With regard to the financial and administrative functions of the Department, the assessment indicated a need to enhance the training provided by the Department's Foreign Service Institute to officials undertaking the Mission Administration and the Foreign Affairs Attaché courses. In pursuance thereof, the Institute of Public Finance and Auditing was approached to develop training materials on finance, procurement, administration and corporate-related modules. These modules have now been included in the training provided to departmental officials. In addition, the South African Management Development Institute (SAMDI) was approached by the Department to develop a course for the members of the Departmental Tender Control Committee on Supply Chain Management, which includes an introduction to Supply Management, Demand Acquisition Management and the appointment of consultants. The implementation of the programme is still in progress.

Furthermore, after an intensive research process the Gordon Institute of Business Science (GIBS) was selected as the



main provider of the leadership and development programme in DFA, in collaboration with South African Management Institution (SAMDI).

The Gordon Institute of Business Science was tasked to develop a comprehensive programme that will address the identified departmental needs, which were confirmed by the recent skills audit results. The main focus of the programme is towards Self-mastery, Leadership and Transformation. The Leadership and Development programme has been designed for all senior managers of the Department. The programme commenced in November 2005 and is scheduled to be completed by September 2006.

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

As reported in the previous year, the Department commenced with the implementation of the Master Systems Plan. Significant progress has been made with regard to the planning for the projects and service providers have been appointed through the office of SITA. In the ICT Plan for 2005/6, four strategic priorities were defined and the implementation of these is in progress, namely:

### **(a) Voice over Internet Protocol (VoIP) global network**

The aim of the project is to provide the Department with an integrated, effective and efficient communications infrastructure that will provide connectivity for all Missions to the system at Head Office and improve collaboration and service delivery within the entire Department through converged global network data and voice media. The VoIP will allow the Department to integrate the telephone, e-mail and other applications and to take advantage of the benefits of unified messaging and to further reduce costs.

The project was developed and implemented in partnership with the Department of Home Affairs. The project is divided into two phases, which are: Phase 1, the primary deployment involving six (6) sites being Head Office, Washington, New York, Chicago, Maputo and Gaborone; Phase 2, the deployment of the solution to the entire Department. The equipment for the primary sites have been purchased, delivered and installed. The telecommunication links for the primary sites have been installed and are operational.

### **(b) Windows 2003 Advanced Server**

This project is aimed at upgrading the back office infrastructure from a mixed environment of UNIX and Windows NT to Microsoft Windows Advanced Server, Windows XP desktop, Microsoft Office 2003 technologies and at unifying the communication platform for the entire Department.

The project is being implemented through Microsoft in two phases, in the following manner:

- The primary deployment in the following sites: Head Office, Washington, New York (UN), New York (CG), Chicago, Gaborone and Maputo.
- The full deployment, which is the migration of the rest of the department (Missions) to the new infrastructure.

The implementation of the Windows 2003 Advanced Server required an upgrade of Servers at all missions and Head Office and the servers are being installed at assigned offices. In addition the equipment, software and licences for all Microsoft technologies have been purchased and are being installed at the primary sites.

### **(c) Data Warehousing/ Business Intelligence (BI)**

The aim of the project is to provide Human Resources and Finance with an executive business analysis and reporting tool. This project entails:

- Executive business decision and analysis tool;
- Building and accessing information by topic (Data-marts);
- Collaborative information building;
- Sharing information;
- Development of central repository for all DFA data;
- Introduction of work-flow;
- Common search engine; and
- Split repository for secure and open information.

TIBCO Staffware software and equipment have been purchased and installed at Head Office. The construction and development of both the HR and Finance components have been completed. The project is currently at the testing phase.



**(d) Business Process Management (BPM) focusing on two business units: DIAP and DCAS.**

The aim of the project is the automation of business process, providing optimised workflow with built-in business rules for the Directorates Consular & Agency Services (DCAS) and Diplomatic Immunity & Privileges (DIAP). BPM automatically manages the processes, by accessing repositories, applications, knowledge workers and/or databases at the appropriate point in the business process. BPM not only allows business processes to be executed more efficiently, but also provides the tools to measure performance and identify opportunities for improvement.

During the year under review, the development of the basic system, which covers processes prioritised by both directorates, have been completed. The SAS BI software equipment has been purchased and installed at Head Office.

## **6. CORPORATE GOVERNANCE ARRANGEMENTS**

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

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

The existence of a valid, approved set of policies, processes and procedures is critical for the promotion of good corporate governance. During the year under review, the Department has continued with the reviewing of existing policies, processes and procedures and compiling policies, processes and


procedures where these were either inadequate or non-existent. Additionally, during the year under review, the comprehensive review and re-designing of the Foreign Service Code of the Department has continued. Considerable progress has been made in this regard. Considering the magnitude of the task, this process will continue during the new financial year.

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

The existence of an adequate and effective system of internal controls is necessary for Management and the Department as a whole to obtain reasonable assurance that its strategic objectives as well as goals and targets will be accomplished. The Department follows a risk-based approach to the systems of internal controls. During the year under review a comprehensive, Department-wide risk assessment was undertaken in accordance with the Department's approved Risk Management Strategy. A Strategic Risk Profile reflecting those risks that impact on the strategic objectives of the Department was compiled and accepted by both the Management and the Audit Committee of the Department. The Department has adopted Control Self Assessment as a management tool in the Total Risk Management approach and Control Self Assessment will come into operation during the new financial year. During the year, the Risk Management Directorate facilitated the assessment of operational risks for individual business units and directorates as part of the Control Self Assessment strategy and the Risk Management Strategy. An Operational Risk Profile for each Branch, Business Unit and Component has been prepared and work-shopped with relevant officials. Components are currently engaged in preparing their strategies in response to risks identified. The risk strategies and Control Self-Assessment Schedules will be completed during the 2006/7 financial year.

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

During the year under review, the Department's Fraud Prevention Policy and Strategy were extensively reviewed and the Fraud Awareness Manual was developed. Furthermore, the Fraud Prevention Control Committee met regularly, on a quarterly basis, for the purposes of implementing the Policy and Strategy. The Fraud Prevention Policy and Strategy as well as the Fraud Awareness Manual were made available to all employees of the Department. The Department will continue its efforts in promoting a corruption-free environment



during the next financial year by making presentations to employees at training sessions and other workshops facilitated for this purpose.

The National Anti-Corruption and Fraud Prevention Hotline was implemented and activated by the Office of the Public Service Commission. The Fraud Awareness Manual and the Fraud Prevention Plan encourages Departmental employees to utilise the National Anti-Corruption and Fraud Prevention Hotline for the purposes of reporting fraud, corruption and other irregularities. However, our employees stationed abroad are not able to access the number and the matter is being discussed with the Office of the Public Service Commission.

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

The Internal Audit Unit continues to play an important role in the corporate governance mechanism of the Department. The Unit was strengthened during the year with the appointment of staff members at the middle management level and the appointment of the Director: Internal Audit. Further appointments will be made in the 2006/7 financial year and will further strengthen the Internal Audit Unit.

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

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

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

The Department has also implemented measures to ensure that Management and other Departmental staff members are continuously updated on good corporate governance principles. In pursuance thereof, Corporate Governance is included in the training offered to newly-appointed Heads of Mission, candidates undertaking the Mission Administration Course and those candidates on the Diplomatic Training Course.

Corporate Governance is also included as part of the Internal Audit matters as a standing item in the Departmental Management Committee meetings. Departmental Management Committee members are continuously updated on the latest developments of corporate governance.

#### **(vi) Investigations Management and Monitoring Committee**

During the year under review, the Department formalised the establishment of the Investigations Management and Monitoring Committee. This Committee contributes to good corporate governance within the Department by ensuring that thorough investigations are conducted with adequate evidence that cases are finalised within timeframes and that proper attention is given to all disciplinary cases.

#### **(vii) Audit Steering Committee**

An Audit Steering Committee comprising of representatives from each Branch within the Department has been established as part of the corporate governance mechanism. The role and functions of the Audit Steering Committee are to ensure that all audit recommendations, both external and internal, are accorded due attention by the Department and implemented.

## **7. PERFORMANCE INFORMATION**

The Department has developed its strategic plan for the next MTEF period, which articulates the strategic priorities of the Department. The plan includes all statutory requirements as defined in Chapter 5 of the PFMA and Chapter 1, Part III B, of the new Public Service Regulations (2001).

A Strategic Planning Unit has been established in the DG's Office with the main aim of monitoring the implementation of the Strategic Plan of the Department. However, the posts are currently in the process of being filled. To enhance service delivery and performance, measurable objectives, performance indicators and time frames have been developed.

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

The Performance Management and Development System is

a management tool for the effective monitoring of individual performance to ensure that Departmental goals are achieved in line with its strategic plan. The Department's Performance Management System is well integrated into the strategic planning process of the Department and encourages a cascading effect of priorities and goals from the Departmental Strategic Objectives to the Business Unit level and down to the individual's performance agreement.

During the year under review, the Department ensured that all Business Units have business plans and that all employees have signed performance agreements and that their activities are ultimately tied to the broader organisational goals. A committee was established to ensure the alignment of Performance Agreements to Business Plans. However, the implementation of the PMDS still poses some challenges, particularly concerning compliance and the evaluation of business unit performance as against predetermined objectives.

With regard to Branch performance evaluations, a two-pronged approach was adopted, whereby for the period April 2005 to September 2005 individual Branch reviews were conducted and for the period October 2005 to March 2006 a Departmental review was conducted. To ensure that Branches report against their predetermined objectives as stated in the DFA Strategic Plan, a template was designed for the submission of the reports. Furthermore, the designed template will be utilised for the submission of quarterly reports in the next financial year. To strengthen the implementation of PMDS for the next financial year, Business Units and missions were not allowed to utilise their budget without the submission of Business Plans and all Performance Agreements.

The department has progressed considerably in embedding the PMDS and related rewards. Extensive training was provided to Moderation Committees and detailed guidelines were developed for the evaluation process. The recognition of employees' performances was based on the performance appraisal outcomes as against the individual performance agreement as well as the overall performance of the Unit concerned.

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

The Minister, Deputy Ministers and Director-General moni-

tor the implementation of policy and the strategic plan by ambassadors at missions abroad and by senior officials of the Department. Branches of the Department and the programme managers at Chief Director-level determine regional priorities and objectives, which are aligned to the Department's strategic plan and priorities. Directorates and missions abroad implement business plans, which are country and region-specific. Business units monitor performance through a system of quarterly reports to Head Office on progress, supported by weekly and regular interaction and reports on the substance of the set objectives. The monitoring of progress and performance is further enhanced by the following systems:

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

These systems are further integrated and co-ordinated by a process of Departmental Management Committees to ensure a coherent and focused approach. As part of the strategic monitoring process, as explained above, the Branches engaged in mid-term reviews to determine the extent to which goals were achieved and budget reviews were also conducted with missions. Regional consultations with Heads of Missions were also conducted with the political principals to brief them about new policy directions. The outcomes of these consultations informed the action plans for the remainder of the year, while the outcomes of the year-end review have been integrated into the 2006/07 Strategic Plan.

## **8. PUBLIC PRIVATE PARTNERSHIPS (PPP)**

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



The project in summary will include:

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

The feasibility study furthermore proved the project to be affordable and viable to be implemented by means of a Public Private Partnership program. Treasury Approval 1 in respect of the feasibility study was received in November 2004, which approval paved the way for the commencement of the procurement process. This procurement process aims to select a Private Party with which the Department will enter into a long term (approximately 25-year) concession agreement to finance, design, construct, operate and maintain the Head Office facility. During the previous financial year, the Department commenced with the procurement process and selected three bidding consortia via a Request for Qualification (RFQ) process, to participate in the second stage of the procurement process.

During the year under review, the Department prepared Request for Proposals (RFP) documentation and after receiving Treasury Approval issued the RFP documents to the three short-listed bidders. The bidding process culminated in the closing of RFP tenders on 27 November 2005 and was followed by a detailed evaluation. At the end of the evaluation, the Department was unable to select one Preferred Bidder and opted to embark on a Best And Final Offer (BAFO) process, with two short-listed bidders. BAFO documents were issued on 3 March 2006 with a closing date of 27 March 2006.

This BAFO process will be concluded during the next financial year and it is anticipated that the preferred bidder will be appointed before end June 2006 and construction will commence before the end of the financial year 2006/07.

## 9. MISSION FINANCIAL SYSTEM

As reported in the previous year, the Department commenced with the development of a financial system for the missions that would enable the Department to meet its financial reporting obligations as required by the PFMA. The new system will provide missions with the ability to manage their financial activities, report on expenditure and monitor their budgets. The system is web-based and will enable business unit managers to monitor the budget and expenditure of their respective missions in both Rand value and foreign currency value. The current Foreign Currency System (FCS) used to convert the foreign currencies into Rand will be replaced.

Due to the complexity of the development of the new financial system, it was decided to develop and implement the system in a three-phased approach:

### Phase I: Consolidation of Financial Information and Reporting

Phase I provided missions with spreadsheet templates for budgeting and recording of monthly expenditure. The information is sent via e-mail to Head Office (as from the 25<sup>th</sup> of each month) and the data is then downloaded manually on the FCS. Once the accounts from the missions have been reconciled the data is interfaced to BAS in Rand value. During the year under review, all the missions reported their expenditure through this system, which assisted the Department in complying with prescribed reporting requirements to a certain extent.

### Phase II: Install a PFMA-compliant Financial System

The Department also continued with the development of Phase II, which included the General Ledger, Accounts Payable, Accounts Receivable, Fixed Assets and Multi-currency Inter-company Accounts. The system is geared towards the accrual based accounting system and uses the Standard Chart of Accounts (SCoA) as in the Basic Accounting System (BAS). The development of the mission financial package has been completed. As explained above, Phase II also included the replacement of the Foreign Currency System and will be completed in the next financial year. The mission financial system will be rolled out to missions in the next financial year.

### Phase III: Business Cycle Process Automation

Phase III will involve Business Cycle Process Automation, Business Cycle Management and the automation of processes. Phase III will be built on the development already undertaken in Phases I and II. The implementation of Phase III is planned to take place as from 1<sup>st</sup> April 2007.

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

As reported in the previous financial year, the department ceased utilising the account in the Reserve Bank to transfer funds to the missions, however this account was overdrawn in the amount of R59 million. The Department has now settled the account and currently utilises the services of the three commercial banks for the purpose of transferring funds to the missions. The banks are then re-imbursed with amounts transferred and the related bank charges incurred.

## 11. RECEIVABLES

The bulk of the receivables (other departments) relate to foreign allowances and accommodation expenses in respect of employees of partner departments transferred abroad. In this regard, the Department incurs the expenditure on a recoverable basis. However, due to the lack of on-line financial systems, the Department is currently facing difficulties in forwarding claims to partner departments on a monthly basis. This situation severely impacts on the cash-flow management of the Department. The Department has implemented processes to deal with this matter, including requesting departments to pay their accounts in advance. The Department is also in the process of signing the Memorandum of Understanding (M.O.U) with the affected departments, which will detail the payment methods and dispute resolution mechanisms.

During the year under review, the Department made a concerted effort to manage accounts receivable in respect of other departments. The results of these efforts are reflected in the decrease of 21, 34% (R35 million) between the closing balances of R164 million (2004/05 financial year) and R129 million (2005/06 financial year). However, it is important to re-

port that despite Management's concerted efforts for the settlement of interdepartmental claims by establishing a process to deal with disputed amounts, it is disheartening to note that this matter has not yet yielded the desired results, especially with regard to the confirmation of outstanding balances by partner departments. Furthermore, the Department appointed a service provider to assist with the clearing of old balances with a view to writing off those claims of which the possibility of recovery is non-existent. A Debt Management Policy was developed and a Debt Management Committee was established to monitor the debt portfolio of the Department. Although the Department has implemented the processes to verify these debts, it would be prudent to make provision for non-recovery, as other balances may not be verifiable due lack of supporting documents. A provision of 23, 25 % (R30 million) of the total debt has been made for this purpose.

## 12. MANAGEMENT OF FIXED ASSETS

A phased approach to proper asset management has been progressing since the enactment of the PFMA. National Treasury has been providing guidance on a regular basis in terms of minimum information required for the asset register. However, the implementation of the minimum requirements has been challenging due to limited resources (both human and systems). During the previous financial year, the Department implemented an asset management system that enabled the Department to produce a credible Asset Register for the Head Office.

During the year under review, the Department has managed to develop Asset Registers for assets maintained at missions with a unique bar code per asset, standard product catalogue information, and the location information of the asset item as well as the personnel information of the user of the asset item. However, the recording of values still remains a challenge since the costs of the assets were expensed fully in the year of purchase. As a consequence, it was difficult to allocate all values to assets per invoice amount. The Department will continue its efforts to strive for the complete capturing of the values of the assets. The Department has finalised the drafting of the Asset Management Policy. Moreover, a dedicated unit within the Supply Chain Management Directorate has been assigned to deal with asset management.

### 13. PROGRESS WITH FINANCIAL MANAGEMENT IMPROVEMENTS

The Department has continued to strive for the implementation of the provisions of the Public Finance Management Act and has paid special attention to improving internal controls. The following key initiatives were implemented:

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

The Department, under the guidance of the Audit Committee, embarked on a structured process to address the issues raised by the Office of the Auditor-General in its previous report. An action plan document was developed to attend to specific priorities for the Finance section and external consulting services were also utilised to assist in the clearing of suspense accounts, and significant progress has been achieved.

#### (ii) Management of Budget

During the year under review, the Department implemented budget review sessions with missions to ensure that each mission operates within their allocated budgets and to strengthen the oversight function of the Business Units. The process also assisted the Department to determine credible baseline amounts for the missions and their respective business units.

#### (iii) Monthly Expenditure Reporting

The Phase I implementation of the mission financial system has assisted the Department to submit its monthly expenditure report to National Treasury and a comprehensive financial report was also presented to the Management meeting in the last quarter of the financial year. With regard to performance monitoring, the department is still faced with the challenge of compiling quarterly review reports. However, the respective Branches conducted their half yearly performance reviews as required. A clear process has been implemented to improve this aspect in the next financial year.

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

The Department has continued to implement processes to improve the financial management function in the DFA. Significant progress has been achieved in the area of asset man-

agement, the implementation of the mission financial system, management of debtors, management of mission cashbook balances and the development of policies. Management of the Department is also involved through the established committees with clear mandates and responsibilities, such as the Audit Steering Committee, the Debt Management Committee, the Fraud Prevention Control Committee, and the Departmental Tender Control Committee in the strategic financial management of the department.

### 14. CONTINGENCY LIABILITIES

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

Financial guarantees are made available to commercial banks to assist employees when they purchase a dwelling or a vehicle in terms of the housing policy or motor finance scheme. In the event that an employee fails to meet his/her obligation to the bank, the department either deducts the guaranteed amount in installments from that employee's salary or reflects the amount as a debt against his/her pension for recovery. In addition, should the employee resign from the service, the department notifies the bank concerned and terminates the guarantee.

#### (ii) Financial guarantees

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

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

### 15. SCOPA RESOLUTIONS

The table below summarises the Standing Committee on Public Accounts (SCOPA) resolutions under implementation, as

contained in the SCOPA seventy-seventh report, 2003, on the report of the Auditor-General on the financial statements of the Department for the year ended 31 March 2002 [RP206/2002]:

Reference to previous audit report and SCOPA resolutions	Subject	Findings in progress
<p><b>(1) Resolution – audit report 2001/02</b></p> <p>The Committee recommends that:</p> <ul style="list-style-type: none"> <li>the Department resolves the matter with other departments as speedily as possible;</li> <li>a progress report on the matter be furnished to Parliament within 60 days after the tabling of this report in Parliament; and that</li> <li>the Auditor-General reports thereon in his next report on Foreign Affairs.</li> </ul>	Receivables-Interdepartmental balances	<p>The resolution is under implementation.</p> <p>Please refer to paragraph 11 of the Accounting Officer's report.</p>
<p><b>(2) Resolution – audit report 2001/02</b></p> <p>The Committee recommends that:</p> <ul style="list-style-type: none"> <li>the Department indicates the nature and impact of the corrective steps it intends to take to rectify the situation; and that</li> <li>the Auditor-General reports thereon in his next report.</li> </ul>	Computer audit	<p>The resolution is under implementation.</p> <p>Please refer to paragraph 5(ii) of the Accounting Officer's report.</p>

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

## 16. EVENTS AFTER REPORTING DATE

At the time of reporting, no material events affecting the operations of the Department had occurred except amounts received to the value of approximately R27 million with regard to receivables for the other departments.

### Approval

The financial position of the Department as at 31 March 2006 and the results of its operations are set out in the attached financial statements:

- Appropriation statement
- Notes to the Appropriation Statement
- Statement of Financial Performance
- Statement of Financial Position
- Statement of Changes in Net Assets
- Cash Flow Statement
- Notes to the Annual Financial Statements
- Disclosure Notes to the Annual Financial Statements
- ANNEXURES
  - Annexure 1F : Statement of Unconditional Transfers to Municipalities
  - Annexure 1G : Statement of Transfers to Departmental Agencies and Accounts
  - Annexure 1I : Statement of Transfers to Public Corporations and Private Enterprises
  - Annexure 1J : Statement of Transfers to Foreign Governments and International Organisations

Annexure 1L	: Statement of Transfers to Households
Annexure 1M	: Statement of Gifts, Donations and Sponsorships Received
Annexure 1O	: Statement of Gifts, Donations and Sponsorships Made
Annexure 3A	: Statement of Financial Guarantees Issued
Annexure 3B	: Statement of Contingent Liabilities
Annexure 4	: Capital Tangible Asset Movement Schedule
Annexure 4.1	: Additions Movement Schedule
Annexure 4.2	: Disposals Movement Schedule
Annexure 4.3	: Capital Tangible Asset Movement Schedule – 2004/05
Annexure 5	: Software and other Intangible Asset Movement Schedule
Annexure 5.1	: Additions Movement Schedule
Annexure 5.2	: Disposals Movement Schedule
Annexure 5.3	: Capital Intangible Asset Movement Schedule – 2004/05
Annexure 6	: Inter-Governmental Receivables
Annexure 7	: Inter-Departmental Payables

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




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**DR. A NTSALUBA**  
**Director-General: Department of Foreign Affairs**  
**Date: 31 May 2006**





## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 3 - DEPARTMENT OF FOREIGN AFFAIRS FOR THE YEAR ENDED 31 MARCH 2006

### 1. AUDIT ASSIGNMENT

The financial statements as set out on pages 19 to 83, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 40(1)(c) of the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended. The capital asset opening balances have not been audited, because of the timing of guidance from the National Treasury to departments relating to the treatment, valuation and disclosure of capital assets. These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

### 2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 544 of 2006, issued in Government Gazette no. 28723 of 10 April 2006 and General Notice 808 of 2006, issued in Government Gazette no. 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

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

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

### 3. BASIS OF ACCOUNTING

The department's policy is to prepare financial statements on the modified cash basis of accounting determined by the National Treasury, as described in note 1.1 to the financial statements.

### 4. AUDIT OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Foreign Affairs at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the modified cash basis of accounting determined by the National Treasury of South Africa, as described in note 1.1 to the financial statements, and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

### 5. EMPHASIS OF MATTER

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

#### 5.1 Debt management

In my previous year's audit, I had indicated that the department's accounting and internal control systems were not geared towards effective debt management practices. This was impacted, inter alia, by the limitations of the existing financial system and the decision by the Cabinet Committee for the Economic Sector of 7 September 2005 to suspend the renewal of all independent financial systems. Although significant improvements were introduced during the year under review, further work needs to be done, particularly in the areas of the management information system, monthly monitoring and reconciliations, as well as information and documentation flows between the parties concerned.

Annexure 6 to the financial statements reflects inter-governmental claims receivable, excluding other government entities, of R129.4 million (2004/05:R164.7 million), a decrease of 21 per cent over the previous financial year. I performed alternative procedures to obtain reasonable assurance that the unconfirmed balances of R76.3 million or 59 per cent of the total outstanding (2004/05: R128.8 million or 78 per cent) were not materially misstated. While the decrease in this amount compared with the previous year is positive, the level of unconfirmed balances remains of concern.

Other matters, as per note 16 to the financial statements that need to be re-emphasised, include:

- Overall, an amount of R69.8 million or 20 per cent of

the total receivables was outstanding for more than three years compared to R52.2 million or 18 per cent in 2004/05. Amounts outstanding for one to three years amounted to R29.6 million (2004/05: R24.6 million). An amount of R30 million (2004/05: R40 million) was raised as a provision for doubtful debts, which has not yet been written off in the statement of financial performance.

- The management of households and non-profit institutions receivables and staff debtors, which show an increase over the previous year, is in need of some improvement.

### 5.2 Performance information

The department does not have an effective information management system to facilitate the monitoring, evaluation and reporting on performance information. Consequently, the following areas were identified where improvement is needed:

- The department did not submit its performance information for auditing within the stipulated timeframe, as required by the National Treasury Guide for the Preparation of Annual Reports for National and Provincial Departments for the year ended 31 March 2006.
- Supporting documentation to corroborate the department's actual performance against its predetermined targets, as disclosed in its 2005/06 annual report could not be furnished.
- The reported performance information did not reflect the department's achievements vis-à-vis its predetermined objectives as set out in year 1 of the approved strategic plan and annual budget for the year under review.

### 5.3 Receivables: African Renaissance and International Co-operation Fund

Annexure 6 to the financial statements reflects an amount of R48.2 million (2004/05: R40.2 million) owing by the African Renaissance and International Co-operation Fund (fund). As reported previously in the 2004/05 audit report, this amount included a series of payments totalling R29.9 million, which the department had made in 2002 on behalf of the fund to the Mali Trust Fund to enable the hosting of the twenty-third Africa Cup of Nations soccer tournament. At that time, the Mali Trust Fund had been managed by Sports and Recreation South Africa.

The total payment of R29.9 million exceeded the initial amount

pledged and contrary to section 5 of the African Renaissance and International Co-operation Fund Act, 2000 (Act No. 51 of 2000), these payments have not been regularised by the advisory committee. Concurrence by the Minister of Finance was also not obtained. According to the department, the Minister of Finance remained unable to issue a letter of concurrence for the expenditure incurred on behalf of the fund until the accounts of the Mali Trust Fund have been audited.

### 5.4 Information systems audit of general controls

A limited follow-up review was conducted during the year under review to assess the adequacy of actions taken by the department to address the shortcomings in the general controls, as previously reported. The department had initiated an information system infrastructure upgrade programme, which it believed would pave the way for addressing, inter alia, the previously identified risks in relation to the following:

- Procedures had not been developed for change management, user account management, incident and problem management, backup and recovery and network security administration.
- The physical and environmental controls in the server rooms were still considered inadequate.
- The logical access security and user monitoring controls at network level were still considered inadequate.
- A disaster recovery plan had not been developed and implemented.

At the time of writing the report, the department has made notable progress in addressing some of the risk exposures. A follow-up review of the information systems general control environment will be conducted when the infrastructure upgrade programme has been finalised in December 2006, as planned.

## 6. APPRECIATION

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

*S. A. Fakie*  
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Auditor-General  
Pretoria  
31 July 2006



## ACCOUNTING POLICIES for the year ended 31 March 2006

The Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the Act and the Division of Revenue Act, Act 1 of 2005.

### 1. Presentation of the Financial Statements

#### 1.1. Basis of preparation

The Financial Statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid or when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

#### 1.2. Presentation currency

All amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the department.

#### 1.3. Rounding

Unless otherwise stated all financial figures have been rounded to the nearest one thousand Rand (R'000).

#### 1.4. Comparative figures

Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

A comparison between actual and budgeted amounts per major classification of expenditure is included in the appropriation statement.

## 2. Revenue

### 2.1. Appropriated funds

Appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments to the appropriated funds made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.

Total appropriated funds are presented in the statement of financial performance.

Unexpended appropriated funds are surrendered to the National Revenue Fund, unless approval has been given by the National Treasury to rollover the funds to the subsequent financial year. Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the statement of financial position.

### 2.2. Departmental revenue

All departmental revenue is paid into the National Revenue Fund when received, unless otherwise stated. Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the statement of financial position.

#### 2.2.1. Tax revenue

Tax revenue consists of all compulsory unrequited amounts collected by the department in accordance with laws and or regulations (excluding fines, penalties & forfeits).

Tax receipts are recognised in the statement of financial performance when received.

#### 2.2.2. Sales of goods and services other than capital assets

The proceeds received from the sale of goods and/or the provision of services is recognised in the statement of financial performance when the cash is received.

### 2.2.3. Fines, penalties & forfeits

Fines, penalties & forfeits are compulsory unrequited amounts which were imposed by a court or quasi-judicial body and collected by the department. Revenue arising from fines, penalties and forfeits is recognised in the statement of financial performance when the cash is received.

### 2.2.4. Interest, dividends and rent on land

Interest, dividends and rent on land is recognised in the statement of financial performance when the cash is received.

### 2.2.5. Sale of capital assets

The proceeds received on sale of capital assets are recognised in the statement of financial performance when the cash is received.

### 2.2.6. Financial transactions in assets and liabilities

Repayments of loans and advances previously extended to employees and public corporations for policy purposes are recognised as revenue in the statement of financial performance on receipt of the funds. Amounts receivable at the reporting date are disclosed in the disclosure notes to the annual financial statements.

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

### 2.2.7. Gifts, donations and sponsorships (transfers received)

All cash gifts, donations and sponsorships are paid into the National Revenue Fund and recorded as revenue in the statement of financial performance when received. Amounts receivable at the reporting date are disclosed in the disclosure notes to the financial statements. All in-kind gifts, donations and sponsorships are disclosed at fair value in the annexures to the financial statements.

## 2.3. Local and foreign aid assistance

Local and foreign aid assistance is recognised in the finan-

cial records when the department directly receives the cash from the donor(s). The total cash amounts received during the year is reflected in the statement of financial performance as revenue.

All in-kind local and foreign aid assistance are disclosed at fair value in the annexures to the annual financial statements

The cash payments made during the year relating to local and foreign aid assistance projects are recognised as expenditure in the statement of financial performance. A receivable is recognised in the statement of financial position to the value of the amounts expensed prior to the receipt of the funds.

A payable is raised in the statement of financial position where amounts have been inappropriately expensed using local and foreign aid assistance. Unutilised amounts are recognised in the statement of financial position.

## 3. Expenditure

### 3.1. Compensation of employees

Salaries and wages comprise payments to employees. Salaries and wages are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). Capitalised compensation forms part of the expenditure for capital assets in the statement of financial performance<sup>1</sup>.

All other payments are classified as current expense.

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

#### 3.1.1. Short term employee benefits

Short term employee benefits comprise of leave entitlements (capped leave), thirteenth cheques and performance bonuses. The cost of short-term employee benefits is expensed as salaries and wages in the statement of financial performance

when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the notes to the financial statements. These amounts are not recognised in the statement of financial performance.

### 3.1.2. Long-term employee benefits

#### 3.1.2.1. Termination benefits

Termination benefits such as severance packages are recognised as an expense in the statement of financial performance as a transfer when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

#### 3.1.2.2. Post employment retirement benefits

The department provides retirement benefits (pension benefits) for certain of its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are expensed when the final authorisation for payment to the fund is effected on the system (by no later than 31 March of each year). 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.

The department provides medical benefits for certain of its employees. Employer contributions to the medical funds are expensed when the final authorisation for payment to the fund is effected on the system (by no later than 31 March of each year).

### 3.2. Goods and services

Payments made for goods and/or services are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). The expense is classified as capital if the goods and services were used on a capital project.

### 3.3. Interest and rent on land

Interest and rental payments are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). This item excludes rental for the use of buildings or other fixed structures.

### 3.4. Financial transactions in assets and liabilities

Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or underspending of appropriated funds. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but amounts are disclosed as a disclosure note.

All other losses are recognised when authorisation has been granted for the recognition thereof.

### 3.5. Unauthorised expenditure

When discovered unauthorised expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either approved by the relevant

authority, recovered from the responsible person or written off as irrecoverable in the statement of financial performance.


Unauthorised expenditure approved with funding is recognised in the statement of financial performance when the unauthorised expenditure is approved and the related funds are received. Where the amount is approved without funding it is recognised as expenditure, subject to availability of savings, in the statement of financial performance on the date of approval.

### 3.6. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

### 3.7. Irregular expenditure

Irregular expenditure is recognised as expenditure in the



statement of financial performance. If the expenditure is not condoned by the relevant authority it is treated as an asset until it is recovered or written off as irrecoverable.

### 3.8. Transfers and subsidies

Transfers and subsidies are recognised as an expense when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

### 3.9. Expenditure for capital assets

Payments made for capital assets are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

## 4. Assets

### 4.1. Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.

### 4.2. Prepayments and advances

Amounts prepaid or advanced are recognised in the statement of financial position when the payments are made.

### 4.3. Receivables

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party.

Revenue receivable not yet collected is included in the disclosure notes. Amounts that are potentially irrecoverable are included in the disclosure notes.

### 4.4. Investments

Capitalised investments are shown at cost in the statement of

financial position. Any cash flows such as dividends received or proceeds from the sale of the investment are recognised in the statement of financial performance.

Investments are tested for an impairment loss whenever events or changes in circumstances indicate that the investment may be impaired. Any impairment loss is included in the disclosure notes.

### 4.5. Loans

Loans are recognised in the statement of financial position at the nominal amount. Amounts that are potentially irrecoverable are included in the disclosure notes.

### 4.6. Inventory

Inventories on hand at the reporting date are disclosed at cost in the disclosure notes.

## 5. Liabilities

### 5.1. Payables

Recognised payables mainly comprise of amounts owing to other governmental entities. These payables are recognised at historical cost in the statement of financial position.

### 5.2. Lease commitments

Lease commitments represent amounts owing from the reporting date to the end of the lease contract. These commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

Operating and finance lease commitments are expensed when the payments are made. Assets acquired in terms of finance lease agreements are disclosed in the annexures to the financial statements.

### 5.3. Accruals

Accruals represent goods/services that have been received, but where no invoice has been received from the supplier at the reporting date, or where an invoice has been received but

final authorisation for payment has not been effected on the system.

Accruals are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

#### 5.4. Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the department; or

A contingent liability is a present obligation that arises from past events but is not recognised because:

It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are included in the disclosure notes.

#### 5.5. Commitments

Commitments represent goods/services that have been approved and/or contracted, but where no delivery has taken place at the reporting date.

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

### 6. Net Assets

#### 6.1. Capitalisation reserve

The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the statement of financial position for the first time in the current reporting period. Amounts are transferred to the National Revenue Fund on disposal, repayment or recovery of such amounts.

#### 6.2. Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made and recognised in a previous financial year becomes recoverable from a debtor.

#### 7. Related party transactions

Related parties are departments that control or significantly influence other entities in making financial and operating decisions. Specific information with regards to related party transactions is included in the disclosure notes.

#### 8. Key management personnel


Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the department. Compensation paid to key management personnel including their family members where relevant, is included in the disclosure notes.

#### 9. Public private partnerships

A public private partnership (PPP) is a commercial transaction between the department and a private party in terms of which the private party:

- Performs an institutional function on behalf of the institution; and/or
- acquires the use of state property for its own commercial purposes; and
- assumes substantial financial, technical and operational risks in connection with the performance of the institutional function and/or use of state property; and
- receives a benefit for performing the institutional function or from utilizing the state property, either by way of:
  - Consideration to be paid by the department which derives from a Revenue Fund;
  - charges fees to be collected by the private party from users or customers of a service provided to them; or
  - a combination of such consideration and such charges or fees.

A description of the PPP arrangement, the contract fees and current and capital expenditure relating to the PPP arrangement is included in the disclosure notes.



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

## 10. Expenditure incurred abroad in foreign currency

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

## 11. Capital assets

Assets are recorded in an asset register, at cost, on receipt of the item. Cost of an asset is defined as the total cost of acquisition. Assets procured in previous financial periods, may be stated at fair value, where determinable, or R1, in instances where the original cost of acquisition or fair value cannot be established. No revaluation or impairment of assets is currently recognised in the asset register. Projects (of construction/development) running over more than one financial year relating to assets, are only brought into the asset register on completion of the project and at the total cost incurred over the duration of the project.

Annexure 4 and 5 of the disclosure notes, reflect the total movement in the asset register of assets with a cost equal to and exceeding R5000 (therefore capital assets only) for the current financial year. The movement is reflected at the cost as recorded in the asset register and not the carrying value, as depreciation is not recognized in the financial statements under the modified cash basis of accounting. The opening balance reflected on Annexure 4 and 5 will include items procured in prior accounting periods and the closing balance will represent the total cost of the register for capital assets on hand.



**Appropriation Statement for the year ended 31 March 2006**  
**Appropriation per programme**

	2005/06						2004/05			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Appropriation R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
<b>1. Administration</b>										
Current payment	377,794	-	-	377,794	377,794	360,558	17,236	95.4%	415,388	361,042
Transfers and subsidies	6,912	-	-	6,912	6,912	6,891	21	99.7%	5,588	5,185
Payment for capital assets	103,504	-	-	103,504	103,504	90,531	12,973	87.5%	71,461	59,388
<b>2. Foreign Relation</b>										
Current payment	1,603,626	-	(2,212)	1,601,414	1,601,414	1,590,018	11,396	99.3%	1,519,252	1,415,882
Transfers and subsidies	17,591	-	-	17,591	17,591	13,098	4,493	74.5%	12,696	17,516
Payment for capital assets	115,329	-	-	115,329	115,329	115,329	-	100%	66,171	77,142
<b>3. Public Diplomacy</b>										
Current payment	94,773	-	-	94,773	94,773	92,043	2,730	97.1%	138,547	124,199
Transfers and subsidies	15,886	-	-	15,886	15,886	15,885	1	100%	16,497	13,063
Payment for capital assets	1,821	-	-	1,821	1,821	1,252	569	68.8%	2,064	3,584
<b>4. International Transfer</b>										
Current payment	-	-	-	-	-	-	-	0.0%	-	-
Transfers and subsidies	356,530	-	2,212	358,742	358,742	358,742	-	100.0%	298,985	275,924
Payment for capital assets	-	-	-	-	-	-	-	0.0%	-	-
<b>Subtotal</b>	<b>2,693,766</b>	-	-	<b>2,693,766</b>	<b>2,693,766</b>	<b>2,644,347</b>	<b>49,419</b>	<b>98.2%</b>	<b>2,546,649</b>	<b>2,352,925</b>
<b>Statutory Appropriation</b>										
Current payment								0.0%		
Transfers and subsidies								0.0%		
Payment for capital assets								0.0%		
<b>TOTAL</b>	<b>2,693,766</b>	-	-	<b>2,693,766</b>	<b>2,693,766</b>	<b>2,644,347</b>	<b>49,419</b>	<b>98.2%</b>	<b>2,546,649</b>	<b>2,352,925</b>
<b>Reconciliation with Statement of Financial Performance</b>										
<b>Add:</b>										
Prior year unauthorised expenditure approved with funding					-					-
Departmental receipts					31,178					37,376
Local and foreign aid assistance received										
<b>Actual amounts per Statements of Financial Performance (Total revenue)</b>					<b>2,724,944</b>					<b>2,584,025</b>
<b>Add:</b>										
Local and foreign aid assistance										
Prior year unauthorised expenditure approved										
Prior year fruitless and wasteful expenditure authorised										
<b>Actual amounts per Statements of Financial Performance (Total expenditure)</b>					<b>2,644,347</b>					<b>2,352,925</b>

**Appropriation Statement for the year ended 31 March 2006**  
**Appropriation per Economic classification**

	2005/06					2004/05				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Appropriation R'000	Final Appropriation R'000	Actual expenditure R'000
<b>Current payments</b>										
Compensation of employees	1,089,993	-	-	1,089,993	1,072,371	17,622	98.4%	1,138,101	1,138,101	1,011,746
Goods and services	986,200	-	(2,212)	983,988	949,401	34,587	96.5%	935,053	935,053	889,012
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-	-
Financial transactions in assets and liabilities	-	-	-	-	20,847	(20,847)	0.0%	33	33	365
<b>Transfers and subsidies</b>										
Provinces and municipalities	13,659	-	-	13,659	13,650	9	99.9%	10,868	10,868	15,678
Departmental agencies and accounts	100,000	-	-	100,000	100,000	-	100%	5,566	5,566	50,005
Universities and technicians	-	-	-	-	-	-	0.0%	-	-	-
Foreign governments and international organisations	260,975	-	2,212	263,187	259,734	3,453	98.7%	298,985	298,985	225,924
Public corporations and private enterprises	9,829	-	-	9,829	9,307	522	94.7%	11,236	11,236	8,329
Non-profit institutions	-	-	-	-	-	-	0.0%	-	-	-
Households	12,456	-	-	12,456	11,925	531	95.7%	7,111	7,111	11,752
<b>Payments for capital assets</b>										
Buildings and other fixed structures	44,000	-	-	44,000	42,820	1,180	97.3%	27,296	27,296	27,296
Machinery and equipment	142,336	-	-	142,336	129,974	12,362	91.3%	106,649	106,649	102,955
Biological or cultivated assets	-	-	-	-	-	-	0.0%	-	-	-
Software and other intangible assets	34,318	-	-	34,318	34,318	-	100%	5,751	5,751	9,863
Land and subsoil assets	-	-	-	-	-	-	0.0%	-	-	-
<b>Total</b>	<b>2,693,766</b>	<b>-</b>	<b>-</b>	<b>2,693,766</b>	<b>2,644,347</b>	<b>49,419</b>	<b>98.2%</b>	<b>2,546,649</b>	<b>2,546,649</b>	<b>2,352,925</b>

## Statutory Appropriation

Details of direct changes against the National/Provincial Revenue Fund	2005/06				2004/05		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Final Appropriation R'000	Actual expenditure R'000
List all direct charges against the National/Provincial Revenue Fund							
President and Deputy President salaries				-			
Member of executive committee / parliamentary officers/legislature							
Judges and magistrates salaries							
Sector education and training authorities (SETA)							
National Skills Fund							
<b>Total</b>							<b>0.0%</b>

Detail per programme 1 – Administration for the year ended 31 March 2006

Programme per sub programme	2005/06						2004/05			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Final Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Final Expenditure R'000	Actual Expenditure R'000
<b>1.1 Minister</b>										
Current payment	843	-	-	843	843	-	100.0%	791	791	791
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-	-
Payment for capital assets	-	-	-	-	-	-	0.0%	-	-	-
<b>1.2 Deputy Minister</b>										
Current payment	1,348	-	-	1,348	1,348	-	100.0%	1,286	1,286	1,296
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-	-
Payment for capital assets	-	-	-	-	-	-	0.0%	-	-	-
<b>1.3 Management</b>										
Current payment	49,519	-	-	49,519	49,519	-	100.0%	18,193	18,193	11,338
Transfers and subsidies	388	-	-	388	388	-	100.0%	-	-	-
Payment for capital assets	618	-	-	618	618	-	100.0%	149	149	511
<b>1.4 Corporate Services</b>										
Current payment	326,084	-	-	326,084	308,848	17,236	94.7%	395,118	395,118	347,617
Transfers and subsidies	6,524	-	-	6,524	6,503	21	99.7%	5,588	5,588	5,185
Payment for capital assets	101,160	-	-	101,160	89,484	11,676	88.5%	70,712	70,712	56,192
<b>1.5 Government Motor Transport</b>										
Current payment	-	-	-	-	-	-	0.0%	-	-	-
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-	-
Payment for capital assets	1,726	-	-	1,726	429	1,297	24.9%	600	600	2,685
<b>TOTAL</b>	<b>488,210</b>	<b>-</b>	<b>-</b>	<b>488,210</b>	<b>457,980</b>	<b>30,230</b>	<b>93.8%</b>	<b>492,437</b>	<b>492,437</b>	<b>425,615</b>

Detail per programme 1 – Administration for the year ended 31 March 2006

Economic Classification	2005/06						2004/05			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Final Expenditure R'000	Actual Expenditure R'000
<b>Current payment</b>										
Compensation of employees	157,080	-	-	157,080	150,320	6,760	95.7%	157,338	113,358	113,358
Goods and services	220,714	-	-	220,714	210,238	10,476	95.3%	258,017	247,319	247,319
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-	-
Financial transactions in assets and liabilities	-	-	-	-	-	-	0.0%	33	365	365
<b>Transfers and subsidies to:</b>										
Provinces and municipalities	413	-	-	413	404	9	97.8%	288	410	410
Departmental agencies and accounts	-	-	-	-	-	-	0.0%	-	-	-
Universities and technikons	-	-	-	-	-	-	0.0%	-	-	-
Foreign governments and international organisations	57	-	-	57	56	1	98.2%	-	-	-
Public corporations and private enterprises	5,431	-	-	5,431	5,429	2	100.0%	5,000	4,253	4,253
Non-profit institutions	-	-	-	-	-	-	0.0%	-	-	-
Households	1,011	-	-	1,011	1,002	9	99.1%	300	522	522
<b>Payment for capital assets</b>										
Buildings and other fixed structures	44,000	-	-	44,000	42,820	1,180	97.3%	27,296	27,296	27,296
Machinery and equipment	25,227	-	-	25,227	13,434	11,793	53.3%	38,414	22,229	22,229
Biological or cultivated assets	-	-	-	-	-	-	0.0%	-	-	-
Software and other intangible assets	34,277	-	-	34,277	34,277	-	100.0%	5,751	9,863	9,863
Land and subsoil assets	-	-	-	-	-	-	0.0%	-	-	-
<b>Total</b>	<b>488,210</b>	<b>-</b>	<b>-</b>	<b>488,210</b>	<b>457,980</b>	<b>30,230</b>	<b>93.8%</b>	<b>492,437</b>	<b>425,615</b>	<b>425,615</b>

Detail per programme 2 – Foreign Relation for the year ended 31 March 2006

	2005/06					2004/05				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual expenditure R'000	
<b>2.1 Africa Bilateral</b>										
Current payment	448,014	1,895	-	449,909	449,275	634	99.9%	305,720	314,350	
Transfers and subsidies	12,564	-	-	12,564	12,564	-	100.0%	-	-	
Payment for capital assets	34,369	-	-	34,369	34,369	-	100.0%	22,701	29,353	
<b>2.2 Africa Multilateral</b>										
Current payment	124,437	-1,895	(-2,212)	120,330	109,568	10,762	91.1%	70,196	99,450	
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-	
Payments for capital assets	8,899	-	-	8,899	8,899	-	100.0%	3,710	2,880	
<b>2.3 Americas</b>										
Current payment	218,910	-	-	218,910	218,910	-	100.0%	224,931	199,006	
Transfers and subsidies	28	-	-	28	-	28	0.0%	-	-	
Payments for capital assets	6,992	-	-	6,992	6,992	-	100.0%	7,074	9,443	
<b>2.4 Europe</b>										
Current payment	384,689	-	-	384,689	384,689	-	100.0%	606,131	412,548	
Transfers and subsidies	1,573	-	-	1,573	534	1,039	33.9%	-	-	
Payments for capital assets	52,037	-	-	52,037	52,037	-	100.0%	13,156	16,415	
<b>2.5 Asia and Middle East</b>										
Current payment	350,965	-	-	350,965	350,965	-	100.0%	308,428	387,707	
Transfers and subsidies	3,047	-	-	3,047	-	3,047	0.0%	12,696	17,516	
Payments for capital assets	11,346	-	-	11,346	11,346	-	100.0%	17,466	15,485	
<b>2.6 Multilateral</b>										
Current payment	76,611	-	-	76,611	76,611	-	100.0%	3,846	2,821	
Transfers and subsidies	379	-	-	379	-	379	0.0%	-	-	
Payments for capital assets	1,686	-	-	1,686	1,686	-	100.0%	2,064	3,566	
<b>Total</b>	<b>1,736,546</b>	<b>-</b>	<b>(2,212)</b>	<b>1,734,334</b>	<b>1,718,445</b>	<b>15,889</b>	<b>99.1%</b>	<b>1,598,119</b>	<b>1,510,540</b>	

Detail per programme 2 – Foreign Relation for the year ended 31 March 2006

Economic classification	2005/06						2004/05			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Final expenditure R'000	Actual expenditure R'000
<b>Current</b>										
Compensation of employees	895,088	-	-	895,088	885,633	9,455	98.9%	937,671	861,736	861,736
Goods and services	708,538	-	(-2,212)	706,326	683,538	22,788	96.8%	581,581	554,146	554,146
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-	-
Financial transactions in assets and liabilities	-	-	-	-	20,847	(20,847)	0.0%	-	-	-
<b>Transfers and subsidies</b>										
Provinces and municipalities	546	-	-	546	546	-	100.0%	130	3,995	3,995
Departmental agencies and accounts	-	-	-	-	-	-	0.0%	94	5	5
Universities and technikons	-	-	-	-	-	-	0.0%	-	-	-
Foreign governments and international organisations	4,388	-	-	4,388	936	3,452	21.3%	-	-	-
Public corporations and private enterprises	4,392	-	-	4,392	3,872	520	88.2%	6,236	4,076	4,076
Non-profit institutions	-	-	-	-	-	-	0.0%	-	-	-
Households	8,265	-	-	8,265	7,744	521	93.7%	6,236	9,440	9,440
<b>Capital</b>										
Buildings and other fixed structures	-	-	-	-	-	-	0.0%	-	-	-
Machinery and equipment	115,288	-	-	115,288	115,288	-	100.0%	66,171	77,142	77,142
Biological or cultivated assets	-	-	-	-	-	-	0.0%	-	-	-
Software and other intangible assets	41	-	-	41	41	-	100.0%	-	-	-
Land and subsoil assets	-	-	-	-	-	-	0.0%	-	-	-
<b>Total</b>	<b>1,736,546</b>	<b>-</b>	<b>(2,212)</b>	<b>1,734,334</b>	<b>1,718,445</b>	<b>15,889</b>	<b>99.1%</b>	<b>1,598,119</b>	<b>1,510,540</b>	<b>1,510,540</b>

Detail per programme 3 – Public Diplomacy for the year ended 31 March 2006

Programme per sub programme	2005/06					2004/05				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual expenditure R'000	
<b>3.1 Protocol matters</b>										
Current payment	94,773	-	-	94,773	92,043	2,730	97.1%	54,723	39,555	
Transfers and subsidies	15,886	-	-	15,886	15,885	1	100.0%	15,922	11,273	
Payment for capital assets	1,821	-	-	1,821	1,252	569	68.8%	619	2,992	
<b>3.2 Public Diplomacy</b>										
Current payment	-	-	-	-	-	-	0.0%	23,824	33,798	
Transfer and subsidies	-	-	-	-	-	-	0.0%	575	1,790	
Payment for capital assets	-	-	-	-	-	-	0.0%	1,445	592	
<b>3.3 Presidential Inauguration</b>										
Current payment	-	-	-	-	-	-	0.0%	60,000	50,846	
Transfers and subsidies	-	-	-	-	-	-	0.0%	-	-	
Payment for capital asset	-	-	-	-	-	-	0.0%	-	-	
<b>Total</b>	<b>112,480</b>	<b>-</b>	<b>-</b>	<b>112,480</b>	<b>109,180</b>	<b>3,300</b>	<b>97.1%</b>	<b>157,108</b>	<b>140,846</b>	



Detail per programme 3 – Public Diplomacy for the year ended 31 March 2006

Economic classification	2005/06						2004/05				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Expenditure R'000	Actual R'000	Variance R'000	Expenditure as % of final appropriation %	Appropriation R'000	Final expenditure R'000	Actual R'000
<b>Current</b>											
Compensation of employees	37,825	-	-	37,825	36,418	36,418	1,407	96.3%	43,092	43,092	36,652
Goods and services	56,948	-	-	56,948	55,625	55,625	1,323	97.7%	95,455	95,455	87,547
Interest and rent on land	-	-	-	-	-	-	-	0.0%	-	-	-
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	0.0%	-	-	-
<b>Transfers &amp; subsidies</b>											
Provinces & municipalities	12,700	-	-	12,700	12,700	12,700	-	100.0%	10,450	10,450	11,273
Dept agencies & accounts	-	-	-	-	-	-	-	0.0%	5,472	5,472	-
Universities & Technikons	-	-	-	-	-	-	-	0.0%	-	-	-
Foreign governments & international organisations	-	-	-	-	-	-	-	0.0%	-	-	-
Public corporations & private enterprises	6	-	-	6	6	6	-	100.0%	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	0.0%	-	-	-
Households	3,180	-	-	3,180	3,179	3,179	1	100.0%	575	575	1,790
<b>Capital</b>											
Buildings & other fixed structures	-	-	-	-	-	-	-	0.0%	-	-	-
Machinery & equipment	1,821	-	-	1,821	1,252	1,252	569	68.8%	2,064	2,064	3,584
Biological or Cultivated assets	-	-	-	-	-	-	-	0.0%	-	-	-
Software & other intangible assets	-	-	-	-	-	-	-	0.0%	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-	0.0%	-	-	-
<b>Total</b>	<b>112,480</b>	<b>-</b>	<b>-</b>	<b>112,480</b>	<b>109,180</b>	<b>109,180</b>	<b>3,300</b>	<b>97.1%</b>	<b>157,108</b>	<b>157,108</b>	<b>140,846</b>

### Detail per programme 4 – International Transfers for the year ended 31 March 2006

Programme per sub programme	2005/06						2004/05		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual expenditure R'000
<b>4.1 Current payment</b>	-	-	-	-	-	-	0.0%	-	-
Transfers and subsidies	356,530	-	2,212	358,742	358,742	-	100.0%	298,985	275,924
Payment for capital assets	-	-	-	-	-	-	0.0%	-	-
<b>Total</b>	<b>356,530</b>	<b>-</b>	<b>2,212</b>	<b>358,742</b>	<b>358,742</b>	<b>-</b>	<b>100.0%</b>	<b>298,985</b>	<b>275,924</b>
Economic classification	2005/06						2004/05		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual expenditure R'000
Current	-	-	-	-	-	-	0.0%	-	-
Compensation of employees	-	-	-	-	-	-	0.0%	-	-
Goods and services	-	-	-	-	-	-	0.0%	-	-
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-
Financial transactions in assets and liabilities	-	-	-	-	-	-	0.0%	-	-
Transfers & subsidies	-	-	-	-	-	-	-	-	-
Provinces & municipalities	-	-	-	-	-	-	0.0%	-	-
Dept agencies & accounts	100,000	-	-	100,000	100,000	-	100.0%	-	50,000
Universities & Technikon	-	-	-	-	-	-	0.0%	-	-
Foreign governments & international organisations	256,530	-	2,212	258,742	258,742	-	100.0%	298,985	225,924
Public corporations & private enterprises	-	-	-	-	-	-	0.0%	-	-
Non-profit institutions	-	-	-	-	-	-	0.0%	-	-
Households	-	-	-	-	-	-	0.0%	-	-
Capital	-	-	-	-	-	-	-	-	-
Buildings & other fixed structures	-	-	-	-	-	-	0.0%	-	-
Machinery & equipment	-	-	-	-	-	-	0.0%	-	-
Biological or Cultivated assets	-	-	-	-	-	-	0.0%	-	-
Software & other intangible assets	-	-	-	-	-	-	0.0%	-	-
Land & soil assets	-	-	-	-	-	-	0.0%	-	-
<b>Total</b>	<b>356,530</b>	<b>-</b>	<b>2,212</b>	<b>358,742</b>	<b>358,742</b>	<b>-</b>	<b>100.0%</b>	<b>298,985</b>	<b>275,924</b>

## Department of Foreign Affairs - Vote 3 Notes to the Appropriation Statement for the year ended 31 March 2006

1. Detail of transfers and subsidies as per Appropriation Act (after Virement):  
Detail of these transactions can be viewed in note 9 (Transfers and subsidies) and Annexure 1 (A-K) to the Annual Financial Statements.
2. Detail of specifically and exclusively appropriated amounts voted (after Virement):  
Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the Annual Financial Statements.
3. Detail on financial transactions in assets and liabilities  
Detail of these transactions per programme can be viewed in note 8 (Financial transactions in assets and liabilities) to the Annual Financial Statements.
4. Explanations of material variances from Amounts Voted (after Virement):

### 4.1

Per Programme	Final Appropriation	Actual Expenditure	Variance R'000	Variance as a % of Final Appropriation
Administration	488,210	457,980	30,230	6.2%
Foreign Relations	1, 734,334	1,718,445	15,889	0.9%
Public Diplomacy	112,480	109,180	3,300	2.9%
International Transfers	358,742	358,742	0	0%

In the case of a positive variance on programmes, a detailed explanation must be given as to whether it is as a result of a saving or under spending.

### 4.2

Per Economic classification	2005/06 R'000	2004/05 R'000
<b>Current payment:</b>		
Compensation of employees	1,072,371	1,011,746
Goods and services	949,401	889,012
Interest and rent on land	0	0
Financial transactions in assets and liabilities	20,847	365
<b>Transfers and subsidies:</b>		
Provinces and municipalities	13,650	15,678
Departmental agencies and accounts	100,000	50,005
Universities and Technikons	0	0
Public corporations and private enterprises	9,307	8,329
Foreign governments and international organisations	259,734	225,924
Non-profit institutions	0	0
Households	11,925	11,752
<b>Payments for capital assets:</b>		
Buildings and other fixed structures	42,820	27,296
Machinery and equipment	129,974	102,955
Heritage assets	0	0
Biological or cultivated assets	0	0
Software and other intangible assets	34,318	9,863
Land and subsoil assets	0	0

**Department of Foreign Affairs - Vote 3**  
**Statement of Financial Performance for the year ended 31 March 2006**

	Note	2005/06 R'000	2004/05 R'000
<b>REVENUE</b>			
Annual appropriation	1	2,693,766	2,546,649
Statutory appropriation	2	-	-
Appropriation for unauthorised expenditure approved		-	-
Departmental revenue	3	42,164	37,376
Local and foreign aid assistance	4	-	-
<b>TOTAL REVENUE</b>		<u>2,735,930</u>	<u>2,584,025</u>
<b>EXPENDITURE</b>			
<b>Current expenditure</b>			
Compensation of employees	5	1,072,371	1,011,746
Goods and services	6	949,401	889,012
Interest and rent on land	7	-	-
Financial transactions in assets and liabilities	8	20,847	365
Local and foreign aid assistance	4	-	-
Unauthorised expenditure approved	11	-	-
<b>Total current expenditure</b>		<u>2,042,619</u>	<u>1,901,123</u>
<b>Transfers and subsidies</b>	9	394,616	311,688
<b>Expenditure for capital assets</b>			
Buildings and other fixed structures	10	42,820	27,296
Machinery and equipment	10	129,974	102,955
Biological or cultivated assets	10	-	-
Software and other intangible assets	10	34,318	9,863
Land and subsoil assets	10	-	-
Local and foreign aid assistance	4	-	-
Unauthorised expenditure approved	11	-	-
<b>Total expenditure for capital assets</b>		<u>207,112</u>	<u>140,114</u>
<b>TOTAL EXPENDITURE</b>		<u>2,644,347</u>	<u>2,352,925</u>
<b>SURPLUS/(DEFICIT)</b>		91,583	231,100
Add back unauthorised expenditure	11	-	-
Add back fruitless and wasteful expenditure	12	-	-
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<u>91,583</u>	<u>231,100</u>
<b>Reconciliation of Surplus/(Deficit) for the year</b>			
Voted Funds	19	49,419	193,724
Departmental Revenue	20	42,164	37,376
Local and foreign aid assistance	4	-	-
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<u>91,583</u>	<u>231,100</u>

**Department of Foreign Affairs - Vote 3**  
**Statement of financial Position as at 31 March 2006**

	<i>Note</i>	2005/06 R'000	2004/05 R'000
<b>ASSETS</b>			
<b>Current assets</b>		438,593	459,121
Unauthorised expenditure	11	19,136	19,136
Fruitless and wasteful expenditure	12	-	-
Cash and cash equivalents	13	96,034	92,646
Other financial assets	14	-	-
Prepayments and advances	15	5,569	7,821
Receivables	16	317,854	339,518
Investments	17	-	-
Local and foreign aid assistance receivable	4	-	-
<b>Non-current assets</b>		38,215	34,690
Investments	17	-	-
Loans	18	38,215	34,690
Other financial assets	14	-	-
<b>TOTAL ASSETS</b>		<u>476,808</u>	<u>493,811</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		437,723	459,121
Voted funds to be surrendered to the Revenue Fund	19	173,143	193,724
Departmental revenue to be surrendered to the Revenue Fund	20	31,178	53,056
Bank overdraft	21	-	59,215
Payables	22	233,402	153,126
Local and foreign aid assistance repayable	4	-	-
Local and foreign aid assistance unutilised	4	-	-
<b>Non-current liabilities</b>			
Payables	23	-	-
<b>TOTAL LIABILITIES</b>		<u>437,723</u>	<u>459,121</u>
<b>NET ASSETS</b>		<u>38,215</u>	<u>34,690</u>
<b>Represented by:</b>			
Capitalisation reserve		38,215	34,690
Recoverable revenue		-	-
Retained funds (Legislatures/Parliament)		-	-
Revaluation reserves (Housing dept's)		-	-
<b>TOTAL</b>		<u>38,215</u>	<u>34,690</u>

**Department of Foreign Affairs - Vote 3**  
**Statement of Changes in Net Assets for the year ended 31 March 2006**

	<i>Note</i>	<b>2005/06</b> <b>R'000</b>	<b>2004/05</b> <b>R'000</b>
<b>Capitalisation Reserves</b>			
Opening balance		34,690	35,029
Transfers:		3,525	(339)
Movement in Equity		-	-
Movement in Operational Funds		-	-
Other movements		-	-
Closing balance		<u>38,215</u>	<u>34,690</u>
<b>Recoverable revenue</b>			
Opening balance		-	264
Transfers		-	(264)
Debts written off	8.6	-	-
Debts revised	16.5	-	-
Debts recovered (included in departmental revenue)		-	(264)
Debts raised		-	-
Closing balance		<u>-</u>	<u>-</u>
<b>Retained funds</b>			
Opening balance		-	-
Transfer from Statement of Financial Performance		-	-
Utilised during the year		-	-
Other		-	-
Closing balance		<u>-</u>	<u>-</u>
<b>Revaluation Reserve</b>			
Opening balance		-	-
Revaluation adjustment (Housing department's)		-	-
Transfers		-	-
Other		-	-
Closing balance		<u>-</u>	<u>-</u>
<b>TOTAL</b>		<u><u>38,215</u></u>	<u><u>34,690</u></u>

**Department of Foreign Affairs - Vote 3**  
**Cash Flow Statement for the year ended 31 March 2006**

	<i>Note</i>	<b>2005/06</b> <b>R'000</b>	<b>2004/05</b> <b>R'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		2,734,443	2,726,148
Annual appropriated funds received	1.1	2,693,766	2,689,615
Statutory appropriated funds received		-	-
Appropriation for unauthorised expenditure received	11	-	-
Departmental revenue received		40,677	36,533
Local and foreign aid assistance received	4	-	-
Net (increase)/decrease in working capital		105,062	(41,870)
Surrendered to Revenue Fund		(134,042)	(24,411)
Current payments		(2,042,619)	(1,901,123)
Transfers and subsidies paid		(394,616)	(311,688)
<b>Net cash flow available from operating activities</b>	<b>24</b>	<b>268,228</b>	<b>447,056</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets		(207,112)	(140,114)
Payments for investments		-	-
Proceeds from sale of capital assets	3	1,487	843
Proceeds from sale of investments		-	-
Proceeds from sale of other financial assets		-	-
(Increase)/decrease in loans		(3,525)	357
(Increase)/decrease in investments		-	-
(Increase)/decrease in other financial assets		-	7,875
<b>Net cash flows from investing activities</b>		<b>(209,150)</b>	<b>(131,039)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Distribution/dividend received		-	-
Increase/(decrease) in net assets		3,525	(603)
Increase/(decrease) in non-current payables		-	-
<b>Net cash flows from financing activities</b>		<b>3,525</b>	<b>(603)</b>
Net increase/(decrease) in cash and cash equivalents		62,603	315,414
Cash and cash equivalents at the beginning of the period		33,431	(281,983)
<b>Cash and cash equivalents at end of period</b>	<b>25</b>	<b>96,034</b>	<b>33,431</b>

**Department of Foreign Affairs - Vote 3**  
**Notes to the Annual Financial Statements for the year ended 31 March 2006**

**1. Annual Appropriation**

**1.1 Annual Appropriation**

Included are funds appropriated in terms of the Appropriation Act for National Departments (Voted funds) and Provincial Departments :\*\*

	<b>Final Appropriation</b>	<b>Actual Funds Received</b>	<b>Funds not requested/ not received</b>	<b>Appropriation received 2004/05</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Administration	488,210	488,210	-	492,437
Foreign Relation	1,734,334	1,736,546	(2,212)	1,598,119
Public Diplomacy	112,480	112,480	-	157,108
International Transfer	358,742	356,530	2,212	298,985
Refund from National Treasury	-	-	-	142,966
<b>Total</b>	<u>2,693,766</u>	<u>2,693,766</u>	<u>-</u>	<u>2,689,615</u>

Provide explanation for funds not requested/not received.

The amount of R142,966 in the 2004/05 financial year, relates to the refund on Appropriation as a result of the amount suspended by National Treasury in lieu of envisaged savings during 2003/04 financial year. Since the savings were not realised as anticipated, the amount was refunded back to the Department. This matter was explained in detail in the Accounting Officer's report for the 2004/05 financial year, note 1.4

	Note	2005/06	2004/05
<b>1.2 Conditional grants</b>			
Total grants received	Annex 1A	_____	_____
Provincial grants included in Total Grants received		_____	_____
<b>1.3 Unconditional grants</b>			
Total grants received	Annex 1B	_____	_____

(\*\* It should be noted that the Conditional grants are included in the amounts per the Total Appropriation in Note 1.1.)



**Department of Foreign Affairs - Vote 3**  
**Notes to the Annual Financial Statements for the year ended 31 March 2006**

**2. Statutory Appropriation**

	2005/06	2004/05
President and Deputy President's salaries	-	-
Member of executive committee/parliamentary officers	-	-
Judges' and magistrates salaries	-	-
Sector education and training authorities (SETA)	-	-
National Skills Fund	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

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

**Description (Specify material amounts separately)**

	<i>Notes</i>	2005/06	2004/05
Tax revenue		-	-
Sales of goods and services other than capital assets	3.1	475	-
Fines, penalties and forfeits		-	-
Interest, dividends and rent on land	3.2	2,080	3,066
Sales of capital assets	3.3	1,487	843
Financial transactions in assets and liabilities	3.4	38,122	33,051
Transfer received	3.5	-	416
<b>Departmental revenue collected</b>		<u>42,164</u>	<u>37,376</u>

**3.1 Sales of goods and services other than capital assets**

	2005/06	2004/05
Sales of goods and services produced by the department	279	-
Sales by market establishment	-	-
Administrative fees	-	-
Other sales	279	-
Sales of scrap, waste and other used current goods	196	-
<b>Total</b>	<u>475</u>	<u>-</u>

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

	2005/06	2004/05
Interest	2,080	3,066
Dividends	-	-
Rent on land	-	-
<b>Total</b>	<u>2,080</u>	<u>3,066</u>

**3.3 Sale of capital assets**

	2005/06	2004/05
Land and subsoil assets	-	-
Other capital assets	1,487	843
<b>Total</b>	<u>1,487</u>	<u>843</u>

**Department of Foreign Affairs - Vote 3**  
**Notes to the Annual Financial Statements for the year ended 31 March 2006**

**3.4 Financial transactions in assets and liabilities**

**Nature of loss recovered**

	<b>2005/06</b>	<b>2004/05</b>
Other Receipts including Recoverable Revenue	38,122	33,051
<b>Total</b>	<u>38,122</u>	<u>33,051</u>

**3.5 Transfers received**

	<b>2005/06</b>	<b>2004/05</b>
Other governmental units	-	416
<b>Total</b>	<u>-</u>	<u>416</u>

**4. Local and foreign aid assistance**

**4.1 Assistance received in cash from RDP**

	<b>2005/06</b>	<b>2004/05</b>
<b>Local</b>		
Opening Balance	-	-
Revenue	-	-
Expenditure	-	-
Current	-	-
Capital	-	-
Closing Balance	<u>-</u>	<u>-</u>

**Assistance received in cash: Other**

	<b>2005/06</b>	<b>2004/05</b>
<b>Local</b>		
Opening Balance	-	-
Revenue	-	-
Expenditure	-	-
Current	-	-
Capital	-	-
Closing Balance	<u>-</u>	<u>-</u>

**Foreign**

Opening Balance	-	-
Revenue	-	-
Expenditure	-	-
Current	-	-
Capital	-	-
Closing Balance	<u>-</u>	<u>-</u>

**Total**

Opening Balance	-	-
Revenue	-	-
Expenditure	-	-
Current	-	-
Capital	-	-
Closing Balance	<u>-</u>	<u>-</u>

**Department of Foreign Affairs - Vote 3**  
**Notes to the Annual Financial Statements for the year ended 31 March 2006**

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

**5. Compensation of employees**

	<b>2005/06</b>	<b>2004/05</b>
	<b>R'000</b>	<b>R'000</b>
<b>5.1 Salaries and Wages</b>		
Basic salary	531,586	476,126
Performance award	11,394	7,183
Service Based	1,760	2,746
Compensative/circumstantial	25,583	25,222
Periodic payments	516	1,073
Other non-pensionable allowances	333,463	406,700
	<u>904,302</u>	<u>919,050</u>
<b>5.2 Social contributions</b>		
<b>5.2.1 Employer contributions</b>		
Pension	117,569	37,271
Medical	50,398	55,371
UIF	42	1
Bargaining council	59	52
Official unions and associations	-	-
Insurance	1	1
	<u>168,069</u>	<u>92,696</u>
<b>5.2.2 Post Retirement benefits</b>		
Medical	-	-
<b>Total</b>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
<b>Total compensation of employees</b>	<u>1,072,371</u>	<u>1,011,746</u>
Average number of employees including the Locally Recruited Personnel (LRP)	<u>3,953</u>	<u>3,854</u>

As explained in Accounting Officer's report note 1.3, the increase in pension contribution is due to the amount (R71 million) paid in respect of pensions for non-statutory forces. The change (132) in the previous figure for the average number of employees is due to the error whereby the transferred staff from other departments placed in our missions abroad was counted as part of the Department of Foreign Affairs staff

**6. Goods and services**

	<i>Note</i>	<b>2005/06</b>	<b>2004/05</b>
		<b>R'000</b>	<b>R'000</b>
Advertising		2,313	3,958
Attendance fees (including registration fees)		19,852	22,367
Bank charges and card fees		2,795	3,466
Bore waterhole drilling		-	-
Bursaries (employees)		891	434
Cash discount		-	-

**Department of Foreign Affairs - Vote 3**  
**Notes to the Annual Financial Statements for the year ended 31 March 2006**

Communication		59,632	67,822
Computer services		11,508	46,597
Commission		-	-
Consultants, contractors and special services		10,808	15,112
Courier and delivery services		3,713	10,625
Tracing agents & Debt collections		-	-
Drivers' licences and permits		1,804	125
Entertainment		35,005	40,841
External audit fees	6.1	2,684	3,822
Equipment less than R5000		6,147	3,828
Firearm handling fees		-	-
Freight service		31,522	34,391
Government motor transport		-	-
Helicopter services		-	-
Honoraria (Voluntarily workers)		703	658
Inventory	6.2	36,459	40,254
Land reform/restitution		-	-
Learnerships		-	-
Legal fees		3,834	3,100
Licence agency fees		-	-
Housing		-	-
Maintenance, repairs and running cost		73,748	82,836
Medical Services		12,570	10,013
Operating leases		329,565	187,159
Mint of decorations/medals		-	-
Personnel agency fees		-	-
Photographic services		-	-
Plant flowers and other decorations		1,052	492
Printing and publications		1,011	1,706
Professional bodies and membership fees		1,344	703
Resettlement cost		4,665	6,063
Road laboratories		-	-
Roadworthy tests		-	-
School & boarding fees		-	-
Subscriptions		80	220
Storage of furniture		8,886	6,829
System access fees		-	-
Taking over of contractual obligations		-	-
Owned leasehold property expenditure		37,653	35,689
Translations and transcriptions		1,777	1,565
Transport provided as part of the departmental activities		-	-
Travel and subsistence	6.3	204,880	225,242
Venues and facilities		40,206	30,292
Protective, special clothing & uniforms		2,050	2,803
Training & staff development		244	-
Town & regional planning		-	-
Water research/testing		-	-
Witness and related fees		-	-
		949,401	889,012

**Department of Foreign Affairs - Vote 3**  
**Notes to the Annual Financial Statements for the year ended 31 March 2006**

		<i>Note</i>	<b>2005/06</b>	<b>2004/05</b>
			<b>R'000</b>	<b>R'000</b>
<b>6.1</b>	<b>External audit fees</b>			
	Regulatory audits		2,684	3,822
	Performance audits		-	-
	Other audits		-	-
	<b>Total external audit fees</b>		<u>2,684</u>	<u>3,822</u>
<b>6.2</b>	<b>Inventory</b>		<b>2005/06</b>	<b>2004/05</b>
			<b>R'000</b>	<b>R'000</b>
	Inventory surcharges		-	-
	Medsas inventory interface		-	-
	Construction work in progress		-	-
	Other inventory		-	-
	Strategic stock		-	-
	Domestic consumables		3,954	3,792
	Agricultural		-	-
	Learning and teaching support material		-	-
	Food and Food supplies		1,731	8,358
	Fuel, oil and gas		5,077	4,710
	Laboratory consumables		-	-
	Other consumables		22	61
	Parts and other maintenance material		1,099	1,322
	Sport and recreation		-	-
	Stationery and printing		24,080	21,040
	Veterinary supplies		-	-
	Restoration and fittings		-	-
	Road construction and supplies		-	-
	Medical supplies		496	971
	Weapons and armaments		-	-
			<u>36,459</u>	<u>40,254</u>
			<u>                    </u>	<u>                    </u>
<b>6.3</b>	<b>Travel and subsistence</b>			
	Local		46,021	126,564
	Foreign		158,859	98,678
	<b>Total travel and subsistence</b>		<u>204,880</u>	<u>225,242</u>

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**Notes to the Annual Financial Statements for the year ended 31 March 2006**

**7. Interest and rent on land**

	<b>2005/06</b>	<b>2004/05</b>
	<b>R'000</b>	<b>R'000</b>
Interest expense	-	-
Rent on land	-	-
<b>Total interest and rent on land</b>	-	-

**8. Financial transactions in assets and liabilities**

	<i>Note</i>	<b>2005/06</b>	<b>2004/05</b>
		<b>R'000</b>	<b>R'000</b>
Material losses through criminal conduct	8.1	-	-
Other material losses written off	8.2	-	-
Debts written off	8.3	-	-
Theft	8.4	217	365
Forex losses	8.5	20,630	-
		20,847	365

**8.1 Material losses through criminal conduct**

Nature of losses

(Group major categories, but list material items)

**Incident      Disciplinary Steps taken/ Criminal proceedings**

	-	-
<b>Total</b>	-	-

**8.2 Other material losses**

**Nature of losses**

(Group major categories, but list material items)

	-	-
<b>Total</b>	-	-

**8.3 Debts written off**

**Nature of debts written off**

Transfer to debts written off

(Group major categories, but list material items)

	-	-
<b>Total</b>	-	-

**8.4 Detail of Theft**

(Group major categories, but list material items)

Theft & losses

	217	365
<b>Total</b>	217	365

**8.5 Forex losses**

(Group major categories, but list material items)

Foreign Exchange Losses (acquisition of local currency )

	20,630	-
<b>Total</b>	20,630	-

**Department of Foreign Affairs - Vote 3**  
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**8.6 Recoverable revenue debts written off**  
(Total not included above)  
(Group major categories, but list material items)  
**Total**

-	-
-	-

**9. Transfers and subsidies**

		<b>2005/06</b>	<b>2004/05</b>
		<b>R'000</b>	<b>R'000</b>
	<i>Notes</i>		
Provinces and municipalities	<i>Annex 1C, 1D, 1E &amp; 1F</i>	13,650	15,678
Departmental agencies and accounts	<i>Annex 1G</i>	100,000	50,005
Universities and Technikons	<i>Annex 1H</i>	-	-
Foreign governments and international organisations	<i>Annex 1J</i>	259,734	225,924
Public corporations and private enterprises	<i>Annex 1I</i>	9,307	8,329
Non-profit institutions	<i>Annex 1K</i>	-	-
Households	<i>Annex 1L</i>	11,925	11,752
Unauthorised expenditure approved by Parliament		-	-
		394,616	311,688

**10. Expenditure for capital assets**

		<b>2005/06</b>	<b>2004/05</b>
		<b>R'000</b>	<b>R'000</b>
Buildings and other fixed structures	<i>Annex 4</i>	42,820	27,296
Machinery and equipment	<i>Annex 4</i>	129,974	102,955
Biological or cultivated assets	<i>Annex 4</i>	-	-
Land and subsoil assets	<i>Annex 4</i>	-	-
Software and other intangible assets	<i>Annex 5</i>	34,318	9,863
<b>Total</b>		207,112	140,114

The following amount for Compensation of employees has been included in  
Expenditure for capital assets

_____	_____
_____	_____

**Department of Foreign Affairs - Vote 3**  
**Notes to the Annual Financial Statements for the year ended 31 March 2006**

	2005/06 R'000	2004/05 R'000
<b>11. Unauthorised expenditure</b>		
<b>11.1. Reconciliation of unauthorised expenditure</b>		
Opening balance	19,136	19,136
Unauthorised expenditure – current year	-	-
Amounts approved by Parliament/Legislature (with funding)	-	-
Current expenditure	-	-
Transfers and subsidies	-	-
Expenditure for capital assets	-	-
Amounts approved by Parliament/Legislature (without funding)	-	-
Current expenditure	-	-
Transfers and subsidies	-	-
Expenditure for capital assets	-	-
Transfer to receivables for recovery (not approved)	-	-
Unauthorised expenditure awaiting authorisation	19,136	19,136
<b>11.2 Analysis of Current Unauthorised expenditure</b>	<b>2005/06</b>	<b>2004/05</b>
<b>Incident</b>		
<b>Disciplinary steps taken/criminal proceedings</b>		
<b>Total</b>	-	-
	<b>2005/06 R'000</b>	<b>2004/05 R'000</b>
<b>12. Fruitless and wasteful expenditure</b>		
<b>12.1 Reconciliation of fruitless and wasteful expenditure</b>		
Opening balance	-	-
Fruitless and wasteful expenditure – current year	-	-
Current	-	-
Capital	-	-
Amounts condoned	-	-
Current expenditure	-	-
Transfers and subsidies	-	-
Expenditure for capital assets	-	-
Transfer to receivables for recovery (not condoned)	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-
<b>12.2 Analysis of Current Fruitless and wasteful expenditure</b>	<b>2005/06</b>	<b>2004/05</b>
<b>Incident</b>		
<b>Disciplinary steps taken/criminal proceedings</b>		
<b>Total</b>	-	-



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13. <b>Cash and cash equivalents</b>	<b>2005/06</b>	<b>2004/05</b>
	<b>R'000</b>	<b>R'000</b>
Consolidated Paymaster General Account	(6,297)	100
Cash receipts	-	-
Disbursements	-	4,138
Cash on hand	296	88
Cash with commercial banks	102,035	88,320
<b>Total</b>	<u>96,034</u>	<u>92,646</u>
	<b>2005/06</b>	<b>2004/05</b>
	<b>R'000</b>	<b>R'000</b>
<b>14. Other financial assets</b>		
<b>Current</b>		
<b>Domestic</b>		
(Group major categories, but list material items)	-	-
<b>Total</b>	<u>-</u>	<u>-</u>
<b>Foreign</b>		
(Group major categories, but list material items)	-	-
<b>Total</b>	<u>-</u>	<u>-</u>
<b>Total Current Other Financial Assets</b>	<u>-</u>	<u>-</u>
<b>Non-current</b>		
(Group major categories, but list material items)	-	-
	-	-
	-	-
<b>Total Non Current Other Financial Assets</b>	<u>-</u>	<u>-</u>
<b>15. Prepayments and advances</b>		
<b>Description</b>		
Travel and subsistence	5,569	7,821
<b>Total</b>	<u>5,569</u>	<u>7,821</u>

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16. Receivables					2005/06 R'000	2004/05 R'000
		Less than one year	One to three years	Older than three years	Total	Total
Households and non- profit Institutions	16.1	77,992	8,158	25,519	111,669	101,124
Private enterprises	16.2	-	-	-	-	-
Staff debt	16.3	17,099	2,483	2,427	22,009	10,204
Other Debtors	16.4	157	-	6,370	6,527	23,322
Claims recoverable	<i>Annex 6</i>	122,785	18,986	35,878	177,649	204,868
		<b>218,033</b>	<b>29,627</b>	<b>70,194</b>	<b>317,854</b>	<b>339,518</b>

16.1 Households and non-profit institutions		2005/06 R'000	2004/05 R'000
(Group major categories, but list material items)			
ACCOUNT C		60,795	85,962
ESKOM		41	7
IDC		1	1
ARMSCOR		6	(2)
MEDICAL RESEARCH		19	-
MINTEK		43	43
ACCOUNT G		1,019	-
ACCOUNT A		13,686	10,097
CHAMBER OF MINES		-	-
PARLIAMENT		11,649	11,108
HRSC		51	14
MINERAL BURO		13	13
SABS		2	2
SASOL		7	9
SATOUR		12,931	8,031
NEPAD		(1,402)	2,923
UNISA		1,575	1,763
CSIR		79	78
WATER RESEARCH C		10	-
SAPO		7	4
TELKOM		703	703
TRANSNET		30	30
STATE LIBRARY		270	3
AGRICULTURE RESEARCH C		719	718
VAT ADMINISTRATION		94	94
AUDITOR GENERAL		43	23
MENTAL & DENTAL C		25	25
SURGEON GENERAL		-	-
OTHER ACCOUNTS		10,754	(1,710)
UNIVERSITY OF CAPE TOWN		1	-
UNIVERSITY OF NATAL		24	24
UNIVERSITY OF THE NORTH		9	9
UNIVERSITY OF FREE STATE		1	1

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	<b>2005/06</b>	<b>2004/05</b>
	<b>R'000</b>	<b>R'000</b>
UNIVERSITY OF POTCHEFSTROOM	1	1
UNIVERSITY OF PRETORIA	16	15
RAND AFRIKAANS UNIVERSITY	(19)	(16)
UNIVERSITY OF STELLENBOSCH	-	-
UNIVERSITY OF WESTERN CAPE	46	46
UNIVERSITY OF WITWATERSRAND	1	1
UNISA	-	-
TSA	(45)	(29)
OTHER/0254	(1,536)	1,572
INSTITUTIONAL INTERFACE	-	(20,439)
<b>Total</b>	<b>111,669</b>	<b>101,124</b>
<b>16.2 Private enterprises</b> (Group major categories, but list material items)		
<b>Total</b>	-	-
<b>16.3 Staff Debt</b> (Group major categories, but list material items)		
Departmental Dept Account	9,453	2
Staff Debtors	12,555	8,884
Claims recoverable	-	-
Persal accounts	1	1,318
Dishonoured cheques	-	-
	<u>22,009</u>	<u>10,204</u>
<b>16.4 Other debtors</b> (Group major categories, but list material items)		
Detainees	157	145
Debtor Governments	-	10,000
Sundry Debtors	3,818	13,177
Balance of the vote	-	-
Claims recoverable	-	-
Advance to State Department	2,552	-
<b>Total</b>	<u>6,527</u>	<u>23,322</u>
<b>16.5 Debts revised</b> (Group major categories, but list material items)		
<b>Total</b>	-	-

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		2005/06	2004/05
		R'000	R'000
<b>17. Investments</b>			
<b>Current</b>			
Securities other than shares		-	-
Shares and other equity		-	-
Insurance technical reserves		-	-
Financial derivatives		-	-
<b>Total current</b>		<u>-</u>	<u>-</u>
<b>Non-Current</b>			
<b>Shares and other equity</b>			
(List investments at cost)		<u>-</u>	<u>-</u>
<b>Total</b>		<u>-</u>	<u>-</u>
<b>Securities other than shares</b>	<i>Annex 2</i>		
(List investments at cost)		<u>-</u>	<u>-</u>
<b>Total</b>		<u>-</u>	<u>-</u>
<b>Total non-current</b>		<u>-</u>	<u>-</u>
<b>Analysis of non current investments</b>			
Opening balance		-	-
Additions in cash		-	-
Disposals for cash		-	-
Non-cash movements		-	-
Closing balance		<u>-</u>	<u>-</u>
		<b>2005/06</b>	<b>2004/05</b>
		<b>R'000</b>	<b>R'000</b>
<b>18. Loans</b>			
Public corporations		-	-
Universities and Technikons		-	-
Foreign governments		38,215	34,690
Private enterprises		-	-
<b>Total</b>		<u>38,215</u>	<u>34,690</u>
<b>Analysis of Balance</b>			
Opening balance		34,690	34,690
New Issues		3,525	-
Repayments		-	-
Write-offs		-	-
Closing balance		<u>38,215</u>	<u>34,690</u>
Current portion of loans		<u>-</u>	<u>1,046</u>

The department pays rental deposit for both official residences and chanceries abroad. These rental deposits are classified as loan because of its long term nature. Loans are also given to staff members posted abroad to acquire their own vehicles in terms of Foreign Service Dispensation.

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			<b>2005/06</b>	<b>2004/05</b>
			<b>R'000</b>	<b>R'000</b>
<b>19. Voted funds to be surrendered to the Revenue Fund</b>				
Opening balance			193,724	(142,966)
Transfer from Statement of Financial Performance			49,419	193,724
Voted funds not requested/not received	19.1		-	142,966
Paid during the year			(70,000)	-
Closing balance			173,143	193,724
<b>19.1 Voted funds not requested/not received</b>				
Funds to be rolled over			-	142,966
Funds not to be requested			-	-
			-	142,966

**20. Departmental revenue to be surrendered to the Revenue Fund**

Opening balance			53,056	40,091
Transfer from Statement of Financial Performance	3		42,164	37,376
Departmental revenue budgeted			-	-
Transfer from local and foreign aid assistance**			-	-
Paid during the year			(64,042)	(24,411)
Closing balance			31,178	53,056

\*\*Amount not used at end of project, which donors allow department to maintain should be paid over to the Revenue Fund.

			<b>2005/06</b>	<b>2004/05</b>
			<b>R'000</b>	<b>R'000</b>
<b>21. Bank overdraft</b>				
Consolidated Paymaster General Account			-	59,215
Fund requisition account			-	-
Cash receipts			-	-
Disbursements			-	-
Commercial banks			-	-
			-	59,215

**22. Payables – current**  
**Description**

				<b>2005/06</b>	<b>2004/05</b>
	<i>Notes</i>	<b>30 Days</b>	<b>30+ Days</b>	<b>Total</b>	<b>Total</b>
Amounts owing to other entities	<i>Annex 7</i>		112,565	112,565	87,812
Advances received	<i>21.1</i>		119,278	119,278	62,789
Clearing accounts	<i>21.2</i>		-	-	-
Other payables	<i>21.3</i>		2,429	2,429	2,525
			234,272	234,272	153,126

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		2005/06	2004/05
		R'000	R'000
<b>22.1</b>	<b>Advances received</b>		
	(Identify major categories, but list material amounts)		
	Labour	467	5,737
	Trade & industry	511	9,624
	Minerals & Energy Affairs	-	1
	Transport	-	-
	Health	19	20,689
	Public Works	8,430	-
	Housing	69	-
	Justice	-	-
	Agriculture	-	139
	Welfare & Population Development	-	-
	Art, Culture, science & technology	133	387
	Inland Revenue	-	510
	South African Police Service	2,172	(1,679)
	South African Defence Force	-	(822)
	Others	-	(1,517)
	South African Communication Service	-	(1,296)
	North West Province	-	154
	Western Cape Province	-	2
	Home Affairs	78,375	-
	GCIS	5	-
	Advances from institutions	29,097	30,860
	<b>Total</b>	<u>119,278</u>	<u>62,789</u>
<b>22.2</b>	<b>Clearing accounts</b>		
	Description		
	(Identify major categories, but list material amounts)	-	-
	<b>Total</b>	<u>-</u>	<u>-</u>
<b>22.3</b>	<b>Other payables</b>		
	Description		
	(Identify major categories, but list material amounts)		
	Persal accounts	88	1,499
	Other receipts payable	58	1,026
	Debt receivable income	2,251	-
	Debt receivable interest	32	-
	<b>Total</b>	<u>2,429</u>	<u>2,525</u>
<b>23.</b>	<b>Payables – Non-current</b>		
	Description		
		One to two	Two to
		years	three years
		More than	2005/06
		three years	Total
			2004/05
			Total
	Amounts owing to other entities <i>Annex 7</i>		
	Advances received <i>23.1</i>	-	-
	Other payables <i>23.2</i>	-	-
		<u>-</u>	<u>-</u>

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	2005/06 R'000	2004/05 R'000
<b>23.1 Advances received</b>		
(Identify major categories, but list material items)	-	-
<b>Total</b>	<u>-</u>	<u>-</u>
<b>23.2 Other payables</b>		
Description	-	-
(Identify major categories, but list material items)	-	-
<b>Total</b>	<u>-</u>	<u>-</u>
<b>24. Net cash flow available from operating activities</b>	<i>Note</i>	
Net surplus/(deficit) as per Statement of Financial Performance	91,583	231,100
Non-cash movements	-	-
(Increase)/decrease in receivables – current	21,664	(25,169)
(Increase)/decrease in prepayments and advances	2,252	1,281
(Increase)/decrease in other current assets	-	-
Increase/(decrease) in payables – current	81,146	124,984
Proceeds from sale of capital assets	(1,487)	(843)
Proceeds from sale of investments	-	-
Proceeds from sale of other financial assets	-	-
Surrenders to Revenue Fund	(134,042)	(24,411)
Expenditure on capital assets	207,112	140,114
Voted funds not requested/not received	-	-
Other non-cash items	-	-
<b>Net cash flow generated by operating activities</b>	<u>268,228</u>	<u>447,056</u>
<b>25. Reconciliation of cash and cash equivalents for cash flow purposes</b>		
Consolidated Paymaster General account	(6,297)	59,315
Fund requisition account	-	-
Cash receipts	-	-
Disbursements	-	4,138
Cash on hand	296	88
Cash with commercial banks	102,035	88,320
	<u>96,034</u>	<u>151,861</u>

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These amounts are not recognised in the Annual Financial Statements and are disclosed to enhance the usefulness of the Annual Financial Statements.

26. Contingent liabilities	<i>Note</i>	<b>2005/06</b>	<b>2004/05</b>
		<b>R'000</b>	<b>R'000</b>
<b>Liable to</b>	<b>Nature</b>		
Motor vehicle guarantees	Employees	<i>Annex 3A</i> 671	528
Housing loan guarantees	Employees	<i>Annex 3A</i> 2,503	3,241
Other guarantees		<i>Annex 3A</i> 155,240	167,926
Claims against the department		<i>Annex 3B</i> 4,047	3,047
		<u>162,461</u>	<u>174,742</u>
<b>27. Commitments</b>			
<b>Current expenditure</b>			
Approved and contracted		6,360	45,690
Approved but not yet contracted		-	-
		<u>6,360</u>	<u>45,690</u>
<b>Capital expenditure</b>			
Approved and contracted		-	48,603
Approved but not yet contracted		-	-
		<u>-</u>	<u>-</u>
<b>Total Commitments</b>		<u>6,360</u>	<u>94,293</u>
<b>28. Accruals</b>		<b>2005/06</b>	<b>2004/05</b>
<b>Listed by economic classification</b>		<b>R'000</b>	<b>R'000</b>
	<b>30 Days</b>	<b>30+ Days</b>	<b>Total</b>
			<b>Total</b>
Compensation of employees	-	-	35
Goods and services	276	292	3,340
Interest and rent on land	-	-	-
Transfers and subsidies	-	-	-
Buildings and other fixed structures	-	-	-
Machinery and equipment	11	176	8
Biological or cultivated assets	-	-	-
Software and other intangible assets	-	-	-
Land and subsoil assets	-	-	-
Other	-	-	-
			<u>755</u>
			<u>3,383</u>
<b>Listed by programme level</b>			
Programme 1: Administration		755	276
Programme 2: Foreign Relations		-	3,041
Programme 3: Public Diplomacy and Protocol		-	66
		<u>755</u>	<u>3,383</u>
<b>Confirmed balances with other departments</b>	<i>ANNEXURE 7</i>	112,565	87,812
<b>Total</b>		<u>112,565</u>	<u>87,812</u>



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				2005/06	2004/05
				R'000	R'000
<b>29.</b>	<b>Employee benefits</b>				
	Leave entitlement			12,465	11,615
	Thirteenth cheque			12,379	10,836
	Performance awards			5,674	5,350
	Capped leave commitments			56,515	56,418
				<u>87,033</u>	<u>84,219</u>
<b>30.</b>	<b>Lease Commitments</b>				
<b>30.1</b>	<b>Operating leases</b>	<b>Land</b>	<b>Buildings and</b>	<b>Machinery and</b>	<b>2005/06</b>
		<b>R'000</b>	<b>other fixed</b>	<b>equipment</b>	<b>Total</b>
			<b>structures</b>	<b>R'000</b>	<b>R'000</b>
			<b>R'000</b>		<b>Total</b>
	Not later than 1 year	-	218,268	3,878	222,146
	Later than 1 year and not later than 5 years	-	215,805	4,440	220,245
	Later than five years	-	120,890	1,588	122,478
	Total present value of lease liabilities	-	554,963	9,906	564,869
					<u>740,407</u>
	<b>30.2 Finance leases</b>				
	Total value of finance leases	-	-	10,276	10,276
					<u>-</u>

During the year under review the department engaged in a process to acquire vehicles for the use by Heads of Missions through a finance lease (R8,6 million), which was approved by National Treasury. Furthermore, a finance lease agreement was arranged by the Department of Transport for the vehicles Political Office Bearers (R1,6 million). For further details refer note 1.4 of Accounting Officer's report.

<b>31.</b>	<b>Receivables for departmental revenue</b>		
	Tax revenue	-	-
	Sales of goods and services other than capital assets	-	-
	Fines, penalties and forfeits	-	-
	Interest, dividends and rent on land	-	-
	Sales of capital assets	-	-
	Financial transactions in assets and liabilities	-	-
	Transfers received	-	-
	Other	-	-
		<u>-</u>	<u>-</u>

**Department of Foreign Affairs - Vote 3**  
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**32. Irregular expenditure**

**32.1 Reconciliation of irregular expenditure**

Opening balance	-	-
Irregular expenditure – current year	-	-
Amounts condoned	-	-
Current expenditure	-	-
Transfers and subsidies	-	-
Expenditure for capital assets	-	-
Transfer to receivables for recovery (not condoned)	-	-
Irregular expenditure awaiting condonement	-	-

	<b>2005/06</b>	<b>2004/05</b>
	<b>R'000</b>	<b>R'000</b>

**Analysis**

Current	-	-
Prior years	-	-
	-	-
	-	-

**32.2 Irregular expenditure**

<b>Incident</b>	<b>Disciplinary steps taken/criminal proceedings</b>		
		-	-
		-	-
		-	-
		-	-

**33. Related party transactions**

Information about related party transactions is required for accountability purposes and to facilitate a better understanding of the financial position and performance of the department. The principle issues in disclosing information about related parties is identifying which parties control or significantly influence the department and determining what information should be disclosed about transactions with those parties.

**Disclosure of:**

- The types of the related party relationship
- The types of transactions that have occurred
- The elements of the transactions necessary to clarify the significance of these transactions to its operations and sufficient to enable the Annual Financial Statements to provide relevant and reliable information for decision-making and accountability purposes.

The above excludes transfer payments and subsidies, as that is disclosed in the annexures to the Financial Statements.

**Department of Foreign Affairs - Vote 3**  
**Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2006**

	2005/06 R'000	2004/05 R'000
<b>Revenue received/(paid)</b>		
Tax revenue/ User charges	-	-
Sales of goods and services other than capital assets	-	-
Fines, penalties and forfeits	-	-
Interest, dividends and rent on land	-	-
Sales of capital assets	-	-
Financial transactions in assets and liabilities	-	-
Transfers	-	-
<b>Total</b>	<u>-</u>	<u>-</u>

**Movement of funds between department and related party**

Investment	-	-
Non-interest bearing loans to/ (from)	-	-
Interest bearing loans to/ (from)	-	-
Debtor balances	-	-
Creditor balances	-	-
Sales of assets	-	-
Guarantees provided	-	-
	<u>-</u>	<u>-</u>

	2005/06 R'000	2004/05 R'000
<b>Balances between department and related party</b>		
Investment	-	-
Non-interest bearing loans to/ (from)	-	-
Interest bearing loans to/ (from)	-	-
Debtor balances	-	-
Creditor balances	-	-
Sales of assets	-	-
Guarantees provided	-	-
	<u>-</u>	<u>-</u>

**34. Key management personnel**

Description	No. of Individuals	Total R'000	Total R'000
Political office bearers	3	2,531	2,087
Officials			
Level 15 to 16	13	9,124	7,767
Level 14	54	30,276	22,429
Family members of key management personnel			-
		<u>41,931</u>	<u>32,283</u>

**Department of Foreign Affairs - Vote 3**  
**Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2006**

**35. Public Private Partnership**

For each Public Private Partnership the department has entered into, the following must be disclosed for the current and prior period:

- A description of the arrangement that includes, but is not limited to:
- Significant terms of the arrangement that may affect the amount, timing and certainty of future cash flows
- The nature and extent of:
  1. rights to use specified assets
  2. obligations to provide or rights to expect provision of services
  3. obligations to acquire or build items of property, plant and equipment
  4. obligation to deliver or rights to receive specified assets at the end of the concession period
  5. renewal and termination options
  6. other rights and obligations (e.g. major overhauls), and
- Changes in the arrangement occurring during the period

	2005/06 R'000	2004/05 R'000
<b>Contract fee received</b>	-	-
(Specify)	-	-
(Specify)	-	-
<b>Contract fee paid</b>	-	-
Fixed component	-	-
Indexed component	-	-
<b>Current Expenditure</b>	-	-
Compensation of employees	-	-
Goods and services (excluding lease payments)	-	-
Operating leases	-	-
Finance leases	-	-
Interest	-	-
<b>Capital/ (Liabilities)</b>	-	-
Tangible rights	-	-
Intangible rights	-	-
Property	-	-
Plant and equipment	-	-
Loans	-	-
<b>Other</b>	-	-
Prepayments and advances	-	-
Pre-production obligations	-	-
Other obligations	-	-
<b>TOTAL</b>	-	-



Department of Foreign Affairs - Vote 3  
Annexures to the Annual Financial Statements for the year ended 31 March 2006

**ANNEXURE 1F  
STATEMENT OF UNCONDITIONAL TRANSFERS TO MUNICIPALITIES**

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT			2004/05 Total Available R'000	
	Amount R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Funds Transferred %	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality %
Tshwane & PW Municipality	10,241			10,241	10,196	99.6%			0.0%	15,678
Foreign rates & taxes	4,444			4,444	3,454	77.7%			0.0%	
	14,685	-	-	14,685	13,650	-	-	-	-	15,678

ANNEXURE 1G

STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

DEPARTMENT/ AGENCY/ ACCOUNT	TRANSFER ALLOCATION			TRANSFER			2004/05 Appropriation Act R'000
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds Transferred %	
African Renaissance Fund	100,000			100,000	100,000	100.0%	50,000
Departmental Agencies						0.0%	94
	100,000	-	-	100,000	100,000	0.0%	50,094

- List each transfer by agency/account
- Explain reasons for underspending, should actual be less than 90 percent, what corrective steps were taken, mention early warning report on corrective steps as a result and whether or not an application has been made for a roll over.

ANNEXURE 11

STATEMENT OF TRANSFERS TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES

NAME OF PUBLIC CORPORATION/ PRIVATE ENTERPRISE	TRANSFER ALLOCATION				EXPENDITURE		2004/05 Appropriation Act R'000
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds Transferred %	
<b>Public Corporations</b>							
Transfers	9,829			9,829	9,307	94.7%	8,329
	9,829	-	-	9,829	9,307		8,329
Subsidies	-	-	-	-	-	0.0%	-
<b>Total</b>	<b>9,829</b>	<b>-</b>	<b>-</b>	<b>9,829</b>	<b>9,307</b>		<b>8,329</b>
<b>Private Enterprises</b>							
Transfers	-	-	-	-	-	0.0%	-
Subsidies	-	-	-	-	-	0.0%	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>TOTAL</b>	<b>9,829</b>	<b>-</b>	<b>-</b>	<b>9,829</b>	<b>9,307</b>		<b>8,329</b>



ANNEXURE 1J

STATEMENT OF TRANSFERS TO FOREIGN GOVERNMENT AND INTERNATIONAL ORGANISATIONS

FOREIGN GOVERNMENT/ INTERNATIONAL ORGANISATION	TRANSFER ALLOCATION			EXPENDITURE		2004/05 Appropriation Act R'000
	Adjusted Appropriation Act R'000	Roll overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	
<b>Transfers</b>						
African Caribbean & Pacific	2,200	-	-	2,200	1,916	87.1%
Common Wealth	7,000			7,000	6,335	90.5%
GLOC	2,400			2,400	3,652	152.2%
AU Membership fees	80,000			80,000	104,993	131.2%
South Centre	1,000			1,000	1	0.1%
UN Human Rights	300			300	617	205.7%
UNDP	950			950	7,732	813.9%
OIRARC	120			120	-	0.0%
PGTF	50			50	50	100.0%
CTBT	4,986			4,986	3,854	77.3%
SADC Membership	15,006			15,006	19,791	131.9%
NEPAD	30,000			30,000	30,000	100.0%
Inter Seabed Authority	286			286	-	0.0%
Humanitarian Aid	21,000			21,000	18,167	86.5%
UN Membership fees	80,000			80,000	54,643	68.3%
African Renaissance fund	-			-	-	0.0%
UNDP Rentals	9,000			9,000	4,009	44.5%
G77 TCBC	100			100	-	0.0%
BTWC	414			414	10	2.4%
UNCLOS	500			500	-	0.0%
UN Econ Comm	200			200	-	0.0%
Permanent Court of Arbitration	115			115	79	68.7%
OIOR Research Centre	-			-	-	0.0%
Intern Tribunal Law of the Sea	458			458	250	54.6%
UNICEF	200			200	3,415	1707.5%
UN Technical Coop	100			100	105	105.0%
Asia-African Legal Consultative Organisation (AALCO)	120			120	91	75.8%
BIE	25			25	24	96.0%
<b>Total</b>	<b>256,530</b>	<b>-</b>	<b>-</b>	<b>256,530</b>	<b>259,734</b>	<b>96.0%</b>
						<b>248,985</b>

Department of Foreign Affairs - Vote 3  
Annexures to the Annual Financial Statements for the year ended 31 March 2006

ANNEXURE 1L

STATEMENT OF TRANSFERS TO HOUSEHOLDS

HOUSEHOLDS	TRANSFER ALLOCATION				EXPENDITURE		2004/05 Appropriation Act R'000
	Adjusted Appropriation Act R'000	Roll Over R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds Transferred %	
Households	12,456	-	-	12,456	11,925	95.7%	11,752
<b>Total</b>	<b>12,456</b>	<b>-</b>	<b>-</b>	<b>12,456</b>	<b>11,925</b>	<b>0.0%</b>	<b>11,752</b>

**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year ended 31 March 2006**

**ANNEXURE 1M**

**STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED FOR THE YEAR ENDED 31 MARCH 2006**

<b>NAME OF ORGANISATION</b>	<b>NATURE OF GIFT, DONATION OR SPONSORSHIP</b>	<b>2005/06 R'000</b>	<b>2004/05 R'000</b>
<b>Received in cash</b>			
PetroSA			416
		-	416
<b>Received in kind</b>			
SAA	Weekend in Zambia	4	
Japan & Mozambique	Box Frame, traditional Ndebele artwork	8	
Several	Zulu baskets, wired plates, pots & admire	106	
Argentina	Framed Ndebele Mohair	2	
Croatia & Russia	Framed Inyoya & Ndebele Mohair	4	
G3	Multi Metal Head Male Framed Ndebele	7	
Sweden	Bafana Bafana Shirts, Zulu Head Mounted	4	
Botswana	Clive Sithole Pot	18	
Benin & Indonesia	Hennie Meyer ceramic plate	5	
Oman	Skin Carpet	2	
Nigeria, Sumatra, Spain, Greece, Ghana	Framed Mohair wall, set of springbok cushions, Multi metal Zulu sculptures	12	
Tanzania	Several bags	36	
Office	Framed Ndebele two figure	2	
Indonesia	Ardmore, ceramic plate	6	
SA National War College	Glass art bowls, Elephant, Bird, Warthog Tureen	138	
UNDF & Chile	Karros in frame, mounted sculpture Rhino & ethnic basket	9	
Iran & Mexico	Framed beaded horn, game skin carpets & multi-metal xhosa made	9	
Gabon & Sweeden	Multi Metal Head Male Framed Zulu	4	
Several	Sithole pots, Karros, desks sets & cufflinks	48	
Zimbabwe & Malaysia	Framed beaded bookmark	8	
SADC	Double Multi media, single head male, Zulu head female	9	
Bangladesh	Copper wall ornament, four figure mohair	2	
Several	Ardmore	7	
Gabon	Framed elephant picture	1	
Officials	Stone desk	1	
Sam	Skin	1	
India, Swaziland, Bulgaria, Bangladesh	Karros Embroidery, Zulu drummer wall clock, mohair, copper wall ornament	7	
Mozambique	Ardmore teapot & Nguni masterpiece	41	
Several as disclosed in 2004/05			5,379
<b>Subtotal</b>		<b>501</b>	<b>5,795</b>

**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year ended 31 March 2006**

Annexure 1M (continued)

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

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2004/05 R'000	2003/04 R'000
<b>Received in cash</b>			
Several as disclosed in 2003/04			183
Several as disclosed in 2004/05		416	
<b>Sub- total</b>		<b>416</b>	<b>183</b>
<b>Received in Kind</b>			
Athens	Liquor & stationery left over after NOCSA Olympic games	1	
Bamako	Leather Bottle holders, wall, clock & diaries	37	
Bern	Freedom day celebration	927	
Brussels	Freedom day celebration	460	
Doha	2 return tickets	30	
Kigali	Toyota Land Cruiser, Sculpture, wall hanging & basket	240	
Los Angeles	Function in honor of SA's first Oscar Nomination	226	
Manila	Heritage day function	48	
Maputo	10 <sup>th</sup> Anniversary celebration	454	
Milan	Freedom day celebration	95	
Munich	Freedom day celebration	43	
Muscat	Three inaugural tickets economy class	23	
Nairobi	Oil painting of Zulu chief in gold frame	6	
New Delhi	Hugh Masekela concert	130	
Paris	Painting by SA artist	3	
Santiago	Embassy's childrens' art competition	13	
Stockholm	Celebration of ten year democracy	600	
Tehran	Crockery set, Sony Ericson, leather brief case	116	
Warsaw	Freedom day celebration	123	
Washington	Freedom day celebration	1,266	
Windhoek	Freedom day celebration	38	
Los Angeles	Function in honor SA's first Oscar Nomination	226	
Manila	Heritage	48	
Several as disclosed in 2003/04			326
<b>Subtotal</b>		<b>5,379</b>	<b>326</b>
<b>Total</b>		<b>5,795</b>	<b>509</b>

**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year ended 31 March 2006**

**ANNEXURE 10**  
**STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE AND REMISSIONS, REFUNDS AND PAYMENTS MADE AS AN ACT OF**  
**GRACE FOR THE YEAR ENDED 31 MARCH 2006**

NATURE OF GIFT, DONATION OR SPONSORSHIP (Group major categories but list material items including name of organisation)	2005/06 R'000	2004/05 R'000
Paid in cash	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>
<b>Made in kind**</b>		
Clive Sithole pots	35	
Several gifts to Sudan	11	
Several gifts to Greece	8	
Several gifts to DRC	83	
Several gifts to Japan & Mozambique	24	
Several gifts to Nigeria	11	
Several gifts to Portugal	12	
Several gifts to Italy	15	
Several gifts to Chile	44	
Several gifts to Saudi Arabia	7	
Several gifts to Uganda	19	
Several gifts to Mauritius	72	
Several gifts to Malta	1	
Several gifts to Mali	13	
Several gifts to Ivory Coast	5	
Several gifts to Congo	12	
Several gifts to Embassy personnel	12	
Several gifts to Gabon	18	
Several gifts to Addis Ababa	2	
Several gifts to Botswana	11	
Several gifts to Burundi	32	
Several gifts to Libya	7	
Several gifts to London	11	
Several gifts to Scotland	9	
Several gifts to Angola	2	
Several gifts to Zimbabwe	3	
Several gifts to Zambia	8	

Department of Foreign Affairs - Vote 3  
Annexures to the Annual Financial Statements for the year ended 31 March 2006

ANNEXURE 10 (continued)  
STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE AND REMISSIONS, REFUNDS AND PAYMENTS MADE AS AN ACT OF GRACE FOR THE YEAR ENDED 31 MARCH 2006

NATURE OF GIFT, DONATION OR SPONSORSHIP (Group major categories but list material items including name of organisation)	2005/06 R'000	2004/05 R'000
Several gifts to Seychelles	11	
Several gifts to Abudja	17	
Several gifts to Switzerland	5	
Several gifts to New York	12	
Several gifts to London	29	
Several gifts to South Korea	15	
Several gifts to North Korea	10	
Several gifts to Beijing	12	
Several gifts to Washington	14	
Several gifts to Venice	30	
Several gifts to Jordan	4	
Several gifts to Portugal & Spain	13	
Several gifts to Dubai	8	
Several gifts to Egypt	6	
Several gifts to Jarkata & Banda Aceh	30	
Several gifts to Singapore	11	
Ardmore teapot & tureen to several	19	
<b>Subtotal</b>	<b>733</b>	<b>-</b>

ANNEXURE 3A

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2006 – LOCAL

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2005	Guarantees issued during the year	Guarantees released/ paid/ cancelled/reduced during the year	Guaranteed interest for year ended 31 March 2006	Closing balance 31 March 2006	Realised losses not recoverable
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
	<b>Motor vehicles</b>							
Stannic		292	528	229	86	-	671	-
		<b>292</b>	<b>528</b>	<b>229</b>	<b>86</b>	<b>-</b>	<b>671</b>	<b>-</b>
	<b>Housing</b>							
Standard Bank	Housing loans	504	483	-	20	-	463	-
Nedbank Ltd.	Housing loans	378	386	-	55	-	331	-
Firststrand Bank:FNB	Housing loans	399	440	-	43	-	397	-
ABSA Bank	Housing loans	690	622	-	500	-	122	-
Fidelity Bank	Housing loans	46	-	-	-	-	-	-
BOE Bank(NBS Division)	Housing loans	464	524	-	66	-	458	-
FNB/Saambou Bank	Housing loans	898	552	-	54	-	498	-
Peoples/ Permanent Bank	Housing loans	259	187	-	-	-	187	-
Old Mutual	Housing loans	23	20	-	-	-	20	-
VBS	Housing loans	-	23	-	-	-	23	-
Hlano Fin Serv	Housing loans	4	4	-	-	-	4	-
<b>Total</b>		<b>3,665</b>	<b>3,241</b>	<b>-</b>	<b>738</b>	<b>-</b>	<b>2,503</b>	<b>-</b>
	<b>Other</b>							

**Department of Foreign Affairs - Vote 3  
Annexures to the Annual Financial Statements for the year ended 31 March 2006**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount R'000	Opening balance 1 April 2005 R'000	Guarantees issued during the year R'000	Guarantees released/ paid/ cancelled/reduced during the year R'000	Guaranteed interest for year ended 31 March 2006 R'000	Closing balance 31 March 2006 R'000	Realised losses not recoverable R'000
South African Development Bank	Lesotho Highlands Development Authority for the Northern access road project IHT 02021	54,045	24,181	-	4,661	2,378	-	-
South African Development Bank	Lesotho Highlands Development Authority for the Northern access road project IHT 02022	154,279	79,812	-	11,379	6,074	21,898	-
South African Development Bank	Lesotho Highlands Development Authority for the Northern access road project IHT 02023	2,385	873	-	212	101	74,507	-
South African Development Bank	Loan granted to Lesotho Highlands Development Authority for the Northern access road project IHT 01 678	24,805	8,309	-	3,365	2,102	762	-



Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2005	Guarantees issued during the year	Guarantees released/ paid/ cancelled/reduced during the year	Guaranteed interest for year ended 31 March 2006	Closing balance 31 March 2006	Realised losses not recoverable
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
South African Development Bank	Loan granted to Lesotho Highlands Development Authority for the Northern access road project IHT 02 485	41,600	22,589	-	3,548	2,046	-	-
South African Development Bank	Loan granted to Lesotho Highlands Development Authority for the Northern access road project IHT 02 024	21,393	15,197	-	3,677	2,778	21,087	-
South African Development Bank	Loan granted to Lesotho Highlands Development Authority for advanced infrastructure. Upgrading of boarder post facilities Maputo and Caledonspoort IHT 02 270/2	7,530	4,614	-	757	475	14,298	-

**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year ended 31 March 2006**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2005	Guarantees issued during the year	Guarantees released/ paid/ cancelled/reduced during the year	Guaranteed interest for year ended 31 March 2006	Closing balance 31 March 2006	Realised losses not recoverable
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
South African Development Bank	Loan granted to Lesotho Highlands Development Authority for advanced infrastructure. Upgrading of current roads	29,059	12,351	-	2,527	1,274	4,332	-
	IHT 02 214/2							
South African Development Bank	Loan granted to Lesotho Highlands Development Authority for communication system IHK 02 653	1,546	-	-	-	-	11,098	-
		336,642	167,926	-	29,914	17,228	155,240	-
	<b>Total</b>	<b>340,599</b>	<b>171,695</b>	<b>229</b>	<b>30,738</b>	<b>17,228</b>	<b>158,414</b>	<b>-</b>

The difference of R188 569 million between the reported original guaranteed amount (R525,211 vs. R336,642) for 2004/05 financial year and opening balance is due to the overstatement on the number of loans which were erroneously included in the department's figures.

Department of Foreign Affairs - Vote 3  
Annexures to the Annual Financial Statements for the year ended 31 March 2006

ANNEXURE 3A (continued)

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2006 – FOREIGN

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2005	Guarantees issued during the year	Guarantees released/paid/ cancelled/reduced during the year	Guaranteed interest for year ended 31 March 2006	Closing balance 31 March 2006	Realised losses not recoverable
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
	Motor vehicles							
	Housing							
	Other							
	<b>Total</b>	-	-	-	-	-	-	-

**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year ended 31 March 2006**

**ANNEXURE 3B**

**STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2006**

Nature of Liability	Opening Balance 01/04/2005 R'000	Liabilities incurred during the year R'000	Liabilities paid/cancelled/ reduced during the year R'000	Liabilities recoverable (Provide details hereunder) R'000	Closing Balance 31/03/2006 R'000
<b>Claims against the department</b>					
Catlin V Minister of Foreign affairs	280	-	-	-	280
Vespa- Munich, Germany V Republic of South Africa	12	-	-	-	12
De Souza- Brasilia, Brazil Vs Republic of South Africa	55	-	-	-	55
Gangat V Minister of Foreign affair	2,500	-	-	-	2500
Madencilik Metal Ticaret Anonm Sirket (Istanbul) V Government of South Africa	200	-	-	-	200
De'eb v Minister of Foreign Affairs	-	253	253	-	-
Kwepile v Minister of Foreign Affair	-	1,000	-	-	1,000
	<b>3,047</b>	<b>1,253</b>	<b>253</b>	<b>-</b>	<b>4,047</b>
<b>Total</b>	<b>3047</b>	<b>1,253</b>	<b>253</b>	<b>-</b>	<b>4,047</b>

**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year ended 31 March 2006**

**ANNEXURE 4**

**CAPITAL TANGIBLE ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006**

	Opening balance R'000	Additions R'000	Disposals R'000	Closing balance R'000
<b>BUILDING AND OTHER FIXED STRUCTURES</b>	<b>179,056</b>	<b>42,820</b>	-	<b>221,876</b>
Dwellings	151,760	30,232	-	181,992
Non-residential buildings	27,296	12,588	-	39,884
Other fixed structures	-	-	-	-
Heritage assets	-	-	-	-
<b>MACHINERY AND EQUIPMENT</b>	<b>97,717</b>	<b>129,974</b>	<b>1,487</b>	<b>226,204</b>
Transport assets	19,341	10,121	285	29,177
Specialised military assets	-	-	-	-
Computer equipment	13,359	55,896	-	69,255
Furniture and office equipment	37,318	44,451	1,202	80,567
Other machinery and equipment	27,699	19,506	-	47,205
<b>TOTAL CAPITAL ASSETS</b>	<b>276,773</b>	<b>172,794</b>	<b>1,487</b>	<b>448,080</b>

**ANNEXURE 4.1**

**ADDITIONS MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006**

	Cash R'000	In-Kind R'000	Total R'000
<b>BUILDING AND OTHER FIXED STRUCTURES</b>	42,820	-	42,820
Dwellings	30,232	-	30,232
Non-residential buildings	12,588	-	12,588
Other fixed structures	-	-	-
Heritage assets	-	-	-
<b>MACHINERY AND EQUIPMENT</b>	129,974	-	129,974
Transport assets	10,121	-	10,121
Specialised military assets	-	-	-
Computer equipment	55,896	-	55,896
Furniture and office equipment	44,451	-	44,451
Other machinery and equipment	19,506	-	19,506
<b>TOTAL CAPITAL ASSETS</b>	<b>172,794</b>	-	<b>172,794</b>

**Department of Foreign Affairs - Vote 3**  
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**ANNEXURE 4.2**

**DISPOSALS MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006**

	Carrying Amount R'000	Cash R'000	Profit/(loss) on Disposal R'000
<b>BUILDING AND OTHER FIXED STRUCTURES</b>	-	-	-
Dwellings			-
Non-residential buildings			-
Other fixed structures			-
Heritage assets			-
<b>MACHINERY AND EQUIPMENT</b>	<b>1,487</b>	<b>1,487</b>	
Transport assets	285	285	
Specialised military assets	-		
Computer equipment	-		
Furniture and office equipment	1,202	1,202	
Other machinery and equipment		-	-
<b>TOTAL CAPITAL ASSETS</b>	<b>1,487</b>	<b>1,487</b>	

**ANNEXURE 4.3**

**CAPITAL TANGIBLE ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2005**

	Additions R'000	Disposals R'000	Total Movement R'000
<b>BUILDING AND OTHER FIXED STRUCTURES</b>	<b>27,296</b>	-	<b>27,296</b>
Dwellings	-	-	-
Non-residential buildings	27,296	-	27,296
Other fixed structures	-	-	-
Heritage assets	-	-	-
<b>MACHINERY AND EQUIPMENT</b>	<b>102,955</b>	-	<b>102,955</b>
Transport assets	14,783		14,783
Specialised military assets	-		-
Computer equipment	20,290		20,290
Furniture and office equipment	54,708		54,708
Other machinery and equipment	13,174		13,174
<b>TOTAL CAPITAL ASSETS</b>	<b>130,251</b>	-	<b>130,251</b>

**Department of Foreign Affairs - Vote 3**  
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**ANNEXURE 5**

**SOFTWARE AND OTHER INTANGIBLE ASSETS MOVEMENT SCHEDULE AS AT 31 March 2006**

	Opening balance R'000	Additions R'000	Disposals R'000	Closing balance R'000
<b>Patents, Copyrights, Brand Names &amp; Trademarks</b>	-	-	-	-
<b>Computer Software</b>	12,727	34,318	-	47,045
<b>Masterheads &amp; Publishing Titles</b>	-	-	-	-
<b>Recipes, Formulas, Prototypes, Designs &amp; Models</b>	-	-	-	-
<b>Service &amp; Operating Rights</b>	-	-	-	-
Airport landing rights	-	-	-	-
Import/export licenses	-	-	-	-
Fishing Quotas	-	-	-	-
Utility rights	-	-	-	-
Mineral extraction rights	-	-	-	-
<b>TOTAL</b>	<b>12,727</b>	<b>34,318</b>	<b>-</b>	<b>47,045</b>

**ANNEXURE 5.1**

**ADDITIONS MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006**

	Cash R'000	In-Kind R'000	Total R'000
<b>Patents, Copyrights, Brand Names &amp; Trademarks</b>	-	-	-
<b>Computer Software</b>	34,318	-	34,318
<b>Masterheads &amp; Publishing Titles</b>	-	-	-
<b>Recipes, Formulas, Prototypes, Designs &amp; Models</b>	-	-	-
<b>TOTAL</b>	<b>34,318</b>	<b>-</b>	<b>34,318</b>

**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year ended 31 March 2006**

**ANNEXURE 5.2**

**DISPOSALS MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006**

	Cost/Carrying Amount R'000	Cash R'000	Profit/loss on Disposal R'000
<b>Patents, Copyrights, Brand Names &amp; Trademarks</b>			-
<b>Computer Software</b>			-
<b>Masterheads &amp; Publishing Titles</b>			-
<b>Recipes, Formulas, Prototypes, Designs &amp; Models</b>			-
<b>Service &amp; Operating Rights</b>	-	-	-
Airport landing rights			-
Import/export licenses			-
Fishing Quotas			-
Utility rights			-
Mineral extraction rights			-
<b>TOTAL</b>	-	-	-

**ANNEXURE 5.3**

**CAPITAL INTANGIBLE ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2005**

	Additions R'000	Disposals R'000	Total Movement R'000
<b>BUILDING AND OTHER FIXED STRUCTURES</b>			
<b>Patents, Copyrights, Brand Names &amp; Trademarks</b>			-
<b>Computer Software</b>	9,863		9,863
<b>Masterheads &amp; Publishing Titles</b>			-
<b>Recipes, Formulas, Prototypes, Designs &amp; Models</b>			-
<b>Service &amp; Operating Rights</b>	-	-	-
Airport landing rights			-
Import/export licenses			-
Fishing Quotas			-
Utility rights			-
Mineral extraction rights			-
<b>TOTAL</b>	<b>9,863</b>	<b>-</b>	<b>9,863</b>



**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year ended 31 March 2006**

**ANNEXURE 6**

**INTER-GOVERNMENT RECEIVABLES**

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2006	31/03/2005	31/03/2006	31/03/2005	31/03/2006	31/03/2005
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Department</b>						
Eastern Cape	-	-	1,470	1,168	1,470	1,168
Northern Cape	-	-	513	427	513	427
Free State	-	-	2,278	1,185	2,278	1,185
Limpopo	-	-	3,762	3,129	3,762	3,129
Mpumalanga	-	-	947	830	947	830
North West	-	-	1,757	192	1,757	192
Kwazulu Natal	-	-	2,630	1,518	2,630	1,518
Gauteng	-	-	3,744	3,849	3,744	3,849
Western Cape	-	64	1,010	2,478	1,010	2,542
Arts, Culture	-	-	-2,616	2,901	-2,616	2,901
Science & Technology	1,323	327	3,450	2,703	4,773	3,030
Welfare	1,789	-	209	1,264	1,998	1,264
Agriculture	1,903	-	1,303	6,011	3,206	6,011
National Prosecution Authority	30	-	61	6	91	6
Justice	260	-	2,560	2,825	2,820	2,825
Public Service Administration	198	74	2,112	1,240	2,310	1,314
Housing	-	-	-307	-176	-307	-176
Public Service Comm	4	-	-	214	4	214
Environmental Affairs	501	-	1,133	-1,360	1,634	-1,360
Public Works	-	-	951	-1,680	951	-1,680
Health	-	7,447	-373	8,500	-373	15,947
Office of the President	-	-	11,830	8,357	11,830	8,357
Transport	739	-	-226	1,703	513	1,703
Minerals and Energy	300	984	1,101	1,911	1,401	2,895
Office of the Public Enterprise	1	-	14	-226	15	-226
Trade and Industry	16,583	22,844	4,383	4,624	20,966	27,468
Water Affairs and Forestry	30	-	1,106	1,567	1,136	1,567
Home Affairs	-	-	-	-	-	-
Labour	-	-	-4,503	4,197	-4,503	4,197
Land Affairs	58	3	50	22	108	25
National Treasury	52	-	197	262	249	262
Finance	5	-	3,472	3,790	3,477	3,790
Finance Pension	1,630	3,864	530	4,886	2,160	8,750
Post & Telecommunication	721	116	1,019	1,379	1,740	1,495
Sports & Recreation	466	120	365	594	831	714
South African Comm Service	-	-	14	82	14	82
South African Revenue Service	488	-	1,877	3,175	2,365	3,175
Police	12,054	-	18,175	18,888	30,229	18,888

**ANNEXURE 6 (continued)**  
**INTER-GOVERNMENT RECEIVABLES**

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2006	31/03/2005	31/03/2006	31/03/2005	31/03/2006	31/03/2005
	R'000	R'000	R'000	R'000	R'000	R'000
Education		46	-189	-189	-189	-143
National Defence Force	13,796	-	-2,136	26,057	11,660	
(Combined with Account "A")						26,057
Provincial and Local Affairs	156	-	109	158	265	158
Government Printer	-	-	101	101	101	101
Central Statistical Services	-	-	3	3	3	3
Correctional Services	-	-	90	152	90	152
Unsettled Claims	-	-	10,910	10,910	10,910	10,910
Departmental interface	-	-	-	-861	-	-861
Other	1	-	157	-	158	-
National Intelligence	-	-	1,291	-	1,291	-
	<b>53,088</b>	<b>35,889</b>	<b>76,334</b>	<b>128,766</b>	<b>129,422</b>	<b>164,655</b>
<b>Other Government Entities</b>						
African Renaissance and International Co-operation Fund	48,227	40,213		-	48,227	40,213
					-	-
					-	-
					-	-
	<b>48,227</b>	<b>40,213</b>		<b>-</b>	<b>48,227</b>	<b>40,213</b>
<b>TOTAL</b>	<b>101,315</b>	<b>76,102</b>	<b>76,334</b>	<b>128,766</b>	<b>177,649</b>	<b>204,868</b>

**Department of Foreign Affairs - Vote 3**  
**Annexures to the Annual Financial Statements for the year ended 31 March 2006**

**ANNEXURE 7**  
**INTER-GOVERNMENT PAYABLES**

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2006	31/03/2005	31/03/2006	31/03/2005	31/03/2006	31/03/2005
	R'000	R'000	R'000	R'000	R'000	R'000
<b>DEPARTMENTS</b>						
<b>Current</b>						
Home Affairs	112,565	87,812			-	-
					-	-
					-	-
<b>Subtotal</b>	<b>112,565</b>	<b>87,812</b>			<b>-</b>	<b>-</b>
<b>Non-current</b>						
					-	-
					-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>112,565</b>	<b>87,812</b>			<b>-</b>	<b>-</b>
<b>OTHER GOVERNMENT ENTITY</b>						
<b>Current</b>						
					-	-
					-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non-current</b>						
					-	-
					-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Include all amounts owing to National and Provincial Departments as well as all Public Entities, Constitutional Institutions and Trading Entities.



## Abbreviation of Government Departments

DA	Department of Agriculture
DACST	Department of Arts and Culture
DEAT	Department of Environmental Affairs and Tourism
DOC	Department of Communications
DCS	Department of Correctional Services
DOE	Department of Education
DFA	Department of Foreign Affairs
DOH	Department of Health
DHA	Department of Home Affairs
DJCD	Department of Justice and Constitutional Development
DOL	Department of Labour
DLA	Department of Land Affairs
DME	Department of Minerals and Energy
DPE	Department of Public Enterprises
DPSA	Department of Public Service and Administration
DPW	Department of Public Works
DPLG	Department of Provincial and Local Government
DSS	Department of Safety and Security
DST	Department of Science and Technology
DSD	Department of Social Development
DSR	Department of Sports and Recreation
DTI	Department of Trade and Industry
DOT	Department of Transport
DWAF	Department of Water Affairs and Forestry
GCIS	Government Communication and Information System
NIA	National Intelligence Agency
NT	National Treasury
ORC	Office on the Rights of the Child
OSDP	Office on the Status of Disabled Persons
OSW	Office on the Status of Women
SAAF	South African Air Force
SANDF	South African National Defence Force
SAPS	South African Police Service
SARB	South African Reserve Bank
SASS	South African Secret Service
SASSA	South African Social Security Agency
SARS	South African Revenue Service

## Acronyms

AARSOC	Asia-Africa Sub-regional Organisations Conference
ACHPR	African Commission on Human and Peoples' Rights
ACP	African, Caribbean and Pacific States (see CPA)
AICC	African Institute of Corporate Citizenship
ASEAN	Association of South East Asian Nations
ATCM	The Antarctic Treaty Consultative Meeting
ATS	Antarctic Treaty System
AU	African Union (formerly OAU)
BEE	Black Economic Empowerment
BLSN	Botswana, Lesotho, Swaziland, Namibia)
BNC	Binational Commission
CARICOM	Caribbean Community
CCAMLR	The Commission for the Conservation of Antarctic Marine Living Resources
CCW	Convention on Certain Conventional Weapons
CD	Conference on Disarmament
CDM	Clean Development Mechanism
CERD	United Nations Committee on the Elimination of Racial Discrimination
CHOGM	Commonwealth Heads of State and Government Meeting
CIC	Credit Insurance Committee
COP	Conference Of the Parties
CPA	Cotonou Partnership Agreement (EU and ACP)
CSD	Commission on Sustainable Development
CSTP	Committee for Scientific and Technological Policy
CSW	United Nations Commission on the Status of Women
CTBT	Comprehensive Nuclear-Test-Ban Treaty
CWC	Chemical Weapons Convention
DDPA	Durban Declaration and Programme of Action
DFA	Department of Foreign Affairs
DHA	(tourism, economic, multilateral)
DNA	Designated National Authority
DPRK	Democratic People's Republic of Korea
DRC	Democratic Republic of the Congo
DTI	Department of Trade and Industry
ECIC	Export Credit Insurance Corporation of South Africa
ECOSOC	Economic and Social Council (UN)
EEZ	Exclusive Economic Zone
EIF	Entry Into Force

ERW	Explosive Remnants of War
EU	European Union
FDI	Foreign Direct Investment
FSI	Foreign Service Institute
G8	Group of eight (USA, UK, Germany, Italy, France, Russia, Japan, Canada)
G20	Group of Twenty
G77	Group of 77 (and China)
GA	General Assembly (United Nations)
GCC	Gulf Co-operation Council
GCIM	The Global Commission on International Migration
GEF	Global Environmental Facility
GEO	Group on Earth Observation
GFII	Global Forum on International Investment
HCOC	The Hague Code of Conduct against Ballistic Missiles
HRD	Human Resource Development
HSGIC	Heads of State and Government Implementation Committee (Nepad)
IAEA	International Atomic Energy Agency
IBRD	International Bank for Reconstruction and Development (World Bank)
IBSA	India, Brazil, South Africa Dialogue Forum
ICAO	The Council of the International Civil Aviation Organisation
ICC	International Criminal Court
ICJ	International Court of Justice
ICNRD	International Conference for New or Restored Democracies
ICRC	Interim Chemicals Review Committee
ICT	Information and Communications Technology
ICTR	International Criminal Tribunal for Rwanda
ICTY	International Criminal Tribunal for Yugoslavia
ILC	International Law Commission
ILO	International Labour Organisation
IMF	International Monetary Fund
IMO	International Maritime Organisation
INC	Inter-Governmental Negotiating Committee
IOC	The International Oceanographic Commission
IOR-ARC	Indian Ocean Rim Association for Regional Co-operation
IPCC	Industrial Participation Control Committee
IRPS	International Relations-Peace and Security
ISA	The International Seabed Authority
ISPS	International Ship and Port Security Code
ITU	International Telecommunication Union
IUU	Illegal Unreported and Unregulated (Fishing)
IWC	International Whaling Commission
JBC	Joint Bilateral Commission
JPOI	Johannesburg Plan of Implementation
JSE	Johannesburg Stock Exchange
KPCS	Kimberley Process Certification Scheme

LDC	Least Developed Countries
MBT	Mine Ban Treaty
MDG	Millennium Development Goals
MEA	Multilateral Environmental Agreements
MERCOSUR	Southern Common Market (Argentina, Brazil, Paraguay, Uruguay)
MISS	Minimum Information Security Standards
MOP	Montreal Protocol on Substances that Deplete the Ozone Layer
MSP	Master Systems Plan (ICT)
MTCR	Missile Technology Control Regime
NAM	Non-Aligned Movement
NCACC	National Conventional Arms Control Committee
NCCC	The National Committee for Climate Change
NEPAD	New Partnership for Africa's Development
NFAR	National Forum Against Racism
NGO	Non-Governmental Organisation
NIPP	The National Industrial Participation Programme
NPT	Nuclear Non-Proliferation Treaty
NSG	Nuclear Suppliers Group
NSI	Nuclear System of Innovation
NSTF	National Science and Technology Forum
ODA	Official Development Assistance
ODIN	Ocean Data and the Information Network
OIC	Organisation of Islamic Conference
PAP	Pan African Parliament
PIC	Prior Informed Consent
PMO	Policy-Making Organ
PMS	Performance Management System
POP	Persistent Organic Pollutants
PSC	Peace and Security Council (AU)
PUSET	Public Understanding of Science and Technology
RECs	Regional Economic Communities
RISDP	Regional Indicative Strategic Development Plan
S&T	Science and Technology
SAA	South African Airways
SACU	Southern African Customs Union (SA, BLSN)
SADC	Southern African Development Community
SAIAIF	South African International Affairs ICT Forum
SAMSA	South African Maritime Safety Authority
SANGOCO	South African Non-Governmental Organisation Coalition
SAPO	South African Post Office
SAT	South African Tourism
SC	Security Council (United Nations)
SME	Small and Medium-sized Enterprises
SOLAS	Safety of Life at Sea Convention
TDCA	Trade and Development Co-operation Agreement (with EU)

TICAD	Tokyo International Conference on African Development
TISA	Trade and Investment South Africa
TRIPS	Trade Related aspects of Intellectual Property Rights
UK	United Kingdom
UN	United Nations
UN PoA	United Nations Programme of Action
UNCED	United Nations Conference on Environment and Development
UNCHR	United Nations Commission on Human Rights
UNCITRAL	United Nations Commission on International Trade Law
UNCLOS	United Nations Convention on the Law of Sea
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNFCCC	United Nations Framework Convention on Climate Change
UNGA	United Nations General Assembly
UN-Habitat	United Nations Human Settlements Programme
UNHCR	United Nations High Commissioner for Refugees
UNICPOLOS	The United Nations Informal Consultative Process on Oceans and the Law of the Sea
UNIDO	United Nations Industrial Development Organisation
UNSC	United Nations Security Council
UPU	Congress of the Universal Postal Union
USA	United States of America
VLCC	Very Large Crude-oil Carriers
WCAR	World Conference Against Racism
WEF	World Economic Forum
WEHAB	Water, Energy, Health, Agriculture, Biodiversity
WMDs	Weapons of Mass Destruction
WMO	World Meteorological Organisation
WSIS	World Summit on the Information Society
WSSD	World Summit on Sustainable Development
WTO	World Tourism Organisation
WTO	World Trade Organisation