

4.1 ACCOUNTING AUTHORITY REPORT

Accounting Authority Report

General review of the state of affairs

The year ending 31 March 2005 saw the second full year of activities since the establishment of Heritage Western Cape in October 2002.

During the financial year, the Minister for Cultural Affairs, Sport and Recreation appointed eight additional members to the seven originally appointed to the Council of Heritage Western Cape. This resulted in more members attending the Council and committee meetings with a consequent increase in expenditure on meeting allowances, travel and subsistence and entertainment.

Services rendered by the Public Entity

Based on its strategic objectives, Heritage Western Cape undertook a wide range of actions during the financial year, that could be categorised under the following headings:

- Advise the Minister on the implementation of the Act and related national, provincial and local legislation;
- Promote good governance for heritage resources management at provincial and local levels;
- Protect and manage heritage resources in the Western Cape;
- Empower and encourage communities and civil society to nurture and conserve their heritage resources so that they may be bequeathed to future generations;
- Promote, co-ordinate and monitor the systematic identification, recording and assessment of provincial and local heritage resources;
- Set norms and standards and take steps for the maintenance and management of heritage resources in the Western Cape;
- Notify the South African Heritage Resources Agency of the presence of potential Grade I heritage resources and nominate such resources;
- Develop policy on the promotion and management of provincial heritage resources; and
- Maintain databases on heritage resources.

A detailed report on the activities of Heritage Western Cape is included in the section Programme Information (see 2. above).

Tariff policy

Heritage Western Cape did not charge any tariffs during the 2004/2005 financial year, although it has the option to determine application fees for permits in terms of section 48(1) of the National Heritage Resources Act, 1999 (Act 25 of 1999) and Regulation 2 of Provincial Notice 298 dated 29 August 2003 and published in Provincial Gazette No. 6061 dated 29 August 2003. Heritage Western Cape has also not yet considered determining a tariff policy for its services due to capacity constraints.

Capacity constraints

Heritage Western Cape faced serious capacity constraints during the 2004/2005 financial year, which also resulted in under expenditure.

As a new entity, despite not yet being formally listed by the national Minister of Finance as a provincial public entity in terms of the Public Finance Management Act, 1999 (Act 1 of 1999), Heritage Western Cape nevertheless has to comply with all the provisions of both the Public Finance Management Act, 1999, and the National Treasury Regulations.

The Minister responsible for Cultural Affairs, Sport and Recreation also appointed a new Accounting Authority in November 2004 in terms of the provisions of the Public Finance Management Act, 1999 (Act 1 of 1999) and in line with the provisions in Regulation 9 of Provincial Notice 336 dated 25 October 2002 and published in Provincial Gazette No 5937 dated 25 October 2002.

Some of the capacity constraints were alleviated by the appointment by the Department of Cultural Affairs and Sport of a number of dedicated staff members on contract. The approved staff establishment for the Heritage Resource Management Service consisted of 16 posts. The majority of these posts were advertised in July 2004. However, by March 2005, the only permanently appointed staff member dedicated to service delivery on the approved staff establishment for the Heritage Resource Management Service was the Deputy Director Heritage Resources Management Service.

The implementation of the new reporting format by the National Treasury for the Annual Report as well as the Audited Financial Statements also placed a constraint on Heritage Western Cape. The Public Entities' Chief Financial Officer component located within the Directorate Finance of the Department of Cultural Affairs and Sport, shared with two other public entities, provided the necessary supporting order to submit the necessary reports and draft financial statements timeously.

Due mainly to capacity constraints, consultants were not appointed to undertake the assessment of the significance of the more than 2 000 provincial heritage resources in the Western Cape in terms of the transitional arrangements in section 58(11)(a) of the National Heritage Resources Act, 1999 (Act 25 of 1999) prior to 31 March 2005. This resulted in under-spending. However, given the provisions of section 30(5) and 31(1) of the National Heritage Resources Act, 1999, and the fact that the provincial as well as local spheres of government are currently all developing spatial development frameworks, it was felt that the grading guidelines for Grade II and Grade III heritage resources were essential tools and that once a survey has been undertaken by a planning authority and an inventory of heritage resources that fulfilled the assessment criteria set out in section 3(3) and prescribed in terms of section 7 of the National Heritage Resources Act, 1999, was under way, all heritage resources, including the current provincial heritage resources, should be subjected to these criteria. This strategy was also supported in discussions with the Branch Legal Services of the Department of the Premier in the Western Cape and resulted in the publication of Provincial Notice P.N. 106 dated 31 March 2005 and published in the Provincial Gazette No 6239 dated 31 March 2005.

Another serious capacity constraint faced by Heritage Western Cape is the fact that the national Minister of Arts and Culture and the provincial Minister of Cultural Affairs, Sport and Recreation have not yet been able to finalise the arrangements that they deem fit to be made for the transfer of such assets, rights, liabilities and obligations of the South African Heritage Resources Agency in the Western Cape to Heritage Western Cape in terms of the transitional arrangements provided for in section 58(10) of the National Heritage Resources Act, 1999 (Act 25 of 1999). These include the conservation management records of all the provincial heritage sites in the Western Cape.

Utilisation of donor funds

Heritage Western Cape did not receive any donor funding during the 2004/2005 financial year.

Business address

Heritage Western Cape's registered business address is:

Protea Assurance House
Greenmarket Square
CAPE TOWN 8000

Controlled entities and Public entities

Not applicable.

Other organisations to whom transfer payments have been made

No transfer payments were made to other organisations by Heritage Western Cape during the 2004/2005 financial year.

Public private partnerships (PPP)

Not applicable.

Discontinued Activities/Activities to be discontinued

No services or activities were discontinued during the financial year.

New/Proposed Activities

The South African Heritage Resources Agency (SAHRA) assessed the competency of Heritage Western Cape to manage and protect certain categories of heritage resources in the Western Cape in terms of the National Heritage Resources Act, 1999 (Act 25 of 1999).

The Council of Heritage Western Cape met to discuss the Strategic Plan for 2005/2006 on 20 and 21 July 2004. Further adjustments were made during July and were approved at the Council meeting on 27 August 2004.

The Strategic Plan for 2005/2006 was submitted via the Accounting Officer of the Department of Cultural Affairs and Sport to the Executive Authority for consideration. The Executive Authority approved the Strategic Plan for Heritage Western Cape for 2005/2006 in March 2005.

In the Strategic Plan activities to fulfil the legal mandate of Heritage Western Cape were identified for implementation in the 2005/2006 financial year.

Events after the Balance Sheet date

Ongoing discussions with the Provincial Treasury regarding the sharing of the services of the Shared Audit Committee appointed took place.

Ongoing discussions with the Provincial Treasury regarding the undertaking of a Risk Assessment on Heritage Western Cape were also undertaken, especially in the light that the professional and other work associated with the performance of the functions, duties and mandates of the Council of Heritage Western Cape is undertaken by staff members employed by the Department of Cultural Affairs and Sport for this purpose. As a Risk Assessment Survey has already been undertaken for the Department, it was argued that the brief of the service provider appointed by the Provincial Treasury for the Risk Assessment should be extended to include an assessment of the risks of Heritage Western Cape.

Performance information

The performance information is provided in Section 2 of the Annual Report.

Other

No other matters are to be reported.

Approval

The annual financial statements set out on pages 26 to 31 have been approved by the Accounting Authority.



(Ms) H M J du Preez
ACCOUNTING AUTHORITY HERITAGE WESTERN CAPE
31 May 2005

4.2 CORPORATE GOVERNANCE

As indicated above, ongoing discussions continue with the Provincial Treasury regarding a Risk Assessment of Heritage Western Cape. This is particularly necessary because staff members, who are employed by the Department of Cultural Affairs and Sport, undertake professional and other work associated with the performance of the functions, duties and mandates of the Council of Heritage Western Cape for this purpose.

As a Risk Assessment Survey has already been undertaken for the Department, it was argued that the brief of the service provider appointed by the Provincial Treasury for the Risk Assessment should be extended to include an assessment of the risks of Heritage Western Cape.

4.3 REPORT OF THE AUDITOR–GENERAL

REPORT OF THE AUDITOR–GENERAL ON THE FINANCIAL STATEMENTS OF HERITAGE WESTERN CAPE FOR THE YEAR ENDED 31 MARCH 2005

1. Audit Assignment

The financial statements for the year ended 31 March 2005 have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004), and the National Heritage Resources Act, 1999 (Act No 25 of 1999). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. The Auditor–General's responsibility is to express an opinion on these financial statements, based on the audit.

2. Nature and Scope

Audit of financial statements

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

An audit includes:

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

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

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

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

3. Audit opinion

In my opinion, the financial statements fairly present, in all material respects, the financial position of Heritage Western Cape at 31 March 2005 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting practice.

4. Emphasis of matter

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

Matters not affecting the financial statements

Departure from South African Statements of Generally Accepted Accounting Practice (GAAP)

In terms of Audit Circular 1 of 2003, it is the accounting authority's responsibility to ensure that the financial statements are prepared in accordance with Generally Accepted Accounting Practice. It is, however, the accounting authority's responsibility to disclose the reasons for departure from Statements of Generally Accepted Accounting Practice. Though the entity's financial statements fairly comply with GAAP, the disclosure notes, however, are not in line with the prescribed format as required by the Statements of GAAP. Furthermore, the accounting authority is required to disclose a report as part of a complete set of financial statements, which is not the case.

5. Appreciation

The assistance rendered by the institution's staff during the audit is sincerely appreciated.



R Doutie-Ajam for Auditor–General
Cape Town
29 July 2005



4.4 INCOME STATEMENT

for the year ended 31 March 2005

	Notes	2004/05 R'000	2003/04 R'000
Grants and transfers	2	950	800
Other income	3	68	15
		<u>1'018</u>	<u>815</u>
Administrative expenses	4	(501)	(213)
Other operating expenses	5	(106)	(7)
Profit/(loss) from operations		<u>411</u>	<u>595</u>
Profit before tax		411	595
Profit for the year		411	595
Net profit for the year		<u><u>411</u></u>	<u><u>595</u></u>

4.5 BALANCE SHEET STATEMENT

as at 31 March 2005

	Notes	2004/05 R'000	2003/04 R'000
ASSETS			
Current assets			
Trade and other receivables	6	6	4
Cash and cash equivalents	7	1'000	591
Total assets		<u><u>1'006</u></u>	<u><u>595</u></u>
EQUITY AND LIABILITIES			
Capital and Reserves	8	1'006	595
Total Equity and Liabilities		<u><u>1'006</u></u>	<u><u>595</u></u>

4.6 STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2005

	8	Accumulated profit/(loss) R'000	Total R'000
Balance at 1 April 2003		0	0
- change in accounting policy			
- as restated		0	0
Net profit for the year		595	595
Balance at 1 April 2004		595	595
- change in accounting policy			
Net profit for the year		411	411
Balance at 31 March 2005		1'006	1'006

4.7 CASH FLOW STATEMENT

for the year ended 31 March 2005

	Notes	2004/05 R'000	2003/04 R'000
Operating activities			
Cash generated from/(utilised in) operations	9	409	591
Net cash from/(used in) operating activities		409	591
Net increase/(decrease) in cash and cash equivalents		409	591
Cash and cash equivalents at the beginning of the year		591	-
Cash and cash equivalents at the end of the year		1'000	591

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2005

1. ACCOUNTING POLICIES

The Annual Financial Statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice and the Public Finance Management Act, Act 1 of 1999 as amended.

The following are the principle accounting policies of the entity/group which are, in all material respects, consistent with those applied in the previous year, except as otherwise indicated:

1.1 Basis of preparation

The financial statements have been prepared on the historical cost basis, except as modified for the revaluation of land and buildings, plant and equipment, investment properties and marketable securities.

1.2 Currency

These financial statements are presented in South African rand since that is the currency in which the majority of the entity/group's transactions are denominated.

1.3 Revenue recognition

Revenue is recognised when on the accrual basis and represents funds from the Western Cape Provincial Government.

1.4 Irregular and fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including:

The PFMA, or

Any provincial legislation providing for procurement procedures in that provincial government.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All irregular expenditure and fruitless expenditure and wasteful expenditure is charged against income in the period in which they are incurred.

1.5 Provisions

Provisions are recognised when the entity/group has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably.

NOTES TO THE ANNUAL FINANCIAL STATEMENT

for the year ended 31 March 2005 (Continued)

	31/03/2005 R'000	31/03/2004 R'000
2 Grants and Transfers		
Provincial Departments	950	800
Total	950	800
3 Other Income		
Interest received	68	15
Total	68	15
4 Administrative expenses		
General and Administrative expenses	99	-
Member's emoluments	353	202
Auditor's remuneration	4	1
- Audit fees	3	-
- Administrative	1	1
Travel and subsistence	45	10
Total	501	213
5 Other operating expenses		
Consultants, contractors and special services	53	3
Entertainment expense	48	4
Other expenditure	5	-
Total	106	7
6 Trade and other receivables		
Trade receivables	6	4
Total	6	4

The accounting authority considers that the carrying amount of trade and other receivables approximates to their fair value.

7 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term, highly liquid investments that are held with registered banking institutions with maturities of three months or less and that are subject to insignificant interest rate risk. The carrying amount of these assets approximates to their fair value.

Cash at bank	1'000	591
	1'000	591

As required in subsections 7(2) and 7(3) of the Public Finance Management Act, the National Treasury has approved both the local and foreign banks where the bank accounts are held.

NOTES TO THE ANNUAL FINANCIAL STATEMENT

for the year ended 31 March 2005 (Continued)

8 Capital and reserves

	Accumulated profit/(loss)	Total
Balance at 1 April 2003	-	-
- as restated	-	-
Net profit for the year	595	595
Other		
Balance at 1 April 2004	595	595
Net profit for the year	411	411
Balance at 31 March 2005	1'006	1'006

9 Reconciliation of profit/(loss) before taxation to cash generated from/(utilised in) operations

	2004/05 R'000	2003/04 R'000
Profit/(loss) before taxation	411	595
Operating cash flows before working capital changes	411	595
Working capital changes	(2)	(4)
- Decrease/(increase) in receivables	(2)	(4)
Cash generated from operations	409	591

NOTES TO THE ANNUAL FINANCIAL STATEMENT

for the year ended 31 March 2005 (Continued)

10 Related party transactions

Year ended 31 March 2005

Member's emoluments

ENTITY	Emoluments	Total
	R'000	R'000
Year ended 31/3/2005		
Members		
Dr J Almond	10	10
Dr Nicolas E. Baumann	18	18
Dr P Claassen	20	20
Dr J Deacon	45	45
Sharon de Gois	39	39
Dave Halkett	7	7
Tim Hart	10	10
Laura Robinson	7	7
Joanna Marx	18	18
Prof P Merrington	22	22
Dr G Abrahams	1	1
Derek P Ohland	9	9
Penny Pistorius	17	17
Prof J C Sealy	10	10
Deano Stynder	9	9
Prof F Todeschini	16	16
Bonke Tyhulu	23	23
David van der Heever	20	20
The Honourable Madame Acting Judge Rehana Khan-Parker	5	5
Cecil le Fleur	9	9
Patrick Fefeza	5	5
Pieter S van Zyl	4	4
Trevor Thorold	12	12
Imam Ali Gierdien	17	17
	353	353

Year ended 31/3/2004

	Emoluments	Total
	R'000	R'000
Members	123	123
Members	79	79
	202	202