

# Section Three

# FINANCIAL

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# REPORT



## AUDIT COMMITTEE REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

### NATIONAL DEPARTMENT OF HEALTH REPORT OF THE AUDIT COMMITTEE

#### I. INTRODUCTION

The Public Finance Management Act (Act 1 of 1999) as amended ("PFMA") is one of the most important pieces of legislation passed yet. The object of this Act is to secure accountability to which it applies. It adopts an approach to financial management which focuses on outputs and responsibilities, rather than the rule-driven approach of the old exchequer Acts. The PFMA aims at improving financial management in the public sector in order to maximize delivery through the efficient and effective use of limited resources like ours. The accounting officer is required in terms of the PFMA to ensure that the department has and maintains a system of internal audit under the control and direction of an audit committee. An Audit Committee in turn, is enjoined to comply with and operate in accordance with regulations and instructions prescribed in terms of the Act.

The National Department of Health (NDOH) responded with enthusiasm to the promulgation of the PFMA and took advantage of this exciting opportunity offered by the Act by being one of the first departments to establish the Audit Committee and an Internal Audit Unit. It pleases the Audit Committee to present its report for the financial year ending 31 March 2004 as follows:

#### 2. COMPOSITION OF AUDIT COMMITTEE

The Audit Committee was established in terms of section 38 of the Exchequer Act No.66 of 1975 read with Government Gazette No. 5791 dated 1 November 1996 which made it the responsibility of the Accounting Officer to establish the effective Audit Committee.

The appointment, function and composition of the Audit Committee are in terms of section 76 (4)(d) and 77 of the PFMA. It performs amongst others an advisory function to the Accounting Officer and monitoring function to the Internal Audit.

It consists of the following members:

Members of the Audit Committee	
Adv. McCaps Motimele S.C.	(Chairperson) NewCourt Chambers
Prof. TV Mda	Unisa
Prof. G Williams	(Appointed 1 July 2002) Unisa
Mr. Nigel Payne	(Resigned) Transnet
Ms SI Le Hane	(Appointed 1 July 2002) National Treasury

Mr Nigel Payne resigned from the Audit Committee in November 2003, due to changes in his personal circumstances, which would make it difficult for him to attend Audit Committee meetings.

Executive members of the Audit Committee	
Dr. A Ntsaluba	Director-General
Dr. K Chetty	(Acting Director-General during the year) Deputy Director-General
Mrs N Matsau	(Acting Director-General during the year) Deputy Director-General
Mr. FG Muller	Chief Financial Officer
Mr. A Masemola	Chief Internal Auditor

The Office of the Auditor-General is also invited to attend Audit Committee meetings. This is done in the spirit of co-operative governance. We hope the attendance of the Auditor-General would lead to improved relations between, and greater reliance on the work of Internal Audit.

Dr Ntsaluba left the department in August 2003 to join the Department of Foreign Affairs as Director-General.

#### 3. MEETINGS OF THE AUDIT COMMITTEE

The Audit Committee schedules meetings for each financial year. These meetings are not less than 4 a year. During the current year 3 meetings were held.

The Audit Committee is concerned with the postponement of scheduled meeting due to the unavailability of the Accounting Officer and other Executive members. This has the effect of disrupting the schedule of both the Audit Committee and the

Internal Audit. It is hoped that management would treat these scheduled dates for Audit Committee meetings with the seriousness they deserve. Furthermore, it also concerns me that meetings are adjourned, due to lack of quorum. Members of the Audit Committee are urged similarly to treat these scheduled meetings with the seriousness they deserve.

The strategic session (Bosberaad) scheduled for September/October of each year has not been held for the year under review. These strategic sessions are important in that they address the Internal Audit issues, and to strengthen relations between Audit Committee, Internal Audit and Management.

#### 4. AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee has for the year under review complied with its responsibilities in terms of PFMA and Treasury Regulation. The Audit Committee has also adopted appropriate formal terms of reference as an Audit Committee charter that regulates its affairs. This audit charter was in the year under review submitted for review and was adopted by the Audit Committee, and it is recommended that this process be repeated on an annual basis.

#### 5. ACHIEVEMENTS BY THE AUDIT COMMITTEE

During the current financial year, the committee has contributed positively to the operations of the department and indeed demonstrated best practice. The following achievements are worth mentioning:

Audit Committee members signed contracts and obtained mix of skills and experience needed in the execution of its duties. In conducting their responsibilities as stated in the charter and the contract, the Audit Committee has also adopted a 3-year Internal Audit Strategic Plan. The Chairperson of the Audit Committee and other members of the Committee attended the launch of a Fraud Hotline by the Minister. The Audit Committee played a major role in getting Internal Audit securing an Audit firm in a co-sourcing arrangement. The Audit Committee has, during the year interacted with the Auditor-General and dealt in detail with the issue of reliance by the Auditor-General on the work of Internal Audit unit. We hope by promoting the close working relationship between these two units (external and internal audit units) will eventually lead to great reliability of Auditor-General on Internal Audit's work.

#### 6. THE EFFECTIVENESS OF INTERNAL CONTROL

The management of the National Department of Health (NDOH) is responsible for ensuring that a system of internal control is in place to provide reasonable assurance regarding

the achievement of its goals, safeguarding of assets, economy and efficiency of operations, maintenance of proper accounting records and reliability of the financial information, and mitigation of material losses and misstatements.

During the current year the Internal Audit unit presented audit reports on the status of the department's system of internal control. The effectiveness of Internal Controls of the NDOH, as reported by management and assessed by the Internal Audit Unit during the financial year, appeared to be effective but could be improved. The Committee would like to raise the following issues, which has the potential to affect Corporate Governance in the Department:

The post of the Director-General has been vacant for too long and this could raise an opportunity for high risk.

The issue of safety, as a result of the status of Civitas building has been a course for concern to us and has on certain occasions disrupted the operations at the Department.

We are however, aware that management is addressing these issues.

Management showed a positive attitude towards the implementation of the recommendations.

#### 7. THE QUALITY OF IN YEAR MANAGEMENT AND QUARTERLY REPORTS

The Internal Audit unit received the monthly financial reports and reviewed the quality thereof during the financial year and they appear to be appropriate, except for problems that are encountered in receiving all monthly expenditure reports from provinces on funds transferred to provinces in a form of conditional grants. These late submission of monthly expenditure reports by certain provinces may affect the accuracy and reliability of in year management and quarterly reports.

#### 8. EVALUATION OF FINANCIAL STATEMENTS

The Audit Committee has

- Reviewed and discussed with the Accounting Officer the audited annual financial statements to be included in the annual report as well as changes in the accounting policies and practices; and
- Reviewed the Auditor-General's management letter. The Audit Committee has requested management to submit action plans and implementation dates to address the issues raised by the Auditor-General.

The Audit Committee accepts the conclusions of the Auditor-General on the annual financial statements and is of the view



that the audited annual financial statements should be accepted and read together with the report of the Auditor-General.

## 9. CONCLUSION

- i. I have every confidence that the strategic direction we are pursuing and which we constantly keep under review, will provide a sound platform for co-operation and partnering, inter-relationship between Internal Audit Unit and the Office of the Auditor-General. These will allow both sides to contribute their respective skills and experience in order to improve public sector performance and accountability.
- ii. The Audit Committee sees its role in the department as complementing the effectiveness of the internal controls in the NDOH and in so doing strongly believes and agrees that this process is a means of strengthening the internal control structures within the Public Sector in general.

Adding value by contributing positively to the responsibility of the Public Sector generally, and individual managers within the NDOH in particular is the Committee's continuing concern. To add value in a climate of continuous improvement flowing from the ongoing public sector reforms is the major

challenge of the Committee now and into the future.

- iii. For the Audit Committee to succeed in adding value, it will require the goodwill, assistance and cooperation of all parties' that is, the stakeholders, individual managers and the executive authority. I should note that the relationship between the Committee and the managers of the NDOH has been, on the whole, a cooperative and a positive one.
- iv. There will be an increasing focus on performance reporting, information and assessment in the period ahead. This is part of the demand by SCOPA and the executive authority for the public service to move more responsive and accountable for the program outcomes and results.

## 10. ACKNOWLEDGEMENT BY THE CHAIRPERSON OF THE AUDIT COMMITTEE

I would like to record my gratitude and appreciation for the considerable assistance provided by the Internal Audit Unit in preparation of this report. However, they do not have to take responsibility for the views expressed.



Adv. McCaps Motimele S.C.  
CHAIRPERSON OF THE AUDIT COMMITTEE  
23 August 2004



AUDITOR-GENERAL

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 16 - NATIONAL DEPARTMENT OF HEALTH FOR THE YEAR ENDED 31 MARCH 2004

## 3. QUALIFICATION

### Fundamental deficiencies and non-compliance with the provisions of the Division of Revenue Act, 2003 (Act No.7 of 2003)

The department effected transfer payments of R7 billion to various provincial departments. This constitutes 91,4% of the department's expenditure. The following fundamental areas of non-compliance with the provisions of the Division of Revenue Act, 2003 (Act No.7 of 2003) (DoRA) were observed:

- Section 21(1)(c) of the Act requires funds to be withheld when significant under spending and the non-achievement of objectives occurs. It was noted that in spite of the grants being underspent, transfers were still made. In 18 instances, under spending of conditional grants amounting to R279 million occurred in the provinces for various programmes.
- Financial and operational monitoring of compliance with conditions of conditional grants were not adequately performed by the department. On site monitoring of the Health Professions Training and Development conditional grant of R1.8 billion was inadequate in Gauteng, Free State, Eastern Cape, North West and Limpopo Provinces.

## 4. QUALIFIED AUDIT OPINION

In my opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements fairly present in all material respects, the financial position of the department at 31 March 2004, and the results of its operations and cash flows for the year then ended in accordance with prescribed accounting practice and in the manner required by the Public Finance and Management Act, 1999 (Act No. 1 of 1999).

## 1. AUDIT ASSIGNMENT

The financial statements as set out on pages 64 to 103, for the year ended 31 March 2004, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

## 2. NATURE AND SCOPE

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

An audit includes:

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

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

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



## 5. EMPHASIS OF MATTER

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

### 5.1 Inadequate monitoring of conditional grants

- No guideline with regard to an effective reporting framework was provided by the department to the benefiting provinces;
- No distinction was made between equitable share funding and conditional grant funding in the financial system of the benefiting provinces. For example, the provinces that were visited allocated expenditure according to budget availability rather than on criteria set by the conditions of payment; and
- There was inadequate in-year-monitoring to identify non-compliance with the DoRA framework, conditional grants and business plan conditions and objectives was not performed.

### 5.2 Lack of control over fixed assets

A fixed asset register is maintained on the LOG-TEK/ LOGIS system but it is not integrated with the Basic Accounting System. Systems to control the movement of assets and to ensure custody and safeguarding thereof were inadequate.

### 5.3 Non compliance with the PFMA and Treasury Regulations on transfer payments to Non Governmental Organisations (NGOs)

The department effected transfer payments of R110 million to NGOs. This constitutes 1,5 % of the department's expenditure. The following areas of non-compliance with the provisions of the PFMA and the Treasury Regulations were observed:

- The organisations funded did not comply with Treasury Regulations (TR 8.4) and the conditions of the funding agreements with the department. They did not provide the department with audited financial statements and quarterly reports as required by the funding agreements; and
- Funds are transferred by the department, without obtaining assurance that the beneficiary has implemented effective, efficient and transparent financial management and internal control systems. This represents non-compliance with section 38(1)(j) of the PFMA.

A complaint has been received in respect of the National Association of People Living with HIV and Aids (NAPWA) to which the department has transferred R5,192 million (over the past two years) and a forensic investigation is being scoped by my office.

### 5.4 Internal audit

An internal audit function has been established but it is not functioning as envisaged by section 38(1)(a)(i) and (ii) of the PFMA and section 3.2 of the Treasury Regulations.

A risk management strategy has not been fully developed to direct the effort and priorities of the internal audit function as required by section 3.2.1 of the Treasury Regulations.

From the table below, it is clear that the number of audits completed against audits planned were inadequate when measured against their annual operational plan.

CRITERIA	Number of audits:	Percentage of total number of audits:
Number of audits planned to be performed per the annual operational plan 2003-04:	12	100%
Number of audits completed without reports issued: (Management comments received)	2	17%
Number of audits that do not relate to this year as per the operational plan:	5	42%
Number of components where no audit work was conducted as required by the annual operational internal audit plan:	6	50%

This was mainly due to lack of capacity within the department. The function has been co-sourced with a private audit firm since March 2004.

## 6. PROGRESS WITH PREVIOUSLY REPORTED MATTERS AND SCOPA RESOLUTIONS

The department has acted on the SCOPA Resolutions, however, corrective action that may require more than one year is needed to resolve several issues.

The department is currently in the process of addressing the other outstanding items. For more detail refer to Annexure A. Of the ten resolutions listed in annexure A, seven have been implemented, one is partially implemented and two are not yet implemented.

## 7. APPRECIATION

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

**S A Fakie**  
Auditor-General

**Pretoria**  
29 July 2004

## ANNEXURE A

### PROGRESS WITH PREVIOUS SCOPA RESOLUTIONS

Reference to SCOPA resolutions	Subject	Findings on progress
SCOPA Recommendation 11th Report of 2001	Fraud prevention plan	This has been established. However refer to paragraph 5.4 for weaknesses in the internal audit function.
SCOPA Recommendation 11th Report of 2001	Audit committee	The department has appointed suitably qualified members.
SCOPA Recommendation 11th Report of 2001	Internal audit staffing and capacity	This has resolved to some extent however the function is experiencing a high staff turnover. A private firm has been appointed as consultants in a co-sourcing arrangement. Refer to paragraph 5.4 for the impact on the internal audit function.
SCOPA Recommendation 11th Report of 2001	Asset management	The department contracted LOG-TEK to compile a fixed asset register. Refer to paragraph 5.2 for shortcomings in the asset management function
SCOPA Recommendation 11th Report of 2001	Sarafina II	SCOPA recommended that the outstanding balance of R10 468 202 be authorised to bring the matter to a close. The amount is disclosed in note 12 of the annual financial statements as unauthorised expenditure.
SCOPA Recommendation 11th Report of 2001	Protein energy malnutrition scheme	A report was presented to SCOPA as requested.
SCOPA Recommendation 14th Report of 2002	Proper tender procedures	The department now adheres to the Tender Board regulations.
SCOPA Recommendation 78th Report of 2002	Reversal of stale warrant report	The department resolved this matter.
SCOPA Recommendation 78th Report of 2002	Compliance with DoRA when transfer of funds occurs	There are shortcomings with resolving this matter. Refer to paragraph 3.
SCOPA Recommendation 78th Report of 2002	Donor funding	This matter has been resolved.



## STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS for the year ended 31 MARCH 2004 Vote 16

The financial statements have been prepared in accordance with the following policies, which have been applied consistently in all material respects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Act and the Division of Revenue Act, Act 7 of 2003.

### 1 Basis of preparation

The financial statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosures. The reporting entity is in transition from reporting on a cash basis of accounting to reporting on an accrual basis of accounting. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid. Under the accrual basis of accounting transactions and other events are recognised when incurred and not when cash is received or paid.

### 2 Revenue

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

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

### 3 Donor Aid

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

### 4 Current expenditure

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

### 5 Unauthorised, irregular, and fruitless and wasteful expenditure

Unauthorised expenditure means:

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

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

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

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

Irregular expenditure is treated as expenditure in the income statement.

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

### 6 Debts written off

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

### 7 Capital expenditure

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

### 8 Investments

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

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

### 9 Investments in controlled entities

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

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

Investments in controlled entities are shown at cost.

### 10 Receivables

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

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

### 11 Payables

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

### 12 Provisions

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

### 13 Lease commitments

Lease commitments for the period remaining from the accounting date until the end of the lease contract are

disclosed as part of the disclosure note to the financial statements. These commitments are not recognised in the balance sheet as a liability or as expenditure in the income statement as the financial statements are prepared on the cash basis of accounting.

### 14 Accruals

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

### 15 Employee benefits

#### Short-term employee benefits

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

#### Termination benefits

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

#### Retirement benefits

The department provides retirement benefits for its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are expensed when money is paid to the fund. No provision is made for retirement benefits in the financial statements of the department. Any potential liabilities are disclosed in the financial statements of the National/Provincial Revenue Fund and not in the financial statements of the employer department.

#### Medical benefits

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

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



**16 Capitalisation reserve**

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

**17 Recoverable revenue**

Recoverable revenue represents payments made and recognised in the income statement as an expense in previous years due to non-performance in accordance with an

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

**18 Comparative figures**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The comparative figures shown in these financial statements are limited to the figures shown in the previous year's audited financial statements and such other comparative figures that the department may reasonably have available for reporting.

## APPROPRIATION STATEMENT for the year ended 31 March 2004 Vote I6

Programme	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings/ (Underspend) (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
<b>I. Administration</b>								
Current	103,164	-	103,164	88,579	14,585	86	83,284	83,646
Capital	3,835	-	3,835	4,406	(571)	115	11,020	9,258
Special function:								
Theft and losses	-	-	-	102	(102)	-	-	-
<b>2. Strategic Health Programmes</b>								
Current	1,897,226	2,353	1,899,579	1,812,040	87,539	95	1,344,273	1,324,795
Capital	2,491	-	2,491	1,026	1,465	41	3,046	1,258
Special function:								
Theft and losses	-	-	-	783	(783)	-	-	-
<b>3. Health Service Delivery</b>								
Current	5,726,280	(2,107)	5,724,173	5,649,828	74,345	99	5,483,766	5,434,172
Capital	823,699	(246)	823,453	824,864	(1,411)	100	728,608	727,381
Special function:								
Theft and losses	-	-	-	2,223	(2,223)	-	-	-
<b>Total</b>	<b>8,556,695</b>	<b>-</b>	<b>8,556,695</b>	<b>8,383,851</b>	<b>172,844</b>	<b>98</b>	<b>7,653,997</b>	<b>7,580,510</b>
<b>Reconciliation with Income Statement</b>								
Less: Investments acquired and capitalised during the current financial year - expensed for appropriation purposes								
Add: Local and foreign aid assistance (including RDP funds)				72,788				54,142
Add: Other Receipts				-				-
Less: Unauthorised, Fruitless and wasteful expenditure				-				-
<b>Actual amounts per Income Statement</b>	<b>8,556,695</b>		<b>8,556,695</b>	<b>8,456,639</b>			<b>7,653,997</b>	<b>7,634,652</b>



Economic Classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings/ (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
<b>Current</b>								
Personnel	192,150	(1,749)	190,401	179,368	11,033	94	167,748	167,578
Transfer payments	7,061,474	-	7,061,474	6,972,056	89,418	99	6,455,022	6,382,707
Other	473,046	1,995	475,041	402,131	72,910	85	288,553	292,328
<b>Capital</b>								
Transfer payments	809,984	-	809,984	809,984	-	100	719,000	719,000
Acquisition of capital assets	20,041	(246)	19,795	20,312	(517)	103	23,674	18,897
<b>Total I</b>	<b>8,556,695</b>	<b>-</b>	<b>8,556,695</b>	<b>8,383,851</b>	<b>172,844</b>	<b>98</b>	<b>7,653,997</b>	<b>7,580,510</b>

Standard item Classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings/ (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Personnel	192,150	(1,749)	190,401	179,368	11,033	94	167,748	167,578
Administrative	134,387	1,998	136,385	130,803	5,582	96	92,426	93,274
Inventories	215,686	65	215,751	152,013	63,738	70	90,663	93,002
Equipment	28,874	(213)	28,661	26,953	1,708	94	21,624	16,847
Land and buildings	224	-	224	-	224	-	7,841	7,769
Professional and special services	113,861	(101)	113,760	109,113	4,647	96	99,673	99,657
Transfer payments	7,871,458	-	7,871,458	7,782,040	89,418	99	7,174,022	7,101,707
Miscellaneous	55	-	55	453	(398)	824	-	77
Special functions	-	-	-	3,108	(3,108)	-	-	599
<b>Total I</b>	<b>8,556,695</b>	<b>-</b>	<b>8,556,695</b>	<b>8,383,851</b>	<b>172,844</b>	<b>98</b>	<b>7,653,997</b>	<b>7,580,510</b>

### DETAIL PER PROGRAMME I for the year ended 31 March 2004

Programme per subprogramme	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings/ (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
<b>I.1 Minister</b>								
Current	746	-	746	746	-	100	691	691
Capital	-	-	-	-	-	-	-	-
<b>I.2 Deputy Minister</b>								
Current	607	-	607	644	(37)	106	-	-
Capital	-	-	-	-	-	-	-	-
<b>I.3 Management</b>								
Current	8,504	-	8,504	6,966	1,538	82	4,717	4,860
Capital	224	-	224	35	189	16	151	106
<b>I.4 Corporate Services</b>								
Current	93,307	-	93,307	80,326	12,981	86	77,876	78,095
Capital	3,611	-	3,611	4,370	(759)	121	10,869	9,152
<b>Total</b>	<b>106,999</b>	<b>-</b>	<b>106,999</b>	<b>93,087</b>	<b>13,912</b>	<b>87</b>	<b>94,304</b>	<b>92,904</b>

Economic classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings/ (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
<b>Current</b>								
Personnel	56,190	-	56,190	49,508	6,682	88	45,734	45,564
Transfer payments	-	-	-	-	-	-	-	-
Other	46,974	-	46,974	39,173	7,801	83	37,550	38,082
<b>Capital</b>								
Transfer payments	-	-	-	-	-	-	-	-
Acquisition of capital assets	3,835	-	3,835	4,406	(571)	115	11,020	9,258
<b>Total</b>	<b>106,999</b>	<b>-</b>	<b>106,999</b>	<b>93,087</b>	<b>13,912</b>	<b>87</b>	<b>94,304</b>	<b>92,904</b>

Standard item classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings/ (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Personnel	56,190	-	56,190	49,508	6,682	88	45,734	45,564
Administration	28,323	-	28,323	26,166	2,157	92	20,237	20,236
Inventories	6,184	-	6,184	2,771	3,413	45	2,718	2,718
Equipment	5,657	-	5,657	5,790	(133)	102	6,992	5,231
Land and buildings	224	-	224	-	224	-	7,841	7,769
Professional and special services	10,366	-	10,366	8,734	1,632	84	10,782	10,782
Transfer payments	-	-	-	-	-	-	-	5
Miscellaneous	55	-	55	16	39	29	-	599
Special functions	-	-	-	102	(102)	-	-	-
<b>Total</b>	<b>106,999</b>	<b>-</b>	<b>106,999</b>	<b>93,087</b>	<b>13,912</b>	<b>87</b>	<b>94,304</b>	<b>92,904</b>



## DETAIL PER PROGRAMME 2 for the year ended 31 March 2004

Programme per subprogramme	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
<b>2.1 District Health</b>								
Current	3,233	-	3,233	3,536	(303)	109	2,489	2,409
Capital	-	-	-	-	-	-	66	67
<b>2.2 International Health Liaison</b>								
Current	46,728	2,353	49,081	48,538	543	99	37,039	31,337
Capital	112	-	112	-	112	-	138	39
<b>2.3 Health Monitoring and Evaluation</b>								
Current	182,817	-	182,817	185,864	(3,047)	102	163,262	161,733
Capital	775	-	775	93	682	12	1,167	98
<b>2.4 Maternal, Child and Women's Health</b>								
Current	843,565	-	843,565	833,806	9,759	99	631,066	624,341
Capital	356	-	356	304	52	85	455	158
<b>2.5 Medicines Regulatory Affairs</b>								
Current	23,012	-	23,012	25,632	(2,620)	111	20,306	21,088
Capital	-	-	-	175	(175)	-	539	242
<b>2.6 Mental Health and Substance Abuse</b>								
Current	6,156	-	6,156	5,187	969	84	6,007	4,940
Capital	65	-	65	37	28	57	53	32
<b>2.7 HIV/AIDS and Tuberculosis</b>								
Current	765,546	-	765,546	691,468	74,078	90	462,598	459,472
Capital	742	-	742	137	605	18	443	479
<b>2.8 Pharmaceutical Policy and Planning</b>								
Current	23,496	-	23,496	16,119	7,377	69	16,829	17,114
Capital	441	-	441	280	161	63	140	143
<b>2.9 Medical Schemes</b>								
Current	2,673	-	2,673	2,673	-	100	2,673	-
Capital	-	-	-	-	-	-	-	-
<b>2.10 SA Developing Communities</b>								
Current	-	-	-	-	-	-	2,004	2,361
Capital	-	-	-	-	-	-	45	-
<b>Total</b>	<b>1,899,717</b>	<b>2,353</b>	<b>1,902,070</b>	<b>1,813,849</b>	<b>88,221</b>	<b>95</b>	<b>1,347,319</b>	<b>1,326,053</b>

Economic classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
<b>Current</b>								
Personnel	72,236	-	72,236	70,967	1,269	98	63,805	63,805
Transfer payments	1,454,848	-	1,454,848	1,429,354	25,494	98	1,062,358	1,040,966
Other	370,142	2,353	372,495	312,502	59,993	84	218,110	220,024
<b>Capital</b>								
Transfer payments	-	-	-	-	-	-	-	-
Acquisition of capital assets	2,491	-	2,491	1,026	1,465	41	3,046	1,258
<b>Total</b>	<b>1,899,717</b>	<b>2,353</b>	<b>1,902,070</b>	<b>1,813,849</b>	<b>88,221</b>	<b>95</b>	<b>1,347,319</b>	<b>1,326,053</b>

Standard item classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Personnel	72,236	-	72,236	70,967	1,269	98	63,805	63,805
Administration	90,371	2,076	92,447	89,130	3,317	96	60,221	60,205
Inventories	187,233	65	187,298	127,449	59,849	68	76,806	78,712
Equipment	6,605	60	6,665	3,664	3,001	55	3,942	2,153
Land and buildings	-	-	-	-	-	-	-	-
Professional and special services	88,424	152	88,576	92,236	(3,660)	104	80,187	80,182
Transfer payments	1,454,848	-	1,454,848	1,429,354	25,494	98	1,062,358	1,040,966
Miscellaneous	-	-	-	266	(266)	-	-	30
Special functions	-	-	-	783	(783)	-	-	-
<b>Total</b>	<b>1,899,717</b>	<b>2,353</b>	<b>1,902,070</b>	<b>1,813,849</b>	<b>88,221</b>	<b>95</b>	<b>1,347,319</b>	<b>1,326,053</b>



### DETAIL PER PROGRAMME 3 for the year ended 31 March 2004

Programme per subprogramme	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings/ (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
<b>3.1 Disease Prevention and Control</b>								
Current	179,777	(2,107)	177,670	121,262	56,408	68	258,048	213,070
Capital	8,026	(246)	7,780	10,472	(2,692)	135	2,396	4,417
<b>3.2 Hospital Services</b>								
Current	5,480,950	-	5,480,950	5,478,211	2,739	100	5,165,068	5,165,229
Capital	810,840	-	810,840	810,447	393	100	719,875	719,857
<b>3.3 Human Resources</b>								
Current	6,545	-	6,545	6,893	(348)	105	6,312	6,705
Capital	206	-	206	30	176	15	220	84
<b>3.4 Non-Personal Health Services</b>								
Current	57,358	-	57,358	44,979	12,379	78	52,204	48,204
Capital	4,507	-	4,507	3,826	681	85	5,997	2,953
<b>3.5 Health and Welfare</b>								
Current	1,650	-	1,650	706	944	43	2,134	964
Capital	120	-	120	89	31	74	120	70
<b>Total</b>	<b>6,549,979</b>	<b>(2,353)</b>	<b>6,547,626</b>	<b>6,476,915</b>	<b>70,711</b>	<b>99</b>	<b>6,212,374</b>	<b>6,161,553</b>

Economic classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
<b>Current</b>								
Personnel	63,724	(1,749)	61,975	58,893	3,082	95	58,209	58,209
Transfer payments	5,606,626	-	5,606,626	5,542,702	63,924	99	5,392,664	5,341,741
Other	55,930	(358)	55,572	50,456	5,116	91	32,893	34,222
<b>Capital</b>								
Transfer payments	809,984	-	809,984	809,984	-	100	719,000	719,000
Acquisition of capital assets	13,715	(246)	13,469	14,880	(1,411)	110	9,608	8,381
<b>Total</b>	<b>6,549,979</b>	<b>(2,353)</b>	<b>6,547,626</b>	<b>6,476,915</b>	<b>70,711</b>	<b>99</b>	<b>6,212,374</b>	<b>6,161,553</b>

Standard item classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings/ (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Personnel	63,724	(1,749)	61,975	58,893	3,082	95	58,209	58,209
Administration	15,693	(78)	15,615	15,507	108	99	11,968	12,833
Inventories	22,269	-	22,269	21,793	476	98	11,139	11,572
Equipment	16,612	(273)	16,339	17,499	(1,160)	107	10,690	9,463
Land and buildings	-	-	-	-	-	-	-	-
Professional and special services	15,071	(253)	14,818	8,143	6,675	55	8,704	8,693
Transfer payments	6,416,610	-	6,416,610	6,352,686	63,924	99	6,111,664	6,060,741
Miscellaneous	-	-	-	171	(171)	-	-	42
Special functions	-	-	-	2,223	(2,223)	-	-	-
<b>Total</b>	<b>6,549,979</b>	<b>(2,353)</b>	<b>6,547,626</b>	<b>6,476,915</b>	<b>70,711</b>	<b>99</b>	<b>6,212,374</b>	<b>6,161,553</b>



## NOTES TO THE APPROPRIATION STATEMENT for the year ended 31 MARCH 2004 Vote 16

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

Details of these transactions can be viewed in note 9 (Transfer payments) and Annexure 1 to the annual financial statements.

Programme 2: Strategic Health Programmes	Budget R'000	Expenditure R'000
Current	1,454,848	1,429,354
Capital	-	-

Programme 3: Health Service Delivery	Budget R'000	Expenditure R'000
Current	5,606,626	5,542,702
Capital	809,984	809,984

### 2. Detail of special functions (theft and losses)

Detail of these transactions per programme can be viewed in note 11.3 (Details of special functions (thefts and losses)) to the annual financial statements.

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

#### 3.1 Per programme:

Programme 1:	Underspending is the delay caused by Resolution 7 of 2003.
Programme 2:	Outstanding expenditure certificate in respect of Poverty Relief and funds on the implementation of the comprehensive HIV/AIDS plan that were allocated late.
Programme 3:	Amount appropriated to Medico Legal could not flow.

#### 3.2 Per standard item:

Personnel:	Underspending due to the delay caused by Resolution 7 of 2003.
Inventory:	Condoms were ordered but not delivered before 31 March 2004. Funds for the implementation of the comprehensive HIV/AIDS plan were allocated late in the 2003/04 financial year and procurement is a lengthy process.
Transfer:	Savings is mainly to the outstanding expenditure certificates in respect of Poverty Relief and Medico Legal funds which did not flow.

## INCOME STATEMENT (STATEMENT OF FINANCIAL PERFORMANCE) for the year ended 31 March 2004 Vote 16

Note	2003/04 R'000	2002/03 R'000
<b>REVENUE</b>		
<b>Voted funds</b>		
	<b>8,556,695</b>	<b>7,653,997</b>
Annual Appropriation	8,556,695	7,653,997
Other revenue to be surrendered to the revenue fund	4,173	14,821
Local and foreign aid assistance (incl. RDP funds)	128,273	51,409
<b>TOTAL REVENUE</b>	<b>8,689,141</b>	<b>7,720,227</b>
<b>EXPENDITURE</b>		
<b>Current</b>		
	<b>7,626,232</b>	<b>6,896,755</b>
Personnel	179,368	167,578
Administrative	130,803	93,274
Inventories	152,013	93,002
Machinery and Equipment	6,641	5,719
Professional and special services	109,113	99,657
Transfer payments	6,972,056	6,382,707
Miscellaneous	453	77
Special functions: authorised losses	3,108	599
Local and foreign aid assistance (incl. RDP funds)	72,677	54,142
<b>TOTAL CURRENT EXPENDITURE</b>	<b>7,626,232</b>	<b>6,896,755</b>
<b>Capital</b>		
	<b>830,407</b>	<b>737,897</b>
Machinery and Equipment	20,312	11,128
Land and buildings	-	7,769
Transfer payments	809,984	719,000
Local and foreign aid assistance (incl. RDP funds)	111	-
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>830,407</b>	<b>737,897</b>
<b>TOTAL EXPENDITURE</b>	<b>8,456,639</b>	<b>7,634,652</b>
<b>NET SURPLUS FOR THE YEAR</b>	<b>232,502</b>	<b>85,575</b>
<b>Reconciliation of Net Surplus / (Deficit) for the year</b>		
Voted Funds to be surrendered to the Revenue Fund	172,844	73,487
Other Revenue to be surrendered to the Revenue Fund	4,173	14,821
Local and foreign aid assistance (incl. RDP Funds)	55,485	(2,733)
<b>NET SURPLUS FOR THE YEAR</b>	<b>232,502</b>	<b>85,575</b>



**BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**at 31 March 2004**  
**Vote 16**

	Note	2003/04 R'000	2002/03 R'000
<b>ASSETS</b>			
<b>Current assets</b>		<b>182,140</b>	<b>93,758</b>
Unauthorised and fruitless and wasteful expenditure	12	10,468	10,468
Cash and cash equivalents	13	147,207	3,215
Receivables	14	24,465	54,475
Local and foreign aid assistance (including RDP funds) receivable from the RDP fund/donors	3	-	25,600
<b>TOTAL ASSETS</b>		<b>182,140</b>	<b>93,758</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>151,702</b>	<b>92,376</b>
Voted funds to be surrendered to the Revenue Fund	15	137,844	73,487
Other revenue funds to be surrendered to the Revenue Fund	16	302	4,382
Payables	17	13,556	14,507
<b>TOTAL LIABILITIES</b>		<b>151,702</b>	<b>92,376</b>
<b>NET ASSETS/LIABILITIES</b>		<b>30,438</b>	<b>1,382</b>
<b>Represented by:</b>		30,438	1,382
Recoverable revenue		456	1,285
Local and foreign aid assistance (including RDP funds)	3	29,982	97
<b>TOTAL</b>		<b>30,438</b>	<b>1,382</b>

**STATEMENT OF CHANGES IN NET ASSETS**  
**for the year ended 31 March 2004**  
**Vote 16**

	Note	2003/04 R'000	2002/03 R'000
<b>Recoverable revenue</b>			
Opening balance		1,285	1,313
Transfer to Revenue Fund/Debts written off/Debts raised	*	(829)	(28)
Closing balance		<b>456</b>	<b>1,285</b>
<b>Local and foreign aid assistance (including RDP funds) remaining</b>			
Opening balance	3	97	518
Transfers	3	128,176	-
Transfer to / from other reserves	3	(98,291)	(421)
Closing balance		<b>29,982</b>	<b>97</b>
<b>TOTAL</b>		<b>30,438</b>	<b>1,382</b>

\* The Basic Accounting System does not provide information on transfer to revenue fund, debts written off and debts raised against recoverable revenue.



## CASH FLOW STATEMENT for the year ended 31 March 2004 Vote 16

	Note	2003/04 R'000	2002/03 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net cash flow generated by operating activities	18	1,062,909	823,472
Cash generated / (utilised) to (increase)/decrease working capital	19	(10,850)	(8,988)
Voted funds and Revenue funds surrendered	20	(77,660)	(38,661)
Local and foreign aid assistance (including RDP funds)		-	2,733
<b>Net cash flow available from operating activities</b>		<b>974,399</b>	<b>778,556</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
		<b>(830,407)</b>	<b>(737,897)</b>
Capital expenditure		(830,407)	(737,897)
<b>Net cash flows from operating and investing activities</b>		<b>143,992</b>	<b>40,659</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>143,992</b>	<b>40,659</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>3,215</b>	<b>(37,444)</b>
<b>Cash and cash equivalents at end of period</b>	<b>13</b>	<b>147,207</b>	<b>3,215</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENT for the year ended 31 March 2004 Vote 16

### I Annual Appropriation

#### I.1 Included are funds appropriated in terms of the Appropriation Act for National Departments (Voted Funds):

Programmes	Total Appropriation		Actual Funds		Variance over/ (under) R'000	Total Appropriation	
	2003/04 R'000		Received R'000			2002/03 R'000	
Programme 1: Administration	106,999		106,999		-		94,304
Programme 2: Strategic Health Programmes	1,902,070		1,902,070		-		1,347,319
Programme 3: Health Service Delivery	6,547,626		6,512,626		35,000		6,212,374
<b>TOTAL</b>	<b>8,556,695</b>		<b>8,521,695</b>		<b>35,000</b>		<b>7,653,997</b>

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

Programme 1: Administration	R'000	
Personnel	6,682	Underspending is mainly due to Resolution 7 of 2003. Roll-over is not requested.
Administration	2,157	Saving is due to Resolution 7 of 2003 which had a great impact on the administrative expenditure. Roll-over is not requested.
Inventory	2,850	Saving is due to IT Solutions that were ordered from SITA but not delivered. Roll-over is not requested.
Professional and Special Services	1,632	Saving is due to the tender for Co-Sourcing for the Internal Audit that was awarded late in the financial year.
Programme 2: Strategic Health Programmes		
Capital equipment	1,465	Underspending is due to the equipment ordered but not delivered before 31 March 2004. Roll-over is requested.
Transfer payment	25,495	Underspending is due to the outstanding expenditure certificates in respect of Poverty Relief and the expenditure for HIV/AIDS NGOs that did not flow as anticipated. Roll-over request is submitted for Poverty Relief only.
Inventory	59,898	Underspending is due to the condoms ordered, but not delivered before 31 March 2004. Further savings are attributed to the printing of books and the funds for the implementation of the comprehensive HIV/AIDS plan which were received late in the financial year. Roll-over is requested.
Programme 3: Health Service Delivery		
Transfer payment	63,924	Underspending is due to the amount appropriated for Medico Legal which did not flow and the saving is further attributed to the amounts allocated for NGOs within the programme which did not flow as anticipated. Roll-over is not requested.
Professional and Special Services	6,675	Underspending is due to the invoices in respect of printing received after 31 March 2004 and the projects for which tenders were awarded and commenced later than expected. Roll-over is requested.



**2 Other revenue to be surrendered to the revenue fund**

Description	Note	2003/04 R'000	2002/03 R'000
Dispensing of medicine		289	-
Chemistry analysis		145	3,932
Rent: Parking/garages		50	52
Commission on insurance		67	77
Non-contractual departmental debt		1,415	2,689
Contractual departmental debt		145	249
Recoveries previous financial year		1,261	2,203
Cheques written back/stale cheques		52	644
Interest received (other)		703	-
Vaccine sales		1	129
Pathological examinations		17	13
Sales: Special Drugs		23	33
Other		5	6
Medicine registration fees		-	4,763
Gifts, donations and sponsorship received	2.1	-	31
<b>Total other revenue collected</b>		<b>4,173</b>	<b>14,821</b>

**2.1 Gifts, donations and sponsorships received by the department**

Nature of gifts, donations and sponsorships			
Closing of Health Donation Fund		-	31
		<b>-</b>	<b>31</b>

**2.2 Gifts, donations and sponsorships received in kind excluding RDP funds by the department (Total not included above)**

Nature of gift, donation and sponsorship			
Assistive devices		180	-
Performing of Cardiothoracic surgery		385	-
Providing support programme to strengthen Non-governmental Organisations		536	-
Media Campaign for Improved Nutrition		19,266	-
Launch of Palliative Care Guidelines		566	-
Assist in creating material and tools for alcohol policy		31	-
Performing of inspections of good manufacturing practice		75	-
Training		834	298
Travel and subsistence		294	2,154
Conferences		851	180
Cervical cancer screening equipment		-	1,137
Trophies received		-	1
Entertainment/Artists		-	150
HIV/AIDS equipment		-	499
Launch of SA Institute of Health Care Managers		-	74
Development of video on infant and child feeding		-	360
Celebration of countdown on poliofree SA		-	80
Auditing of skills process		-	350
Awards ceremony for first SA doctors from Cuba		-	42
Wheelchairs		-	213
		<b>23,018</b>	<b>5,538</b>

**3 Local and foreign aid assistance (including RDP funds)****3.1 Assistance received in cash**

Name of Donor and purpose	Opening Balance	Revenue	Expenditure		Closing Balance
			Current	Capital	
Foreign					
European Union for Public Health Sector Support Programme	(25,600)	89,494	43,166	111	20,617
Flemish Government for provisioning and maintenance of assistive devices	97	-	93	-	4
Belgium Government for TB/HIV/ STI prevention, care and support	-	6,600	3,352	-	3,248
Global Fund for TB/AIDS and Malaria prevention	-	26,066	26,066	-	-
CDC Co-operation for HIV/AIDS and Infectious Diseases prevention and control	-	6,113	-	-	6,113
	<b>(25,503)</b>	<b>128,273</b>	<b>72,677</b>	<b>111</b>	<b>29,982</b>

	2003/04 R'000	2002/03 R'000
Analysis of balance		
Amounts owing by the RDP fund/donors	-	(25,600)
Balance remaining	29,982	97
	<b>29,982</b>	<b>(25,503)</b>

**3.2 Assistance received in kind**

(Value not included in the income statement)

Name of donor and purpose	2003/04 R'000	2002/03 R'000
Local aid assistance (including RDP funds)		
Buddah's Light International Association - assistive devices	180	-
PHWSBC - studies and travel and subsistence expenses	69	-
Medunsa and Equity - Essential Drug Programme	44	-
SA Medical Association - Professional Health Workers	41	-
SITA - National Health Information System Committee meeting	30	-
Other	74	-
Aventis - IUATLD conference; pediatric congress; training and 11th International Congress	40	148
Illovo Sugar Company - travel and subsistence expenses	-	13
Markus Evans - travel and subsistence expenses	-	14
SABC - artists and entertainment at Women's Day	-	150
Oracle SA - travel and subsistence expenses	-	39
3M Company - awards ceremony for first SA doctors from Cuba	-	42
Abott Laboratories - conference	-	19
Project Management Institute - trophies and meeting	-	39
Board of Healthcare Funders - conference	-	12
Institute for Democracy in SA - conference	-	5
	<b>478</b>	<b>481</b>



	2003/04 R'000	2002/03 R'000
Foreign Government aid assistance		
Belgium - skills audit process; workshops and training	248	350
Centre for Disease Control & Prevention - travel and subsistence and Antiretroviral Implementation	152	564
Global fund - travel and subsistence	96	76
International Atomic Energy Agency - travel and subsistence and course	13	50
United Nations Population Fund in SA - travel and subsistence medical equipment	103	1,180
Algerian Ministry - performing Cardiothoracic Surgery	385	-
Brazilian Government - subsistence and travel	64	-
Canadian International Development - support programmes to Non-governmental organisations	536	-
Centre for Development and Population Activities - training	63	-
Global Alliance - a media campaign for Improved Nutrition	19,266	-
International Conference on Harmonisation - subsistence and travel	60	-
Japan International Cooperation Agency - subsistence and travel	86	-
Swedish International Development Co-operation Agency - training programme on Health System Development	119	-
United Nations - training	29	-
Cuba and Puerto Rico - subsistence	75	-
USAID - launch of Palliative Care Guidelines	582	-
Other	663	599
Japanese Government - travel and subsistence and medical equipment	-	516
Department for International Development - travel and subsistence and the launch of SA Institute of Health Care Managers	-	308
Italian National Health Institute - travel and subsistence	-	275
Medical Control Council (UK) - training	-	66
Southern African Drug Action Programme (UK) - workshops	-	224
Spanish Agency - travel and subsistence	-	52
Taiwan Government - wheelchairs	-	213
United Nations Children Fund - travel and subsistence, development of a video; a ceremony and a conference.	-	584
	22,540	5,057
<b>Total local and foreign aid assistance received in kind</b>	<b>23,018</b>	<b>5,538</b>

#### 4 Personnel

##### 4.1 Current expenditure

Appropriation to Executive and Legislature	1,390	883
Basic salary costs	119,857	114,552
Pension contributions	16,830	15,678
Medical aid contributions	8,051	7,873
Other salary related costs	33,240	28,592
<b>Total Personnel Costs</b>	<b>179,368</b>	<b>167,578</b>
Average number of employees	1,139	1,177

#### 5 Inventories

##### 5.1 Current expenditure

Note	2003/04 R'000	2002/03 R'000
Inventories purchased during the year		
Condoms	109,767	70,875
Cleaning materials	367	474
Antiretroviral treatment	9,962	-
Acquisitions	13,505	-
Maintenance/domestic supplies	1,776	1,626
Medical supplies	4,441	5,407
Printing/books	7,808	9,091
Protective clothing	116	86
Stationary	3,985	5,395
Other supplies	286	48
<b>Total cost of inventories</b>	<b>152,013</b>	<b>93,002</b>

#### 6 Machinery and equipment

Current (Rentals, maintenance and sundry)	6,641	5,719
Capital	6.1 20,312	11,128
<b>Total current and capital expenditure</b>	<b>26,953</b>	<b>16,847</b>

##### 6.1 Capital machinery and equipment analysed as follows:

Computer equipment	8,517	3,601
Furniture and office equipment	6,867	1,557
Other machinery and equipment	4,928	5,620
Transport	-	350
	<b>20,312</b>	<b>11,128</b>

#### 7 Land and buildings

Capital expenditure	7.1 -	7,769
<b>Total current and capital expenditure</b>	<b>-</b>	<b>7,769</b>

##### 7.1 Capital land and building expenditure analysed as follows:

Non-residential buildings	-	7,769
	<b>-</b>	<b>7,769</b>

#### 8 Professional and special services

##### 8.1 Current expenditure

Auditors' remuneration		
Regulatory	2,392	1,121
Contractors	17,416	37,328
Consultants and advisory services	85,880	39,718
Computer services	2,566	2,705
Other	859	18,785
<b>Total Professional and special services</b>	<b>109,113</b>	<b>99,657</b>

