Staff

The Board appointed the CEO Libby Lloyd who commenced work mid August 2003. A Finance manager, Dumisane Mangwane, was appointed as of September 2003.

The secretary to the CEO and Board commenced work in October 2003, while the three project managers joined the MDDA at the beginning of August 2003. Other administrative staff joined between January and March 2004.

There were no disciplinary actions against any staff members during the year under review. The Finance Manager resigned during the period under review.

From left to right

Farhana Goga - Project Manager Research and Development

Harry Letsebe - Project Manager Electronic Media

Tamara Sinhonho - Receptionist

Penelope Dlamini - Executive Secretary CEO and Board

Fana Bagananeng - Project Manager Print Media

Libby Lloyd - CEO

Remuneration

The Equate job grading system was chosen and approved by the Minister in the Presidency as required by the MDDA Act.

Offices

The MDDA moved into offices in Newtown Johannesburg in November 2003. It was decided to locate the MDDA in Newtown as part of the Agency's commitment to government's policy of urban renewal in South Africa.

Furniture was bought from Cecil Nurse after a closed tender to a range of furniture suppliers. Equipment was secured from a range of different suppliers in line with procurement policies. In line with supporting media development the Agency has decided to decorate its offices with photographs from South African photographers and posters relating to media. The process of calling for submission of photographs and items commenced shortly before the end of the financial year.

An IT tender was published to purchase IT equipment and outsource the IT function of the MDDA. At the end of the financial year the tenders were in the process of being evaluated. In the interim computer systems have been leased.

It has been agreed that an Information Management /Project Tracking System should be developed to manage the grant making cycle and assist the MDDA in tracking its impact.

Future Priorities

Introduction

The emphasis in the current financial year (2003-2004) has been on establishing the MDDA – including setting the regulatory and policy frameworks and in meeting the mandate. The next financial year (2004-2005) will focus on delivery on the Agency's core mandate - providing support to community and small commercial media projects in order to create an enabling environment for media development and diversity.

The MDDA Act (No 14 of 2002) has determined the priorities for the forthcoming year. Strategies have also been developed taking into consideration the research findings which, amongst other things, identified groups and persons not adequately served by the media as is required by Section 14(1) of the MDDA Act.

Priorities

The following are key priorities:

Continued support for community and small commercial media projects

The MDDA has decided it will be both a reactive (respond to applications) and proactive (actively explore interventions which will meet the objectives of the Act) development organisation. Whilst responding to applications in quarterly cycles, the Agency will in the upcoming financial year begin to explore support for the development of key projects which will assist in creating an enabling environment for media development.

Consolidating systems for assessment, monitoring and evaluation

Preliminary systems have been put in place to assess applications in terms of the regulations. During the first six months of the 2004/2005 financial year such systems will be consolidated and tools and mechanisms for monitoring and evaluation of projects will be finalised. An Information Management System/Project Tracking System will be developed to streamline the grant making process.

A pluralistic press is "…the existence of **the greatest number of newspapers, magazines and periodicals reflecting the widest possible range of opinion** within the community.."

Windhoek Declaration on Promoting an Independent and Pluralistic African press

Indirect Support

The MDDA will focus on leveraging indirect support for the media – as envisaged by the MDDA Act. Negotiations regarding telecommunications, signal distribution and postal subsidies will commence and low interest loans will be explored. Development of partnerships with organisations to address identified problems (access to advertising, printing, paper and distribution costs) will be prioritised.

The Agency has also identified the need to establish partnerships with other funding organisations supporting the media, in order to increase the impact of grant making organisations.

More resources

The Agency will focus on garnering additional financial support for the Agency or media sector. The MDDA will also develop an investment strategy in line with the requirements of the PFMA.

Mentors

The MDDA is also commencing with the process of developing a database of mentors to assist media projects. This will be consolidated during the 2004-2005 financial year. It is envisaged that such a data-

In the forthcoming year, MDDA will continue to support community and small commercial media projects to create an enabling environment for media development and diversity

base will include people and/or organisations with a range of skills such as audience research, journalism training, business planning, financial management, organisational development, community participation etc.

Such mentors will assist projects in developing plans for sustainability and in enhancing their performance and corporate governance structures. The MDDA will focus on finalising such a database during the 2004-2005 financial year.

Communication

The MDDA Act defines two areas of communication for the Agency:

The Agency must raise public awareness with regard to media development and diversity issues (Section 3 (iv))

The MDDA must ensure that the Agency's objectives, achievements and activities are made known to the public(Sec 14(1)(c))

Both are critical to the successful implementation of the MDDA's mandate of developing a diverse media responsive to the needs of all South Africans. The Agency will thus develop a clear communication strategy to ensure it is accessible to South Africans, and that there is debate about media development and diversity – and the important role this plays in both ensuring participatory democracy and promoting substantive freedom of information.

Conclusion

As inferred earlier, the next financial year will be one of implementation and evaluation of systems and processes to ensure that the MDDA can effectively and efficiently meet its mandate. It will in many ways be an exploratory year as the Agency evaluates the best mechanisms to ensure it has a real impact on diversity of media in South Africa.

Financials

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2004.

Audit Committee Members and Attendance:

The MDDA Audit Committee was established during the year under review. The audit committee consists of the members listed hereunder and meets at least two times per annum. During its first meeting, the Committee considered and adopted its terms of reference approved by the MDDA Board of Directors. During the year under review, two meetings were held on 24 February and 31 March 2004.

Name of Member	Number of Meetings Attended
Ms ZP Manase (Chairperson)	2
Mr G Mampone	2
Ms M Vuso	1
Mr C Moerdyk (Board member)	1

Audit Committee Responsibility

The committee noted progress made by management to appoint a firm of internal auditors. This process was completed with the support of the Audit Committee and the Board's approval after year-end and the internal auditors will commence with their work in earnest during the next financial year. The MDDA has also begun with the process to develop its Risk Management Strategy with the assistance of Government Communication and Information System (GCIS) Internal Audit. This process is expected to be complete in the next financial year.

The effectiveness of internal control

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed.

Based on the Audit Report on the Annual Financial Statements, the matters of emphasis and management letter of the Auditor-General, it was noted that no significant or material non compliance with prescribed policies and procedures have been reported.

Evaluation of Financial Statements

The Audit Committee has

Reviewed and discussed with the Auditor-General and the Accounting Officer the audited annual financial statements to be included in the annual report;

Reviewed the Auditor-General's management letter and management's response;

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

Chairperson of the Audit Committee

AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE MEDIA DEVELOPMENT AND DIVERSITY AGENCY (MDDA) FOR THE PERIOD 3 MARCH 2003 TO 31 MARCH 2004

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 28 to 35, for the period 3 March 2003 to 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) and section 15 (3) of the Media Development and Diversity Agency Act, 2002 (Act No. 14 of 2002). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. 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 that came to my attention and are applicable to financial matters.

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 the Media Development and Diversity Agency at 31 March 2004 and the results of its operations and cash flows for the 13 months then ended in accordance with the South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Public Finance Management Act, 1999 (Act No.1 of 1999) as amended.

4. EMPHASIS OF MATTER

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

4.1 Matters not affecting the financial statements

4.1.1 Internal control shortcomings

The accounting authority is required by section 51(1) of the Public Finance Management Act to ensure that the public entity has implemented effective, efficient and transparent systems of financial and risk management and internal control. The following areas of concern were communicated to the accounting authority during the audit:

a) The internal controls surrounding fixed assets were insufficient. No proper fixed asset numbering took place at the MDDA to ensure adequate control over the safeguarding of assets so as to prevent fraud and theft of assets.

b) The internal controls surrounding accounts payables were insufficient, as creditors' reconciliations were not prepared on a monthly basis so as to ensure that all creditors outstanding were properly accounted for in the records.

4.1.2 Internal audit function

In terms of section 51(1)(a) of the PFMA the accounting authority is required to maintain a system of internal audit under the control and direction of the audit committee. However it was determined that the MDDA did not have an internal audit function for the period under review. The internal audit was however subsequently appointed.

5. APPRECIATION

The assistance rendered by the staff of the Media Development and Diversity Agency during the audit is sincerely appreciated.

IMRAN VANKER

for Auditor-General
Johannesburg

30 June 2004

Balance sheet

as at 31 March 2004

	Notes	31 March 2004 R'000
Assets		
Non - current assets		
Plant and equipment	2	375
Current assets		**7 364**
Receivables and prepayments	3	23
Cash and cash equivalents	4	7 341
Total assets		**7 738**
Equity and liabilities		
Retained income		**4 409**
Current liabilities		**3 329**
Trade payables and accruals	5,1	311
Grants accrued	5,2	3 018
Total equity and liabilities		**7 738**

Income statement

for the 13 months ended 31 March 2004

	Notes	2004 R'000
Gross revenue	6	**10,000**
Grants costs	7	(3,023)
		6,977
Operating expenses	8	(3,155)
Surplus from operations		**3,822**
Investment income		587
Retained income for the period		**4,409**

Statement of changes in equity

for the 13 months ended 31 March 2004

	Notes	2004 R'000
Balance as at 1 March 2003		-
Net surplus for the 13 month period		4 409
Balance as at 31 March 2004		**4 409**

Cash flow statement

for the 13 months ended 31 March 2004

	Notes	2004 R'000
Cash flow from operating activities		
Net surplus for the period		4 409
Adjustments for:		
- Depreciation		19
- Interest received		(587)
Operating surplus before working capital changes		**3 841**
Working capital changes		3 306
(Increase) in receivables		(23)
Increase in payables		3 329
Cash generated from operations		**7 147**
Net cash inflow from operating activities		**7 147**
Cash flow from investing activities		
Interest received		587
Additions to property, plant and equipment		(394)
Net cash inflow from investing activities		**194**
Cash flow from financing activities		
Decrease in long term liability		-
Net cash outflow from financing activities		**-**
Net increase in cash and cash equivalents		7 341
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		**7 341**

Notes to the Financial Statements

for the 13 months ended 31 March 2004

1 Accounting policies

1,1 Basis of preparation

The annual financial statements are prepared on the historical costs basis in accordance with South African Statements of Generally Accepted Accounting Practice.

1,2 Plant and equipment

All plant and equipment is initially recorded at cost.

Items of plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on the straight-line basis which, it is estimated, will reduce the carrying value of the assets to their residual values at the end of their useful lives. Where the carrying value of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The major categories of assets are depreciated at the following rates

- Office furniture & fixtures	-	20% per annum
- Office equipment	-	20% per annum

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

1,3 Financial instruments

Recognition

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

All "regular way" purchases and sales of financial assets are initially recognised using trade date accounting.

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets

The entity's principle financial assets are cash, cash equivalents and receivables.

- Trade and other receivables

  Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

- Cash and cash equivalents

  Cash and cash equivalents are measured at fair value.

Financial liabilities

The entity's principle financial liabilities are accounts payables and are stated at their nominal value.

1,4 Revenue recognition

The Agency is financed from money appropriated by Parliament. Government grants to cover operating expenditure are accounted for in the income statement in the year to which they relate.

Revenue includes grants from the Government Communication and Information System.

Interest income is recognised as it accrues on a time apportionment basis taking into account its effective yield.

Government grants relating to specific long-term projects are recorded as deferred income when they become receivable and are then recognised as income on a systematic basis over the period necessary to match the grants with the related costs which they are intended to compensate.

Government grants relating to the purchase of plant and equipment are included in current liabilities as deferred income and are recognised as income over the periods and in proportions in which depreciation on the plant and equipment is charged.

Grants relating to projects approved for funding but not yet transferred are accrued in the balance sheet.

1,5 Accounting for leases

Leases for assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

1,6 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts, all of which are available for use unless otherwise stated.

1,7 Comparatives

No comparative information has been supplied as this is the first reporting period.

1,8 Taxation

No provision has been made for income tax as the Agency is exempted in terms of section 10(1)(cA)(1) of the Income Tax Act, 1962 (Act No. 58 of 1962)

1,9 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,ie, PFMA.

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

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

1,10 Provisions

Provisions are recognised when the entity 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.

2 Plant and equipment

	Office Furniture and Fixtures R'000	Office Equipment R'000	2004 Total R'000
Net carrying value at beginning of period	-	-	**-**
Additions	205	188	**394**
Disposals	-	-	**-**
Depreciation charge	(11)	(8)	**(19)**
Net carrying value at end of year	194	181	**375**

3 Receivables and prepayments

Deposits	23
	23

4 Cash and cash equivalents

Cash at bank and on hand	7 341
	7 341

5 Current Liabilities

5.1 Trade and other payables

Creditors and accruals	**311**
	311

Creditors and accruals comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken is less than 45 days. The carrying amounts approximate fair value.

5.2 Grants accrued

Opening balance as at 1 March 2003	**-**
New grants issued	3 015
Travelling costs	3
Payments for the year	-
Closing balance as at 31 March 2004	**3 018**

The agency issues grants in the following catergories:

- Community media
- Small commercial
- Research

	2004 R'000
6 Revenue	
Grants received	
- GCIS	10 000
	10 000
7 Grant costs	
Grants accrued	3 015
- Community media	2 055
- Small commercial	960
- Research	-
- Travelling costs	8
	3 023
8 Costs	
Administration costs	513
Audit fees	65
Board costs	*163*
- Fees	101
- Travel and subsistence	54
- Administration	8
Lease costs	*197*
- Building	129
- Computers	68
Professional services	*1 039*
- consulting costs	80
- legal costs	199
- management services	760
Salaries and wages	1 156
CEO costs	4
Depreciation	19
	3 155
9 Acquisition of fixed assets	
Office equipment	188
Office Furniture and fixtures	205
	394