



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

- Be independent
- Be knowledgeable about the status of the position
- Have the required business, financial and leadership skills
- Not be the chairperson of the accounting authority
- Not be a person who fulfils an executive function in the public entity

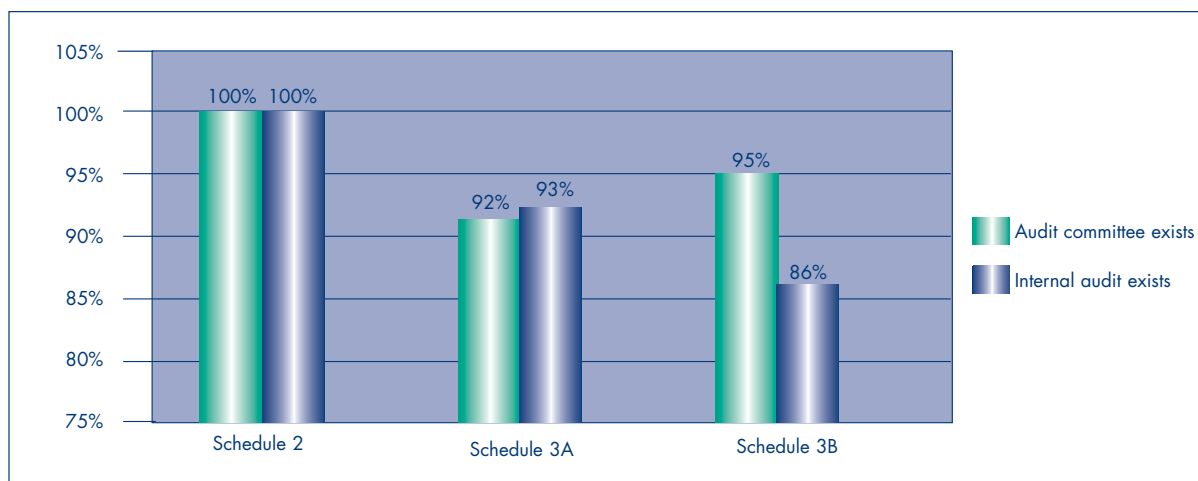
The majority of the members who are appointed by the accounting authority should be non-executive (TR 27.1.4). Committee members need not all be members of the accounting authority. The majority of the persons serving on an audit committee must be financially literate.

5.7.2 Internal audit

In terms of TR 27.2.2, all public entities must have an internal audit function, which reports directly to the accounting authority and to all audit committee meetings. The function must be independent of activities that are audited, without limitation on its access to information.

The purpose, authority and responsibility of the internal audit function must, in consultation with the accounting authority, be formally defined in an audit charter and be consistent with the definition of internal auditing as formulated by the Institute for Internal Auditors. External auditors may not perform the function of internal audit.

Figure 32: Governance analysis per the public entity schedule (2005-06)





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SECTION 6: PROVINCIAL OVERVIEW

I am pleased to note that in compiling this general report all provincial departments of education, health and social development had information available for this analysis. In 2004-05 there were six departments still outstanding at this stage. This re-emphasises the improvement in timeliness of reporting, which facilitates accountability and the effectiveness of reports such as this one¹⁸.

Figure 33: Provincial budget for all votes

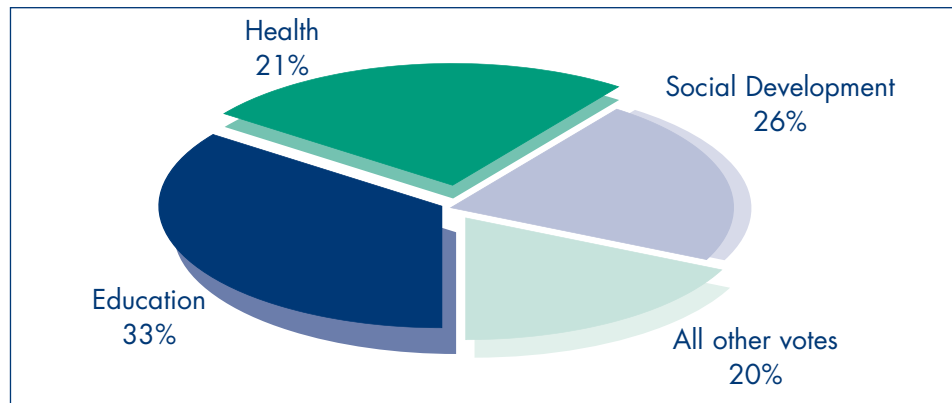


Table 24 below demonstrates the continued prioritisation of the sectors as demonstrated by the increased expenditure. In 2005-06 total expenditure increased by 11,8% compared to 2004-05.

Table 24: Total provincial expenditure on education, health and social development

Sector	Total expenditure 2005-06 R million	Total expenditure 2004-05 R million	Total expenditure 2003-04 R million
Education	70 225	64 619	60 233
Health	45 059	40 345	37 573
Social development	55 260	47 580	42 374
Total	170 544	152 544	140 180

6.1 Audit opinions

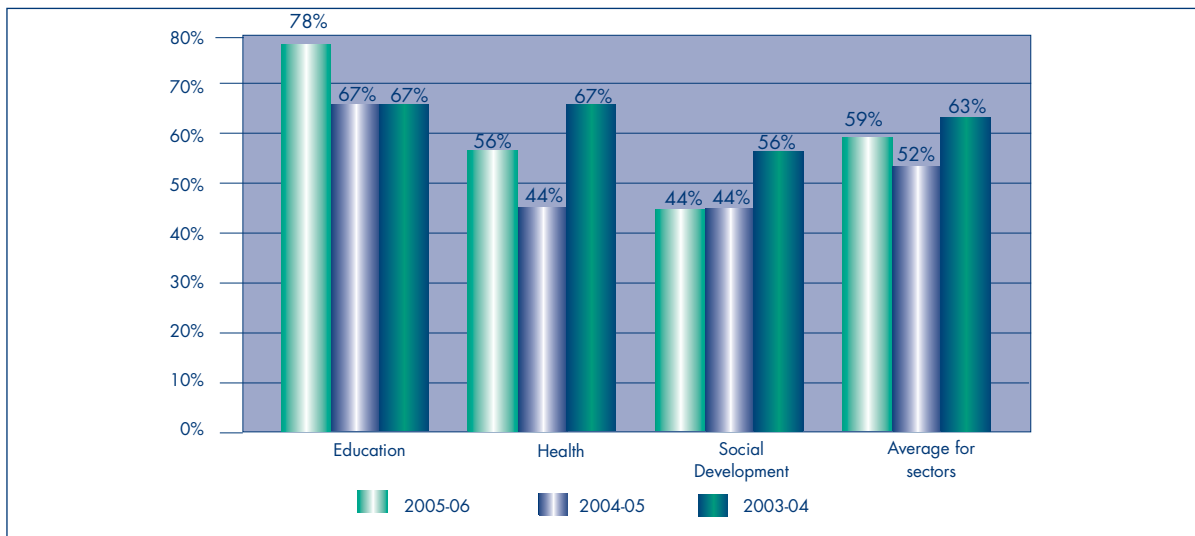
Figure 34 below demonstrates the high level of qualifications in the provincial sector as compared to the national departments, with 59% of departments receiving qualified opinions in 2005-06 compared to 32% of national departments. The most disturbing trend relates to the increase in qualifications within the education sector, with only two of the provincial departments receiving unqualified audit opinions.

¹⁸ To ensure full comparability the prior year figures have been restated.



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Figure 34: Number of qualified audit reports by sector

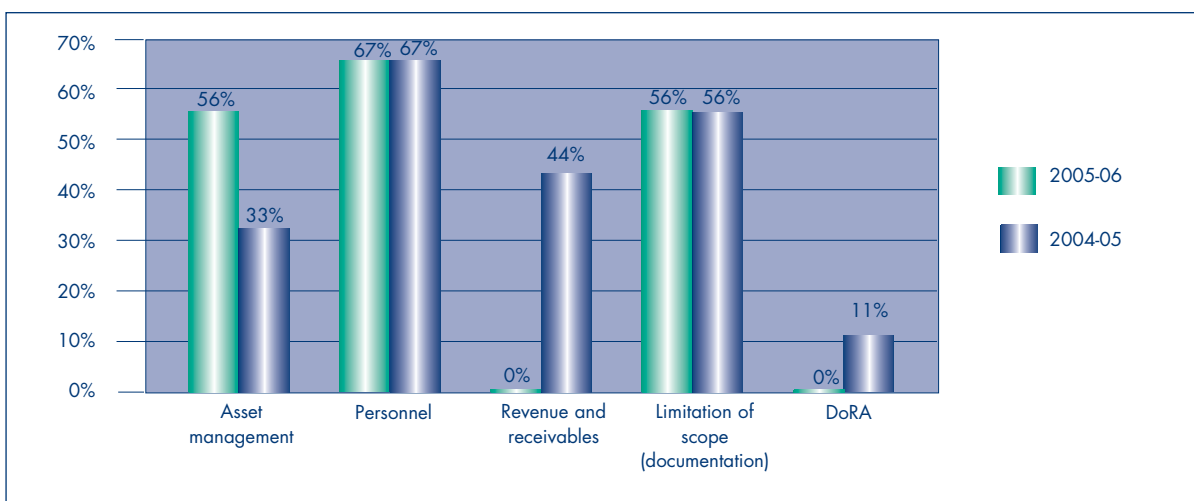


The issue of limitation of scope, i.e. where documentation cannot be provided to support amounts disclosed in the financial statements, is prevalent across all clusters. This represents a breakdown in basic record keeping at the provincial departments and is a fundamental concern. Limitation of scope issues were found in 21 (78%) of the 27 provincial departments. Personnel issues were included in five of the seven provincial departments that received qualifications.

6.1.1 Education sector

Within the education sector seven of the nine provincial departments received qualified opinions. The areas of personnel and asset management are of significant concern. Figure 35 below demonstrates the key areas where qualification issues were raised.

Figure 35: Qualifications for the provincial education departments

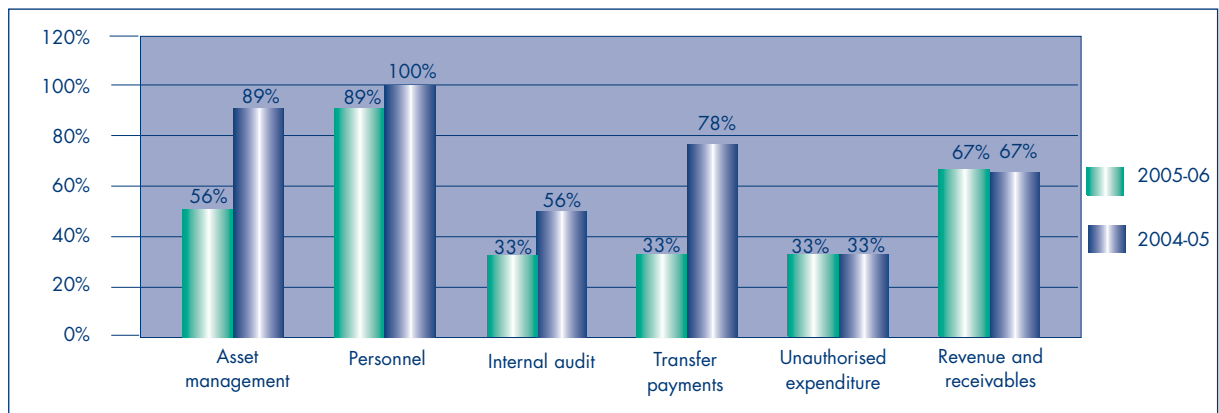




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The trend at the qualification level is followed when analysing the matters emphasised, with personnel being the primary area of qualification issues. Figure 36 below also demonstrates that at this level revenue and receivables are the next most commonly reported issues.

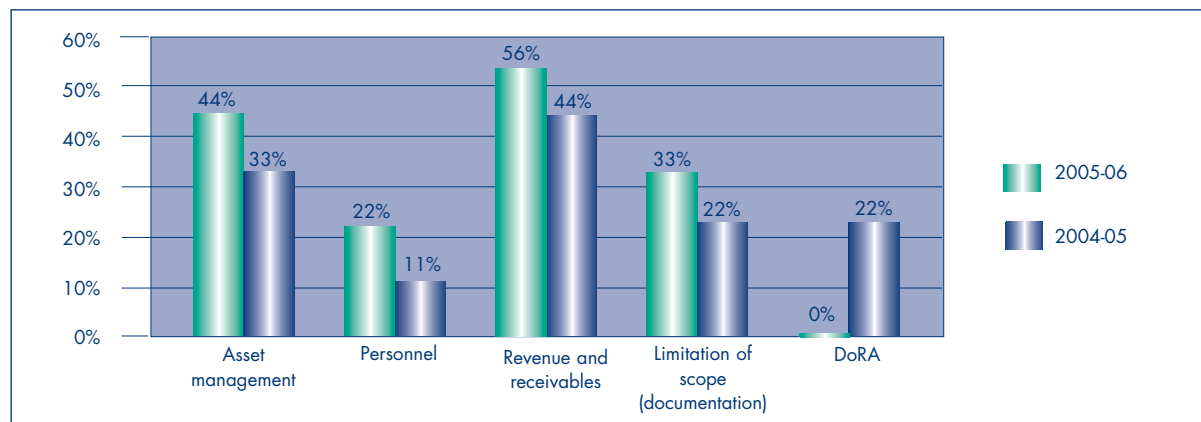
Figure 36: Matters emphasised in the education sector



6.1.2 Health sector

Within the health sector five of the nine provincial departments received qualified opinions. The primary areas for concern in this sector, as represented in figure 37 below, were revenue and receivables and asset management.

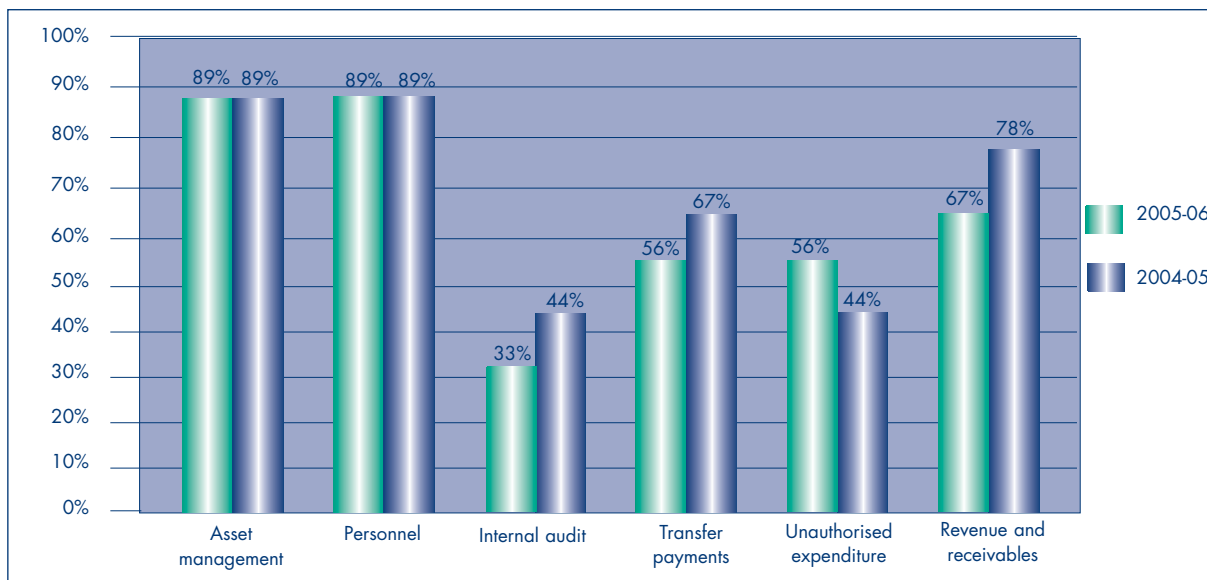
Figure 37: Qualification issues in the health sector



Moving on to the matters emphasised within the health sector, the traditional areas of asset management and personnel are still the most commonly reported items.

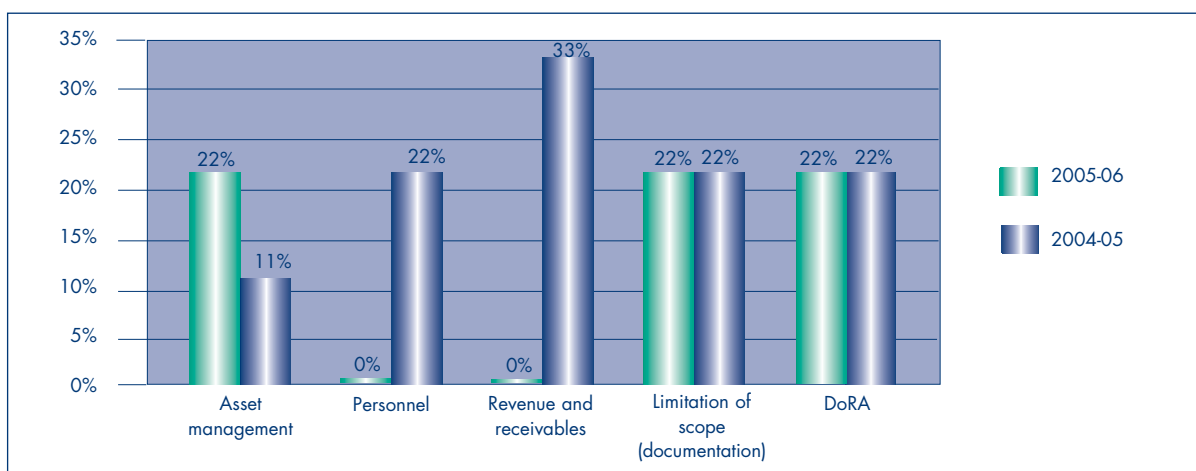


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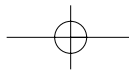
Figure 38: Matters emphasised in the health sector

6.1.3 Social development sector

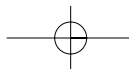
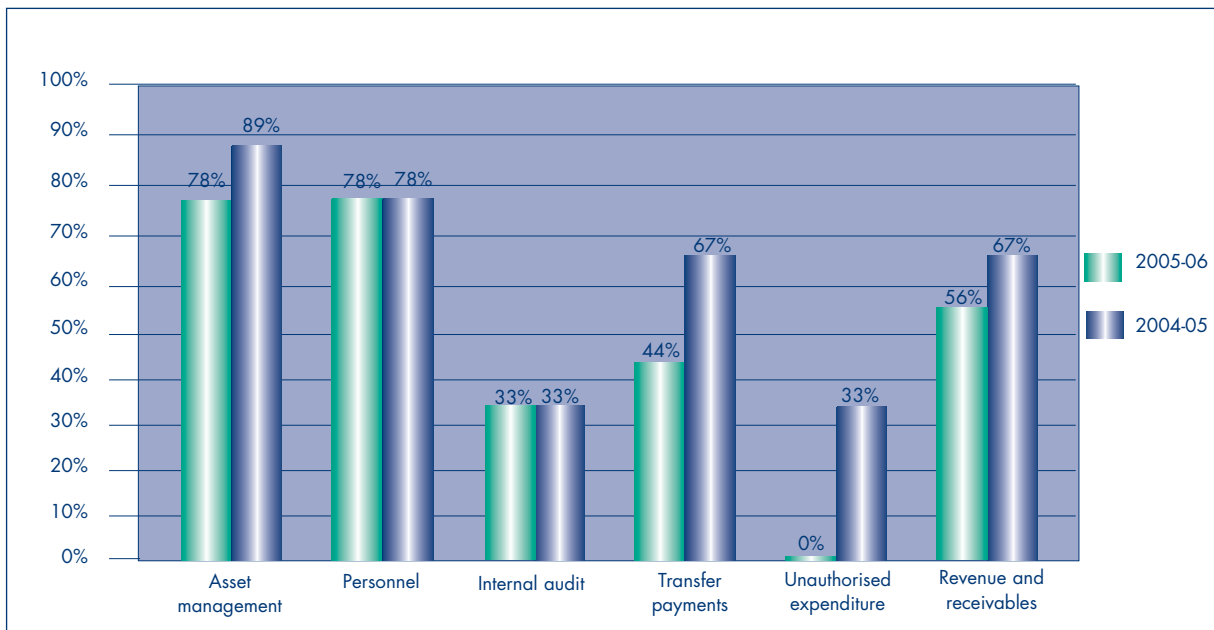
Overall there has been a significant improvement within the provincial departments of social development. For example, no qualification issue was reported in respect of personnel or revenue and receivables for the 2005-06 financial year. Figure 39 below demonstrates where issues that were previously reported have now been eliminated as qualification matters.

Figure 39: Qualification issues in the social development sector

Given the improvements within the qualification issues, this is tempered by the minor change under matters emphasised. As figure 40 below shows, the common issues of asset management and personnel are again reported on in 2005-06.



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Figure 40: Matters emphasised in the social development sector



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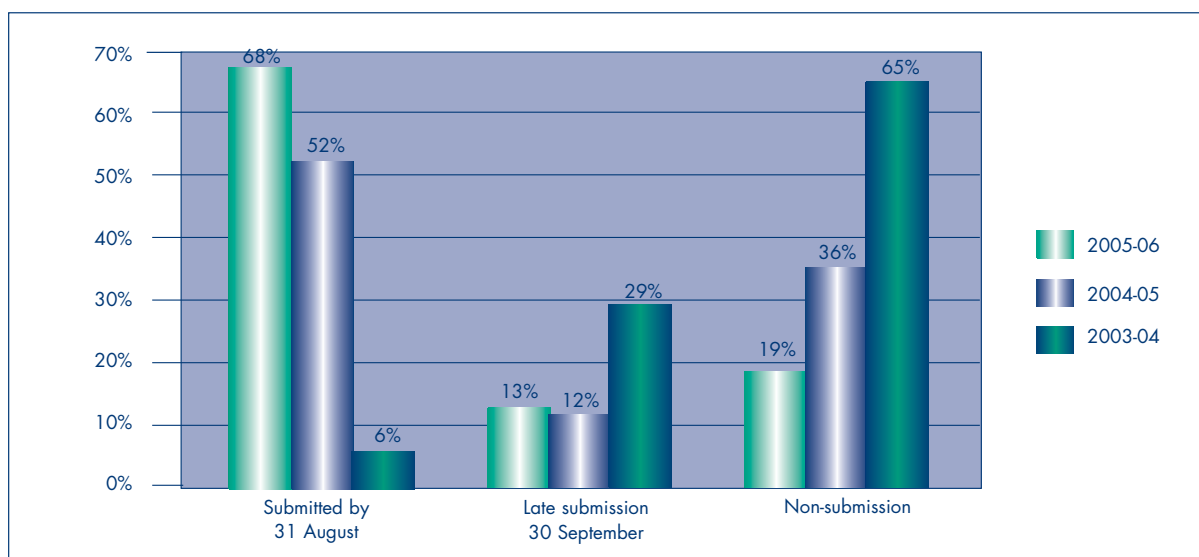
SECTION 7: LOCAL GOVERNMENT OVERVIEW

7.1 Compliance with Municipal Finance Management Act deadlines

For the year ended June 2006 there were 283 municipalities in the country (Bohlabela Municipality in Limpopo province was incorporated into another municipality with effect from 1 March 2006). This is the second year of the implementation of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) at the municipalities. Section 126(1)(a) of the MFMA requires all accounting officers to prepare annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing. As depicted in figure 41 below, an improvement in meeting the MFMA deadlines for submission of financial statements has been achieved.

Of the 283 municipalities, only 194 (68%) met the submission deadline of 31 August 2006, as prescribed by the MFMA. A further 36 (13%) submitted annual financial statements between 1 September 2006 and 30 September 2006, while 54 (19%) had not submitted annual financial statements by 30 September 2006. The last two categories, which made up 32% (90 municipalities), are not complying with the MFMA. In the previous year, 148 (52%) of 284 municipalities met the submission deadline of 31 August 2005. Thirty-five (12%) municipalities submitted annual financial statements between 1 September 2005 and 30 September 2005, while 101 municipalities (36%) had not submitted annual financial statements by 30 September 2005. Refer to figure 41.

Figure 41: Submission of financial statements by municipalities - compliance with section 126(1)(a)



From the 2004-05 audits conducted, an alarming trend of audit outcomes was identified. The following is an extract from the *General report on the outcomes of local government for the financial year ended 30 June 2005*: "Only 126 (44%) of the 284 audits had been finalised by 31 March 2006, while the audits of only 29 (58%) of the top 50 had been finalised by 31 March 2006. If the high-capacity municipalities are excluded, only 96 (41%) of the audits of medium- and low-capacity municipalities had been finalised."



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Particular problems in this area are the following:

- The financial statements from previous periods were not finalised. This presents a problem when attempting to audit the financial statements in the current period.
- Capacity constraints within the AG.
- Non-submission of financial statements, which leads to scheduling problems within the AG.

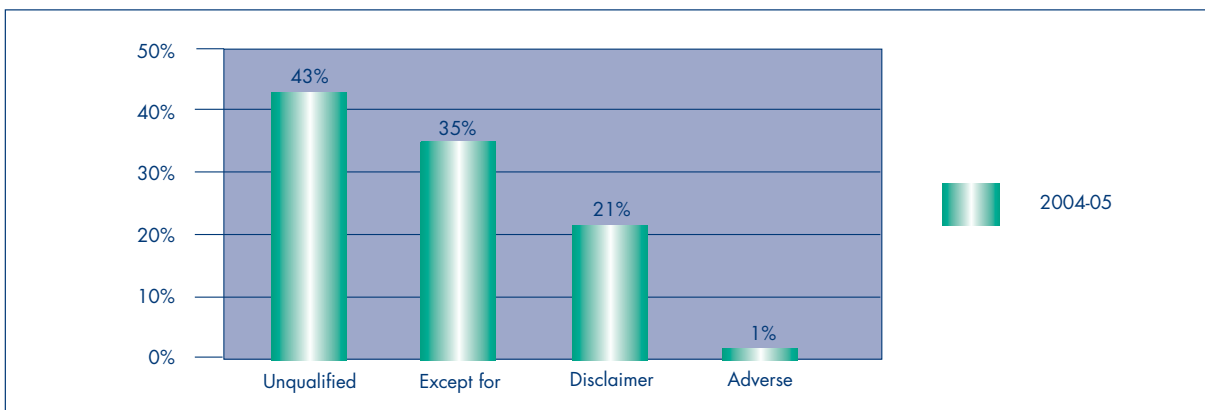
7.2 Audit opinions

Of the 126 audits that were finalised, 72 (57%) were qualified. The distribution of the audit opinions was as follows, and is depicted in figure 43:

- Fifty-four were unqualified (clean and with matters emphasised) (43%).
- Forty-four were "except for" (not clean) (35%).
- Twenty six were "disclaimers" (serious) (21%).
- Two had an "adverse" (serious) audit opinion (1%).

A disclaimer or adverse audit opinion represents the most severe type of audit opinion. The reason for a disclaimer is that documentation could not be provided to the auditors. This serves as a further example of a lack of accountability and poor financial management because financial statements were submitted to comply with the MFMA although supporting evidence on which they are based could not be provided.

Figure 42: The 2004-05 audit opinions for all municipalities that had been audited



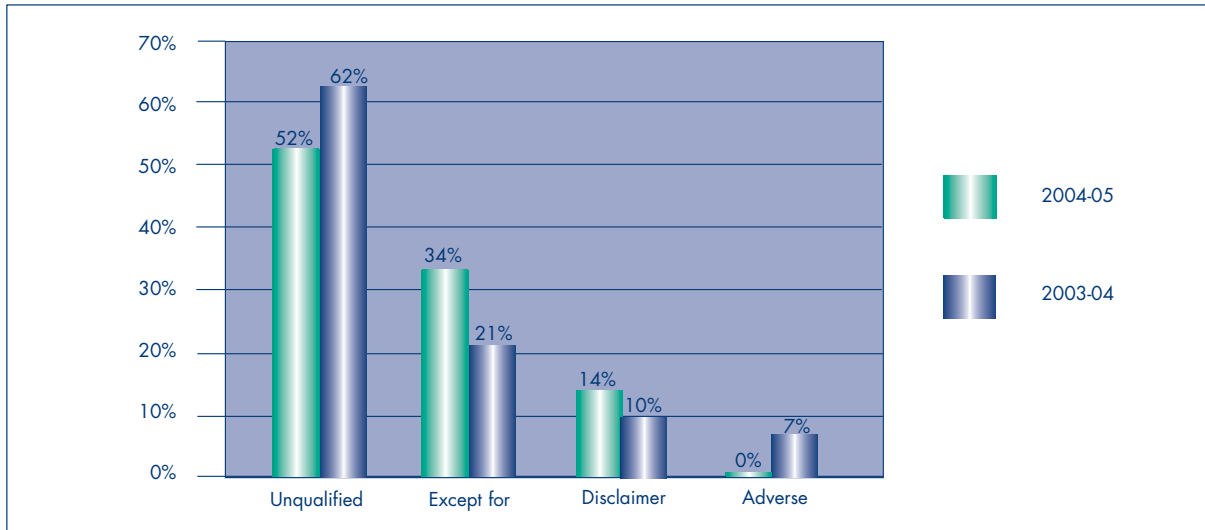
Of the 29 audit reports of the top 50 municipalities that were finalised, 14 (45%) were qualified. The distribution of the audit opinions was as follows, and is depicted in figure 43 below:

- Fifteen were unqualified (52%), compared to 18 (62%) in 2003-04.
- Fourteen of those 15 included emphasis of matter paragraphs (table 5). One municipality, namely Emnambithi Municipality, had an unmodified ("clean") report.
- Ten were "except for" (34%), compared to six (21%) in 2003-04.
- Four were "disclaimer" (14%), compared to three (10%) in 2003-04.
- No "adverse" opinions (0%), compared to two (7%) in 2003-04.



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Figure 43: The 2004-05 audit opinions for the top 50 municipalities that had been audited





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SECTION 8: AUDIT OUTCOMES - NATIONAL GOVERNMENT BY MINISTERIAL PORTFOLIO

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Public Service Commission	Public Service and Administration	152
Public Works	Public Works	155
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Statistics South Africa	Finance	108
Trade and Industry	Trade and Industry	166
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Water Affairs and Forestry	Water Affairs and Forestry	177



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Constitutional institutions		
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Independent Electoral Commission	Home Affairs	114
Financial and Fiscal Commission	Finance	107
Human Rights Commission	Justice and Constitutional Development	122
Municipal Demarcation Board	Provincial and Local Government	149
Office of the Public Protector	Justice and Constitutional Development	120
Pan South African Language Board (PANSLAB)	Arts and Culture	79
Listed public entities		
Accounting Standards Board	Finance	108
African Institute of South Africa, Pretoria	Science and Technology	161
African Renaissance and International Cooperation Fund	Foreign Affairs	111
Afrikaanse Taalmuseum, Paarl	Arts and Culture	80
Agricultural Research Council	Agriculture and Land Affairs	72
Agricultural Sector Education and Training Authority (AgriSETA)	Labour	125
Air Traffic and Navigation Services Company	Transport	170
Airports Company South Africa	Transport	170
Albany Coast Water Board	Water Affairs and Forestry	176
Alexkor Limited	Public Enterprises	152
Amatola Water Board	Water Affairs and Forestry	176
Armaments Corporation of South Africa (ARMSCOR)	Defence	100
Artscape	Arts and Culture	76
Aventura	Public Enterprises	152
Bala Farms (Pty) Ltd	Agriculture and Land Affairs	69
Banking Sector Education and Training Authority (Bankseta)	Labour	125
Bloem Water	Water Affairs and Forestry	176
Botshelo Water	Water Affairs and Forestry	176
Boxing SA	Sport and Recreation	164
Bushbuckridge Water Board	Water Affairs and Forestry	176
CEF (Pty) Ltd (Group)	Minerals and Energy	140
Castle Control Board	Defence	100
Chemical Industries Education and Training Authority (CHIETA)	Labour	125
Clothing, Textiles, Footware and Leather Sector Education and Training Authority (CTFL SETA)	Labour	130
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National government by ministerial portfolio



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Council for Geoscience	Minerals and Energy	139
Council for Medical Schemes	Health	111
Council for Mineral Technology (Mintek)	Minerals and Energy	141
Council for Scientific and Industrial Research (CSIR)	Science and Technology	160
Council for the Building Environment (CBE)	Public Works	155
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Denel	Public Enterprises	152
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Financial Intelligence Centre	Finance	109
Financial Services Board	Finance	107
Food and Beverages Manufacturing Industry Sector Education and Training Authority (FOODBEV)	Labour	126
Forest Industries Sector Education and Training Authority (FIETA)	Labour	126
Freedom Park Trust	Arts and Culture	80
Godisa Trust	Science and Technology	161
Greater St. Lucia Wetland Park Authority	Environment Affairs and Tourism	104
Health and Welfare Sector Education and Training Authority (HWSETA)	Labour	133
Human Sciences Research Council (HSRC)	Science and Technology	160
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Sasria	Finance	108
Secondary Agricultural Sector Education and Training Authority (SETASA)	Labour	135
Sedibeng Water (Consolidated)	Water Affairs and Forestry	177
Sentech	Communications	89
Servcon Housing Solutions (Pty) Ltd	Housing	118
Services Sector Education and Training Authority	Labour	127
Small Enterprise Development Agency	Trade and Industry	166
Social Housing Foundation	Housing	118
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Telkom South Africa Limited	Communications	89
The National English Literary Museum	Arts and Culture	86
The Playhouse Company, Durban	Arts and Culture	86
The South African State Theatre (previously the Renaissance Theatre)	Arts and Culture	87
Thubelisha Homes	Housing	118
Tourism, Hospitality and Sport Education and Training Authority (EHETA)	Labour	135
Trade and Investment South Africa	Trade and Industry	167
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Issues to be considered when examining the portfolio summaries

The portfolio summaries are a mechanism for identifying all entities under the responsibility of each ministerial portfolio. When examining information in the portfolio summary, it is important to take note of the factors below that explain some of the conventions and interpretations of information.

Issue	Explanation
Cut-off date	<p>For the purpose of analysis, entities were included if audits were finalised before 30 September 2006.</p> <p>However, in the portfolio summaries available information was included up to the finalisation of the report.</p>
Entities listed within each summary	<p>The entities listed should represent all the entities related to the ministerial portfolio. The entities are divided into the following categories:</p> <ul style="list-style-type: none"> • Departments • Constitutional institutions • Public entities • Other entities (including trading accounts and unlisted public entities) <p>No provincial entities are included in this section.</p>
Insignificant amounts - matter(s) emphasised	<p>Values deemed to be insignificant in the context of the general report were excluded from the portfolio summaries, particularly regarding the detailed explanations.</p>
Information paragraphs	<p>Paragraphs included for information purposes and which do not contain audit findings were excluded from the portfolio summaries.</p>
Asset figures	<p>The figures for assets of national departments are not measured on the same basis as for public entities. This is due to the modified cash accounting basis for certain types of assets in government. Therefore the figures for expenditure may include elements that would be classified as assets for public entities. This situation will be remedied through the introduction of full accrual accounting under the PFMA.</p>
Audits not conducted by the Auditor-General	<p>The portfolio summary includes a table showing the audit opinions on the entities not audited by the Auditor-General. However, no further detail is provided in the detailed descriptions following the tables.</p>



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

Issue	Explanation
Consolidated information	Where a holding entity-subsidary relationship exists, only the information for the consolidated holding entity is provided. If no consolidation had been performed by the cut-off date of this report, separate information on all unconsolidated entities is included.
Audits not finalised	Audits not finalised, amongst others because the audited entity either did not submit or had resubmitted its annual financial statements.
Entities with year-end other than 31 March 2006	All public entities with a year-end other than 31 March are included in the portfolio summary. The latest audit opinions on these entities are included.

Portfolio: Minister of Agriculture and Land Affairs

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Department								
Agriculture		Emphasis of matter	Emphasis of matter	1 967,8	59,7	106,0	1 883,6	1 392,0
Land Affairs		Qualified Emphasis of matter	Emphasis of matter	3 897,1	537,3	105,9	2 848,2	2 003,1
Public entities								
Agricultural Research Council		Qualified Emphasis of matter	Emphasis matter		675,6	607,7	657,0	552,2
Bala Farms (Pty) Ltd	Note 5		Emphasis of matter		-	0	-	1,3
Ingonyama Trust Board		Disclaimer Emphasis of matter	Disclaimer Emphasis of matter		91,5	84,2	14,9	12,6
Land and Agricultural Development Bank of South Africa		Qualified Emphasis of matter	Qualified Emphasis of matter		19 686,6	20 469,1	840,7	1 099,2
National Agricultural Marketing Council		Emphasis of matter	Clean report		6,1	5,3	12,5	9,4



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

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
				2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)
Other entities								
Agricultural Debt Account (administered by the Department of Agriculture)		Disclaimer	Emphasis of of matter		1 373,6	1 617,3	652,4	40,4
Citrus Growers' Association	Note 9	Audit not finalised	Clean report		-	-	-	-
Cotton South Africa Statutory Levy		Audit not finalised	Clean report		-	-	-	-
Deciduous Fruit Producers Trust (DFPT) Finance Statutory Levy	Note 3 Note 10	Clean report	Clean report		-	-	-	-
Dried Fruit Technical Services Statutory Levy	Note 2 Note 11	Emphasis of of matter	Emphasis of of matter		-	-	-	-
Maize Board	Note 4	Audit not finalised	Emphasis of of matter		-	-	-	-
Meat Board	Note 2 Note 14		Emphasis of of matter		-	-	-	-
Milk Levies	Note 2	Audit not finalised	Audit not finalised		-	-	-	-
Potato Levies	Note 1 Note 8	Qualified Emphasis of matter			-	-	-	-
Registration of Deeds Trading Account		Qualified Emphasis of matter	Emphasis of of matter		270,1	320,7	244,4	203,2
SAWIS Levies	Note 1	Clean report	Emphasis of matter		-	-	-	-
Sorghum Levies	Note 4	Audit not finalised	Clean report		-	-	-	-
South African Wine and Spirit Exporters' Association (SAWSEA) Statutory Levy	Note 6	Audit not finalised	Audit not finalised		-	-	-	-
Wheat Board	Note 13		Clean report		-	-	-	-
Winetech Levies	Note 2	Audit not finalised	Emphasis of matter		-	-	-	-
Winter Cereal Levies	Note 7	Qualified Emphasis of matter	Qualified Emphasis of matter		-	-	-	-



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

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		Budgeted expenditure	R million		Total expenditure	
		2006 (current year)	2005 (previous year)		Assets		2006 (current year)	2005 (previous year)
				2006 (current year)	2006 (previous year)	2005 (previous year)	2006 (current year)	2005 (previous year)
Public entities								
Inala Farms (Pty) Ltd	Note 6 Note 12				-	-	-	-
Ncera Farms (Pty) Ltd		Clean report	Clean report		3,0	1,7	1,9	3,2
Onderstepoort Biological Products		Clean report	Clean report		191,7	125,2	70,4	68,8
Perishable Products Export Control Board		Emphasis of matter	Emphasis of matter		43,8	49,8	100,6	95,4

Note 1: Year-end 30 June 2005

Note 2: Year-end 31 December 2005

Note 3: Year-end 30 September 2005

Note 4: Year-end 30 April 2006

Note 5: Bala Farms deregistered and all assets and liabilities of the company transferred to the Department of Land Affairs on 31 March 2005. Therefore, no financial statements were prepared and no audit was performed for the 2005-06 year.

Note 6: Year-end 28 February 2006

Note 7: Year-end 31 October 2005

Note 8: First year of audit is for 30 June 2005

Note 9: Previously included as Citrus Levies

Note 10: Previously included as Deciduous Fruit Levies

Note 11: Previously included as Dried Fruit Levies

Note 12: Inala Farms did not submit financial statements for either the current or the prior financial years due to being dormant; therefore no audit was performed for 2004/05 or 2005/06.

Note 13: The entity was liquidated on 31 March 2005

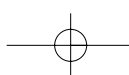
Note 14: The entity was liquidated on 31 March 2005. The audit period was from 1 August 2003 to 31 March 2005.

Department: Agriculture

Matters emphasised

Matters reported for the first time

- No documented policies and procedures to manage revenue.
- Reconciliations for revenue deposited against certificates and licences were not performed.



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

Department: Land Affairs

Qualified audit opinion

Matters reported in current and previous year(s)

- o Rental revenue receivable on leased land
 - No disclosure of land lease revenue as required.
 - Inaccurate and incomplete supporting documentation for lease debtors in respect of contracts administered by the provincial land reform offices.
 - Inconsistencies in the information provided on lease revenue receivable.
- o No reconciliations were performed to establish the lease revenue receivable from departments.

Matters emphasised

Matters reported for the first time

- No supporting evidence to validate statistics relating to performance.
- Material inconsistencies between information disclosed in the report on performance and in the management's report.
- o Material control weaknesses in the general controls included:
 - No tested disaster recovery plans.
 - No approved and documented change control procedures.
 - No physical access controls.
 - No operating and logical security settings.
 - Unauthorised access to the production environment by programmers.

Public entity: Agricultural Research Council

Qualified audit opinion

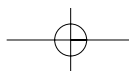
Matters reported for the first time

- Useful life and residual values of property, plant and equipment were not reviewed as required.
- Existence of receivable amounting to R49,7 million in respect of VAT on the parliamentary grant could not be verified.

Matters emphasised

Matters reported for the first time

- The supply chain management framework has not been implemented.
- Measurable objectives were not linked to specific time frames.
- Actual level of performance was not always measurable.





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

Matters reported in current and previous year(s)

- o Weaknesses in internal controls included:
 - Revenue recognition principles and calculation
 - Segregation of duties regarding journals
 - Inventory management
 - Budget process
- o The financial statements required significant adjustments.

Public entity: Ingonyama Trust Board

Disclaimer of audit opinion

Matters reported for the first time

- Size (hectares) of land not listed on the title deeds.
- Differences in hectares recorded between the land register and the title deeds.
- No supporting documentation for the decrease in hectares.

Matters reported in current and previous year(s)

- Due to the impracticality of instituting controls, completeness of royalty income could not be determined.
- Completeness of permission to occupy income could not be determined.

Matters emphasised

Matters reported for the first time

- Change in accounting policy with regard to valuation of land, resulting in a departure from prescribed accounting practice.
- Due to lack of monitoring performance against predetermined objectives the performance information was not submitted for auditing.
- No supply chain management system developed.
- No materiality and significance framework.
- No documented policies and procedures to ensure that the correct processes are followed for activities performed in all cycles.
- No fraud prevention plan.
- Related parties were not identified and recorded.
- No risk management policy.
- Leave records were not updated regularly or signed as having been reviewed.

Matters reported in current and previous year(s)

- No provision made for potential liability with regard to property rate arrears.
- The arrears claimed by eThekweni Municipality remained unchanged from prior year, amounting to R25 million.
- No segregation of duties in the accounting function.

**A U D I T O R - G E N E R A L****Public entity: Land and Agricultural Development Bank of South Africa****Qualified audit opinion**

Matters reported in current and previous year(s)

- Due to system shortcomings and data unavailability, the comparative figures of impairment of loans and interest income on the impairment of loans could not be verified as this was not in line with the required accounting basis.

Matters emphasised

Matters reported in current and previous year(s)

- Deficiencies in the bank loan module as well as certain inadequacies in either logical or manual mitigating controls.

Public entity: National Agricultural Marketing Council**Matters emphasised**

Matters reported for the first time

- No formal framework for supply chain management has been implemented.
- Purchases amounting to R0,8 million were only authorised after year-end.
- No written price quotations for expenditure amounting to R0,7 million.
- Material inconsistencies identified between the measurable objectives stated in the budget, strategic plan, business plan and annual report.
- Uncertainty with regard to the recoverability of receivables amounting to R0,8 million.
- Irregular expenditure in respect of finance leases.

Other entity: Agricultural Debt Account (administered by the Department of Agriculture)**Disclaimer of audit opinion**

Matter reported for the first time

- A lack of necessary expertise, proper accounting and data management systems resulted in non-compliance in terms of fair disclosure of debtors and the calculation of interest. Various balances in the financial statements were affected.



AUDITOR - GENERAL

Other entity: Dried Fruit Technical Services Statutory Levy**Matters emphasised**

Matters reported in current and previous year(s)

- Due to lack of controls, completeness of levy income could not be verified.
- Levies were not accounted for separately from other funds, as required.

Other entity: Potato Levies**Qualified audit opinion**

Matter reported for the first time

- Due to lack of controls over cash collections, completeness of income could not be verified.

Matters emphasised

Matter reported for the first time

- Non-compliance with the guidelines relating to funds spent.

Other entity: Registration of Deeds Trading Account**Qualified audit opinion**

Matter reported for the first time

- Useful life and residual values of property, plant and equipment were not review as required.

Matters emphasised

Matters reported for the first time

- Assets under finance lease contracts were not accounted for and disclosed as required.
 - No complete list for lease contracts.
 - No reconciliation between the revenue subsystem and the financial accounting system.
 - Inadequate segregation of duties regarding accounting functions.
 - Accounts payable, receivable and bank reconciliations were not adequately performed.
- o Weaknesses in the database environment of the Deeds Registration Systems (DRS)
- No formally documented user account management and updated program change control procedures.
 - Activities of database administrators were not regularly reviewed or monitored.
 - No formal service level agreement between the Department of Land Affairs and State Information Technology Agency.



AUDITOR - GENERAL

- The use of the emergency account was not monitored on a regular basis.
- No controls to prevent unauthorised changes to programs.
- Programmer had access to bypass security restriction and had access to the production environment.

Other entity: Winter Cereal Levies

Qualified audit opinion

Matter reported for the first time

- Prior-year retained fund balances were incorrectly brought forward to the current year.

Matters emphasised

Matter reported for the first time

- Due to lack of detailed information available, completeness of actual level of levy revenue could not be verified.

Portfolio: Minister of Arts and Culture

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Department								
Department of Arts and Culture		Emphasis of of matter	<i>Emphasis of of matter</i>	1 108,9	13,7	84,7	1 101,6	1 095,0
Constitutional institutions								
Pan South African Language Board		Qualified Emphasis of matter	<i>Emphasis of matter</i>		5,1	8,0	29,1	29,9
Public entities								
Afrikaanse Taalmuseum, Paarl		Qualified Emphasis of matter	<i>Qualified</i>		2,3	2,3	2,5	2,3
Artscape		Clean report	<i>Emphasis of matter</i>		12,4	12,6	38,0	43,7
Freedom Park Trust		Emphasis of matter	<i>Emphasis of matter</i>		226,2	201,8	45,8	46,7
Iziko Museums of Cape Town		Clean report	<i>Emphasis of matter</i>		25,9	24,3	43,6	43,4
Luthuli Museum	Note 5	Audit not finalised	<i>Audit not finalised</i>					



AUDITOR - GENERAL

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)
Market Theatre Foundation		Clean report	Clean report		16,0	16,2	25,9	22,8
Natal Museum, Pietermaritzburg		Emphasis of matter	Qualified Emphasis of matter		6,1	5,1	9,2	7,5
National Arts Council of South Africa (NAC)		Qualified Emphasis of matter	Qualified Emphasis of matter		55,3	48,5	54,5	58,1
National Film and Video Foundation		Clean report	Emphasis of matter		14,4	19,2	30,1	39,4
National Heritage Council		Emphasis of matter	Emphasis of matter		10,7	8,5	16,3	10,4
National Library of South Africa		Emphasis of matter	Qualified Emphasis of matter		13,7	13,1	49,2	27,5
National Museum, Bloemfontein		Emphasis of matter	Emphasis of matter		5,9	5,3	19,6	18,1
Nelson Mandela Museum, Umtata		Qualified Emphasis of matter	Clean report		0	6,6	0	5,1
Northern Flagship Institution		Qualified Emphasis of matter	Qualified Emphasis of matter		20,4	20,5	50,5	36,7
Performing Arts Council of Free State		Emphasis of matter	Emphasis of matter		21,9	17,2	32,1	41,1
Robben Island Museum, Cape Town		Qualified Emphasis of matter	Emphasis of matter		88,3	53,1	73,3	56,2
South African Heritage Resources Agency		Emphasis of matter	Qualified Emphasis of matter		96,7	52,2	32,8	26,5
South African Library for the Blind, Grahamstown		Emphasis of matter	Emphasis of matter		-	2,8	-	6,7
State Theatre, Pretoria	Note 1		Emphasis of matter		-	64,3	-	52,4
The National English Literary Museum		Qualified Emphasis of matter	Emphasis of matter		3,0	3,0	4,1	3,4
The Playhouse Company, Durban		Qualified Emphasis of matter	Emphasis of matter		38,5	44,5	44,6	31,2
The Renaissance Theatre	Note 2		Emphasis of matter		-	63,9	-	52,6
The South African State Theatre	Note 2	Emphasis of matter			58,4	-	46,6	-
Voortrekker and Ncome Museums		Emphasis of matter	Emphasis of matter		4,7	3,2	6,2	5,4



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

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
				2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)
War Museum of the Boer Republics, Bloemfontein		Emphasis of matter	Emphasis of matter		3,2	2,8	3,9	4,6
William Humphreys Art Gallery		Emphasis of matter	Emphasis of matter		4,5	3,6	2,9	2,9
Windybrow Theatre		Emphasis of matter	Qualified Emphasis of matter		4,9	5,8	4,5	4,2
Other entities								
Engelenburg House Art Collection, Pretoria		No information available	Clean report		-	0,1	-	0,1

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
				2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)
Other entities								
Blind South Africa	Note 4	Clean report	Qualified		2,3	2,4	8,6	6,7
Business Arts of South Africa, Johannesburg	Note 3	Clean report	Clean report		3,8	3,4	5,6	5,0

Note 1: The State Theatre ceased trading as at 31 March 2005.

Note 2: The Renaissance Theatre changed its name to the South African State Theatre on 1 April 2005.

Note 3: Entity was de-listed on 1 April 2005.

Note 4: The South African Blind Workers' Organisation, Johannesburg has changed its name to Blind South Africa. The entity was de-listed as a public entity on 1 April 2006.

Note 5: Entity listed 1 March 2004.

Department: Arts and Culture

Matters emphasised

Matters reported for the first time

- o The following weaknesses were identified for assets including artworks:
 - Incomplete/inaccurate recoding of the location of assets in the asset register.
 - Assets purchased not included in the asset register.
 - Incorrect capturing in the asset register.



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

- Assets physically identified cannot be located in the asset register.
 - Asset management policy does not deal with control over assets.
- o Due to lack of monitoring controls, the following discrepancies were found with regard to supply chain management:
- Required number of quotations not obtained.
 - Due to the absence of a formal agreement with a service provider and lack of a proper procurement process, irregular expenditure amounting R3,4 million was incurred.
 - No evidence of monitoring and evaluating of contracts.
- Inadequate policy and procedure framework regarding performance information.
 - Quarterly report for the last quarter on performance was not submitted as required.

Matter reported in current and previous year(s)

- Incorrect descriptions/barcodes included in the asset register.

Constitutional institution: Pan South African Language Board

Qualified audit opinion

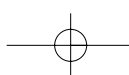
Matters reported for the first time

- o Weaknesses in asset management included:
- Incorrect asset descriptions included in the asset register.
 - Incomplete and inaccurate asset locations in the asset register.
 - Assets purchased were not recorded in the asset register.
 - Not all assets included in the asset register.
 - Residual values and useful life of assets were not reviewed at year-end.

Matters emphasised

Matters reported for the first time

- No chief financial officer has been appointed.
 - No job descriptions on employee files.
- o Due to lack of segregation of duties, the assistant director of finance is responsible for:
- Creating beneficiaries and processing payments.
 - Receiving money owed, recording on the system and depositing in the bank.
 - Identifying surplus funds, requesting the fund to be invested, and recording the invested amounts in the system.
- No bank reconciliations performed for call and investment accounts.
 - Audit committee charter is in draft.



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

- No supply chain management unit or implementation plan.
- Journals were not numbered and there were no supporting documents for journals. Correcting journals were not authorised.
- Due to lack of a policy and procedure framework for management processes, information on the performance against predetermined objectives was not submitted for audit and no performance information was reported on in the annual report.

Matter reported in current and previous year(s)

- Policies and procedures are not developed, updated or approved regularly.

Public entity: Afrikaanse Taalmuseum

Qualified audit opinion

Matter reported for the first time

- Completeness of income could not be verified.

Matters emphasised

Matters reported for the first time

- No related-party relationship disclosed.
- Inadequate materiality and significance framework.
- The objectives for performance information as per strategic plan were not adequately documented in the annual report.

Public entity: Freedom Park Trust

Matters emphasised

Matters reported for the first time

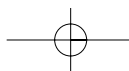
- Policies and procedures were not developed, updated or approved regularly.
- No risk management policy.
- No internal audit work was performed.

Public entity: Natal Museum, Pietermaritzburg

Matters emphasised

Matters reported for the first time

- No inventory/records maintained for exhibits and collections.
- Unfunded deficit for pension funds as disclosed.
- Internal audit was not functional.
- Performance measures in the strategic plan were general and not specific.





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

Matters reported in current and previous year(s)

- No set of regulations prescribing how matters of a financial nature should be addressed.
- o Internal control weaknesses included:
 - No segregation of duties, especially regarding authorisation, recording and reconciliation of payroll.
 - Chief administration officer is responsible for opening the mail and receipting all cheques received, safeguarding cash, preparing deposit slips and depositing cash, without supervision or reviews.
 - Monthly reconciliations not reviewed by a senior official.
 - Supporting documentation was not cancelled once paid.

Public entity: National Arts Council of South Africa (NAC)

Qualified audit opinion

Matters reported for the first time

- Funds allocated differed from what was approved by the members of the Council.
- Journals amounting to R1,3 million were passed to write off non-recoverable debit balances to the income statements.

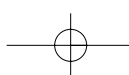
Matters reported in current and previous year(s)

- No executive committee or board existed to direct the Council.
- Significant vacancy rate of 57%.

Matters emphasised

Matters reported for the first time

- o The internal audit unit did not have the following approved documents:
 - Internal audit charter
 - Three-year strategic plan
 - Annual audit plan
- No approved risk management policy.
- No disclosure of strategic objectives in the annual report.
- No requisition forms could be provided to ensure that funds were available and approval was obtained to procure goods and services.
- No completed order forms could be provided.
- Lack of evidence that required number of quotations were requested.
- Inadequate segregation of duties regarding the preparation and approval of journals.
- No adequate supporting documents for journals.



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

- o Weaknesses in the grant system included:
 - No approval for funding of grants processed. No follow-ups for amounts not claimed.
 - Money was allocated to projects that were not approved.
 - Signed agreements did not agree with the approved amounts.
 - Conditions for approval of funds were not always stipulated.
 - Due to lack of time frames specified for Bursary, Project of Company Funding agreements, the funds could not be fully utilised.
 - Not all funding agreements were signed by both parties.
 - Money received and paid on behalf of the Department of Arts and Culture was not subject to the policies and procedures for funds awarded and monitored by the NAC.
 - Information on the performance against predetermined objectives was not submitted for audit.

Matters reported in current and previous year(s)

- No audit committee was established.
- No risk assessment was performed.
- No approved fraud prevention plan.
- No approved materiality and significance framework.
- Inadequate segregation of duties regarding the banking of cheques and the initiation and approval of expenditure incurred.
- Due to lack of policy and procedure framework, applicants who previously received funding were not identified. No action was taken to recover money paid to these applicants.
- No approval from the National Treasury and the Minister to retain surplus funds amounting to R5,2 million.
- No strategic plan for 2005-06 as required.

Public entity: National Heritage Council

Matters emphasised

Matters reported for the first time

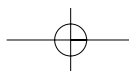
- Due to lack of reconciliations performed there were inconsistencies in leave balances. Consequently, the leave provision is misstated.
- Policies and procedures were not developed, updated or approved regularly.
- Journals processed did not have documentation and were not authorised by a senior official.

Public entity: National Library of South Africa

Matters emphasised

Matters reported for the first time

- No funds to match the liability relating to post-retirement medical aid benefits.
- Due to lack of a policy framework, the disclosure requirements of defined benefit obligation were not met.





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

- No policy framework and process to finalise performance information for audit purposes.
- Inadequate internal audit function.
- Due to lack of a proper policy governing the preservation of book collections, books are in a poor condition and kept in inadequate storage facilities.

Matters reported in current and previous year(s)

- The accounting policy addressing the classification, disclosure and valuation of book collections has not been approved and also entails a lengthy and expensive process requiring the work of an expert.

Public entity: National Museum Bloemfontein

Matters emphasised

Matters reported for the first time

- Due to the restatement of retirement benefits, the total liabilities exceed total assets and there is an operating loss.
- Weaknesses in the information technology environments included:
 - Contracts relating to information technology had not been prepared and concluded as required.
- No residual values were determined and recorded in the asset register.
- The useful life of assets had not been reviewed.
- No approval of strategic plan.
- No approved materiality and significance framework.
- No approved fraud prevention plan.
- Tariffs charged are not reviewed annually as required.
- Not all predetermined objectives in the strategic plan were measurable and have been reported on.

Matters reported in current and previous year(s)

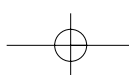
- Weaknesses in the information technology environments included inadequate password controls.

Public entity: Nelson Mandela National Museum

Qualified audit opinion

Matters reported for the first time

- Irregular expenditure due to expired contract.
- Competitive bidding process was not followed for expenditure, as required.
- Research costs were incorrectly capitalised for intangible assets.



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

Matters emphasised

Matters reported for the first time

- Due to a lack of proper monitoring and independent checks by management, the required accounting framework was not complied with, resulting in material changes made to the financial statements.
- Due to a lack of monitoring, no annual stocktake was performed.
- Due to lack of a policy and procedure framework for the preparation and report performance information reported, performance against planned time frames and the budget could not be verified.
- Due to a lack of policy on staff advances for business trips, repayments on unused staff advances are not always monitored, resulting in a delay in the repayment.
- No service level agreement for internal audit.
- No employment contract with the chief executive officer and the chief financial officer.
- Due to a lack of proper monitoring, three quotations were not invited for all qualifying expenditure without approval or ratification by the accounting authority.
- Due to lack of monitoring by the audit committee, the internal audit function was not effective for the financial year.
- Due to a lack of monitoring, specific functions of the audit committee as per charter were not performed.

Public entity: Northern Flagship Institution, Pretoria

Qualified audit opinion

Matter reported for the first time

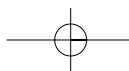
- Due to a systems error in the calculation of leave days utilised, the provision for leave could not be verified.

Matters emphasised

Matters reported for the first time

- No funds to match the liability relating to post-retirement medical aid benefits.
- No prior year errors relating to post-retirement medical aid benefits were disclosed in the financial statements as required.
- Due to lack of policy framework:
 - Policies and procedures are not developed, updated or approved regularly.
 - No review of the residual values and useful life of assets.
 - Inadequate disclosure of finance leases.
 - Risk management policy was not approved.
 - Policy relating to national heritage collections was not approved.
 - Information on the performance against predetermined objectives was not finalised and submitted for audit.

Public entity: Performing Arts Centre of the Free State (PACOFS)





AUDITOR - GENERAL

Matters emphasised

Matters reported for the first time

- Inaccurate inventory lists
- Long-outstanding receivables
- No documented policies and procedures for the following areas:
 - Income and receivables
 - Expenditure and accounts payable
- Due to lack of controls to ensure compliance with policies and procedures, various instances of non-compliance with the prescribed accounting framework were identified.
- No human resource plan.
- Amendments were made to the financial statements after submission.

Public entity: Robben Island Museum, Cape Town

Qualified audit opinion

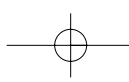
Matters reported for the first time

- Due to an inadequate policy framework, no supporting documents for journals.
- No disclosure of finance leases, as required.
- Ineffective project management controls over grant income received for a special project.

Matters emphasised

Matters reported for the first time

- Various instances of non-compliance with the prescribed accounting framework relating to accounting policies, terminology changes and the cash flow statement.
- Due to lack of procedures for cash management, inadequate interest income was earned on excess funds.
- Due to an inadequate policy framework or inconsistent monitoring controls, weaknesses included the following:
 - Residual values and useful life of assets were not reviewed at year-end.
 - Impairments of assets were not considered.
 - No weekly bank reconciliations were performed.
 - Inadequate revenue collection procedures.
 - Insufficient number of quotes obtained in terms of the supply chain management policy.
- Ineffective internal audit.



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

- National heritage collections were not recorded on the asset register and the catalogues are incomplete.

Matter reported in current and previous year(s)

- Material adjustments were made to the financial statements after submission for audit.

Public entity: South African Heritage Resources Agency (SAHRA)

Matters emphasised

Matter reported for the first time

- Not all predetermined objectives in the strategic plan were reported on in the annual report.

Public entity: South African Library for the Blind

Matters emphasised

Matter reported in current and previous year(s)

- Material adjustments were made to the financial statements, after which they were resubmitted for audit.

Public entity: The National English Literary Museum

Qualified audit opinion

Matters reported for the first time

- Completeness of donation income could not be verified.
- Inventory could not be verified.

Matters emphasised

Matter reported for the first time

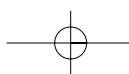
- Material adjustments were made to the financial statements, after which they were resubmitted for audit.

Public entity: The Playhouse Company Durban

Qualified audit opinion

Matters reported for the first time

- Capital expenditure and internal refurbishment were not always capitalised as required.
- Incorrect accounting for deferred income amounting to R12,2 million.





AUDITOR - GENERAL

Matters reported in current and previous year(s)

- o Weaknesses relating to asset management included the following:
 - No complete and updated asset register, and asset codes in the register did not correspond with the codes on the physical assets.
 - Difference between additions disclosed in the financial statements and those reflected in the asset register.
 - No assessment of impairment of assets.
 - No assessment of residual values and depreciation.

Matters emphasised

Matters reported for the first time

- No approved fraud prevention plan.
- Ineffective functioning of audit committee.
- No internal audit was performed.
- Irregular expenditure as disclosed in the financial statements.

Matters reported in current and previous year(s)

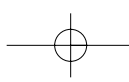
- No risk assessment was conducted.
- Supply chain management plan has not been implemented.
- o Due to a lack of policies and procedures and the fact that key positions were not filled, key internal controls relating to the following were inadequate:
 - Property, plant and equipment
 - Cash and cash equivalent
 - Debtors
 - Salaries and wages

Public entity: The South African State Theatre

Matters emphasised

Matter reported for the first time

- Due to lack of control over parking income, completeness could not be verified.



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

Public entity: War Museum of the Boer Republics, Bloemfontein

Matters emphasised

Matters reported for the first time

- No formally documented procedures on receiving, recording and administration of inventory.
- No formally documented procedures on dismissal and resignation of staff.
- Parts of property, plant and equipment that need to be depreciated separately were not identified.
- No review of residual values and useful life of fixed assets was performed.
- Non-compliance relating to finance lease.

Public entity: William Humphreys Art Gallery

Matters emphasised

Matter reported for the first time

- Due to a lack of appropriately documented and/or approved delegations of authority, policies and procedures, journals were not reviewed and approved.

Public entity: Windybrow Theatre

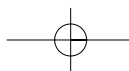
Matters emphasised

Matters reported for the first time

- Due to a lack of documented and approved policy and procedure framework, as well as significant capacity problems, weaknesses included the following:
 - Strategic plan was not approved.
 - Person responsible for implementing supply chain management has not been trained or deployed.
- Only three council members instead of the required minimum of seven.
- Residual values and useful life of assets were not reviewed as required.
- Journals are not numbered, authorised by a senior official or supported by documentation.

Matters reported in current and previous year(s)

- Due to lack of a documented and approved policy and procedure framework, as well as significant capacity problems, no risk management strategy was developed as required.
- Due to lack of a proper policy and procedure framework to manage the process of finalising performance information, no disclosure was made in the annual report as required.



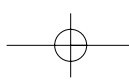


AUDITOR - GENERAL

Portfolio: Minister of Communications

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Department								
Communications		Emphasis of matter	Emphasis of matter	1 031,7	2 309,0	2 333,1	1 030,2	1 651,0
Constitutional institutions								
Independent Communications Authority of South Africa		Qualified Emphasis of matter	Emphasis of matter		116,5	122,9	178,6	153,3
Public entities								
National Electronic Media Institute of South Africa		Qualified Emphasis of matter	Emphasis of matter		39,4	21,1	25,0	23,5
Universal Service Agency		Emphasis of matter	Emphasis of matter		1,0	1,4	17,8	18,3
Universal Service Fund		Emphasis of matter	Emphasis of matter		27,2	62,7	70,8	57,9

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Public entities								
South African Broadcasting Corporation Limited		Information not available	Emphasis of matter		-	2 628,9	-	3 146,8
SA Post Office Limited		Clean report	Clean report		5 621,5	4 850,0	3 948,8	3 380,0
Sentech		Emphasis of matter	Emphasis of matter		833,0	1 018,4	731,5	687,0
Telkom South Africa Limited		Information not available	Clean report		-	57 583,0	-	32 175,0



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

Department: Communications

Matters emphasised

Matters reported for the first time

- Ineffective audit committee as two of the three members had resigned and were not replaced. Only one properly constituted meeting was held.
- No approval for writing off debt amounting to R3,7 million for the Capital Radio Station closing-down and operational expenses.

Matter reported in current and previous year(s)

- Internal audit did not complete the work in the audit plan.

Constitutional institution: Independent Communications Authority of South Africa (ICASA)

Qualified audit opinion

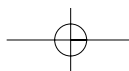
Matters reported for the first time

- Deficit reported for operations amounted to R33,9 million and net deficit amounted to R5,9.
- Funds earmarked for capital projects amounting to R10,2 million were utilised to defray operating expenditure.
- The rollover of unspent funds was not authorised by the National Treasury.
- Irregularities in the procurement and tender processes included the following:
 - Bid specifications were not always approved by the bid committee.
 - Contract was awarded to a company which was not fully accredited to render the services.
 - Contracts were not always awarded timeously.
 - Contract was awarded without proper documentation to support the decision; the contract was not signed, and the service level agreement was not agreed to.
 - A contract was awarded contrary to the bid committee recommendations.
 - The bid committee did not always document the evaluation process in recommending the awarding of contracts.
 - The required quotations to procure goods and services were not always obtained.
- Senior management positions in Information Technology and Human Resources were vacant and consultants were utilised extensively to make up for the high vacancy rates.
- Due to inadequate training of staff on the general ledger system, journals were passed to correct errors.

Matters emphasised

Matters reported for the first time

- Fruitless, wasteful and irregular expenditure amounting to R6,8 million.
- The individual performance evaluation system was not properly implemented and resulted in performance bonuses being paid in equal proportions amounting to R2,4 million.





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

- The budget for employee costs was exceeded mainly due to long service awards amounting to R2,1 million and leave paid out amounting to R2 million.
- Due to a lack of reconciliation between the fixed asset register and the general ledger, weaknesses included the following:
 - Differences between the register and the general ledger.
 - Assets had no cost but were depreciated, resulting in negative carrying values.
 - Assets were not recorded in the register.
 - Assets disposed of were not removed from the register.
- Cash balance was not paid over to the National Revenue Fund as required. The source of the amount could not be ascertained due to incomplete records.
- No approved policies and procedures for administered revenue.
- Information on performance against predetermined objectives was not submitted for audit.

Matters reported in current and previous year(s)

- Payment of insurance premium amounting to R1 million was not approved.
- Asset figures for insurance purposes exceeded the value in the asset register.
- Due to a lack of integration between the licence accounting system and the general ledger there were problems relating to the collection of revenue.
- Audit recommendations relating to change control, password and logical access controls on the operating system and user account management were not implemented.

Public entity: National Electronic Media Institute of South Africa

Qualified audit opinion

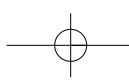
Matter reported for the first time

- Due to lack of a policy framework, the entity did not disclose finance leases as required.

Matters emphasised

Matters reported for the first time

- Due to a lack of monitoring, instances of non-compliance included:
 - Non-compliance with the prescribed accounting framework.
 - Non-adherence to the requirements of supply chain management.
- Due to inadequate policies and procedures, instances of non-compliance included the following:
 - Property, plant and equipment were not depreciated.
 - Future lease commitments do not include finance lease commitments.
 - No disclosure made for the movement of provisions.



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

- Long-outstanding debtors were not discounted to present value.
 - Non-disclosure of financial instruments.
 - Non-disclosure of related parties and related-party transactions.
 - The strategic/corporate plan was not approved and implemented.
 - No human resource management plan in place.
- No adequate policy and procedure framework to manage the process to finalise performance information for audit purposes.

Public entity: Universal Service Agency (USA)

Matters emphasised

Matters reported for the first time

- Lack of policies and procedures for processing, reporting and responsibilities relating to accounting personnel.
- Reconciliations were not performed for accounts payable.
- Certain expenses were paid without supporting documentation, while certain payments were duplicated.
- Tender levy income was not reconciled to the register of tenders received.
- No information system backup and disaster recovery plan.
- No investment and cash management policies.
- Material audit adjustments were made to the financial statements submitted.

Matter reported in current and previous year(s)

- No approved risk management and fraud prevention policies.

Public entity: Universal Service Fund (USF)

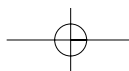
Matters emphasised

Matters reported for the first time

- Lack of policies and procedures for processing, reporting and responsibilities relating to accounting personnel.
- Lack of policies and procedures for the identification of and provision for bad debts.
- Reconciliations were not performed for accounts payable.
- Certain expenses were paid without supporting documentation.
- Prepayments were made to suppliers which could not render the service contracted for.
- No information system backup and disaster recovery plan.

Matters reported in current and previous year(s)

- No approved risk management and fraud prevention policies.
- No investment and cash management policies.





AUDITOR - GENERAL

Portfolio: Minister of Correctional Services

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Public entities								
Correctional Services		Qualified Emphasis of matter	Qualified Emphasis of matter	9 324,2	114,6	237,6	9 069,0	8 331,0

Department: Correctional Services

Qualified audit opinion

Matters reported for the first time

- Disagreement relating to an amount of R195 million which is currently disclosed as operating lease. In terms of the stipulations in the contract it meets the criteria of a finance lease agreement as defined.
- Due to lack of a management framework for monitoring and reconciliations relating to housing loans, guarantees amounting to R73,6 million could not be verified. Weaknesses included the following:
 - Guarantees still appeared on payroll system even though the housing loan accounts at the financial institutions had been closed.
 - Included in the total of 4 164 guarantees outstanding as at 31 March 2006, are 1 002 guarantees approved prior to 1995. Given the period of redemption and the increase in the value of the property, the guarantees should have been redeemed. However, they still appeared on the system, which indicated that the records were not updated.
 - Guarantees existed for employees who did not hold the title deeds to the properties for which guarantees had been issued.

Matters reported in current and previous year(s)

- Due to lack of a control framework to monitor activities, weaknesses relating the follow-up of debt included the following:
 - Monthly statements were not issued to staff debtors.
 - Debtors were not raised at year-end on the financial system (BAS).
 - No reconciliations were performed between the salary and the financial systems in respect of officials' salaries for debts owing.
 - Debtors with credit balances were not followed up on a regular basis.
 - Debt files could not in all instances be provided for audit purposes.
 - Debt was not recovered when service was terminated.
 - Debt was not recovered from current staff debtors.



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

- o Due to inadequate maintenance and updating of the fixed asset register:
 - Three (3) different computer programs were used for the management of inventory and fixed assets. No reconciliation was performed between the three systems.
 - Assets purchased and captured on the financial system were not recorded on the inventory and asset management system.
 - No fixed asset register was maintained for intangible assets.
 - Not all assets had been bar-coded and recorded in the fixed asset register.

- o Due to lack of a proper management framework, monitoring and reconciliation for the verification of medical aid expenditure prior to payment, the weaknesses relating to medical expenditure included the following:
 - Life certificates were not completed for continuation members on an annual basis to confirm the existence of the continuation members and their dependants. Expenses amounting to approximately R143 million could not be verified.
 - Incorrectly calculated employee/employer contributions.
 - No identity numbers for the members and dependants to confirm their existence.
 - No procedure manual in respect of the management of the medical aid.
 - Validity/completeness checks could not be done for medical aids due to a lack of information.
 - The department did not perform certification/validity checks relating to payments made to all medical aids.

Matters emphasised

Matters reported for the first time

- Due to a lack of monitoring controls and incorrect leave credits on the payroll system, the leave entitlement and the capped leave commitments amounting to R700,7 million were misstated by an unknown amount.
- There is a 7% vacancy rate in the department.
- Due to lack of a proper management/control framework and monitoring, not all unpaid invoices received prior to year-end had been disclosed under accruals in the financial statements.

- o Due to the lack of a proper management control framework, monitoring and reconciliation, shortcomings with regard to subsistence and travelling (S&T) included the following:
 - S&T claims were not always submitted within seven days of returning from a trip.
 - S&T claims were not always processed within three days after receipt by the department.
 - Certain claims could not be submitted for auditing purposes and others were not fully completed.
 - Incorrect amounts were paid or claimed.
 - Some claims were not authorised or were authorised by the incorrect delegation level.

- Due to inadequate processes and poor project management, various financial policies were still in the process of being reviewed or in certain instances the required policies had not yet been compiled.
- Inhumane conditions for the detention of offenders as correctional centres remained overcrowded.



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

- o Due to a lack of independent review by management, shortage of staff and inadequate training, weaknesses in internal controls included the following:
 - Due to a lack of independent review by management, examination results were not submitted for study leave taken.
 - Due to a lack of independent review by management, unpaid leave was not deducted from employees' salaries.
 - Payrolls were not certified on the date of payment by the person in charge of the pay-points.
 - Certain performance agreements of senior management did not exist or were only signed after the required three (3) months subsequent to appointment.
 - Suspension registers were not maintained.
 - Standard danger allowances were paid whilst employees were on suspension.
 - Annual declarations confirming the occupation of dwellings had not been completed to ensure further payment of the allowance.
 - No proof of registered bonds was on the personnel/housing files.
 - Monthly reconciliations between the payroll (Persal) and financial system (BAS) were not done, resulting in a control account balance of R0,8 million at year-end.
 - No supporting documentation was attached to journals when processing and therefore the validity of some journals could not be verified.
 - Minutes were not kept of monthly finance meetings.
 - Input documents, motivations and calculations regarding estimates submitted by cost centre managers were not available for audit purposes.

Matters reported in current and previous year(s)

- o Due to a lack of independent review by management, shortage of staff and inadequate training, weaknesses in internal controls included the following:
 - Due to a lack of independent review by management there were differences between the attendance register, leave register, leave form and the payroll system.
 - Losses were not always properly recorded and followed up. The loss register was not updated and reviewed in good time.
 - Invoices were not always duly certified and/or paid within the prescribed 30 days. Supporting documentation was not made available.
- o Due to lack of a proper management/control framework, monitoring and reconciliations, weaknesses relating to pharmacies included the following:
 - Insufficient stock control as a result of an ongoing computer system error resulted in differences between stock on hand and stock per the computer system.
 - Stock counts were not performed at regular intervals.
- o Due to lack of a proper management/control framework, monitoring and reconciliation, weaknesses relating to vehicle fleet management included the following:



AUDITOR - GENERAL

- Trip sheets and fuel slips were not filed or maintained.
 - Logbooks and trip sheets did not correspond.
 - Fleet management report discrepancies were not followed up.
 - No reconciliations were performed between logbooks, fuel purchases and fleet management reports.
 - Lack of control in the administration of accident and tyre registers. These registers were not reviewed on a regular basis and were incomplete.
- o Control weaknesses in the general control environment could be attributed to inadequately documented user management procedures and insufficient resource provision to ensure effective monitoring of the information systems environment, and included control weaknesses relating to:
- Security administration.
 - Segregation of duties and physical security.

Portfolio: Minister of Defence

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Department								
Defence		Qualified Emphasis of matter	Qualified Emphasis of matter	22 670,5	808,2	763,3	22 692,4	19 410,8
Public entities								
Armaments Corporation of South Africa Limited (ARMSCOR)		Emphasis of of matter	Clean report		613,8	600,1	1 078,1	1 090,1
Castle Control Board		Emphasis of matter	Qualified Emphasis of matter		4,5	3,6	1,0	1,6
Other entity								
South African National Defence Force Fund		Clean report	Clean report		8,2	7,7	0,01	0,01
Special Defence Account		Emphasis of matter	Emphasis of matter		3 818,5	2 257,6	7 870,0	6 829,3

Department: Defence (DOD)

Qualified audit opinion

Matters reported for the first time

- Due to system deficiency, travelling and subsistence claims could not be verified to documentation.



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

- o Due to a lack of independent reconciliations and review for housing loan guarantees, the following weaknesses were noted:
 - Guarantees which were cancelled / closed / released or did not exist still appear on the payroll system.
 - Guarantees on the payroll system differ from the balance according to the financial institution.
 - Guarantees in respect of non-existing institutions are disclosed in the financial statements.
 - Guarantees exceed the approved maximum loan amount.
 - Not all files requested were submitted.
 - Guarantees were issued to employees who do not hold title deeds to properties.
 - Certain guarantee amounts did not correspond to the bond information obtained from the Deeds offices.
- Due to lack of adherence to the predetermined criteria, a certain portion of the salary costs associated with the rank review process becomes invalid and constitutes irregular expenditure.

Matters reported in current and previous year(s)

- Due to a lack of reconciliations and non-compliance with policies and procedures, completeness of revenue could not be verified.

Matters emphasised

Matters reported for the first time

- o Deviations from prescribed accounting framework approved by the National Treasury included the following:
 - Receivables for departmental revenue have been omitted from the disclosure notes.
 - No monitoring compliance with policies and procedures relating to stock and equipment.
 - Due to a lack of independent management reconciliation and review, the regional services council levy was understated by approximately R10 million.
 - Due to a lack of appropriate authorisations and insufficient independent reconciliation and review by management relating to land and buildings, as well as a lack of access and training, the facility register system was not fully utilised by the units.
- o Due to a lack of independent reconciliation and review, weaknesses in the internal control relating to salary payments included the following:
 - Some schedule name lists could not be submitted or were not signed by the responsible person.
 - No reconciliation between schedule name lists and attendance and leave registers.
 - No schedule name lists were requested by management from Persol for the purpose of certification, as prescribed.
- o No reliance could be placed on the audit work performed by the Inspector General (IG), due to the following factors:
 - Audits did not focus on the financial controls necessary to substantiate financial information as disclosed in the financial statements;
 - The IG has not undertaken the full scope of internal audit work as required.



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

- Due to a lack of independent management reconciliation and review regarding advances, weaknesses included files could not be submitted or were incomplete.
- Due to a lack of independent management reconciliation and review, information supporting the movement of recoverable revenue was not readily available.
- The completeness of intellectual property could not be confirmed due to the non-implementation of approved policies and procedures.

o Weaknesses in internal controls relating to leave administration system included the following:

- Leave printout forms are not attached to the application forms as proof of capturing.

Matters reported in current and previous year(s)

o Deviations from prescribed accounting framework approved by the National Treasury included the following:

- The physical asset movement schedule did not include the opening balance, additions, disposals and closing balance not paid for or for which an invoice had not been received at year-end.
- Software and other intangible asset movement schedules did not include the opening balance, additions, disposals and closing balance not paid for or for which an invoice had not been received at year-end.
- No comparative figures were disclosed for capital expenditure on machinery and equipment.

- No monitoring compliance with policies and procedures relating to stock and equipment.
- Stocktakes were either not performed or certificates could not be provided at all units.
- Discrepancy voucher relating to inventory had not been approved.

o Due to a lack of appropriate authorisations and insufficient independent reconciliation and review by management relating to land and buildings, weaknesses included the following:

- Given the uncertainty relating to the completeness and accuracy of the DOD's facility register (FR) system, no reconciliation with the asset register of the Department of Public Works could be performed.
- Unauthorised sub-leasing and rental of state property to private businesses occurred at some units.
- Buildings could not be physically inspected due to the fact that the precise location could not be determined.
- The schedule of unutilised space was not submitted to the facility and environmental maintenance manager on a monthly basis.
- No documentation for renovations/structural changes could be provided.
- Certain buildings that are currently occupied were in a very poor condition and in certain instances even declared not suitable for human habitation.

- Due to a lack of independent reconciliations, review and non-compliance with policies and procedures, completeness of gifts, donations and sponsorships made and received in kind could not be verified.
- Due to a lack of independent review, accruals disclosed were incomplete and therefore misstated.
- Due to insufficient reconciliation between the records of the department and the supplier, the completeness of operating lease commitments could not be verified.



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

- Due to a lack of record keeping as required by the policy and processes the completeness of local and foreign aid received in kind could not be confirmed.
- Weaknesses in the general controls relating to payroll, financial administration and inventory included the following:
 - No information system security steering committee.
 - No formal, updated and tested disaster recovery plan.
 - Programmers had access to modify data in the production environment and their activities were not reviewed by an independent person.
 - No formally documented user account management procedures were available for systems maintenance and support personnel;
 - No segregation of duties for critical functions such as database and operating system administration
 - Weaknesses in the security settings, i.e. users were not required to change their passwords regularly.
 - Inadequate physical access controls and fire-extinguishing measures at the Blenny and Loftus computer rooms.
- Weaknesses in internal controls relating to leave administration system included the following:
 - Leave application forms were not timeously captured electronically, not filed regularly and not approved;
 - Parade registers were not completed daily, nor approved and/or reconciled with the leave system;
 - Leave files and attendance registers could not be submitted for audit purposes;
 - Supporting documentation, such as medical certificates and leave cancellation requests, are not on members' files;
 - Leave registers were not kept as prescribed and the leave days did not agree to the Persol system.
- Due to lack of a properly documented and approved policy and procedure framework for asset management relating to foreign operations, weaknesses included the following:
 - No controls over the raising of demands (goods and services);
 - Insufficient segregation of duties at authorisation, checking and approval level with regard to transactions.
 - Registers for receipt and issue vouchers are not properly maintained;
 - Incomplete or inaccurate recording of inventory and equipment, mainly due to a backlog regarding issue and receipt vouchers;
 - Inventory and assets were sent to and from operations without formal supporting documentation, resulting in internal control weaknesses in the management of assets;
 - As a result of a lack of controls and proper documentation, certain inventory and assets were shipped to incorrect destinations or operations.
- Due to a lack of independent management reconciliation and review, weaknesses relating to irregularities and losses included the following:
 - Cases of loss and damages were not reported and followed up regularly or action was not taken to recover losses from members.



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

- Various files pertaining to losses could not be submitted for audit purposes.
 - Improper management of loss and damage registers as critical information was omitted.
- Deviations from prescribed accounting framework approved by National Treasury relating to accruals not including goods and services received where an invoice had not been received.
 - Due to a lack of management reconciliation and review, and because policies and procedures were not adequately applied/adhered to, weaknesses were identified with regard to the security and general administration of vehicles, weapons and ammunition.
- Due to a lack of independent management reconciliation and review, weaknesses and non-compliance with policies and procedures relating to inventories, machinery and equipment included the following:
 - Inadequate controls over the general administration of demands.
 - Deficient controls over the issue and receipt vouchers and the registers for receipt and issue vouchers.
 - Incomplete or inaccurate recording of inventory and equipment, resulting in discrepancies between physical stock on hand and the asset register.
 - Deficient storage facilities, with inventory and assets not being stored under prescribed and ideal conditions, resulting in material losses.
 - Handing-over and taking-over certificates were not always completed during shift changes.
 - Segregation of duties was compromised on a number of occasions.
 - The audit of the National Conventional Arms Control Committee revealed the following weaknesses:
 - No constitution or formally approved policy was in place.
 - The inspectorate function had not been established.
 - No evidence of action taken against the parties responsible for the initial sale of military small arms ammunition and/or of any other steps taken.

Public entity: Armaments Corporation of South Africa Limited (ARMSCOR)

Matters emphasised

Matters reported for the first time

- Although these practices are in place, the following policies and procedures were not approved:
 - Formal systems change control policy
 - Data backup and related disaster recovery policy
 - Logical access and security policy

Public entity: Castle Control Board

Matters emphasised

Matters reported for the first time



AUDITOR - GENERAL

- No chief executive director as required.
- No supply chain management policy.
- No human resource plan.

Matters reported in current and previous year(s)

- Inadequate recording of assets in the asset register.
- No physical stocktake was performed.
- No date on which the asset was purchased was included in the asset register.
- No audit committee existed.
- No internal audit existed.
- No vice-chairperson was appointed as required.
- No executive director was appointed as required.

Other entity: Special Defence Account

Matters emphasised

Matters reported in current and previous year(s)

- Due to a lack of a policy framework there is uncertainty as to the classification of the Special Defence Account
- Lack of policy framework for cash and bank management.
- Due to a lack of delegations, amendments to the supplier's master file were not properly authorised.

Education



AUDITOR-GENERAL

Portfolio: Minister of Education

Entities in portfolio audited by the Auditor-General									
Entities in portfolio	Comments	Audit opinion		Budgeted expenditure	R million			Total expenditure	
		2006 (current year)	2005 (previous year)		Assets			2006 (current year)	2005 (previous year)
					2006 (current year)	2006 (current year)	2005 (previous year)		
Department									
Education		Emphasis of matter	Emphasis of matter	12 613,2	240,6	251,0	12 498,7	11 445,2	
Public entities									
Council on Higher Education		Clean report	Clean report		24,9	18,0	27,6	23,2	
Education Labour Relations Council		Clean report	Clean report		26,4	34,0	22,1	18,1	
National Student Financial Aid Scheme		Emphasis of matter	Emphasis of matter		3 798,2	3 081,7	513,5	242,8	
South African Qualifications Authority		Emphasis of matter	Emphasis of matter		65,7	58,6	54,8	48,5	
Other entities									
Transformation Fund of the Education and Labour Relations Council		Clean report	Clean report		18,6	33,3	12,2	11,1	

Entities in portfolio not audited by the Auditor-General									
Entities in portfolio	Comments	Audit opinion		Budgeted expenditure	R million			Total expenditure	
		2006 (current year)	2005 (previous year)		Assets			2006 (current year)	2005 (previous year)
					2006 (current year)	2006 (current year)	2005 (previous year)		
Public entities									
South African Council for Educators		Emphasis of matter	Emphasis of matter		7,0	6,9	11,5	10,2	
Umalusi (General and Further Education and Training Quality Assurance Council)		Clean Report	Clean Report		25,7	19,0	21,3	18,4	



AUDITOR - GENERAL

Department: Education**Matters emphasised**

Matters reported in current and previous year(s)

- The framework to monitor conditional grants for the provinces was not complied with in a timely manner.
- Shortcomings relating to the asset register included the following:
 - Financial information was inconsistently valued.
 - Intangible assets were not included.
 - Certain capitalised assets were not included
 - Certain capital assets have been misallocated to repairs and maintenance.
 - Certain assets disposed of have not been removed from the register.

Public entity: National Student Financial Aid Scheme**Matters emphasised**

Matter reported for the first time

- Key performance measures and indicators were not included in the strategic plan and no performance targets were included in the annual report.

Public entity: South African Qualifications Authority**Matters emphasised**

Matters reported for the first time

- The system of controls over the recording of, reporting on and monitoring of projects was not consistently applied, resulting in differences between allocation of expenses and revenues.



AUDITOR - GENERAL

Portfolio: Minister of Environmental Affairs and Tourism

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Department								
Environmental Affairs and Tourism		Emphasis of matter	<i>Emphasis of matter</i>	1 753,3	9,8	21,3	1 779,8	1 678,4
Public entities								
Greater St Lucia Wetland Park Authority		Clean report	<i>Clean report</i>		228,2	202,0	36,8	29,4
Marine Living Resources Fund		Disclaimer Emphasis of matter	<i>Disclaimer Emphasis of matter</i>		550,0	599,6	289,4	277,3
South African National Biodiversity Institute		Clean report	<i>Emphasis of matter</i>		219,3	187,8	110,3	85,2
South African National Parks		Emphasis of matter	<i>Emphasis of matter</i>		1 107,0	1 077,8	746,5	612,7
South African Tourism Board		Clean report	<i>Clean report</i>		125,9	92,2	465,6	451,9
South African Weather Service		Emphasis of matter	<i>Emphasis of matter</i>		163,3	162,3	164,1	127,5

Department: Environmental Affairs and Tourism

Matters emphasised

Matters reported for the first time

- Transfer payments amounting to R81,6 million were incorrectly recorded as expenditure. Transfer payments were overspent without the necessary approval, which constitutes irregular expenditure.
- No additions and disposals were included in the fixed asset register.
- Due to a lack of formal arrangements to set uniform submission dates to receive plans from departments and provinces in terms of the National Environmental Management Act (NEMA), some of these plans were not submitted or were not submitted on time.
- No performance information was submitted for audit as required.
- The financial statements were resubmitted after significant amendments were effected.

Matters reported in current and previous year(s)

- No information technology strategic plan.



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

Public entity: Marine Living Resources Fund

Disclaimer of audit opinion

Matters reported for the first time

- Inadequate classification and depreciation of assets.
- No review was performed of the residual value and useful life of assets.
- Possible impairment of assets was not considered.
- Due to incorrect inclusion of opening balances in the asset register, the depreciation charges differed by R1,1 million from the ledger.
- No debtor system and procedures for levy debtors.
- Corrections were made based on the updated lists, but were limited to the pelagic sector. No corrections were made for the other sectors.
- Quota-holder debtors showed credit balances.
- Incorrect calculation for the accrual of levy debtors.
- Inadequate provision for bad debts.
- Incorrect accounting treatment and disclosure of prior year errors relating to debtors.
- Due to lack of a system for reconciliations between supplier accounts and statements, creditor statements amounting to R8,4 million could not be provided.
- Transaction amounting to R6,1 million was not included under either expenditure or creditors.
- Due to lack of a system for approval and review of journals, expenditure amounting to R28,6 million was incorrectly allocated.
- Due to lack of a system for approval and review of journals, incorrect entry of commission paid amounting to R6,4 million was not reversed.
- No supporting documents for contractual commitments amounting to R86,9 million.
- Confiscated inventory was incorrectly valued at zero.
- No employee tax was deducted for labour brokers as required.
- Incorrect basis used for the preparation of cash flow statement.

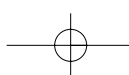
Matters reported in current and previous year(s)

- No debtor listings, sub-ledgers or age analysis for all debtors.
- Harbour fee invoices were not numbered.
- No authorisation for the write-off of harbour fees and levy debtors amounting to R10 million.
- Due to limitation of scope for the prior year, opening balances could not be confirmed.

Matters emphasised

Matters reported for the first time

- No report on the performance against predetermined objectives in the annual report.
- The budget was not submitted on time.
- No approval for the budget, as required, resulting in unauthorised capital expenditure.
- No risk management strategy including a fraud prevention plan.
- No disclosure of related-party transactions.
- Audit committee did not meet four times a year as required.

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

Matters reported in current and previous year(s)

- Due to a lack of adequately developed management policies and procedures or failure by relevant personnel to follow management policies and procedures, various weaknesses were identified.
- Possible fruitless and wasteful expenditure relating to non-performance by service provider amounting to R3,2 million.
- Due to contracts entered into on behalf of the fund by the department, the right of ownership for these assets could not be established.

Public entity: South African National Parks**Matters emphasised**

Matters reported for the first time

- Weaknesses relating to bank reconciliation processes and control accounts.
- Control accounts were not properly maintained.
- Inadequate controls regarding daily cash-ups.
- Inadequate control over fuel to ensure proper safeguarding of assets.
- No prior approval for entering into finance lease.

Matter reported in current and previous year(s)

- Security procedure and disaster recovery plan were not in place.

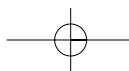
Public entity: South African Weather Service**Matters emphasised**

Matter reported for the first time

- Actual achievement of objectives could not be determined as desired levels of performance are not indicated and objectives are not always linked to specific time frames.

Matters reported in current and previous year(s)

- Title deeds of land were not transferred to the entity.
- Some policies and procedures have not been developed and implemented.





AUDITOR - GENERAL

Portfolio: Minister of Finance

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Department								
National Treasury		Emphasis of matter	Emphasis of matter	14 172,8	1 458,1	835,9	13 068,0	13 499,4
Statistics South Africa		Emphasis of matter	Emphasis of matter	717,4	164,8	176,6	628,0	355,3
Constitutional institutions								
Financial and Fiscal Commission		Clean report	Emphasis of matter		3,8	2,4	19,0	16,7
Public entities								
Financial Intelligence Centre		Emphasis of matter	Emphasis of matter		75,2	79,3	32,6	15,6
Financial Services Board		Clean report	Clean report		124,7	82,4	197,3	146,2
Public Investment Corporation Ltd		Clean report	Emphasis of matter		106,5	121,3	81,6	58,6
SA Revenue Service (Administered Revenue)	Note 1	Emphasis of matter	Emphasis of matter		1 128,7	333,2	0	0
SA Revenue Service (Own Account)		Clean report	Clean report		1 402,2	1 678,4	4 922,7	4 309,8
Other entities								
Project Development Facility		Clean report	Clean report		12,7	10,4	5,0	2,1
Pension Fund for Associated Institutions		Audit not finalised	Clean report		-	10 724,5	-	33,4
Reconstruction and Development Programme Fund		Qualified Emphasis of matter	Qualified Emphasis of matter		1 131,1	884,5	1 145,5	1 030,4
Special Pensions Board		Emphasis of matter	Emphasis of matter		0	0	8,8	6,3
Temporary Employees Pension Fund		Audit not finalised	Clean report		-	336,7	-	9,9
The Office of the Ombud for Financial Services Providers (FAIS Ombud)		Clean report	Clean report		1,1	0,9	9,4	5,3



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

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Public entities								
Accounting Standards Board		Clean report	Clean report		1,9	1,5	4,0	3,6
Development Bank of Southern Africa		Clean report	Clean report		26 479,7	24 718,3	696,4	691,0
Sasria		Clean report	Clean report		2 171,9	1 710,0	208,1	82,2
Other entities								
Development Bank South Africa Development Fund		Clean report	Clean report		335,2	301,3	139,0	87,9

Note 1: The expenditure values were not included as tax received and paid out for the whole government distorts these figures.

Department: National Treasury

Matters emphasised

Matter reported for the first time

- Transversal contracts entered into for the leasing of equipment were not approved. This resulted in many departments and public entities incurring irregular expenditure.

Department: Statistics South Africa

Matters emphasised

Matters reported for the first time

- Due to the lack of effective controls over bank reconciling items, outstanding payment vouchers on hand did not reconcile in all instances to the provincial or consolidated bank reconciliations.
- Expenditure for capital assets disclosed in the financial statements does not agree to the notes or to the asset management systems.
- Lack of monthly reconciliation between the financial and the asset management systems.
- Supporting invoices were incorrectly captured on the asset management system.
- Discrepancies between leave captured on the system and leave approved as per leave forms.
- Leave forms were approved and captured without confirming leave balances.

Matters reported in current and previous year(s)



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

- Due to a lack of proper follow-up and monitoring controls, invoices amounting to R0,4 million were not paid in 30 days.
- Leave forms were not always on file.

Public entity: Financial Intelligence Centre**Matters emphasised**

Matters reported for the first time

- The proposed strategic plan was not submitted for approval as required.
- The risk management plan was not submitted as required.
- Due to control weaknesses in the financial transaction processing environment, significant audit adjustments were processed to the financial statements.

Public entity: South African Revenue Service (SARS) - Administered Revenue**Matters emphasised**

Matters reported for the first time

- As per permission from the Accountant-General, operating receivables and payables were not disclosed in the financial statements.
- Incidents of tax evasion and other breaches of taxation laws affected the performance of fiduciary responsibilities.

Other entity: Reconstruction and Development Programme Fund**Qualified audit opinion**

Matters reported in current and previous year(s)

- In common with similar organisations, it was not feasible for the fund to institute accounting controls over funds received from donors before the initial entry of the receipts in the accounting records.
- The completeness of unspent money that was refunded to the fund could not be determined.

Matters emphasised

Matter reported in current and previous year(s)

- The accumulated funds remained at a significant amount of R789 million (R504,5 million in 2005). The balance of accumulated funds was an indication of delays by spending agents in requesting funds.



AUDITOR - GENERAL

Portfolio: Minister of Foreign Affairs

Entities in portfolio audited by the Auditor-General									
Entities in portfolio	Comments	Audit opinion		Budgeted expenditure	R million			Total expenditure	
		2006 (current year)	2005 (previous year)		Assets			2006 (current year)	2005 (previous year)
					2006 (current year)	2006 (current year)	2005 (previous year)		
Department									
Foreign Affairs		Emphasis of matter	Emphasis of matter	2 693,8	476,8	493,8	2 644,3	2 352,9	
Public entities									
African Renaissance and International Cooperation Fund		Emphasis of matter	Emphasis of matter		359,7	349,5	93,0	67,1	

Department: Foreign Affairs

Matters emphasised

Matters reported for the first time

- o Due to the lack of an effective information management system to facilitate the monitoring, evaluation and reporting of performance information, weaknesses included the following:
 - Performance information for auditing was not submitted within the time frame.
 - No supporting documentation to corroborate actual performance against predetermined objectives.
 - Performance information did not reflect the department's achievements as set out in the strategic plan and annual budget.

Matters reported in current and previous year(s)

- Due to limitations of the current financial systems, weaknesses occurred in relation to debts amounting to R69,8 million outstanding for longer than three years, and there was an increase in receivables and staff debtors.
- o Weaknesses in the general control environment included the following:
 - No procedures for change management, user account management, incidents and problem management, backup and recovery, and network security administration.
 - Inadequate physical and environmental controls in the server room.
 - Inadequate logical access security and user monitoring controls.
 - No disaster recovery plan.



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

Public entity: African Renaissance and International Cooperation Fund

Matters emphasised

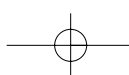
Matters reported for the first time

- Payments amounting to R13,1 million included in payables were made without the necessary approval.
- Due to lack of an information management system to facilitate monitoring, evaluation and reporting, performance information was not submitted for auditing as required.

Portfolio: Minister of Health

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)
Department								
Health		Qualified Emphasis of matter	Qualified Emphasis of matter	9 952,9	178,7	291,5	9 900,8	8 530,6
Public entities								
Council for Medical Schemes		Clean report	Clean report		9,5	11,8	43,7	34,6
South African Medical Research Council		Emphasis of matter	Emphasis of matter		426,8	365,3	358,2	316,6
Other entities								
Compensation Commissioner for Occupational Diseases	Note 2	Qualified Emphasis of matter	Qualified Emphasis of matter		1 084,0	1 099,0	118,0	143,2
King George V Silver Jubilee Fund for Tuberculosis	Note 1	Emphasis of matter	Clean report		0,6	0,6	0,001	0
South African National AIDS Trust		Emphasis of matter	Emphasis of matter		33,5	33,4	0,5	0,6

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)
Public entities								
National Health Laboratory Service		Qualified Emphasis of matter	Qualified Emphasis of matter		862,8	556,1	1 251,5	1 069,8



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

Note 1: Entity has a 30 June 2006 year-end

Note 2: Mines and Works Compensation Fund in 2003-04

Department: Health

Qualified audit opinion

Matters reported in current and previous year(s)

- o Non-compliance with the framework for the Division of Revenue Act (DoRA) included the following:
 - Payments amounting to R1,3 billion were made prior to the approval of the business plans.
 - Amounts transferred as per the DoRA schedules were R110 million more than the amounts approved in the individual business plans.
 - Late or non-submission of monthly financial reports by provinces hampered proper monitoring of expenditure.
 - Late or non-submission of quarterly performance reports by provinces hampered proper monitoring of performance.
 - Quarterly visits to provinces were not always conducted.
- Non-submission of quarterly performance reports compromised the effectiveness of the national department's review of HIV/Aids and Hospital Revitalisation Grants amounting to R2,3 billion.

Matters emphasised

Matters reported for the first time

- Ineffective internal audit function due to audit work not performed.
- Minimum set of risks that should be mitigated by the province receiving conditional grants was not determined and communicated by internal audit.
- Lack of a management framework for monitoring resulted in non-compliance with the requirements of the National Environmental Management Act, 1998 (Act No. 107 of 1998).
- Delays in achieving full implementation of the supply chain management framework.
- Performance information was not submitted for audit.

Matters reported in current and previous year(s)

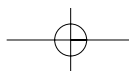
- No operational audit committee.

Public entity: South African Medical Research Council

Matters emphasised

Matters reported for the first time

- The strategic plan does not include the desired level of performance in terms of strategic objectives.
- Inconsistencies between the reported outcomes on performance and evidence provided.





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

Matter reported in current and previous year(s)

- No approved fraud prevention plan.

Other entity: Compensation Commissioner for Occupational Diseases

Qualified audit opinion

Matter reported for the first time

- Due to a lack of supporting evidence, levy debtors and creditors could not be verified.

Matters emphasised

Matters reported for the first time

- Non-compliance with the prescribed accounting framework.
- No financial and risk management and internal control implemented.
- Due to inadequate debtor systems, revenue is not collected.
- No approval from National Treasury to depart from the prescribed accounting framework.
- Advisory committee members' period of service exceeds the five-year limit.
- No research account was maintained as required.
- Credit balance in the State Account was not paid into the State Revenue Fund as required.
- Due to lack of a documented and approved policy and procedure framework, there was no control over payments.
- No proper policy and procedure framework to present performance information.
- No operational audit committee.
- Due to a lack of visitation plans and staff capacity problems, the risk shift registers were not inspected for accuracy.
- Due to material adjustments, the financial statements were resubmitted.

Other entity: King George V Silver Jubilee Fund for Tuberculosis

Matters emphasised

Matters reported for the first time

- Inadequate progress in achieving the objectives of the trust due to limited operational activities.
- No trustee meetings were held during the year as required.
- No proper policy and procedure framework to present performance information for audit purposes.
- No operational audit committee.



AUDITOR - GENERAL

Other entity: South African National Aids Trust

Matters emphasised

Matters reported for the first time

- Lack of monitoring and active involvement by trustees.
- Trustee meetings were not constituted as required.
- No budget was submitted to the board of trustees as required.
- Only five trustees instead of at least seven, as required.
- Ineffective audit committee.
- No internal audit work was conducted for the financial year.
- Due to lack of a proper policy and procedure framework to manage the process of compiling performance information, it was not submitted for audit.

Matters reported in current and previous year(s)

- Limited operational activities resulting in non-achievement of objectives.

Portfolio: Minister of Home Affairs

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		Budgeted expenditure	R million		Total expenditure	
		2006 (current year)	2005 (previous year)		Assets		2006 (current year)	2005 (previous year)
					2006 (current year)	2006 (current year)		
Department								
Home Affairs		Qualified Emphasis of matter	Disclaimer Emphasis of matter	3 032,5	477,2	442,7	3 085,5	1 989,2
Constitutional institutions								
Independent Electoral Commission		Clean report	Clean report		299,3	165,6	923,2	593,9
Public entities								
Film & Publication Board	Note 1	Audit not finalised	Emphasis of matter		-	9,6	-	9,4
Other entities								
Government Printing Works		Adverse Emphasis of matter	Disclaimer Emphasis of matter		397,7	373,6	132,5	149,7

Note 1: The audit report for 2005-06 has been withdrawn.



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

Department: Home Affairs

Qualified audit opinion

Matters reported for the first time

- Due to a lack of reconciliation between services rendered and revenue and controls over the sequence of documents, the completeness of administrative fines revenue is uncertain. No administrative fines were recorded for the financial year.
- Irregular expenditure amounting to R19 million due to non-compliance with supply chain management legislation and regulation. This amount was not disclosed as irregular expenditure.
- Government garage expenditure amounting to R61 million could not be verified due to insufficient information.
- Accruals disclosed in the financial statements amounting to R25,9 million were for goods not received before the financial year-end.
- Totals of accruals as per economic classification do not agree to the totals of accruals listed by programme level.
- Commitments amounting to R138,7 million could not be substantiated.
- There is a difference of R12,6 million between amounts that should have been surrendered to the National Revenue Fund per financial statements and the actual payments.

Matters reported in current and previous year(s)

- o Cash and cash equivalents
 - Due to a lack of national telecommunication infrastructure and regular system downtime, not all source documents were captured at year-end.
 - Unallocated income amounting to R50 million due to receipts not captured at the regional and district offices.
 - No supporting documents could be provided for the bank exception account and debit transactions amounting to R1,3 million included in the bank adjustment account.
 - Outstanding deposits amounting to R9,4 million could not be verified.
 - No financial statements were submitted for the alien bank account amounting to R280,5 million.
- No reconciliations could be obtained for a number of suspense and clearing accounts with a net balance amounting to R7,2 million. These suspense accounts were not cleared on a monthly basis.

Matters emphasised

Matters reported for the first time

- Interdepartmental receivables amounting to R190,9 million have not been recognised in the financial statements. The amount is currently disputed and unreconciled.
- An information systems audit revealed that improvement is necessary in user awareness, access controls, account management and comprehensive service level agreements.
- o No written policies and procedures for financial accounting processes and accounting processes for the following cycles:



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

- Revenue and receivables
 - Purchases and payables
 - Asset management
 - Bank and cash
 - Financial
 - Disclosure
-
- Ineffective controls over the collection of debts.
 - The asset register was inaccurate and not up to date.
 - An accounting policy for capital assets is not disclosed.
 - High vacancy rates due to funding constraints and the suspension of staff for suspected fraud.
 - Objectives reported on in the annual report have not been predetermined in the strategic plan.
 - Irregular expenditure was not adequately prevented or disclosed.
 - Non-compliance with required disciplinary steps for material losses through criminal conduct.
 - The policy for writing off debts was not disclosed.
 - The remuneration of committee members was not disclosed.
 - Unauthorised expenditure amounting to R15,3 million relating to prior years and R99,9 million relating to the current year was not condoned by National Treasury.
 - An amount of R57,5 million was transferred from machinery and equipment to software and other intangibles.
 - Transfer payments disclosed in the accounting officer's report were incomplete.
 - No comprehensive risk assessment was performed.
 - Only one quarterly progress report regarding the performance of the internal audit department was presented to the audit committee.
 - Internal audit does not have a formal training and development plan.

Matter reported in current and previous year(s)

- Debtor aging, as disclosed in the financial statements, could not be verified.

Other entity: Government Printing Works

Adverse audit opinion

Matter reported for the first time

- o Control weaknesses over inventory have resulted in the following:
 - Inventory amounting to R13,304 million was identified as obsolete but was not written off.
 - Work in progress and finished goods do not include all the conversion costs as required.
- Possible misstatements regarding cost of sales.
- Revaluation of property, plant and equipment amounting to R4 million was incorrectly included in the income statement.
- Fixed asset register is not reconciled to the general ledger, resulting in differences.
- No adequate system to ensure that all unpaid suppliers' invoices are accounted for at year-end, resulting in unrecorded liabilities amounting to R1,4 million.



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

Matters reported in current and previous year(s)

- o Lack of effective and efficient steps to collect money timeously, compounded by a lack of skilled and competent staff as well as insufficient management reviews, which resulted in poor management of debtors. These included:
 - Debtors with a credit balance were not correctly disclosed under creditors amounting to R2,5 million.
 - A formal policy for the provision for doubtful debt did not exist, resulting in debtors over 120 days not always provided for as doubtful.
- o Control weaknesses over inventory have resulted in the following:
 - Stock count procedures did not provide for the identification of obsolete stock.
- Unreconciled differences between the VAT control account and VAT 201 returns amounting to R8,1 million.

Matters emphasised

Matters reported for the first time

- No reports on predetermined objectives were submitted.
- o Significant weaknesses regarding the information technology (IT) environment:
 - IT security policy not approved or implemented.
 - Password and log-on controls for the financial system were inadequate.
 - The drafted change control policy document had not yet been approved.
 - Segregation of duties was inadequate as developers had access to the financial systems data and programs.
 - A formal, comprehensive disaster recovery plan had not been developed.
 - An IT strategic plan had not been approved and implemented.
- Several disclosure requirements of the prescribed accounting framework were not met.

Matters reported in current and previous year(s)

- The three-year strategic plan was not approved and the expenditure budget for 2005-06 was not approved before the beginning of the new financial year.
- Not all monthly reports and cash flow projections were prepared for the year as required and reports that were submitted did not include variances and explanations for variances between actual and budgeted amounts.
- Risk assessment and fraud prevention plan was not approved, implemented and monitored.
- Due to capacity problems, internal audit did not execute all the projects as planned and no reliance could be placed on the work of internal audit.
- Financial statements were amended and resubmitted for auditing. Financial statements were signed by the chief executive officer and not by the accounting officer.
- Management's statement regarding the functioning of the internal controls, as stated in the management report, is inconsistent with the findings of the audit report.



AUDITOR-GENERAL

Portfolio: Minister of Housing

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)
Department								
Housing		Emphasis of matter	Emphasis of matter	5 265,7	906,7	963,4	5 265,1	4 838,1
Public entities								
National Home Builders Registration Council (NHBRC)		Emphasis of matter	Emphasis of matter		1 611,4	1 068,6	215,9	143,8
Other entities								
South African Housing Fund	Note 1	Emphasis of matter	Emphasis of matter		32,6	32,6	0	0

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)
Public entities								
National Housing Finance Corporation		Clean report	Clean report		2 479,5	2 408,8	62,1	92,4
National Urban Reconstruction and Housing Agency (NURCHA)		Clean report	Clean report		369,6	222,4	26,1	32,8
Rural Housing Loan Fund		Adverse Emphasis of matter	Clean report		188,3	134,0	16,2	17,8
Servcon Housing Solutions (Pty) Ltd		Emphasis of matter	Emphasis of matter		17,1	230,8	27,9	28,3
Social Housing Foundation		Emphasis of matter	Emphasis of matter		22,5	21,9	42,9	63,3
Thubelisha Homes		Clean report	Emphasis of matter		197,3	111,7	174,1	109,4
Other entities								
People's Housing Partnership Trust		Qualified	Qualified		7,9	4,5	3,8	1,4

Note 1: Delisting of the Fund from the PFMA has been approved by National Treasury. The department is currently in the process of amending the Housing Act, 1997 (Act No. 107 of 1997) to disestablish the Fund.



AUDITOR - GENERAL

Department: Housing

Matters emphasised

Matters reported for the first time

- The internal audit unit did not coordinate and cooperate with internal audit units of the provincial departments and municipalities as required by DoRA.
- The accounting officer did not report to the audit committee as required by DoRA.
- No Environmental Implementation Plan was compiled timeously, as required.
- The report on predetermined objectives was not received on time.
- The measurable objectives were not consistent between the Estimates of National Expenditure, the strategic plan and the performance information reported in the annual report for programme 5.
- No human resource management plan, as required. Consequently, no gap analysis was performed.

Matters reported in current and previous year(s)

- Due to internal audit reports not issued timeously, the work of the internal audit could not be relied on.

Public entity: National Home Builders Registration Council (NHBRC)

Matters emphasised

Matters reported in current and previous year(s)

- The entity operated without a council.
- No audit committee was appointed.
- No internal audit plan for 2005-06.

Other entity: South African Housing Fund

- Insufficient steps were taken to recover debt.

Portfolio: Minister of Intelligence

The following entities fall under the control of the Minister of Intelligence:

National Intelligence Agency
 South African Secret Services
 South African National Academy of Intelligence

In terms of section 2(a) of the Intelligence Service Control Amendment Act, 2002 (Act No. 66 of 2002) and subject to the Constitution, a parliamentary committee known as the Joint Standing Committee on Intelligence (JSCI) is responsible for overseeing, amongst other things, the administration, financial management and expenditure of the Intelligence Services and must report thereon to Parliament.



AUDITOR - GENERAL

Portfolio: Minister of Justice and Constitutional Development

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		Budgeted expenditure	R million			
		2006 (current year)	2005 (previous year)		Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Department								
Justice and Constitutional Development		Qualified Emphasis of matter	Emphasis of matter	4 588,0	371,9	514,5	4 567,9	4 217,4
Constitutional institutions								
Commission on Gender Equality		Qualified Emphasis of matter	Emphasis of matter		11,4	7,1	25,8	20,7
Human Rights Commission		Emphasis of matter	Emphasis of matter		12,5	11,9	42,4	38,8
Office of the Public Protector		Clean report	Clean report		18,1	15,1	58,2	53,2
Public entities								
Legal Aid Board		Clean report	Emphasis of matter		244,7	241,9	485,3	392,0
Special Investigating Unit		Clean report	Emphasis of matter		43,3	32,2	92,7	55,0
Other entities								
Criminal Asset Recovery Account		Emphasis of matter	Emphasis of matter		0	0	0	0
Guardians' Fund		Disclaimer Emphasis of matter	Disclaimer Emphasis of matter		3 803,2	3 201,3	390,9	477,9
Monies in Trust		Audit not finalised	Disclaimer Emphasis of matter		-	597,4	-	180,6
National Prosecuting Authority		Emphasis of matter	Emphasis of matter		76,4	51,6	1 403,8	1 177,1
President's Fund		Clean report	Emphasis of matter		697,9	683,9	2,6	1,4
Represented Political Parties' Fund		Clean report	Emphasis of matter		1,0	0,3	74,5	71,4



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

Department: Justice and Constitutional Development

Qualified audit opinion

Matter reported for the first time

- Due to lack of an effective financial management system over Monies in Trust, it was not possible to determine the amount receivable but not yet collected. Revenue amounting to R6,1 million and the respective receivables from Monies in Trust could not be verified.

Matters emphasised

Matters reported for the first time

- Due to lack of implementation of the inventory management system at the locations throughout the country, regular physical counts and reconciliations were not performed.
- Due to a lack of policies and procedures for the identification of and accounting for expenditure incurred on the development of software applications, these costs could not be quantified.
- Lack of formalised policies and procedures regarding overtime, bursaries and housing allowances.
- Due to inadequate follow-up on progress made with investigations relating to employees suspended for longer than 12 months, costs amounting to R7,6 million have been incurred.
- Due to lack of a clear policy and procedure framework relating to performance reporting, weaknesses included the following:
 - No procedures for quarterly reporting to the executive authority
 - Inadequate quarterly reporting to the executive authority
 - Objectives included in the performance information submitted for auditing were different from those in the strategic plan.
 - Measures of actual performance not always included for all objectives in the performance information.

Matters reported in current and previous year(s)

- Due to lack of effective communication, monitoring and reconciliation of documentation, weaknesses included the following:
 - Inadequate and incomplete documentation in personnel files.
 - Pay sheets not always approved timeously.
 - Employees assigned to incorrect pay points.
 - Files location in regions that are different from the location indicated on the payroll system.
 - Data on the payroll system not always updated.
- Due to lack of an effective and efficient financial management system over Monies in Trust, the deficit between the cashbook balance and cash in banks in respect of Monies in Trust cannot be quantified.



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

Constitutional institution: Commission for Gender Equality

Qualified audit opinion

Matters reported for the first time

- Leave forms were not filed on the personnel files.
- Provision for leave paid could not be verified to the leave records.
- Leave forms were not authorised by management.
- Due to leave process not administered effectively, the leave forms and books were misplaced.
- Calculation of leave did not reconcile to the leave register.

Matters emphasised

Matters reported for the first time

- No approval to retain surplus funds amounting to R2,3 million.
- Backlogs in filling vacant posts, training of employees and other administrative matters.
- Vacancies in the human resource division.
- Asset count was not performed at year-end.
- Assets were not bar-coded and asset register did not include asset numbers.
- Long-outstanding cheques were not regularly followed up and written back.
- Bank reconciliations were not signed as proof of having been reviewed.
- Petty cash reconciliations were not performed.
- Journals passed were not reviewed and authorised.
- Declaration of interest forms were not provided.
- Travel claims did not have supporting documents.
- Contract could not be obtained for audit purposes.

Matter reported in current and previous year(s)

- No supply chain management framework.

Constitutional institution: Human Rights Commission

Matters emphasised

Matters reported for the first time

- Incorrectly performed bank reconciliations.
- Assets on the asset register were not always bar-coded.
- Depreciation was not calculated on the date of use of the asset.
- No approval from National Treasury relating to insurance expenses.
- No evidence of quarterly reviews on personnel files. Feedback was given on an annual basis.
- No policy on skills retention and monitoring of staff competencies.
- Performance contract of the accounting officer was not revised annually.
- Letters of appointment were not signed by certain officials.
- Staff debt was not adequately followed up.



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

- Contracts were not awarded in a fair and equitable manner due to incorrect application of the 80/20 principle.
- No proof that money claimed in advance for projects was used for the required purpose.
- Due to vacancies certain journals were not authorised.

Matters reported in current and previous year(s)

- No creditors' reconciliations were performed.
- Employees were not taxed on fringe benefits relating to staff loans.

Other entity: Criminal Asset Recovery Account (CARA)

Matters emphasised

Matter reported for the first time

- Due to uncertainty relating to the extent of curator fees, the amount in the custody of curators could not be determined.

Matters reported in current and previous year(s)

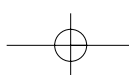
- No asset register was maintained.
- Due to a lack of proper documentation control processes, the following documents were not provided:
 - Approved strategic plan.
 - Approved budget.
 - Delegations to approve the establishment of Criminal Asset Recovery Unit (CARU).
- No finalised operational guidelines.
- Since the establishment no financial assistance had been given to law enforcement agencies and other institutions, as stipulated in the objectives of CARA.
- No formal risk assessment was performed.
- The internal audit function had not performed any audit work to evaluate the effectiveness and efficiency of implementation controls in CARU, as prescribed.
- CARU does not have proper policies in place, nor any monitoring systems to monitor the time taken by the curator to deposit or deliver property to CARA for finalised cases.

Other entity: Guardians' Fund

Disclaimer of audit opinion

Matters reported in current and previous year(s)

- Due to a lack of implemented control framework and financial accounting processes, weaknesses included the following:



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

- No proper financial information was available.
- Due to the complexity of the manual system, unallocated interest amounting to R143,2 million and monies amounting to R168,9 million were not allocated to beneficiaries.
- Non-compliance with the prescribed accounting framework.
- No evidence of reconciliation between the Public Investment Corporation Limited investment account and the accounting records of the Fund.
- Due the volume of transactions processed manually and inadequate controls, the aging of interest-bearing accounts could not be determined.
- Due to the complexity of the manual system, the extent to which unclaimed monies should be forfeited to the state could not be determined.
- Due to the complexity of the manual system, commission on unclaimed monies could not be quantified.

Matters emphasised

Matters reported for the first time

- Inadequate reconciliations and reviews.
- Outdated procedure manual.

Matters reported in current and previous year(s)

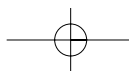
- Tax certificates regarding interest allocated to beneficiary accounts were not sent to the relevant parties.
- Inadequate backup policy.
- Inadequate disaster recovery plan.
- Inadequate risk assessment.
- Annual reports for 2002-03, 2003-04 and 2004-05 have not been tabled.

Other entity: National Prosecuting Authority (NPA)

Matters emphasised

Matters reported for the first time

- Inadequate procurement process for leased vehicles.
 - Insurance for leased vehicles amounted to more than the permitted R250 000.
 - No prior approval for incurring expenditure.
 - No control in place to record the date of receipt of invoices consequently it could not be confirmed whether payment was made to the service provider within 30 days.
 - No formalised overtime policy.
 - A lack of monitoring of adherence to donor agreements has resulted in non-compliance with donor agreements.
- o Due to lack of a clear policy and procedure framework relating to performance reporting, weaknesses included the following:
- No procedures for quarterly reporting to the executive authority.
 - Inadequate quarterly reporting to the executive authority.





AUDITOR - GENERAL

- Objectives included in the performance information submitted for auditing were different from those in the strategic plan.
- Measure of actual performance not always included for all objectives in the performance information.

Matters reported in current and previous year(s)

- No fraud prevention plan.
 - Due to inadequate controls, donations from foreign donors were not received via the RDP fund.
- o A lack of monitoring and reconciliation of debtors resulted in the following:
- The payroll system was not always accurately and timeously updated with addresses of debtors.
 - Incomplete debtors' files.
- o No finality on the matters affecting the accountability and governance status, including the following:
- Clear definition of the duties of the accounting officer.
 - Listing as an entity in terms of the PFMA.
 - Mechanism of funding of the NPA.

Portfolio: Minister of Labour

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Department								
Labour		Qualified Emphasis of matter	Qualified Emphasis of matter	6 192,1	97,4	154,0	6 112,9	5 845,0
Public entities								
Agricultural Sector Education and Training Authority (AgriSETA)	Note 1	Clean report			149,0	-	150,9	-
Banking Sector Education and Training Authority (Bankseta)		Clean report	Clean report		140,8	175,0	222,4	250,3
Chemical Industries Education and Training Authority (CHIETA)		Clean report	Clean report		153,2	219,4	218,5	129,2
Clothing, Textiles, Footwear and Leather Sector Education and Training Authority (CTFL SETA)		Emphasis of matter	Clean report		42,0	44,0	66,8	103,0

Labour



AUDITOR - GENERAL

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Public entities								
Commission for Conciliation, Mediation and Arbitration		Emphasis of matter	<i>Emphasis of matter</i>		51,4	39,6	213,2	181,6
Compensation Fund		Qualified Emphasis of matter	<i>Qualified Emphasis of matter</i>		15 385,1	14 142,7	3 840,8	3 311,2
Construction Education and Training Authority (CETA)		Disclaimer Emphasis of matter	<i>Qualified Emphasis of matter</i>		63,0	241,4	387,0	230,5
Diplomacy, Intelligence, Defence and Trade & Industry Sector Education and Training Authority (DIDTETA)	Note 2 Note 3	Clean report	<i>Qualified Emphasis of matter</i>		7,2	8,9	3,3	7,2
Education, Training and Development Practices Sector Education and Training Authority (ETDP SETA)		Emphasis of matter	<i>Clean report</i>		309,6	287,0	93,5	216,0
Energy Sector Education and Training Authority (ESETA)		Qualified Emphasis of matter	<i>Emphasis of matter</i>		111,5	91,8	107,9	52,8
SETA for Finance, Accounting, Management Consulting and Other Financial Services (FASSET)		Clean report	<i>Clean report</i>		143,1	133,9	169,9	145,3
Food and Beverages Manufacturing Industry Sector Education and Training Authority (FOODBEV)		Clean report	<i>Clean report</i>		85,8	96,7	126,5	135,8
Forest Industries Sector Education and Training Authority (FIETA)		Clean report	<i>Emphasis of matter</i>		64,2	100,2	56,6	123,7
Health and Welfare Sector Education and Training Authority (HWSETA)		Emphasis of matter	<i>Clean report</i>		225,8	251,2	170,0	91,5
Information Systems, Electronics and Telecommunications Technologies Training Authority (ISETT SETA)		Disclaimer Emphasis of matter	<i>Disclaimer Emphasis of matter</i>		193,4	212,5	223,1	253,1



AUDITOR - GENERAL

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)
Public entities								
Insurance Sector Education and Training Authority (INSETA)		Clean report	Clean report		123,3	124,8	138,3	134,7
Local Government, Water and Related Services Sector Education and Training Authority (LGWSETA)		Emphasis of matter	Emphasis of matter		271,9	283,2	261,3	125,4
Manufacturing, Engineering and Related Services Education and Training Authority (MERSETA)		Emphasis of matter	Clean report		609,1	615,3	589,3	454,0
Media, Advertising, Publishing, Printing and Packaging Sector Education and Training Authority (MAPPP SETA)		Qualified Emphasis of matter	Qualified Emphasis of matter		210,1	203,9	127,9	133,6
Mining Qualifications Authority (MQA)		Clean report	Emphasis of matter		295,5	364,3	476,4	346,9
Police, Private Security, Legal and Correctional Services Training Authority (POSLEC SETA)	Note 2 Note 3	Clean report	Emphasis of matter		150,1	151,3	30,7	67,8
Primary Agricultural Education and Training Authority (PAETA)	Note 1 Note 3	Emphasis of matter	Clean report		118,7	128,0	22,1	88,4
Safety and Security Sector Education and Training Authority (SASSETA)	Note 2	Qualified Emphasis of matter			158,2	-	107,9	-
Secondary Agricultural Sector Education and Training Authority (SETASA)	Note 1 Note 3	Emphasis of matter	Emphasis of matter		97,7	99,0	6,9	89,3
Services Sector Education and Training Authority		Clean report	Clean report		233,6	195,0	391,4	581,4
Tourism, Hospitality and Sport Education and Training Authority (THETA)		Emphasis of matter	Qualified Emphasis of matter		160,1	216,1	157,7	159,0
Transport Sector Education and Training Authority (TETA)		Emphasis of matter	Clean report		402,2	418,8	305,8	175,6

Labour



AUDITOR - GENERAL

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Public entities								
Unemployment Insurance Fund		Emphasis of matter	Qualified Emphasis of matter		14 871,2	10 461,5	4 191,7	4 780,5
Wholesale and Retail Sector Education and Training Authority (W&R SETA)		Clean report	Emphasis of matter		493,4	418,3	241,3	381,3
Other entities								
National Skills Fund		Qualified Emphasis of matter	Disclaimer Emphasis of matter		1 673,1	1 201,2	644,4	1 189,9
Sheltered Employment Factories		Disclaimer Emphasis of matter	Disclaimer Emphasis of matter		-	48,5	-	112,4

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Public entities								
National, Economic, Development and Labour Council (NEDLAC)		Emphasis of matter	Clean report		8,1	7,7	11,6	8,7
National Productivity Institute		Emphasis of matter	Clean report		7,6	19,7	56,1	51,7
Umsombomvu Youth Fund		Emphasis of matter	Qualified		786,0	915,7	209,9	177,6

The rationalisation process, intended to enhance skills delivery, reduced the number of SETAs from 25 to 23 as follows:

- Note 1: On 1 July 2005, PAETA and SETASA amalgamated and became AgriSETA. Financial statements and audit report cover nine months from 1 July 2005.
- Note 2: POSLEC SETA and DIDTETA amalgamated on 1 July 2005 into SASSETA. Financial statements and audit report cover nine months from 1 July 2005.
- Note 3: Financial statements and audit report cover three months from 1 April 2005 to 31 June 2005.



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

Department: Labour

Qualified audit opinion

Matters reported for the first time

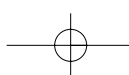
- Non-cash asset additions amounting to R21,2 million could not be substantiated.
- No values for certain assets acquired appear in in the fixed asset register and no disclosure in the financial statements.

Matters emphasised

Matters reported for the first time

- Due to lack of a proper management framework, no reconciliation was performed between the financial system and the payroll system in respect of travelling and subsistence expenditure.
- Due to lack of a proper monitoring framework and procedures, weaknesses included the following:
 - Underutilisation of subsidised vehicles.
 - Irregular expenditure in that approval forms were not attached to payment advices.
 - Irregular expenditure in that expenditure was incurred prior to authorisation.
 - Irregular expenditure in that payments were made without appropriate tender procedures being followed.
- Performance information reported in the annual report did not agree to the approved strategic plan and the Estimates of National Expenditure for 2005-06.
- Quarterly reports on measurable objectives were not submitted.
- Actual performance was not consistently reported against the relevant measure/indicator.
- Due to a lack of adequate policies and procedures regarding inventory, some inventory was not counted at year-end.
- Accurate stock records were not maintained and monitored.
- No policy and procedure framework to write off irrecoverable loans, including staff debt amounting to R8,5 million outstanding for longer than 10 years.
- No human resource plan, including the posts necessary to perform the relevant functions.
- No approved supply chain management policy.
- Performance audit
 - No national database with reliable statistics indicating the full extent of work-related injuries and diseases.
 - The Incidents on Occupational Safety System (IOSS) was only functional at provincial level as no time frames were set for the implementation.
 - Due to non-realisation of implemented remedial actions, the training centre is still underutilised.

Matters reported in current and previous year(s)



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

- o Due to a lack of proper monitoring framework and procedures, weaknesses included the following:
 - Inadequate certification of payroll reports.
 - Not all pay-point certificates returned on a monthly basis.

Public entity: Clothing, Textiles, Footwear and Leather Sector Education and Training Authority (CTFL SETA)

Matters emphasised

Matters reported for the first time

- o Due to inadequate monitoring by management, weaknesses included the following:
 - No three-year rolling strategic plan.
 - No internal audit plan.
 - Internal audit did not report at all audit committee meetings and no reports were submitted to the audit committee.

Public entity: Commission for Conciliation, Mediation and Arbitration (CCMA)

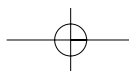
Matters emphasised

Matters reported for the first time

- o Weaknesses in internal control included:
 - Poor controls over creditors.
 - Poor controls over bank reconciliations.
 - Inadequate segregation of duties.
- Incorrectly calculated leave pay provision due to change from a manual to a computerised system.
- Weaknesses in the maintenance of leave forms.
- Predetermined objectives as per strategic plan were not disclosed in the annual report.
- Liabilities exceeded assets by R3,6 million.

Matters reported in current and previous year(s)

- o Weaknesses in internal control included:
 - Poor controls over fixed assets.
 - Inadequate inventory control systems.
- o Weaknesses in the general control environment included:
 - Inadequate segregation of duties.
 - No formal change control policy and procedures.
 - Developers had access to live data.





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

- Weaknesses in password controls.
- Disaster recovery plan was not implemented.

Public entity: Compensation Fund

Qualified audit opinion

Matters reported in current and previous year(s)

- Due to a lack of capacity, there is a backlog in the raising of assessments. Due to outstanding claims, the completeness of assessment income cannot be verified.
- Due to a lack of monitoring controls to verify employer's information, incorrect assessments were recorded.
- The valuation of the assessment debtors could not be verified.

Matters emphasised

Matters reported in current and previous year(s)

- Weaknesses in the general control environment included:
 - Security administration and monitoring.
 - Logical access security.
 - Monitoring of user and administrator activity at the network, operating system, application and database levels.
 - Inadequate succession planning for key personnel.

Public entity: Construction Education and Training Authority (CETA)

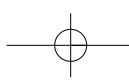
Disclaimer of audit opinion

Matters reported for the first time

- Due to a lack of controls and supporting documents, learnership expenses amounting to R199 million could not be verified.
- No revaluation of estimated useful life of assets and residual value was performed, as required.
- Due to lack of an adequate policy framework, the revenue recorded is incomplete.
- Due to inadequate monitoring, CETA is technically insolvent as it has a net liability amounting to R9,9 million and a negative reserve amounting to R7,9 million.

Matter reported in current and previous year(s)

- Fixed assets register does not agree to the general ledger and financial statements.



Labour



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

Matters emphasised

Matters reported for the first time

- o Due to inadequate monitoring, weaknesses included:
 - No delegation of authority to the chief financial officer.
 - Non-compliance with required accounting framework evidenced by material adjustments and disclosure changes to the financial statements.
 - No materiality and significance framework.
 - No risk management strategy.
 - No fraud prevention plan.
 - Ineffective internal audit function.
 - Budget was not submitted for approval.
 - No manual in three languages, written verification of the responsibilities of the information officer and annual submission of the amendments made to the manual, as required.

Public entity: Energy Sector Education and Training Authority (ESETA)

Qualified audit opinion

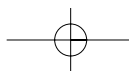
Matter reported for the first time

- Due to inadequate monitoring of the mandatory grant, payments amounting to R8,5 million were made to employers that did not submit documents timeously.

Matters emphasised

Matters reported for the first time

- o Due to inadequate monitoring, weaknesses included:
 - Non-compliance with required accounting framework evidenced by material adjustments and disclosure changes to the financial statements.
 - No functional internal audit.
 - No manual in three languages, written verification of the responsibilities of the information officer and annual submission of the amendments made to the manual, as required.
- No training in supply chain management.
- No supply chain management unit.
- Performance information could not be verified against supporting documentation.
- o Due to lack of a policy framework, weaknesses included the following:
 - No human resource and succession plan.
 - Inadequate controls to monitor funds spent in terms of discretionary grants.





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

Public entity: Health and Welfare Sector Education and Training Authority (HWSETA)**Matters emphasised**

Matter reported for the first time

- Due to inadequate monitoring, non-compliance with required accounting framework evidenced by material adjustments and disclosure changes to the financial statements.

Public entity: Information Systems, Electronics and Telecommunications Technologies Training Authority (ISETT SETA)**Disclaimer of audit opinion**

Matters reported for the first time

- Due to inadequate monitoring and independent reconciliations and checks, weaknesses included the following:
 - Completeness of levy income could not be verified.
 - Completeness of receivables could not be verified.
 - The 2005-06 opening balances in the financial statements cannot be relied upon.
 - Disclosure errors in the financial statements.

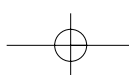
Matters reported in current and previous year(s)

- Due to inadequate monitoring and independent reconciliations and checks, weaknesses included the following:
 - No supporting documentation for National Skills Fund income and expenditure amounting to R20,3 million.

Matters emphasised

Matters reported for the first time

- Due to inadequate compliance monitoring, the internal audit was not in place or functional for the full year.
- No mechanism in place to record or track related-party transactions and relationships. No disclosure in the financial statements, as required.



Labour



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

Public entity: Local Government, Water and Related Services Sector Education and Training Authority (LGWSETA)

Matters emphasised

Matters reported for the first time

- o Due to inadequate monitoring of laws and regulations, weaknesses included the following:
 - No chief financial officer appointed or written delegation of authority for the position.
 - No manual was compiled and no one was appointed as deputy information officer, with the result that reports were not sent to the human rights commissioner as required.
 - Supply chain management framework has not been implemented.
- Performance information in the annual report could not be verified against supporting documentation.

Public entity: Manufacturing, Engineering and Related Services Education and Training Authority (MERSETA)

Matters emphasised

Matters reported for the first time

- o Due to inadequate monitoring of laws and regulations weaknesses, included the following:
 - No approval from the executive authority for the acquisition of an outsourced accounting function.
 - The Promotion of Access to Information Act was not implemented.
 - No tenders for significant contracts.
 - Documentation to confirm company details could not be obtained.
 - Either no supporting documents or differences between reported information and supporting documentation for certain success indicators on performance information.

Public entity: Media, Advertising, Publishing, Printing and Packaging Sector Education and Training Authority (MAPPP SETA)

Qualified audit opinion

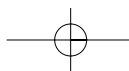
Matter reported for the first time

- No supporting documentation for discretionary grant payments to training institutions amounting to R12 million.

Matters emphasised

Matters reported for the first time

- Audit committee did not perform all required duties.
- Board member did not acknowledge responsibilities as required.





AUDITOR - GENERAL

- No delegation of authority for Exco by the executive authority.
- Overexpenditure on administration amounting to R2,4 million.

Public entity: Primary Agriculture Education and Training Authority (PAETA)**Matters emphasised**

Matter reported for the first time

- Non-compliance with prescribed accounting framework regarding provisions, contingent liabilities and assets.

Public entity: Safety and Security Sector Education and Training Authority (SASSETA)**Qualified audit opinion**

Matter reported for the first time

- Due to inadequate monitoring and independent reconciliation, differences were noted between the reserves and the trial balance as a result of inconsistencies in accounting treatment of income.

Matters emphasised

Matters reported for the first time

- No mechanism in place to record or track related-party transactions and relationships.
- Due to inadequate monitoring, non-compliance with required accounting framework evidenced by material adjustments and disclosure changes to the financial statements.

Public entity: Secondary Agricultural Sector Education and Training Authority**Matters emphasised**

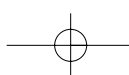
Matters reported in current and previous year(s)

- Non-compliance with prescribed accounting framework regarding provisions, contingent liabilities and assets.

Public entity: Tourism, Hospitality and Sport Education and Training Authority (THETA)**Matters emphasised**

Matters reported for the first time

- No approved supply chain management system.
- Inadequate procurement processes in awarding contracts to suppliers amounting to R14 million.
- No direct or indirect interests were disclosed by the tender committee members.
- Payments were made to suppliers who did not deliver adequately.



Labour



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

Public entity: Transport Sector Education and Training Authority (TETA)

Matters emphasised

Matters reported for the first time

- o Due to inadequate monitoring, non-compliance with laws and regulations included the following:
 - Financial statements did not include the report of the accounting authority.
 - Non-compliance with required accounting framework evidenced by material adjustments and disclosure changes to the financial statements.
 - Incorrect tender evaluation system.
 - Non-submission of information on performance information against predetermined objectives, as required.

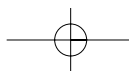
Public entity: Unemployment Insurance Fund

Matters emphasised

Matters reported for the first time

- o Due to lack of monitoring of implemented policies and procedures, weaknesses around benefit payments included the following:
 - Incorrect information to determine unemployment benefits payable.
 - Due to non-integrated information systems, payment of unemployment benefits could not be verified.
 - Changes in contributors' banking details were not printed, reviewed or reconciled to prevent unauthorised changes.
- Bank reconciliations include unreconciled debit and credit balances.
- Due to ineffective controls to administer employer information, the correctness of contribution income received could not be verified.
- Receivables include an amount of R33,1 million for overpayment of benefits to contributors. No control framework to monitor the recovery of these overpayments.
- o Due to inadequate monitoring of compliance with laws and regulations, weaknesses included the following:
 - No effective and efficient systems of financial and risk management and internal control.
 - Lack of effective steps taken to collect revenue.
 - Non-pursuance of debtors.
- o Due to lack of monitoring of the internal audit plan and a lack of resources, a significant portion of the assignments planned were not carried out.

Matters reported in current and previous year(s)





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

- o Due to inadequate monitoring of compliance with laws and regulations, weaknesses included:
 - Non-adherence to policies of procurement and provisioning systems.
 - No interest and penalties levied on non-SARS late payments.
- Lack of a proper control framework to monitor compliance with the procurement policy framework.
- Lack of a control framework to perform reconciliations and checks to ensure correctness of payments to the Department of Labour amounting to R356 million for services rendered.

Other entity: National Skills Fund

Qualified audit opinion

Matters reported in current and previous year(s)

- Due to the inability of the accounting system to accommodate accrual accounting, as required, accruals were understated.
- No supporting documents to verify the correction journals of prior year errors amounting to R2,4 million.
- Due to the lack of a proper management framework to perform independent checks and reconciliations, long-term loan was accounted for as income.
- Due to the lack of a proper management framework to perform independent checks and reconciliations, income that was incorrectly processed from the advances account could not substantiated.

Matters emphasised

Matters reported for the first time

- No policy and procedure framework to write off accounts receivable and long-term loans.
- o Lack of a proper management framework and procedures for monitoring purposes, resulted in the following:
 - Funds utilised for training amounted to only R9,1 million, out of the total of R23,8 million.
 - Inadequate delegation of powers by the provincial steering committee.
- o Lack of proper control environment maintained by management, including inadequate:
 - Supporting documentation.
 - Segregation of duties.
 - Declaration of interest.
 - Approval of training providers.



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

Other entities: Sheltered Employment Factories

Disclaimer of audit opinion

Matters reported for the first time

- o Due to lack of an appropriately documented and approved policy and procedure framework, as well as the lack of independent checks and reconciliations, weaknesses identified included the following:
 - Inaccurate and incomplete fixed asset register, including duplicate entries. Consequently assets could not be verified.
 - Incorrect valuation of inventories and obsolete stock.
 - Accounts payable amounting to R1,9 million could not be verified.
 - Impairment of debtors disclosed in the financial statements could not be verified.
 - Leave provision could not be verified.
 - Incorrect recognition of revenue.
- Due to lack of a policy framework to require documented contracts with major service providers, the validity of payments amounting to R6,1 million could not be verified.
- o Departures from the required accounting framework included the following:
 - The financial statements were prepared on a basis other than the prescribed framework.
 - Inventories were not accounted for at lower of cost or net realisable value. Costs did not include the cost of conversion and direct overheads.
 - No accounting policies and conditions relating to government assistance.
 - Changes in accounting policy were not disclosed and related prior year figures were not restated.
 - Related-party transactions not disclosed in full.
 - Accounting policies and the nature of financial instruments not disclosed.
 - Fixed assets were not appropriately accounted for and disclosed.
 - Leases were not appropriately accounted for and disclosed.
 - Provisions were not accurately accounted for and disclosed.

Matters reported in current and previous year(s)

- o Due to lack of an appropriately documented and approved policy and procedure framework, as well as the lack of independent checks and reconciliations, weaknesses identified included the following:
 - Eleven bank accounts were not recognised in the financial statements.
 - Not all liabilities were recognised in the financial statements.
 - Suspense accounts amounting to R1,8 million could not be verified.
 - Related-party transactions could not be verified.



AUDITOR - GENERAL

Matters emphasised

Matters reported for the first time

- No appropriate steps to collect all money.
- Invoices were not settled within 30 days as required.
- Payments in excess of R2 000 were made by cheque.
- Factories conducted the business of a medical aid in contravention of the legislation.
- No documented and approved policy and procedure framework at the factories.
- Lack of a proper policy and procedure framework to prepare and present information on performance against predetermined objectives.

Matters reported in current and previous year(s)

- No policy and procedure framework to prepare budgets as required.
- No management framework to reconcile accounts, pre-authorise and review journals, and clear suspense accounts.
- No formal security and disaster recovery plan.

Portfolio: Minister of Minerals and Energy

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Department								
Minerals and Energy		Emphasis of matter	Emphasis of matter	2 252,4	85,7	13,0	2 180,5	1 871,9
Public entities								
C E F (Pty) Ltd (Group)		Emphasis of matter	Emphasis of matter		20 642,5	17 306,6	5 464,0	5 088,3
Council for Geoscience		Clean report	Emphasis of matter		264,3	234,7	147,9	113,8
Council for Mineral Technology (Mintek)		Qualification Emphasis of matter	Disclaimer Emphasis of matter		343,5	262,9	281,4	246,8
Electricity Distribution Industry Holdings (Pty) Ltd		Clean report	Emphasis of matter		25,9	45,0	66,0	103,3
Mine Health & Safety Council		Emphasis of matter	Qualified Emphasis of matter		59,2	48,2	44,0	30,0
National Electricity Regulator	Note 1	Emphasis of matter	Emphasis of matter		54,8	44,1	33,5	59,9
National Energy Regulator of South Africa (NERSA)	Note 2	Emphasis of matter			47,8	-	49,3	-



AUDITOR - GENERAL

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)
Department								
National Nuclear Regulator (NNR)		Emphasis of matter	Emphasis of matter		55,7	49,7	52,3	50,6
Nuclear Energy Corporation of South Africa		Emphasis of matter	Qualification Emphasis of matter		451,7	347,6	617,0	589,5
South African Diamond Board (SADB)		Qualification Emphasis of matter	Disclaimer Emphasis of matter		25,7	20,0	18,0	15,5
Other entities								
Equalisation Fund		Clean report	Clean report		675,0	636,0	0,7	2,2

Note 1: The operations were taken over by NERSA on 1 October 2005.

Note 2: Established on 1 October 2005.

Department: Minerals and Energy

Matters emphasised

Matters reported in current and previous year(s)

- The procurement system (Logis) has not officially been used as an asset register.
- The Excel asset register has not been properly maintained.
- Register for intangible assets was incomplete.
- A Lebowa Trust investment has not been transferred as required.

Public entity: CEF (Pty) Ltd (group)

Matters emphasised

Matters reported for the first time

- The Energy Africa Rehabilitation (an association incorporated under section 21) has a December year-end. Financial statements for the years ended 31 December 2004 and 2005 were not submitted for auditing within two months.

Matters reported in current and previous year(s)

- The SFF Association was not able to fully comply with the directive concerning the approved strategic crude oil and petroleum stock policy.



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

Public entity: Council for Mineral Technology (Mintek)

Qualified audit opinion

Matters reported for the first time

- No supporting documents to verify the process followed regarding adjustments amounting to R19,5 million made to the opening balances of assets.
- Incorrect asset acquisition dates.
- Incorrect estimated residual value for scrapped asset.
- Detailed criteria for the determination of residual values were not documented.
- Residual values were reviewed for zero-value assets only.
- The component approach depreciation method was not implemented.
- Due to inadequate monitoring, revenue transactions amounting to R3,4 million were incorrectly recorded as unearned income. An adjustment of R6,7 million could not be verified due to late submission of supporting documentation.

Matter reported in current and previous year(s)

- No impairment review was performed for plant and equipment.

Matters emphasised

Matters reported for the first time

- Due to lack of documentation, assets could not be verified.
 - Unexplained differences between fixed asset register and trial balance for asset retirements.
 - Amendments to the fixed asset register were made at the discretion of the divisional managers.
 - Proper count sheets were not used.
 - Inadequate measures to ensure the completeness and accuracy of asset counts.
 - Adjustments to asset retirements were not reported as required.
 - Due to inadequate management information system, project costs could not be verified against the budgeted costs.
 - Expenditure relating to earmarked funding could not be verified.
- o Due to lack of proper bank reconciliation and review procedures, weaknesses included the following:
- Insufficient audit evidence to verify bank clearing accounts.
 - Long-outstanding unallocated payments could not be verified.
 - Deposits were outstanding for more than a year.
 - Staff members who had resigned were still authorised signatories on the current bank account.
- VAT liability understated.
 - Due to a lack of historic information, provision for product warranties could not be verified.
 - Due to duplicate payments and incorrect data capturing, accounts payable was overstated.
 - Revenue received was not measured at fair value as required.
 - Deferred income was incorrectly calculated.
 - Incorrect classification of staff loans as long-term debtors.



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

- Incomplete disclosure of government grants.
- Unexplained difference between interest recognised and external confirmation.
- o Internal control weaknesses included the following:
 - Debtor credit limits were not determined.
 - Debtor reconciliations were not performed on a monthly basis.
 - The risk management plan deferred the responsibility for accurate financial reporting to the external auditors.
 - Inadequate controls over goods received vouchers.
- National Treasury was not informed of the sale of an investment amounting to R12,3 million, as required.
- Maximum investment level per commercial banking institution was exceeded.
- No prior approval from the Board for writing off staff debtors.
- Debtors written off were not reported to National Treasury as required.
- o Weaknesses relating to project management included the following:
 - Contrary to the pricing policy, losses were incurred on projects.
 - Planned project costs were not allocated to the projects.
 - Due to inadequate monitoring on project invoicing, excessive profits were made on earmarked funding.
 - Due to a lack of review processes, project budgets and actual expenditure on projects differed.
- No human resource plan.
- Significant deviations from accounting and legislative framework.
- No evidence to verify accuracy of performance information.

Matters reported in current and previous year(s)

- Due to a lack of monitoring, there were debtors with credit balances, resulting in revenue not being recognised.
- Interest and penalties resulting from late payment of VAT.
- Performance bonuses exceeded approved limit.

Public entity: Mine Health and Safety Council

Matters emphasised

Matters reported for the first time

- No evidence that bid awards were published as required.
- No approved supply chain management policy for most of the financial year.

Matters reported in current and previous year(s)

- Cash management performance reports were not prepared on a monthly basis.
- Bank reconciliations were not prepared on a weekly basis.



AUDITOR - GENERAL

- The rate used to calculate levies charged could not be verified.
- Incorrect accounting for levies amounting to R40,6 million.

Public entity: National Electricity Regulator (NER)**Matters emphasised**

Matter reported for the first time

- Due to non-compliance with policies, loss relating to salary fraud was identified. The audit report was delayed due to additional audit procedures performed.

Public entity: National Energy Regulator of South Africa (NERSA)**Matters emphasised**

Matters reported for the first time

- Due to non-compliance with policies, loss relating to salary fraud was identified. The audit report was delayed due to additional audit procedures performed.

Public entity: Nuclear Energy Corporation of South Africa (NECSA)**Matters emphasised**

Matters reported for the first time

- Due to a lack of proper policies and procedures, employee share option trust has not been established as per agreement.
- Contingent liability for dividends on shares sold.
- Due to a lack of management controls, no VAT returns were submitted.
- Due to a lack of systems and procedures, three subsidiaries did not report on performance against predetermined objectives.
- Due to amendments to the financial statement and outstanding supporting documents, the audit report was delayed.

Matters reported in current and previous year(s)

- Total liabilities exceeded total assets by R99,6 million, raising a going concern issue.
- No explicit approval for unlisted investments in companies could be obtained.
- Due to radio-active waste management policy and strategy not being fully implemented, contingent liabilities could not be properly estimated and accrued for.



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

Public entity: South African Diamond Board (SADB)

Qualified audit opinion

Matters reported for the first time

- Assets not included in the asset register.
- Assets in the asset register could not be physically verified.
- Incorrect classification of assets in the asset register.
- Assets were either not tagged or were incorrectly tagged.
- Assets that did not satisfy the definition of an asset were recorded as such.
- The useful life and residual values were not reviewed annually.

Matters emphasised

Matters reported for the first time

- o No policies and procedures in place for the following accounting cycles:
 - Local and international travel.
 - Fleet management.
 - Dealing with consultants.
- Incorrect calculation of provision for bad debts.
- No approved contract for IT consulting services.
- No human resource plan.
- No performance contract between the accounting officer and the executive authority.
- Inadequate strategic plan.
- No approved materiality and significance framework.
- Late submission of financial statements.
- The report of the accounting authority and performance information could not be submitted for auditing.
- Non-disclosure of the possible going-concern problem.

Matters reported in current and previous year(s)

- o No policies and procedures in place for the following:
 - Revenue and receipts.
 - Purchases and accounts payable.
 - Accounts receivable.
 - Investments.
 - Credit control policy.
 - Cash management.
- No supply chain management policy and procedures.
- No fraud prevention plan.
- Late submission of annual budget.



AUDITOR - GENERAL

Portfolio: Parliament

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		Budgeted expenditure	R million		Total expenditure	
		2006 (current year)	2005 (previous year)		Assets		2006 (current year)	2005 (previous year)
				2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)
Department								
Parliament		Qualified Emphasis of matter	Qualified Emphasis of matter	885,6	400,3	249,2	791,6	665,0

Department: Parliament

Qualified audit opinion

Matters reported for the first time

- Due to incomplete details in the asset register, assets amounting to R2,9 million could not be physically verified.
- Inconsistent application of policy relating to capitalisation of assets.
- Unreconciled difference between asset register and financial statements.

Matters emphasised

Matters reported for the first time

- Surplus funds amounting to R4,6 million were not surrendered as required.
- No performance evaluations due to non-compliance with the human resources procedure manual.
- Inadequate debt recovery policy relating to bad debt write-offs.
- No register of all applicable laws and regulations.
- Process flows and procedure manuals are inadequate or have not been compiled.
- No risk management policy.
- Due to lack of a performance review policy, an analysis and review of performance information did not take place frequently.
- Fraud prevention plan was not signed as acknowledged, committed and understood by staff.
- Actual performance achievements cannot be compared to the desired outcomes as objectives in the strategic plan do not link to the budget or to the annual report.
- The strategic plan does not include measurable objectives, expected outcomes, programme outputs, indicators or targets.

Matters reported in current and previous year(s)

- The Financial Administration of Parliament and the Provincial Legislatures Bill, as the Treasury Regulations for Parliament, has still not been finalised.
- No supporting documentation was supplied for the debt owed by the South African Revenue Services relating to the 1997 tax reconciliation.



AUDITOR - GENERAL

Portfolio: Office of the President

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
				2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)
Department								
The Presidency		Emphasis of matter	Emphasis of matter	218,5	11,2	10,4	196,2	172,5
Government Communication and Information System		Emphasis of of matter	Clean report	249,1	12,8	5,7	244,4	207,0
Public entities								
Media Development and Diversity Agency		Clean report	Clean report		28,2	19,4	14,4	11,3
National Youth Commission		Emphasis of matter	Emphasis of matter		3,5	2,9	18,7	18,8
Other entities								
International Marketing Council		Clean report	Emphasis of matter		7,1	2,7	72,6	67,7

Department: Government Communication and Information System

Matters emphasised

Matters reported for the first time

- o Weaknesses in the general control environment included the following:
 - Formal processes were not followed to ensure timely termination of user accounts and no procedures existed for the monitoring of powerful users.
 - Password change control and security events were not logged.

Public entity: National Youth Commission

Matters emphasised

Matters reported for the first time

- Due to a lack of monitoring, the risk management strategy did not include a fraud prevention plan.
- No audit committee.
- Due to a lack of monitoring, the performance information was not submitted for auditing.

Matters reported in current and previous year(s)



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

- No internal audit reports were issued during the year.
- o The procurement policy did not meet the following requirements:
 - Did not address the point allocation system for the evaluation of tenders and quotations.
 - The thresholds were inconsistent with those required.
 - The policy did not provide for the process to be followed with regard to the disposal and letting of assets and the regular assessment of supply chain management performance.

Portfolio: Minister of Provincial and Local Government

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Department								
Provincial and Local Government		Emphasis of matter	<i>Emphasis of matter</i>	15 960,4	82,0	79,6	15 993,4	13 164,3
Constitutional institutions								
Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities		Emphasis of matter	<i>Emphasis of matter</i>		5,2	4,3	11,4	12,5
Municipal Demarcation Board		Emphasis of matter	<i>Qualified Emphasis of matter</i>		9,9	7,0	22,4	28,6
Public entities								
Municipal Infrastructure Investment Unit	Note 1	Emphasis of matter	<i>Emphasis of matter</i>		7,7	6,1	10,1	20,4
South African Local Government Association	Note 2	Disclaimer Emphasis of matter	<i>Emphasis of matter</i>		42,2	14,9	105,0	75,7

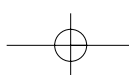
Note 1: In terms of cabinet approval the entity will cease to exist on 31 March 2006. The closure of the entity will be finalised by 31 August 2006.

Note 2: Year-end 30 June 2005

Department: Provincial and Local Government

Matters emphasised

Matters reported for the first time



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

- The report on the performance against predetermined objectives was received late and was not audited.
- o Weaknesses in the general control environments included:
 - Non-compliance with the Minimum Information Security Standards. No information security officer had been appointed to oversee information security.
 - Inadequate intruder detection settings and password controls.

Matters reported in current and previous year(s)

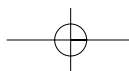
- o Weaknesses in the general control environments included the following:
 - No authorised and tested disaster recovery and business continuity plan.
 - Inadequate user account management procedures.

Constitutional institution: Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities

Matters emphasised

Matters reported for the first time

- o Due to the lack of adequately developed systems and procedures, non-compliance with laws and regulations included:
 - No fraud prevention plan.
 - No risk assessment strategy.
 - No internal audit charter.
 - Goods amounting to R1,1 million were procured without following adequate tender procedures.
 - Due to non-compliance with the procurement policies and procedures, quotations were not obtained.
 - No performance contract for the chief executive officer.
 - No delegations of authority.
 - No declarations of business interest for senior officials.
- Vacancy rate of 42% may affect service delivery and proper functioning of the internal control environment. This was due to the organisational structure not being approved and roles and responsibilities for appointed staff not being defined.
- No performance contract for employees and no performance management systems to measure performance of the employees.
- Most policies and procedures were only approved in December 2005.
- Lack of segregation of duties in the finance department due to vacancies.
- Journals were not appropriately authorised and checked before processing.
- No creditor reconciliations were performed.
- No segregation of duties between the preparation, review, approval and payment of payroll.
- Incomplete personnel files.
- Leave was not approved timeously.





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

- Incorrect calculation of leave provision; consequently the provision may be understated.
 - No approved depreciation policy.
 - Various source documents could not be presented for auditing.
 - Information on the performance against predetermined objectives was not submitted for auditing.
- o Weaknesses in the general control environments included:
- Lack of segregation of duties.
 - Lack of approved and implemented backup policy.
 - Lack of approved and implemented disaster recovery plan.
 - Lack of approved and implemented IT policy.

Matter reported in current and previous year(s)

- Conditions of appointment and the role and responsibilities of commissioners were not defined.

Constitutional institution: Municipal Demarcation Board

Matters emphasised

Matters reported for the first time

- Irregular expenditure due to inadequate procurement policy and supply chain management practice.
- Irregular expenditure due to entering into finance lease transaction.
- Internal audit did not comply with the standards set by the Institute of Internal Auditors.
- Information system weaknesses relating to password controls.

Public entity: Municipal Infrastructure Investment Unit

Matters emphasised

Matter reported for the first time

- No approval received from National Treasury to retain surplus funds.

Matter reported in current and previous year(s)

- The materiality and significance framework was only developed and approved after the entity ceased to exist.

Public entity: South African Local Government Association (SALGA)

Disclaimer of audit opinion

Matters reported for the first time



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

- No effective system of internal control for the recording of revenue and expenditure, assets and liabilities.
- Inadequate controls over calculation, invoicing and accounting for levy revenue and the collection of debtors.
- No disclosure of revenue and corresponding debtors amounting to R74 million in the financial statements due to the metro's debt being accounted for on a cash basis.
- No reliable reconciliation of the levies levied by the head and regional offices for debtors outstanding at year-end. Related provision for bad debts could also not be confirmed.
- Debtors with credit balances are included in the debtor balance.
- Debts owed by a donor could not be confirmed.
- Supporting documents for expenditure could not be provided.
- Orders were not authorised as required by the internal policy.
- Supporting documents were not cancelled as paid after payments were made.
- Prescribed procurement procedures were not followed, resulting in irregular expenditure.
- Bank accounts at head office and in the Limpopo region did not reconcile at year-end.
- Three bank accounts were not accounted for in the financial statements, including the movements on these accounts.
- The cash book was compiled from bank statements and not from source documents.
- Inaccurate reconciliation of the main bank account.
- Creditors amounting to R1,0 million and amounts owed to the regional offices amounting to R0,6 million could not be verified.
- Due to inadequate creditor reconciliations, creditors included debit balances.
- Establishment levies amounting to R1,2 million were not accounted for as revenue.
- Journal entries could not be substantiated.
- Not all potential debt to be recovered was accounted for.
- Not all fruitless and wasteful expenditure has been disclosed.
- No approval to retain the surplus funds had been requested from National Treasury.
- No reconciliation of leave entitlement was performed, with the result that leave entitlement could not be verified.
- Opening balances for property, plant and equipment did not agree with the closing balances from the previous year.
- Monthly reconciliations were not done between the fixed asset register and the general ledger.
- SALGA's assets were not revaluated as required by the accounting policy.
- Assets have not been capitalised and depreciated as required.
- The depreciation rates used were inconsistent.
- Assets and liabilities and the financial results of the North West have been included in the combined financial statements without a signed agreement.
- Prior year errors could not be verified.
- Advances to and from SALGA national and provincial offices were not cancelled out.
- No disclosure about SALGA taking over the provincial associations, and the dates on which this took place.
- Comparative audited figures have been adjusted for the take-over of the provincial associations.
- Inadequate disclosure of accounting policy for plant, property and equipment.
- No detailed disclosure in terms of cost or fair value, as required.
- Inadequate disclosure in the notes of prior year's adjustment relating to funds and reserves.
- No disclosure is made under long-term liabilities in the financial statements.
- Contingent liabilities amounting to R2,6 million were not disclosed in the financial statements.



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

- No application to SARS for income tax exemption. Potential tax to be paid is uncertain.
- Not all documentation, including minutes of meetings and variance explanations, was submitted as requested.

Matters emphasised

Matters reported for the first time

- A building was purchased without the necessary approval and the transaction was subsequently cancelled.
- Annual report does not contain information on the performance against predetermined objectives.
- Bank overdraft in the Limpopo province without approval of the minister.
- No progress reports were submitted by internal audit to the audit committee.
- Surplus funds have not been invested at the Corporation for Public Deposits, as required.
- No approval for or evidence that National Treasury was notified about the opening of bank accounts.
- Inadequate cash management policy.
- The strategic plan did not meet requirements.
- Internal audit was not adequately staffed and only three audits were performed.
- No approved methodology as per standards set by the Institute of Internal Auditors.
- Contingent liability of R148,4 million.
- Application for membership was not lodged in writing with the chairperson of the national executive committee.
- Members whose membership fees were outstanding for longer than two months were not suspended.
- Financial statements were resubmitted for auditing on 15 November 2005.

Matters reported in current and previous year(s)

- No three-year strategic plan and detailed annual plan for internal audit.
- No materiality and significance framework has been developed.
- No approved risk management strategy and fraud prevention plan.
- No quarterly report to the executive authority on the extent of compliance with the PFMA.
- Financial year-end was not changed to March as required.

Portfolio: Minister of Public Enterprises

Entities in portfolio audited by the Auditor-General									
Entities in portfolio	Comments	Audit opinion		Budgeted expenditure	R million			Total expenditure	
		2006 (current year)	2005 (previous year)		Assets			2006 (current year)	2005 (previous year)
				2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)	
Department									
Public Enterprises		Clean report	Clean report	2 092,7	19 141,5	17 141,3	2 095,8	75,7	



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

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Public entities								
Alexkor Limited		Information not available	Emphasis of matter		-	179,1	-	233,0
Aventura	Note 1	Audit not finalised	Audit not finalised		-	-	-	-
Denel		Information not available	Clean report		-	4 092,0	-	4 737,2
Eskom		Clean report	Clean report		128 152,0	109 205,0	40 006,0	45 150,0
SA Forestry Company Limited		Emphasis of matter	Emphasis of matter		1 656,1	1 506,6	349,8	666,8
Transnet Limited		Emphasis of matter	Emphasis of matter		77 333,0	77 051,0	18 006,0	20 260,0

Note 1: Aventura Limited was sold in June 2003 and since then has been a non-trading entity. The audits for the 2003-04 and 2004-05 years have not yet been finalised.

Portfolio: Minister of Public Service and Administration

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Department								
Public Service and Administration		Emphasis of matter	Emphasis of matter	187,3	5,0	15,8	212,7	128,8
Public Service Commission		Clean report	Emphasis of matter	86,1	1,3	1,7	85,2	71,3
South African Management Development Institute		Emphasis of matter	Emphasis of matter	57,0	5,0	10,7	60,0	36,6
Public entities								
State Information Technology Agency		Emphasis of matter	Emphasis of matter		2 226,9	1 924,1	2 870,9	2 551,2
Other entity								
South African Management Development Institute Trading Entity		Emphasis of matter	Emphasis of matter		45,9	29,0	43,3	30,4



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

Department: Public Service and Administration

Matters emphasised

Matters reported for the first time

- o Weaknesses in internal control included the following:
 - Invoices not paid within the prescribed period of 30 days.
 - No procedures to ensure the accuracy and completeness of commitments.
 - Inadequate maintenance of asset register.
 - No asset register for intangible assets.
- Due to an inadequate management review and monitoring framework, irregular expenditure amounting to R1,3 million was not reported as required.
- Due to an inadequate management review and monitoring framework, members of the tender evaluation committee did not declare possible conflict of interest.
- Performance information and supporting documentation was submitted late for auditing.

Department: South African Management Development Institute

Matters emphasised

Matters reported in current and previous year(s)

- o Due to a lack of fully implemented and effective policies and procedures, weaknesses included the following:
 - Insufficient controls over the internal movement of assets and the timely updating of the asset register.
 - Fixed asset losses not reported and followed up timeously.

Public entity: State Information Technology Agency (SITA)

Matters emphasised

Matters reported for the first time

- SITA has recorded properties even though the transfer had not been finalised in the accounting records and fixed asset register.
- o Internal control weaknesses were identified in:
 - Project management.
 - Infrastructure spend.
 - Receivable management.
- Performance information was submitted late and in a draft format for auditing.



AUDITOR - GENERAL

- o Weaknesses in the general controls included the following:
 - Inadequate physical and logical access controls.
 - A lack of change control procedures or logs to manage and monitor changes made to the system.
 - User access rights and segregation of duties were not reviewed by management.
 - No reconciliation of accounts payable and inventory during data migration.
- o Weaknesses in the application controls included the following:
 - Payments could be made to inactive accounts.
 - Duplicate employee records could be created.
 - Inadequate configuration of audit trail.
 - Inadequate segregation of duties.

Matters reported in current and previous year(s)

- o Internal control weaknesses were identified in:
 - Information system.
 - Payroll.
 - Fixed assets.
 - Accruals.
 - Non-compliance with procurement policies and procedures.
 - Service level agreements not concluded timeously.

Other entity: South African Management Development Institute Trading Entity

Matters emphasised

Matters reported for the first time

- Due to a lack of proper systems and audit trails with regard to registers and reconciliations, completeness of revenue and receivables could not be verified.

Portfolio: Minister of Public Works

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million			Total expenditure	
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		2006 (current year)	2005 (previous year)
				2006 (current year)	2006 (current year)	2005 (previous year)		
Department								
Public Works		Emphasis of matter	Emphasis of matter	5 644,2	811,8	932,1	5 634,9	5 305,3
Public entities								
Construction Industry Development Board (CIDB)		Clean report	Clean report		4,8	9,9	39,6	26,2
Council for the Building Environment (CBE)		Emphasis of matter	Emphasis of matter		22,9	3,7	5,2	2,0
Independent Development Trust		Emphasis of matter	Emphasis of matter		1 594,5	1 615,7	154,1	122,5



AUDITOR - GENERAL

Department: Public Works**Matters emphasised**

Matters reported for the first time

- Significant adjustments were effected to the financial statements after submission.
- Performance information was submitted late and in a draft format for audit.

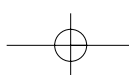
Matters reported in current and previous year(s)

- Weaknesses regarding rental debtors:
 - Inadequate monitoring of rental debtors.
 - Debtors included liquidated or deceased debtors, debtors whose contracts had been terminated and debtors with no rental contracts.
 - Inadequate recovery of rental debtors, resulting in long-outstanding debts and material debt write-offs.
- Intergovernmental balances were not confirmed.
- Weaknesses in the Property Management Information System (PMIS)
 - Users had access to functions that were not defined in their system roles.
 - User IDs of both the capturer and the authoriser in respect of the supplier maintenance and invoices were not reflected in the audit trail.
 - Audit trails were not regularly reviewed by management.
 - Certain validation tests have not been established to ensure that a supplier could only be created once.
 - Supplier registration data not always correctly captured on the system.
 - No evidence of any reviews performed to verify the accuracy of the PMIS supplier information captured.

Public entity: Council for the Building Environment (CBE)**Matters emphasised**

Matter reported for the first time

- Significant adjustments were effected to the financial statements after submission.
- Information on the performance against predetermined objectives was not submitted for audit.
- The strategic plan was not submitted to the executive authority within six months.
- The strategic plan did not cover a three-year period as required.
- The accounting authority's report was not submitted for auditing with the financial statements.
- The annual report was not submitted for auditing as required.
- Fruitless and wasteful and irregular expenditure was disclosed in the financial statements.



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

- o No documented and approved policies and procedures relating to:
 - Investments
 - Asset management
 - Revenue and receivables (income management)
 - Budget process
 - Journals
- Journals were raised and approved by the same person.

Matter reported in current and previous year(s)

- A chief financial officer was not appointed as required.

Public entity: Independent Development Trust

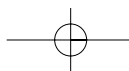
Matters emphasised

Matters reported for the first time

- o No documented policies and procedures regarding:
 - Accounts payable.
 - Payments, resulting in payments made without authorisation.
 - Cash book processing.
 - Budgeting process.
 - Journals, resulting in unauthorised and invalid journals passed after year-end.
 - Investment recording process.
 - Credit control with regard to accounts receivable and debtor write-off policy.
 - Strategic planning and monitoring of performance.
- Monthly reconciliations were inadequate and not done timeously.
- Significant adjustments were effected to the financial statements after submission.

Matters reported in current and previous year(s)

- Incomplete and inadequate reconciliations between available funds and funds spent on programmes.
- Programme expenditure was paid without corresponding transfers from the programme call account.
- Due to lack of an interface between the general ledger and the cash management system, payments can be made without an invoice.





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

Portfolio: Minister of Safety and Security

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
				2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)
Department								
Safety and Security		Emphasis of matter	Emphasis of matter	28 480,5	209,6	189,4	28 480,5	24 572,9
Independent Complaints Directorate		Disclaimer Emphasis of matter	Emphasis of matter	49,5	1,8	1,3	49,2	42,1

Department: Safety and Security

Matters emphasised

Matters reported for the first time

- o The phased-in approach for the implementation of supply chain management has the following shortcomings:
 - Old State Tender Board policies are still being used.
 - New delegations of authority to the provinces have not been finalised.
 - Prescripts have not been fully implemented at provincial level, which resulted in suppliers' performance not being regularly evaluated.
- o Control over room inventory and area commissioners
 - Room inventory registers were not properly maintained.
 - Handing-over certificates were not completed when a change in command occurred.
 - Lack of segregation of duties regarding the custody and recording of assets at a police station level.
- o Performance audit: Utilisation of resources
 - Due to inadequate monitoring, the status of cases on the Case Administration System (CAS) was not always updated accurately and timeously to reflect cases that had been finalised or withdrawn.
 - State Information Technology Agency (SITA) was approximately 16 months behind schedule in developing a new system to be used for evaluating DNA evidence.
 - Laboratory Information Management System earmarked for implementation in 2004 has not been implemented as the feasibility of the project is being reviewed.



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

- Lack of execution of planned maintenance by the Department of Public Works resulted in the carrying over of backlogs from prior financial year.
- o Investigation at building service division
 - Inadequate maintenance of the supplier list or database.
 - Lack of quotations from potential suppliers.
 - Lack of period contracts where materials were acquired on a continuous basis.
 - Formal tender process was not followed.
 - Inadequate controls over the recording and maintenance of stock at the building store.
- o Information systems audit
 - Documented and approved disaster recovery plan was inadequate as it did not include a network recovery plan.
 - A comprehensive disaster recovery test was not performed
 - Inadequate segregation of duties as the Provisioning Administration System controllers were responsible for the administration of access to the system and performed the functions of ordinary users.

Matters reported in current and previous year(s)

- o Inventory stores
 - Stock differences amounting to R27,1 million between actual stock and the Provisioning Accounting System (PAS).
 - Excess inventories amounting to R114,5 million were reflected on the PAS as the needs analysis was not based on accurate estimates.
 - Stock disposals amounting to R170,1 million were awaiting authorisation on PAS at year-end.
- o As a result of a lack of monitoring and non-compliance with policies, procedures and standing instructions in respect of vehicle fleet management and firearm control, the following were noted:
 - Due to inadequate monitoring, the use of and control over vehicles after normal working hours resulted in vehicles not being available to respond to emergencies.
 - Firearm control registers were not properly maintained and weapon inspections were not performed twice a year.
 - Departmental statistics revealed that 2 297 (735 for 2004-05) firearms were either lost or had been stolen from personnel.
- o Performance audit: Utilisation of resources
 - The lack of trained staff and a properly constituted management information system resulted in inefficient management of and control over the progress of investigations and appropriate docket allocation to investigating officers.



AUDITOR - GENERAL

Department: Independent Complaints Directorate**Disclaimer of audit opinion**

Matters reported in current and previous year(s)

- o Suspense accounts not cleared
 - Due to the lack of management monitoring and review it was found that the disallowance miscellaneous clearing account was not cleared at year-end and that the balance amounted to R1 163 million. Related transactions could not be verified.
 - An amount of R0,8 million included in the bank balance could not be verified and the contra account was included in the disallowance miscellaneous clearing account.
 - Accounts payable and receivable are affected by transactions in the disallowance miscellaneous clearing account as receivable are disclosed although it has been received.
- o Due to the lack of independent management review and monitoring of staff debtors, weaknesses included the following:
 - Debtors raised without sufficient supporting documentation.
 - Inadequate documentation to support R0,2 million disclosed as debt to be recovered from pension funds.
 - Some staff debtors showed no movement since October 2005.
 - Differences between the debtor list and the financial statements.
 - Delegations in use were outdated. Transactions amounting to R2,8 million were not appropriately authorised.

Matters emphasised

Matters reported for the first time

- o Incorrect disclosure of receivables
 - Management did not independently review and confirm the correctness and completeness of the debtors as disclosed in annexure 6.
 - An amount of R0,2 million was paid in advance and not recovered from the Department of Public Works, and was not disclosed as a receivable.
 - Interdepartmental receivables could not be confirmed by the owing departments.
- o Information systems audit weaknesses included
 - Inadequate segregation of duties of system administrators, who could also perform the functions of ordinary users.
 - Inadequate authorisation of new users.
- o Non-compliance with laws and regulations



AUDITOR - GENERAL

- Internal audit section was not functioning for the first five months of the financial year.
 - The audit committee approved the internal audit plan and charter only in February 2006.
 - Risk assessment was not completed for the year under review.
 - Risk management committee did not monitor the implementation of the risk assessment and fraud prevention plan.
 - Quarterly reports were not prepared and issued.
- Due to a lack of management monitoring and review, the human resource plan was in draft and did not meet the minimum requirements.

Matters reported in current and previous year(s)

- Due to a lack of independent management review and monitoring, the controls over leave were insufficient:
 - Leave was taken in excess of leave entitlement.
 - Leave utilised was not deducted from leave credits.
 - Leave was taken before it was approved.
 - Leave gratuity was paid out without proper supporting documentation.
- Non-compliance with laws and regulations
 - Lack of an approved supply chain management policy.

Portfolio: Minister of Science and Technology

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)
Department								
Science and Technology		Emphasis of matter	Emphasis of matter	2 041,9	6,3	0,8	2 038,8	1 287,0
Public entities								
Africa Institute of South Africa, Pretoria		Qualified Emphasis of matter	Emphasis of matter		13,3	12,9	22,2	20,9
Council for Scientific and Industrial Research (CSIR)		Clean Report	Clean report		818,8	771,7	1 064,7	997,4
Human Sciences Research Council (HSRC)		Clean report	Emphasis of matter		121,0	115,1	215,5	232,6
National Research Foundation		Emphasis of matter	Qualified Emphasis of matter		1 312,1	1 381,3	1 048,1	918,8



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

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)
Public entities								
Godisa Trust		Clean report	Clean report		13,0	26,9	57,5	52,8

Department: Science and Technology

Matters emphasised

Matters reported for the first time

- Due to a system failure, the fixed asset register was lost and no backup was maintained.
- Missing asset numbers in the sequential number order of the fixed asset register.
- Information on the performance against predetermined objectives was not submitted on time for auditing purposes.

Public entity: Africa Institute of South Africa, Pretoria

Qualified audit opinion

Matters reported for the first time

- Due to lack of a policy framework, finance leases were not disclosed as required.

Matters emphasised

Matters reported for the first time

- Material adjustments were made to the financial statements after submission for auditing.
 - No internal audit function and no internal audit work were performed.
 - No regular risk assessments.
 - No fraud prevention plan.
- o Due to inadequate policies and procedures, weaknesses included the following:
- Property, plant and equipment not depreciated to residual value.
 - No disclosure on related parties.
 - Inadequate processes to finalise performance information.



AUDITOR - GENERAL

Public entity: National Research Foundation**Matters emphasised**

Matters reported for the first time

- Post-retirement healthcare liability is not matched with the required funds.

Portfolio: Minister of Social Development

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure 2006 (current year)	Assets		Total expenditure	
					2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)
Department								
Social Development		Emphasis of matter	Emphasis of matter	56 640,0	1 880,4	158,0	55 600,4	4 522,5
Public entities								
National Development Agency		Qualified Emphasis of matter	Emphasis of matter		267,2	262,0	124,1	156,2
Other entities								
Disaster Relief Fund		Clean report	Clean report		38,5	47,1	49,8	51,0
High School Vorentoe Disaster Fund		Clean report	Clean report		0,1	0,2	0,02	0,013
Refugee Relief Fund		Clean report	Clean report		0,5	0,5	0,02	0,008
Social Relief Fund		Clean report	Clean report		15,7	14,7	0,02	0,008
State President Fund		Clean report	Clean report		16,5	15,7	0,2	0,017

Department: Social Development**Matters emphasised**

Matters reported for the first time

- Lack of controls for the safekeeping of financial records.
- Weaknesses in the general controls of the Social Pensions System included the following:
 - No segregation of duties for the mainframe security system administration.
 - Segregation of duties was not maintained between the mainframe security system administration and the application security functions.
 - Inadequate logical security and access controls.
 - Possibility of making unauthorised changes to production data.



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

Matters reported in current and previous year(s)

- Underspending of conditional grants received by provinces.
- Lack of policy and procedure framework for financial awards to non-profit organisations.
- Weaknesses in the general controls of the Social Pensions System included the following:
 - No formally documented and approved program-change control standards and procedures.
 - No user account management procedures.
 - No independent monitoring of the mainframe security.
 - No formal disaster recovery plan.

Public entity: National Development Agency

Qualified audit opinion

Matters reported for the first time

- Misappropriation of funds affecting bank and cash.
- Weaknesses in controls over poverty eradication and projects included the following:
 - No contracts for projects amounting to R2,6 million.
 - Contract was not signed by both parties.
 - Inadequate filing / project management system to ensure safekeeping of project documentation.
 - Amounts written back did not agree with amounts approved for the projects.
 - Projects did not show financial movement.
 - Existence of projects amounting to R7,2 million could not be verified.
 - No confirmation letters for projects amounting to R3,8 million.
 - No proof of payment for projects amounting to R1,7 million.
 - No independent reconciliation of payments to project bank statements.
- Due to incorrect take-on balances for a new system, there are differences amounting to R20,1 million between the project listing and the general ledger. The amount is included in other income.
- Write-backs of trade creditors amounting to R1,4 million could not be verified.

Matters emphasised

Matters reported for the first time

- Lack of policy to ensure that special conditions on projects are met before payment.



AUDITOR - GENERAL

Portfolio: Minister of Sport and Recreation

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
				2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)
Department								
Sport and Recreation South Africa		Emphasis of matter	Emphasis of matter	457,8	30,7	12,7	435,7	281,5
Public entities								
Boxing South Africa		Audit not finalised	Qualified Emphasis of matter		-	4,3	-	6,4
South African Institute for Drug-free Sport		Emphasis of matter	Clean report		2,3	3,0	6,6	5,2
South African Sport Commission	Note 1	Emphasis of matter	Emphasis of matter		9,6	11,3	8,0	33,3
Other entity								
Mali Trust	Note 2		Audit not finalised					

Note 1: Information included in financial statements for four months as the Commission was closed by Parliament on 31 July 2005.

Note 2: The trust was established to assist the Mali government with the 23rd Africa Cup of Nations soccer tournament that took place during 2002. The trust was dissolved and a draft audit report and final management letter were completed and discussed with the Head of the Department of Sports and Recreation South Africa.

Department: Sport and Recreation South Africa

Matters emphasised

Matters reported for the first time

- High level of vacancies resulted in a lack of monitoring at all levels.
- Transfers and subsidies
 - Information from the monthly reports submitted by municipalities did not agree to the report submitted by the Department to National Treasury.
 - Monthly reports were not submitted to National Treasury timeously.
 - Insufficient visitations to hubs (areas or focal points).
- Due to non-functioning audit committee:
 - The audit committee charter was not reviewed.



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

- No quarterly reports by internal audit to the audit committee, as required.
- o Weaknesses in internal controls included the following:
 - Annual confirmation of state guarantees, as well as possible guarantees transferred from the former SASC, was not performed.
 - Payments were not always supported by an original or certified invoice.
 - Lack of control over receivables.
 - Insufficient monitoring of projects relating to household and non-profit organisations that receive transfer payments.
 - No control system to ensure completeness of pre-payments.
 - Insufficient control over the recording and monitoring of losses.
 - Insufficient control over gifts.
 - Inadequate system to ensure the accurate and complete disclosure of accruals and commitments.
 - Lack of control over cellphone operating lease contracts.
- o Supply chain management and control over assets:
 - Inadequate register or listing of all tenders opened.
 - No declaration of possible conflict of interest as required.
 - Inconsistencies in the calculation of asset cost price and disclosure.
 - None of the assets identified for disposal was disposed of.
 - Unresolved differences with regard to asset counts.
- o Lack of policies and procedures relating to monitoring of the following:
 - Inventory and assets.
 - Risks identified and fraud prevention plan.
 - Provision for irrecoverable debt.
- The minister made use of three vehicles instead of two, as required.
- o Performance information:
 - No clear link between the measurable objectives and indicators per programme as per strategic plan and budget.
 - Progress report on performance for the fourth quarter was not submitted as required.

Public entity: South African Institute for Drug-free Sport

Matters emphasised

Matters reported for the first time

- o The corporate plan did not include the following:
 - Risk management plan.
 - Fraud prevention plan.
 - Materiality/significant framework.
- No risk management strategy.



AUDITOR - GENERAL

Portfolio: Minister of Trade and Industry

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Department								
Trade and Industry	Note 1	Emphasis of matter	Emphasis of matter	3 907,4	3 213,1	2 410,9	3 623,8	3 594,9
Public entities								
Competition Commission		Clean report	Clean report		52,5	49,1	62,2	66,6
Competition Tribunal		Clean report	Clean report		10,2	6,8	10,6	9,0
International Trade Administration Commission of South Africa (ITAC)		Clean report	Emphasis of matter		15,5	12,3	44,1	37,1
National Gambling Board of South Africa		Emphasis of matter	Clean report		6,1	11,6	19,4	12,3
National Lotteries Board		Emphasis of matter	Emphasis of matter		155,8	138,6	20,8	17,0
Small Enterprise Development Agency	Note 2	Audit not finalised			-	-	-	-
South African Bureau of Standards (SABS)		Emphasis of matter	Clean report		412,4	375,2	454,7	414,0
Other entities								
Companies and Intellectual Property Registration Office (CIPRO)		Disclaimer Emphasis of matter	Emphasis of matter		128,4	38,7	125,3	122,3
National Lottery Distribution Trust Fund		Emphasis of matter	Emphasis of matter		3 609,8	3 113,2	1 199,1	1 180,6
National Supplies Procurement Fund	Note 3	Emphasis of matter	Emphasis of matter		0,006	0,006	0,001	0,001

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Public entities								
Estate Agency Affairs Board		Information not available	Information not available					
Export Credit Insurance Corporation of South Africa Limited		Clean report	Clean report		2 413,1	2 180,5	13,7	98,6



AUDITOR - GENERAL

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)
Public entities								
Industrial Development Corporation of South Africa Limited		Information not available	Clean report		-	36,6	-	2,8
Khula Enterprise Finance Limited		Information not available	Clean report		-	1 087,8	-	107,7
National Coordination Office of the Manufacturing Advisory Centre	Note 4	Information not available	Emphasis of matter		-	40,0	-	102,0
National Empowerment Fund		Information not available	Emphasis of matter		-	1 272,4	-	26,3
South African Excellence Foundation		Information not available	Information not available		-	-	-	-
South African National Accreditation System		Emphasis of matter	Clean report		13,5	12,7	23,0	19,0
South African Quality Institute (SAQI)		Clean report	Emphasis of matter		0,5	0,4	3,4	5,5
Trade and Investment South Africa	Note 5	Information not available	Clean report		-	7,9	-	13,0

Note 1: The emphasis of matter paragraph for 2005-06 is an information paragraph in the public interest.

Note 2: The Small Enterprise Development Agency (SEDA) was established on 1 January 2005 and has received dispensation from Treasury to prepare its first financial statements as from the period 1 January 2005 to 31 March 2006.

Note 3: The Minister has approved the liquidation of the Fund pending legislation to be drafted to repeal the enabling act. The fund is currently dormant.

Note 4: The National Coordination Office of the Manufacturing Advisory Centre (NAMAC) was incorporated in the Small Enterprise Development Agency on 1 April 2005.

Note 5: Functions were transferred to the department. Has not yet been deregistered as a section 21 company.

Public entity: National Gambling Board of South Africa

Matters emphasised

Matter reported for the first time

- Going-concern status of the Board is in doubt due to uncertainty whether adequate funding would be available in the 2006-07 financial year.



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

Public entity: National Lotteries Board

Matters emphasised

Matter reported in current and previous year(s)

- No effective internal audit function.

Public entity: South African Bureau of Standards (SABS)

Matters emphasised

Matters reported for the first time

- Due to insufficient skills and capacity to compile and review financial statements, material adjustments were made after submission.
- Weaknesses in general controls included:
 - Inadequate password controls.
 - Inadequate user account management procedures.
 - Activities related to information security were not monitored.

Other entity: Companies and Intellectual Property Registration Office (CIPRO)

Disclaimer of audit opinion

Matters reported for the first time

- General weakness in internal controls mainly due to vacancies, rate of staff turnover and various acting positions at senior management level and within the finance department.
- No approved staff establishment.
- Policies and procedures are non-existent, are not strictly followed and enforced, or have not been regularly updated.
- Budget, strategic and business plans were not approved timeously.
- Lack of proper financial and performance management systems.
- Obsolete stock and absence of physical assets recorded in the asset register are not timeously identified and addressed.
- Receivables include irrecoverable amounts relating to staff telephone expenses.
- System weakness resulted in customers not being billed or not billed on time.
- Customers did not pay deposit to transact with CIPRO and corresponding debtors were not raised.

Matters reported in current and previous year(s)

- Non-compliance with the procurement procedure manual and policy document resulted in the following:
 - Inadequate supporting documentation and procurement procedures as CIPRO was obligated to pay for expenditure where delegations were bypassed.
 - Fruitless expenditure due to payments made to service provider without agreed milestones being met.



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

- Payments were made to equipment leasing company for services not rendered. The company was paid in full on termination of the contract, as if the contract had run for the full duration.
- No action has been taken with regard to irregular, fruitless and wasteful expenditure, as required.

Matters emphasised

Matters reported for the first time

- Due to instability at senior management level and vacancies, the internal audit and audit committee components were not fully functional.
 - No approval for and disclosure of sponsorships received.
 - Significant adjustments were made to the financial statements after submission for auditing.
 - A supply chain management system was not implemented and a departmental tender committee was not established.
 - No preferential point system was implemented and taken into account when evaluating tenders for contracts.
 - Board members of the previous management board had interests in businesses that were contracted for services but no declaration of interest documents were signed.
- o Weaknesses in general controls included the following:
- Disaster recovery plan has not been formally approved and established.
 - User account management procedures were not adhered to and did not address certain critical aspects.
 - Change control committee has not been established; the approved change control procedures were not adhered to, and programmers still had access to the production environment.
 - Inadequate physical access and environmental controls.
 - Backup procedures, as well as testing and restoration procedures, were inadequate. Backup reports were not reviewed by management and a service level agreement had not been concluded for the offsite storage of backups.
 - Various logical security setting weaknesses were identified on the server.
 - Due to a lack of policies and procedures, no monitoring and control of activities and performance of consultants.
 - No contract or service level agreements between CIPRO and certain suppliers.
 - Inadequate segregation of duties for critical information technology functions.

Matters reported in current and previous year(s)

- Non-compliance with the internal procurement procedures and policy and other procurement prescripts.

Other entity: National Lottery Distribution Trust Fund

Matters emphasised

Matters reported for the first time

- No prescribed governance structures and oversight mechanisms for the distributing agencies.

Matters reported in current and previous year(s)

- No effective internal audit function.

Transport



AUDITOR-GENERAL

Portfolio: Minister of Transport

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Department								
Transport		Qualified Emphasis of matter	Qualified Emphasis of matter	10 29,7	6 426,4	6 221,6	10 398,5	6 669,4
Public entities								
Cross-border Road Transport Agency		Adverse Emphasis of matter	Emphasis of matter		4,2	7,0	34,7	32,1
Railway Safety Regulator		Emphasis of matter	Emphasis of matter		15,0	16,3	22,0	7,3
Road Accident Fund		Emphasis of matter	Emphasis of matter		4 357,4	1 707,6	6 642,8	5 923,2
Road Traffic Management Corporation		Qualified Emphasis of matter	Adverse Emphasis of matter		40,3	7,4	35,3	0,6
South African Maritime Safety Authority		Emphasis of matter	Emphasis of matter		94,6	85,6	54,5	41,1
South African National Roads Agency		Emphasis of matter	Emphasis of matter		8 999,8	9 076,1	2 034,7	1 208,5
South African Rail Commuter Corporation Limited		Audit not finalised	Adverse Emphasis of matter		-	7 350,4	-	2 439,5
Urban Transport Fund		Audit not finalised	Emphasis of matter		-	71,0	-	17,1

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Public entities								
Air Traffic and Navigation Services Company		Information not available	Clean report		-	718,0	-	386,1
Airports Company South Africa Limited		Clean report	Clean report		9 892,0	7 717,9	1 206,0	1 189,4
South African Civil Aviation Authority		Information not available	Emphasis of matter		-	121,6	-	112,3
Other entities								
Air Services Licensing Council		Information not available	Information not available		-	-	-	-



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

Department: Transport**Qualified audit opinion**

Matter reported in current and previous year(s)

- Uncertainty regarding the proper accounting treatment of the contract for the production of the credit card-format driving licences.

Matters emphasised

Matters reported for the first time

- No disciplinary steps or criminal proceedings were taken to resolve unauthorised expenditure.
- Some performance information was not received timeously.
- Internal control procedures and policies were not always complied with.
- No signed employee contract for the director-general.
- Contracts were not managed properly, resulting in irregular and fruitless and wasteful expenditure.
- General control weaknesses surrounding information technology.

Matters reported in current and previous year(s)

- Due to inadequate record keeping and control over the receipt of driver's licence registration fees, the completeness of the income could not be determined.
- Driver's licences were issued contrary to laws and regulations and should be cancelled.
- Fruitless and wasteful expenditure due to interest and penalties charged.
- Irregular expenditure as a result of non-compliance with certain procurement and other regulations.

Public entity: Cross-border Road Transport Agency**Adverse audit opinion**

Matters reported for the first time

- o Non-compliance with the prescribed accounting framework included:
 - Incorrect disclosure of operating leases.
 - Overstatement and incorrect disclosure of provisions.
 - Inadequate disclosure of directors' emoluments.
 - Non-disclosure of conflict of interest and related parties.
 - Non-disclosure of remuneration for senior management.
 - Non-disclosure of contingent liability amounting to R1,2 million.
 - Various pending legal cases were not disclosed.
- No monthly debtor reconciliations.
- No follow-up on amounts received by magistrate's offices.

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

Matters reported for the first time

- Shortcomings relating to accounting for fixed assets.
- Reconciliations were not reviewed.
- No framework to assist with the monitoring and tracking of budget.
- No budget for capital expenditure.
- Journals for property and equipment were not authorised.
- Inadequate control over the safekeeping of cash.
- Incomplete/inaccurate permit application forms.
- No debtor policy and no provision for doubtful debts.
- Leave register not maintained.
- No management representation letter could be obtained for auditing purposes.

Matters reported in current and previous year(s)

- Going-concern problems identified.
- No internal audit function.

Public entity: Railway Safety Regulator**Matters emphasised**

Matters reported for the first time

- Due to a lack of controls and monitoring, the payroll expenditure could not be supported with reports generated by the payroll system.
- Material adjustments were made to the financial statements after submission for auditing.

Matters reported in current and previous year(s)

- Inadequate control over assets.
- Due to lack of budget controls and monitoring deviations occurred between actual and budgeted amounts.
- No report on the activities of the Regulator was submitted timeously, as required.

Public entity: Road Accident Fund**Matters emphasised**

Matters reported for the first time

- Outdated and inadequate policies and procedures.



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

- o Weaknesses in claims management relating to:
 - Timeliness of completion of claims.
 - Completeness of information and records.
 - Certain administrative arrangements such as payment procedures.
 - Organisational arrangements.
 - Delegations.
- o Weaknesses in information technology included:
 - Inadequate maintenance of audit trails.
 - Inadequate change control procedures.
 - Inadequate segregation of duties and control procedures.

Matters reported in current and previous year(s):

- The financial statements were resubmitted.
- Going-concern problem due to total liabilities exceeding total assets by R18,4 million and a net liability position.

Public entity: Road Traffic Management Corporation

Adverse audit opinion

Matter reported for the first time

- o Due to a lack of minutes for meetings held by the shareholders committee, the following weaknesses were noted:
 - Incorrect calculation and disclosure of leave pay provision.
 - No supporting documentation for an amount of R2,5 million.

Matters reported in current and previous year(s)

- o Due to a lack of minutes for meetings held by the shareholders committee, the following could not be verified:
 - Approval of budget for the year, overruns on the budget and approval of expenditure not budgeted for.
 - Approval schedule of domestic and international travel.
 - Completeness of members' interest in contracts.

Matters emphasised

Matters reported for the first time

- No assets, liabilities, rights and obligations were transferred as required.
- Performance information was not submitted for auditing.



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

- The report by the accounting authority was not submitted.
- Inadequate control over assets.
- No approved depreciation policy.
- No inventory count was conducted at year-end.
- Salary exception reports were not signed as reviewed.
- No creditor reconciliations were performed.

Matters reported in current and previous year(s)

- Entity has not been operational since establishment and no financial systems and policies were in place.
- No Board was established as required.
- Shareholders committee did not convene four times a year as required.
- No business and financial plan as required.
- No performance contract for the acting chief executive officer.
- No functional units were established as part of the operational structure.

Public entity: South African Maritime Safety Authority

Matters emphasised

Matters reported for the first time

- No review of useful life and residual value of assets.
- Differences between the manual and computerised system to manage assets.
- Existence of all assets could not be verified, while some assets were not included in the asset register.
- Performance information was not submitted as required.
- No policy for the provision for irrecoverable debt.
- Creditor reconciliation was not prepared.
- Inaccurate leave records were kept.
- No system to record services rendered.
- Some documents were not submitted for auditing.
- Journals passed were not authorised.
- Due to the Board not functioning effectively, no controls were in place to ensure compliance in general.
- No employment contract with the Board and audit committee members.
- Investment policy was not approved and implemented.

Matters reported in current and previous year(s)

- Material adjustments to financial statements after submission for auditing.
- Incomplete risk management strategy.
- No supply chain management framework.
- No performance agreement was signed for employees.
- Unknown deposit account was not cleared.
- No framework for monitoring budget.
- No declaration of interest by the members of the accounting authority and no register was kept.
- No internal audit function.
- Bank reconciliations were not performed weekly.



AUDITOR - GENERAL

Public entity: South African National Roads Agency**Matters emphasised**

Matters reported for the first time

- Impairment exercise did not include all classes of fixed assets as required.
- The residual value and useful life of all classes of fixed assets were not reviewed as required.

Matters reported in current and previous year(s)

- The land register and the valuations relating to land remain incomplete.
- Inaccurate calculation of toll fees collected due to lack of control over volume of traffic.



AUDITOR - GENERAL

Portfolio: Minister of Water Affairs and Forestry

Entities in portfolio audited by the Auditor-General									
Entities in portfolio	Comments	Audit opinion		Budgeted expenditure	R million			Total expenditure	
		2006 (current year)	2005 (previous year)		Assets			2006 (current year)	2005 (previous year)
				2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)	
Department									
Water Affairs and Forestry		Qualified Emphasis of matter	Emphasis of matter	3 935,6	825,7	626,3	3 889,1	3 965,5	
Public entities									
Water Research Commission		Clean report	Clean report		137,8	143,8	116,6	78,5	
Other entities									
Erf 706 Rietfontein		Clean report	Clean report		7,1	6,9	4,5	2,1	
Equipment Trading Account		Disclaimer Emphasis of matter	Adverse Emphasis of matter		219,8	70,6	78,1	37,3	
National Forest Recreation and Access Trust		Emphasis of matter	Emphasis of matter		3,2	3,0	0	0	
Water Trading Account		Disclaimer Emphasis of matter	Disclaimer Emphasis of matter		46 273,1	50 912,9	5 214,8	7 341,8	

Entities in portfolio not audited by the Auditor-General									
Entities in portfolio	Comments	Audit opinion		Budgeted expenditure	R million			Total expenditure	
		2006 (current year)	2005 (previous year)		Assets			2006 (current year)	2005 (previous year)
				2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)	2005 (previous year)	
Public entities									
Albany Coast Water Board	Note 1	Clean report	Clean report		13,4	13,8	1,7	1,4	
Amatola Water Board	Note 1	Emphasis of matter	Emphasis of matter		325,0	314,0	84,3	79,0	
Bloem Water	Note 1	Qualified	Clean report		505,6	507,6	104,1	84,1	
Botshelo Water	Note 1	Emphasis of matter	Clean report		116,6	100,0	0,3	88,5	
Bushbuckridge Water Board	Note 1	Emphasis of matter	Disclaimer		51,2	52,1	47,5	55,1	
Ikangala Water	Note 1	Qualified Emphasis matter	Emphasis of matter		1,1	0,4	3,0	3,6	
Lepelle Northern Water	Note 1	Clean report	Clean report		787,6	744,0	109,1	102,3	



AUDITOR - GENERAL

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2006 (current year)	2005 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current year)
Public entities								
Magalies Water	Note 1	Clean report	Clean report		849,0	884,6	187,4	152,3
Mhlathuze Water	Note 1	Clean report	Clean report		293,5	289,9	121,9	106,4
Namaqua Water	Note 1	Clean report	Clean report		99,6	97,3	8,6	7,0
Overberg Water	Note 1	Clean report	Clean report		57,9	56,2	15,4	14,6
Pelladrift Water Board	Note 1	Clean report	Clean report		10,5	10,3	5,5	5,9
Rand Water	Note 1	Clean report	Clean report		5 757,5	5 232,4	2 980,1	2 815,0
Sedibeng Water	Note 1 Note 2	Clean report	Clean report		609,1	606,6	275,7	245,0
Trans-Caledon Tunnel Authority		Clean report	Clean report		16 746,0	18 610,0	426,0	316,0
Umgeni Water	Note 1	Clean report	Clean report		4 077,2	4 050,0	612,9	480,0

Note 1: Year-end 30 June 2004

Note 2: Sedibeng Water: Free State, North West and Qwaqwa were consolidated into Sedibeng Water.

Department: Water Affairs and Forestry

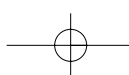
Qualified audit opinion

Matters reported for the first time

- Reconciliation of the financial system (BAS), procurement system (Logis) and the asset register was not performed.
 - Assets purchased could not be traced in the asset register.
 - Physical existence of the assets could not be verified.
 - Not all assets were bar-coded.
 - Inconsistent use of Logis and manual asset registers in the regional office.
- o Due to lack of a proper management framework:
- Reconciliation of Persal and BAS was not performed.
 - Commitments amounting to R2,2 billion - payments made to date were not included in the amount disclosed.

Matters emphasised

Matters reported for the first time



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

- o Due to lack of a proper management monitoring framework, no procedures were set to monitor the following:
 - Funds amounting to R55,3 million, which were shifted from capital expenditure to current payments without approval from National Treasury.
 - Unauthorised expenditure of R3,8 million as a result of exceeding the budget.
 - Review of the Environmental Implementation Plan, which was not performed.
- Information on performance against predetermined objectives was not submitted for auditing.

Other entity: Equipment Trading Account

Disclaimer of audit opinion

Matter reported for the first time

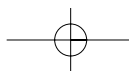
Matters reported in current and previous year(s)

- Due to inadequate monitoring of the document management process, documentation supporting transactions amounting to R335 million could not be presented for auditing purposes.
- Irregular expenditure amounting to R31 million resulting from finance leases entered into without approval.
- Assets disclosed in asset register without acquisition costs.
- Asset acquisitions could not be traced to invoices.
- Incorrect treatment of additions to assets.

Matters emphasised

Matters reported for the first time

- o Weaknesses in general controls for the Construction Equipment Management System included the following:
 - Due to inadequate policies and procedures in respect of access, the programmer had access to the production programs.
 - Documented and approved change control management policies and procedures did not exist.
 - Program version control was not automated and unauthorised changes could be made to programs.
- Information on performance against predetermined objectives was not submitted for auditing.
- Due to a lack of monitoring, the bank account was in overdraft in contravention of regulations.





AUDITOR - GENERAL

Other entity: Water Trading Account**Disclaimer of audit opinion**

Matters reported in current and previous year(s)

- o Lack of a properly documented and approved policy and procedure framework resulted in the following weaknesses:
 - No supporting documentation for revenue generated from rendering services amounting to R324 million, other exchange revenue amounting to R13 million and provision against revenue amounting to R12 million.
 - Property, plant and equipment - water resources amounting to R45,1 billion could not be substantiated with an asset register.
 - Journal entries amounting to R6,7 million could not be validated with supporting documentation.
 - Asset additions were not included in the asset register.
 - Asset register did not include the location or barcode of some of the assets.
- Unexplained differences amounting to R249 million between the regional accrual listings and the amount disclosed in the financial statements.
- Impairment of debtors amounting to R161 million had not been done as required. Provision amounting to R216 million was not disclosed.

Matters emphasised

Matters reported for the first time

Matters reported in current and previous year(s)

- Framework for supply chain management was not adhered to.
- The bank account was in overdraft in contravention of regulations.
- No monitoring of adherence to DoRA by municipalities.
- Information on performance against predetermined objectives was not submitted for auditing.

Unauthorised, fruitless and wasteful and irregular expenditure



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

ANNEXURE 1: UNAUTHORISED, FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE

	Department	R'000
Unauthorised expenditure	Water Affairs and Forestry	3 782
	Independent Complaints Directorate	91
	Home Affairs	99 883
	Total unauthorised expenditure	103 756
Irregular expenditure	Provincial and Local Government	3 040
	Communications	10 215
	Water Affairs and Forestry	55 341
	Safety and Security	576
	Public Enterprises	228
	Public Works	3 407
	Home Affairs	986
	Public Service Administration	1 327
	Transport	12 391
	Social Development	1 864
	Defence	331
	Health	1 077
	Housing	2 155
	Agriculture	2 714
	Land Affairs	9 767
	The Presidency	2 161
	Government Communication and Information System	635
	Trade and Industry	26 310
	Arts and Culture	3 351
Labour	927	
	Total irregular expenditure	138 803
Fruitless and wasteful expenditure	Communications	13
	Public Works	6 559
	Social Development	394
	Defence	17
	Land Affairs	473
	Minerals and Energy	7
	Trade and Industry	93
	Sport and Recreation	2
	National Parliament	16 561
	Total fruitless and wasteful expenditure	24 119
Total unauthorised, irregular and fruitless and wasteful expenditure		266 678