



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



AUDITOR - GENERAL

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				
		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								
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)

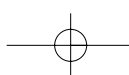
- o Weaknesses regarding rental debtors:
 - Inadequate monitoring of rental debtors.
 - Debtors included liquidated or deceased debtors, debtors whose contracts had been terminated and debtors with no rental contracts.
 - Inadequate recovery of rental debtors, resulting in long-outstanding debts and material debt write-offs.
- Intergovernmental balances were not confirmed.
- o 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

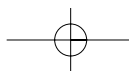
Matters emphasised

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	<i>Emphasis of matter</i>	28 480,5	209,6	189,4	28 480,5	24 572,9
Independent Complaints Directorate		Disclaimer Emphasis of matter	<i>Emphasis of matter</i>	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



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								
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	Assets		Total expenditure	
					2006 (current year)	2006 (current year)	2005 (previous year)	2006 (current 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)	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.



AUDITOR - GENERAL

- 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

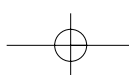
Qualified audit opinion

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

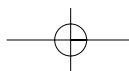
Matters reported in current and previous year(s)

- 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