



AUDITOR - GENERAL

ANNEXURE 2: ANALYSIS OF REPORTING PARAGRAPHS PER ISSUE BASED ON THE FINANCIAL MANAGEMENT CAPABILITY MODEL - QUALIFICATIONS

2.1 Income and receivables

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Correctional Services	<ul style="list-style-type: none"> o Due to lack of a control framework to monitor activities, weaknesses relating the follow-up of debt included the following: <ul style="list-style-type: none"> • 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 outstanding debt. • 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. 	Yes
Home Affairs	<ul style="list-style-type: none"> • 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. 	No
Justice	<ul style="list-style-type: none"> • 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. 	No
Land Affairs	<ul style="list-style-type: none"> o Rental revenue receivable on leased land <ul style="list-style-type: none"> • 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. • No reconciliations were performed to establish the lease revenue receivable from departments. 	Yes
Reconciliations and checking		
Land Affairs	<ul style="list-style-type: none"> o Rental revenue receivable on leased land <ul style="list-style-type: none"> • No disclosure of land lease revenue as required. 	Yes
Level 3		
Reconciliation / checking (non-compliance with policy framework)		
Defence	<ul style="list-style-type: none"> • Due to a lack of reconciliations and non-compliance with policies and procedures, completeness of revenue could not be verified. 	Yes
Monitoring		
Home Affairs	<ul style="list-style-type: none"> o Cash and cash equivalents <ul style="list-style-type: none"> • Unallocated income amounting to R50 million due to receipts not captured at the regional and district offices. 	Yes

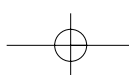
Analysis per issue: qualifications



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2.2 Personnel expenditure

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Correctional Services	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> • 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. • 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. 	Yes
Defence	<ul style="list-style-type: none"> • 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. 	No
Reconciliations and checking		
Correctional Services	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> • Incorrectly calculated employee/employer contributions. 	Yes
Independent Complaints Directorate	<ul style="list-style-type: none"> o Due to the lack of independent management review and monitoring of staff debtors, weaknesses included the following: <ul style="list-style-type: none"> • 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. 	Yes
Water Affairs and Forestry	<ul style="list-style-type: none"> o Due to lack of a proper management framework: <ul style="list-style-type: none"> • Reconciliation of Persal and BAS was not performed. 	No
Monitoring		
Correctional Services	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> • The department did not perform certification/validity checks relating to payments made to all medical aids. 	Yes



Analysis per issue: qualifications



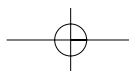
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2.3 Other expenditure

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Defence	<ul style="list-style-type: none"> Due to system deficiency, travelling and subsistence claims could not be verified to documentation. 	No
Monitoring		
Home Affairs	<ul style="list-style-type: none"> Government garage expenditure amounting to R61 million could not be verified due to insufficient information. 	No

2.4 Provisions / Suspense accounts

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Water Affairs and Forestry	<ul style="list-style-type: none"> Due to lack of a proper management framework: <ul style="list-style-type: none"> Commitments amounting to R2,2 billion - payments made to date were not included in the amount disclosed. 	No
Reconciliations and checking		
Correctional Services	<ul style="list-style-type: none"> Due to a lack of management framework for monitoring and reconciliations relating to housing loans, guarantees amounting to R73,6 million could not be verified. Weaknesses included the following: <ul style="list-style-type: none"> Guarantees still appeared on payroll system even though the housing loan accounts at the financial institutions had been closed. Included in the total of 4164 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. 	No
Monitoring		
Independent Complaints Directorate	<ul style="list-style-type: none"> Suspense accounts not cleared <ul style="list-style-type: none"> 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 receivables are disclosed although they have been received. 	Yes



Analysis per issue: qualifications



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Department	Issue	Issue raised in 2004-05
Level 3		
Reconciliation / checking (non-compliance with policy framework)		
Defence	<ul style="list-style-type: none"> o Due to a lack of independent reconciliations and review for housing loan guarantees, the following weaknesses were noted: <ul style="list-style-type: none"> • 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. 	No
Home Affairs	<ul style="list-style-type: none"> • 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. 	Yes
	<ul style="list-style-type: none"> • Totals of accruals as per economic classification do not agree to the totals of accruals listed by programme level. 	No
Monitoring		
Home Affairs	<ul style="list-style-type: none"> • Accruals disclosed in the financial statements amounting to R25,9 million were for goods not received before the financial year-end. • Commitments amounting to R138,7 million could not be substantiated. 	No

2.5 Other control weaknesses

Department	Issue	Issue raised in 2004-05
Level 2		
Authorisations		
Independent Complaints Directorate	<ul style="list-style-type: none"> • Delegations in use were outdated. Transactions amounting to R2,8 million were not appropriately authorised. 	Yes
Policy framework		
Transport	<ul style="list-style-type: none"> • Uncertainty regarding the proper accounting treatment of the contract for the production of the credit card-format driving licences. 	Yes
Home Affairs	<ul style="list-style-type: none"> o Cash and cash equivalents <ul style="list-style-type: none"> • Due to a lack of national telecommunication infrastructure and regular system downtime, not all source documents were captured at year-end. • No financial statements were submitted for the alien bank account amounting to R280,5 million. 	Yes

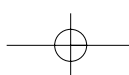


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Department	Issue	Issue raised in 2004-05
Level 2		
Reconciliations and checking		
Home Affairs	<ul style="list-style-type: none"> o Cash and cash equivalents <ul style="list-style-type: none"> • No supporting documents could be provided for the bank exception account and debit transactions amounting to R1,3 million included in the bank adjustment account. 	Yes
Level 3		
Reconciliation / checking (non-compliance with policy framework)		
Home Affairs	<ul style="list-style-type: none"> o Cash and cash equivalents <ul style="list-style-type: none"> • Outstanding deposits amounting to R9,4 million could not be verified. • 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. 	Yes

2.6 Asset management

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Correctional Services	<ul style="list-style-type: none"> o Due to inadequate maintenance and updating of the fixed asset register: <ul style="list-style-type: none"> • 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. 	Yes
Labour	<ul style="list-style-type: none"> • Non-cash asset additions amounting to R21,2 million could not be substantiated. • No values for certain assets acquired appear in the fixed asset register and no disclosure is made in the financial statements. 	No
Reconciliations and checking		
Correctional Services	<ul style="list-style-type: none"> o Due to inadequate maintenance and updating of the fixed asset register: <ul style="list-style-type: none"> • Three (3) different computer programs were used for the management of inventory and fixed assets. No reconciliation was performed between the three systems. 	Yes
Parliament	<ul style="list-style-type: none"> • Unreconciled difference between asset register and financial statements. 	No
Water Affairs and Forestry	<ul style="list-style-type: none"> • 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. • Inconsistent use of Logis and manual asset registers in the regional office. 	No
Physical security of assets		
Correctional Services	<ul style="list-style-type: none"> o Due to inadequate maintenance and updating of the fixed asset register: <ul style="list-style-type: none"> • Not all assets had been bar-coded and recorded in the fixed asset register. 	Yes
Parliament	<ul style="list-style-type: none"> • Due to incomplete details in the asset register, assets amounting to R2,9 million could not be physically verified. 	No
Water Affairs and Forestry	<ul style="list-style-type: none"> • Physical existence of the assets could not be verified. • Not all assets were bar-coded. 	No



Analysis per issue: qualifications



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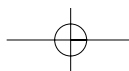
Department	Issue	Issue raised in 2004-05
Level 3		
Reconciliations / checking (non-compliance with policy framework)		
Parliament	<ul style="list-style-type: none"> Inconsistent application of policy relating to capitalisation of assets. 	No

2.7 Division of Revenue Act

Department	Issue	Issue raised in 2004-05
Level 3		
Authorisations		
Health	<ul style="list-style-type: none"> Non-compliance with the framework for the Division of Revenue Act (DoRA) included the following: <ul style="list-style-type: none"> Payments amounting to R1,3 billion were made prior to the approval of the business plans. 	Yes
Monitoring		
Health	<ul style="list-style-type: none"> Non-compliance with the framework for the Division of Revenue Act (DoRA) included the following: <ul style="list-style-type: none"> 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. 	Yes

2.8 Non-compliance with laws and regulations

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Correctional Services	<ul style="list-style-type: none"> Disagreement relating to an amount of R195 million which is currently disclosed as an operating lease. In terms of the stipulations in the contract it meets the criteria of a finance lease agreement as defined. 	No
Level 3		
Authorisations		
Home Affairs	<ul style="list-style-type: none"> 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. 	No





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ANNEXURE 3: ANALYSIS OF REPORTING PARAGRAPHS PER ISSUE BASED ON THE FINANCIAL MANAGEMENT CAPABILITY MODEL - MATTERS EMPHASISED

3.1 Income and receivables

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Agriculture	<ul style="list-style-type: none"> No documented policies and procedures to manage revenue. Reconciliations for revenue deposited against certificates and licences were not performed. 	No
Foreign Affairs	<ul style="list-style-type: none"> 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. 	Yes
Home Affairs	<ul style="list-style-type: none"> No written policies and procedures for financial accounting processes and accounting processes for the following cycles: <ul style="list-style-type: none"> Revenue and receivables Ineffective controls over the collection of debts. 	No
Labour	<ul style="list-style-type: none"> 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
Parliament	<ul style="list-style-type: none"> Inadequate debt recovery policy relating to bad debt write-offs. 	No
Reconciliations and checking		
Defence	<ul style="list-style-type: none"> Due to a lack of independent management reconciliation and review, information supporting the movement of recoverable revenue was not readily available. 	No
Independent Complaints Directorate	<ul style="list-style-type: none"> Incorrect disclosure of receivables <ul style="list-style-type: none"> 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. 	No
Monitoring		
Sport and Recreation	<ul style="list-style-type: none"> Weaknesses in internal controls included the following: <ul style="list-style-type: none"> Lack of control over receivables. Lack of policies and procedures relating to monitoring of the following: <ul style="list-style-type: none"> Provision for irrecoverable debt. 	No

Analysis per issue: emphasis of matter

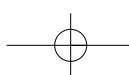


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Department	Issue	Issue raised in 2004-05
Level 3		
Authorisations		
Communications	<ul style="list-style-type: none"> No approval for writing off debt amounting to R3,7 million for the Capital Radio Station closing-down and operational expenses. 	No
Reconciliations / checking (non-compliance with policy framework)		
Defence	<ul style="list-style-type: none"> 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 record keeping, as required by the policy and processes, the completeness of local and foreign aid received in kind could not be confirmed. 	Yes
	<ul style="list-style-type: none"> Due to a lack of independent management reconciliation and review regarding advances, weaknesses included the fact that files could not be submitted or were incomplete. 	No
Home Affairs	<ul style="list-style-type: none"> Debtor aging, as disclosed in the financial statements, could not be verified. 	Yes
	<ul style="list-style-type: none"> Interdepartmental receivables amounting to R190,9 million have not been recognised in the financial statements. The amount is currently disputed and unreconciled. The policy for writing off debts was not disclosed. 	No
Transport	<ul style="list-style-type: none"> 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. 	Yes
Monitoring		
Public Works	<ul style="list-style-type: none"> Weaknesses regarding rental debtors: <ul style="list-style-type: none"> 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. 	Yes

3.2 Personnel expenditure

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Housing	<ul style="list-style-type: none"> No human resource management plan, as required. Consequently, no gap analysis was performed. 	No
Independent Complaints Directorate	<ul style="list-style-type: none"> Due to a lack of management monitoring and review, the human resource plan was in draft form and did not meet the minimum requirements. 	No
Justice	<ul style="list-style-type: none"> Lack of formalised policies and procedures regarding overtime, bursaries and housing allowances. 	No
Labour	<ul style="list-style-type: none"> No human resource plan, including the posts necessary to perform the relevant functions. 	No

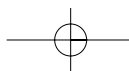


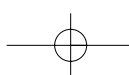
Analysis per issue: emphasis of matter



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Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Statistics South Africa	<ul style="list-style-type: none"> Discrepancies between leave captured on the system and leave approved as per leave forms. Leave forms were approved and captured without confirming leave balances. 	No
Reconciliations and checking		
Correctional Services	<ul style="list-style-type: none"> Due to a lack of independent review by management, shortage of staff and inadequate training, weaknesses in internal controls included the following: <ul style="list-style-type: none"> Due to a lack of independent review by management there were differences between the attendance register, leave register, leave form and the payroll system. 	Yes
	<ul style="list-style-type: none"> Due to a lack of independent review by management, shortage of staff and inadequate training, weaknesses in internal controls included the following: <ul style="list-style-type: none"> Due to a lack of independent review by management, unpaid leave was not deducted from employees' salaries. 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. 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. 	No
Justice	<ul style="list-style-type: none"> Due to lack of effective communication, monitoring and reconciliation of documentation, weaknesses included the following: <ul style="list-style-type: none"> 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. 	Yes
	<ul style="list-style-type: none"> 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. 	No
Monitoring		
Correctional Services	<ul style="list-style-type: none"> Due to a lack of independent review by management, shortage of staff and inadequate training, weaknesses in internal controls included the following: <ul style="list-style-type: none"> Due to a lack of independent review by management, examination results were not submitted for study leave taken. 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. 	No





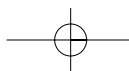
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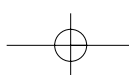


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Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
	<ul style="list-style-type: none"> • Standard danger allowances were paid whilst employees were on suspension • Annual declarations confirming the occupation of dwellings had not been completed to ensure further payment of the allowance. • No proof of registered bonds was on the personnel/housing files. 	
Labour	<ul style="list-style-type: none"> o Due to lack of a proper monitoring framework and procedures, weaknesses included the following: <ul style="list-style-type: none"> • Inadequate certification of payroll reports • Not all pay-point certificates returned on a monthly basis. 	Yes

Department	Issue	Issue raised in 2004-05
Level 3		
Authorisations		
Transport	<ul style="list-style-type: none"> • No signed employee contract for the director-general. 	No
Reconciliations / checking (non-compliance with policy framework)		
Defence	<ul style="list-style-type: none"> o Weaknesses in internal controls relating to leave administration system included the following: <ul style="list-style-type: none"> • 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. o Weaknesses in internal controls relating to leave administration system included the following: <ul style="list-style-type: none"> • Leave printout forms are not attached to the application forms as proof of capturing. o Due to a lack of independent reconciliation and review, weaknesses in the internal control relating to salary payments included the following: <ul style="list-style-type: none"> • 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. 	Yes
Home Affairs	<ul style="list-style-type: none"> • The remuneration of committee members was not disclosed. 	No
Independent Complaints Directorate	<ul style="list-style-type: none"> o Due to a lack of independent management review and monitoring, the controls over leave were insufficient: 	Yes





Analysis per issue: emphasis of matter

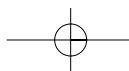


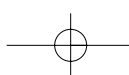
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Department	Issue	Issue raised in 2004-05
Level 3		
Reconciliations / checking (non-compliance with policy framework)		
	<ul style="list-style-type: none"> • Leave was taken in excess of leave entitlement. • Leave utilised was not deducted from leave credits. • Leave was taken before it was approved. • Leave gratuity was paid out without proper supporting documentation. 	
Parliament	<ul style="list-style-type: none"> • No performance evaluations due to non-compliance with the human resources procedure manual. 	No
Statistics South Africa	<ul style="list-style-type: none"> • Leave forms were not always on file. 	Yes

3.3 Other expenditure

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Home Affairs	<ul style="list-style-type: none"> o No written policies and procedures for financial accounting processes and accounting processes for the following cycles: <ul style="list-style-type: none"> • Purchases and payables 	No
Parliament	<ul style="list-style-type: none"> • No supporting documentation was supplied for the debt owed by the South African Revenue Services relating to the 1997 tax reconciliation. 	Yes
Reconciliations and checking		
Correctional Services	<ul style="list-style-type: none"> o Due to a lack of independent review by management, shortage of staff and inadequate training, weaknesses in internal controls included the following: <ul style="list-style-type: none"> • Losses were not always properly recorded and followed up. The loss register was not updated and reviewed in good time. 	Yes
	<ul style="list-style-type: none"> o Due to a lack of independent review by management, shortage of staff and inadequate training, weaknesses in internal controls included the following: <ul style="list-style-type: none"> • No supporting documentation was attached to journals when processing and therefore the validity of some journals could not be verified. 	No
Labour	<ul style="list-style-type: none"> • 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. 	No
Sport and Recreation	<ul style="list-style-type: none"> o Weaknesses in internal controls included the following: <ul style="list-style-type: none"> • Insufficient control over gifts. 	No
Monitoring		
Correctional Services	<ul style="list-style-type: none"> o Due to a lack of independent review by management, shortage of staff and inadequate training, weaknesses in internal controls included the following: <ul style="list-style-type: none"> • Input documents, motivations and calculations regarding estimates submitted by cost centre managers were not available for audit purposes. 	No





Analysis per issue: emphasis of matter



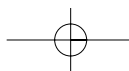
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Department	Issue	Issue raised in 2004-05
Level 2		
Monitoring		
	<ul style="list-style-type: none"> o Due to lack of a proper management control framework, monitoring and reconciliation, shortcomings with regard to subsistence and travelling (S&T) included the following: <ul style="list-style-type: none"> • 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. 	
Sport and Recreation	<ul style="list-style-type: none"> o Weaknesses in internal controls included the following: <ul style="list-style-type: none"> • Payments were not always supported by an original or certified invoice. • No control system to ensure completeness of pre-payments. 	No
Water Affairs and Forestry	<ul style="list-style-type: none"> o Due to lack of a proper management monitoring framework, no procedures were set to monitor the following: <ul style="list-style-type: none"> • 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. 	No

Level 3		
Reconciliations / checking (non-compliance with policy framework)		
Defence	<ul style="list-style-type: none"> • Due to a lack of independent management reconciliation and review, the regional services council levy was understated by approximately R10 million. 	No
Monitoring		
Statistics South Africa	<ul style="list-style-type: none"> • Due to a lack of proper follow-up and monitoring controls, invoices amounting to R0,4 million were not paid within 30 days. 	Yes

3.4 Provisions or suspense accounts

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Correctional Services	<ul style="list-style-type: none"> • 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. 	No
Justice and Constitutional Development	<ul style="list-style-type: none"> • 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. 	Yes



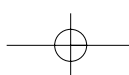


A U D I T O R - G E N E R A L

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Public Service and Administration	<ul style="list-style-type: none"> o Weaknesses in internal control included the following: <ul style="list-style-type: none"> • No procedures to ensure the accuracy and completeness of commitments. 	No
Reconciliations and checking		
Defence	<ul style="list-style-type: none"> • 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. 	Yes
Monitoring		
Sport and Recreation	<ul style="list-style-type: none"> o Weaknesses in internal controls included the following: <ul style="list-style-type: none"> • Inadequate system to ensure the accurate and complete disclosure of accruals and commitments. 	No

3.5 Other control weaknesses

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Defence	<ul style="list-style-type: none"> o The audit of the National Conventional Arms Control Committee revealed the following weaknesses: <ul style="list-style-type: none"> • 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. 	Yes
Home Affairs	<ul style="list-style-type: none"> o No written policies and procedures for financial accounting processes and accounting processes for the following cycles: <ul style="list-style-type: none"> • Bank and cash • Financial • Disclosure 	No
Parliament	<ul style="list-style-type: none"> • Process flow and procedure manuals are inadequate or have not been compiled. 	No
Social Development	<ul style="list-style-type: none"> • Lack of controls for the safekeeping of financial records. 	No
Sport and recreation	<ul style="list-style-type: none"> o Weaknesses in internal controls included the following: <ul style="list-style-type: none"> • Annual confirmation of state guarantees as well as possible guarantees transferred from the former SASC was not performed. 	No
Reconciliations and checking		
Statistics South Africa	<ul style="list-style-type: none"> • 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. 	No



Analysis per issue: emphasis of matter

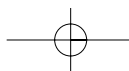


AUDITOR - GENERAL

Department	Issue	Issue raised in 2004-05
Level 2		
Monitoring		
Sport and recreation	<ul style="list-style-type: none"> o Weaknesses in internal controls included the following: <ul style="list-style-type: none"> • Lack of control over cellphone operating lease contracts. 	No
Control environment (capacity, training)		
Defence	<ul style="list-style-type: none"> o The audit of the National Conventional Arms Control Committee revealed the following weaknesses: <ul style="list-style-type: none"> • The inspectorate function had not been established. 	Yes
Level 3		
Reconciliation and monitoring (non-compliance with policy framework)		
Defence	<ul style="list-style-type: none"> o Due to a lack of independent management reconciliation and review, weaknesses relating to irregularities and losses included the following: <ul style="list-style-type: none"> • Cases of loss and damages were not reported and followed up regularly or actions were not taken to recover losses from members. • Various files pertaining to losses could not be submitted for audit purposes. • Improper management of loss and damage registers as critical information was omitted. 	Yes
Transport	<ul style="list-style-type: none"> • Driver's licences were issued contrary to laws and regulations and should be cancelled. 	Yes
	<ul style="list-style-type: none"> • Internal control procedures and policies were not always complied with. • Contracts were not managed properly, resulting in irregular and fruitless and wasteful expenditure. 	No
Monitoring		
Home Affairs	<ul style="list-style-type: none"> • An amount of R57,5 million was transferred from machinery and equipment to software and other intangibles. 	No
Public Works	<ul style="list-style-type: none"> • Intergovernmental balances were not confirmed. 	Yes

3.6 Asset management

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Arts and Culture	<ul style="list-style-type: none"> • Incorrect descriptions/bar codes included in the asset register. 	Yes
	<ul style="list-style-type: none"> o The following weaknesses were identified for assets, including artworks: <ul style="list-style-type: none"> • 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. • Assets physically identified cannot be located in the asset register. • Asset management policy does not deal with control over assets. 	No
Defence	<ul style="list-style-type: none"> o Due to lack of a properly documented and approved policy and procedure framework for asset management relating to foreign operations, weaknesses included the following: 	Yes





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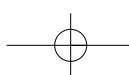
Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
	<ul style="list-style-type: none"> • No controls over the raising of demands (goods and services); • Registers for receipt and issue vouchers are not properly maintained; • Incomplete or inaccurate recording of inventory and equipment, 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. 	
	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> • Certain buildings that are currently occupied were in a very poor condition and in certain instances even declared not suitable for human habitation. 	
	<ul style="list-style-type: none"> • The completeness of intellectual property could not be confirmed due to the non-implementation of approved policies and procedures. 	No
Home Affairs	<ul style="list-style-type: none"> o No written policies and procedures for financial accounting processes and accounting processes for the following cycles: <ul style="list-style-type: none"> • Asset management • The asset register was inaccurate and not up to date. 	No
Justice and Constitutional Development	<ul style="list-style-type: none"> • 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. 	No
Labour	<ul style="list-style-type: none"> • 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
Minerals and Energy	<ul style="list-style-type: none"> • 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. 	Yes
Public Service and Administration	<ul style="list-style-type: none"> o Weaknesses in internal control included the following: <ul style="list-style-type: none"> • No asset register for intangible assets. 	No
Safety and Security	<ul style="list-style-type: none"> o Investigation at building service division <ul style="list-style-type: none"> • Inadequate controls over the recording and maintenance of stock at the building store. 	No
Science and Technology	<ul style="list-style-type: none"> • 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. 	No
South African Management Development Institute	<ul style="list-style-type: none"> o Due to a lack of fully implemented and effective policies and procedures, weaknesses included the following: <ul style="list-style-type: none"> • 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. 	Yes

Analysis per issue: emphasis of matter



AUDITOR - GENERAL

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Statistics South Africa	<ul style="list-style-type: none"> • 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. 	No
Reconciliations and checking		
Correctional Services	<ul style="list-style-type: none"> o Due to a lack of independent review by management, shortage of staff and inadequate training, weaknesses in internal controls included the following: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • No reconciliations were performed between logbooks, fuel purchases and fleet management reports. 	Yes
Defence	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> • 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. 	Yes
Home Affairs	<ul style="list-style-type: none"> • An accounting policy for capital assets is not disclosed. 	No
Sport and Reconciliation	<ul style="list-style-type: none"> o Supply chain management and control over assets: <ul style="list-style-type: none"> • Inconsistencies with the calculation of asset cost price and disclosure. 	No
Monitoring		
Correctional Services	<ul style="list-style-type: none"> o Due to lack of a proper management/control framework, monitoring and reconciliation, weaknesses relating to vehicle fleet management included the following: <ul style="list-style-type: none"> • 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. • Lack of control in the administration of accident and tyre registers. These registers were not reviewed on a regular basis and were incomplete. 	Yes
Labour	<ul style="list-style-type: none"> o Due to lack of a proper monitoring framework and procedures, weaknesses included the following: <ul style="list-style-type: none"> • Underutilisation of subsidised vehicles. 	No



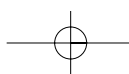
Analysis per issue: emphasis of matter



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

Department	Issue	Issue raised in 2004-05
Level 2		
Monitoring		
Sport and Recreation	<ul style="list-style-type: none"> o Weaknesses in internal controls included the following: <ul style="list-style-type: none"> • Insufficient control over the recording and monitoring of losses. o Supply chain management and control over assets: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • Inventory and assets. 	No
Segregation of duties		
Defence	<ul style="list-style-type: none"> o Due to lack of a properly documented and approved policy and procedure framework for asset management relating to foreign operations, weaknesses included the following: <ul style="list-style-type: none"> • Insufficient segregation of duties at authorisation, checking and approval level with regard to transactions. 	Yes
Control environment (capacity, training)		
Defence	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> • Due to a lack of access and training, the FR system was not fully utilised by the units. 	No

Level 3		
Authorisations		
Defence	<ul style="list-style-type: none"> • Discrepancy voucher relating to inventory had not been approved. 	Yes
Safety and Security	<ul style="list-style-type: none"> o Inventory stores <ul style="list-style-type: none"> • Stock disposals amounting to R170,1 million were awaiting authorisation on PAS at year-end. 	Yes
Segregation of duties		
Safety and Security	<ul style="list-style-type: none"> o Control of room inventory and area commissioners <ul style="list-style-type: none"> • Lack of segregation of duties regarding the custody and recording of assets at police station level. 	No
Reconciliation / checking (non-compliance with policy framework)		
Defence	<ul style="list-style-type: none"> o 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: <ul style="list-style-type: none"> • 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. 	Yes



Analysis per issue: emphasis of matter



AUDITOR - GENERAL

Department	Issue	Issue raised in 2004-05
Level 3		
Reconciliation / checking (non-compliance with policy framework)		
	<ul style="list-style-type: none"> • Handing-over and taking-over certificates were not always completed during shift changes. • Segregation of duties was compromised on a number of occasions. • Stocktakes were either not performed or certificates could not be provided at all units. • 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. 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: <ul style="list-style-type: none"> • Due to a lack of access and training, the FR system was not fully utilised by the units. • 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. • No monitoring of compliance with policies and procedures relating to stock and equipment. 	No
Education	<ul style="list-style-type: none"> o Shortcomings relating to the asset register included the following: <ul style="list-style-type: none"> • Financial information was inconsistently valued • Certain capital assets have been misallocated to repairs and maintenance. • Certain assets disposed of have not been removed from the register. 	Yes
Environmental Affairs and Tourism	<ul style="list-style-type: none"> • No additions and disposals were included in the fixed asset register. 	No
Justice and Constitutional Development	<ul style="list-style-type: none"> • Due to lack of implementation of the inventory management system at locations throughout the country, regular physical counts and reconciliations were not performed. 	No
Public Service and Administration	<ul style="list-style-type: none"> o Weaknesses in internal control included the following: <ul style="list-style-type: none"> • Inadequate maintenance of asset register. 	No
Monitoring		
Safety and Security	<ul style="list-style-type: none"> 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 weaknesses were noted: <ul style="list-style-type: none"> • 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. 	Yes

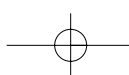


A U D I T O R - G E N E R A L

Department	Issue	Issue raised in 2004-05
Level 3		
Monitoring		
Physical security of assets		
Education	<ul style="list-style-type: none"> o Shortcomings relating to the asset register included the following: <ul style="list-style-type: none"> • Intangible assets were not included. • Certain capitalised assets were not included. 	Yes
Safety and Security	<ul style="list-style-type: none"> o Inventory stores <ul style="list-style-type: none"> • Stock differences amounting to R27,1 million between actual stock and the Provisioning Accounting System (PAS) • Excess inventories amounting to R1 14,5 million were reflected on the PAS as the needs analysis was not based on accurate estimates. 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 weakness was noted: <ul style="list-style-type: none"> • Departmental statistics revealed that 2 297 (735 for 2004-05) firearms were either lost or had been stolen from personnel. 	Yes
	<ul style="list-style-type: none"> o Control of room inventory and area commissioners <ul style="list-style-type: none"> • Room inventory registers were not properly maintained • Handing-over certificates were not completed when a change in command occurred. 	No

3.7 Division of Revenue Act

Department	Issue	Issue raised in 2004-05
Level 2		
Policy Framework		
Housing	<ul style="list-style-type: none"> • The internal audit units 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
Monitoring		
Social Development	<ul style="list-style-type: none"> • Underspending of conditional grants received by provinces. 	Yes
Sport and Recreation	<ul style="list-style-type: none"> o Transfers and subsidies <ul style="list-style-type: none"> • 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). 	No
Level 3		
Monitoring		
Education	<ul style="list-style-type: none"> • The framework to monitor conditional grants for the provinces was not complied with in a timely manner. 	Yes



Analysis per issue: emphasis of matter



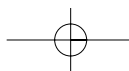
A U D I T O R - G E N E R A L

3.8 Transfer payments

Department	Issue	Issue raised in 2004-05
Level 2		
Monitoring		
Sport and Recreation	<ul style="list-style-type: none"> o Weaknesses in internal controls included the following: <ul style="list-style-type: none"> • Insufficient monitoring of projects relating to household and non-profit organisations that receive transfer payments. 	No
Level 3		
Reconciliation and checking (non-compliance with policy framework)		
Environmental Affairs and Tourism	<ul style="list-style-type: none"> • 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
Home Affairs	<ul style="list-style-type: none"> • Transfer payments disclosed in the accounting officer's report were incomplete. 	No

3.9 Non-compliance with laws and regulations

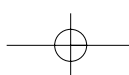
Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Correctional Services	<ul style="list-style-type: none"> o Due to a lack of independent review by management, shortage of staff and inadequate training, weaknesses in internal controls included the following: <ul style="list-style-type: none"> • Invoices were not always duly certified and/or paid within the prescribed 30 days. Supporting documentation was not made available. 	Yes
	<ul style="list-style-type: none"> • 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. 	No
Environmental Affairs and Tourism	<ul style="list-style-type: none"> • Due to a lack of formal arrangements to set uniform submission dates for receiving 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
Health	<ul style="list-style-type: none"> • 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. 	No
Housing	<ul style="list-style-type: none"> • An Environmental Implementation Plan was not compiled timeously, as required. 	No





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

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Independent Complaints Directorate	<ul style="list-style-type: none"> o Non-compliance with laws and regulations <ul style="list-style-type: none"> • Lack of an approved supply chain management policy. 	Yes
Parliament	<ul style="list-style-type: none"> • The Financial Administration of Parliament and the Provincial Legislatures Bill, as the Treasury Regulations for Parliament, have still not been finalised. • No register of all applicable laws and regulations. • No risk management policy. 	Yes No
Public Service and Administration	<ul style="list-style-type: none"> o Weaknesses in internal control included the following: <ul style="list-style-type: none"> • Invoices not paid within the prescribed period of 30 days. 	No
Social Development	<ul style="list-style-type: none"> • Lack of policy and procedure framework for financial awards to non-profit organisations. 	Yes
Sport and Recreation	<ul style="list-style-type: none"> o Supply chain management and control over assets: <ul style="list-style-type: none"> • No declaration of possible conflict of interest as required. • The minister made use of three vehicles instead of two, as required. 	No
Monitoring		
Correctional Services	<ul style="list-style-type: none"> o Due to a lack of independent review by management, shortage of staff and inadequate training, weaknesses in internal controls included the following: <ul style="list-style-type: none"> • Minutes were not kept of monthly finance meetings. 	No
Minerals and Energy	<ul style="list-style-type: none"> • A Lebowa Trust investment has not been transferred as required. 	Yes
Sport and Recreation	<ul style="list-style-type: none"> o Supply chain management and control over assets: <ul style="list-style-type: none"> • Inadequate register or listing of all tenders opened. o Lack of policies and procedures relating to monitoring of the following: <ul style="list-style-type: none"> • Risks identified and fraud prevention plan. 	No
Water Affairs and Forestry	<ul style="list-style-type: none"> o Due to lack of a proper management monitoring framework, no procedures were set to monitor the following: <ul style="list-style-type: none"> • Review of the Environmental Implementation Plan, which was not performed. 	No
Level 3		
Reconciliation and checking (non-compliance with policy framework)		
Home Affairs	<ul style="list-style-type: none"> • Irregular expenditure was not adequately prevented or disclosed. • Non-compliance with required disciplinary steps for material losses through criminal conduct. • No comprehensive risk assessment was performed. 	No
Parliament	<ul style="list-style-type: none"> • Surplus funds amounting to R4,6 million were not surrendered as required. • Fraud prevention plan was not signed as acknowledged, committed and understood by staff. 	No
Public Service and Administration	<ul style="list-style-type: none"> • Due to an inadequate management review and monitoring framework, members of the tender evaluation committee did not declare possible conflict of interest. 	No



Analysis per issue: emphasis of matter

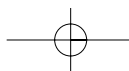


A U D I T O R - G E N E R A L

Department	Issue	Issue raised in 2004-05
Level 3		
Monitoring		
Safety and Security	<ul style="list-style-type: none"> o Investigation at building service division <ul style="list-style-type: none"> • 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. 	No

3.10 Internal audit and audit committee

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Health	<ul style="list-style-type: none"> • Minimum set of risks that should be mitigated by the province receiving conditional grants was not determined and communicated by internal audit. 	No
Independent Complaints Directorate	<ul style="list-style-type: none"> o Non-compliance with laws and regulations <ul style="list-style-type: none"> • The audit committee approved the internal audit plan and charter only in February 2006. • Risk assessment was not completed for the year under review. 	No
Reconciliations and checking		
Sport and Recreation	<ul style="list-style-type: none"> o Due to non-functioning audit committee: <ul style="list-style-type: none"> • The audit committee charter was not reviewed. 	No
Monitoring		
Communications	<ul style="list-style-type: none"> • Internal audit did not complete the work in the audit plan. 	Yes
Defence	<ul style="list-style-type: none"> o No reliance could be placed on the audit work performed by the Inspector General (IG), due to the following: <ul style="list-style-type: none"> • 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. 	No
Health	<ul style="list-style-type: none"> • No operational audit committee. • Ineffective internal audit function due to audit work not performed. 	Yes No
Housing	<ul style="list-style-type: none"> • Due to internal audit reports not issued timeously, the work of the internal audit could not be relied on. 	Yes
Independent Complaints Directorate	<ul style="list-style-type: none"> o Non-compliance with laws and regulations <ul style="list-style-type: none"> • Internal audit section was not functioning for the first five months of the financial year. • Risk management committee did not monitor the implementation of the risk assessment and fraud prevention plan. • Quarterly reports were not prepared and issued. 	No
Sport and Recreation	<ul style="list-style-type: none"> o Due to non-functioning audit committee: <ul style="list-style-type: none"> • No quarterly reports by internal audit to the audit committee, as required. 	No





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

Department	Issue	Issue raised in 2004-05
Level 2		
Control environment (capacity, training)		
Communications	<ul style="list-style-type: none"> Ineffective audit committee as two of the three members had resigned and were not replaced. Only one properly constituted meeting was held. 	No
Home Affairs	<ul style="list-style-type: none"> Internal audit does not have a formal training and development plan. 	No
Level 3		
Reconciliation / checking (non-compliance with policy framework)		
Home Affairs	<ul style="list-style-type: none"> Only one quarterly progress report on the performance of the internal audit department was presented to the audit committee. 	No

3.11 Irregular, unauthorised and fruitless and wasteful expenditure

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Public Service and Administration	<ul style="list-style-type: none"> Due to an inadequate management review and monitoring framework, irregular expenditure amounting to R1,3 million was not reported as required. 	No
Monitoring		
Labour	<ul style="list-style-type: none"> Due to lack of a proper monitoring framework and procedures, weaknesses included the following: <ul style="list-style-type: none"> 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. 	No
Level 3		
Reconciliation / checking (non-compliance with policy framework)		
Home Affairs	<ul style="list-style-type: none"> 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. 	No
Monitoring		
Transport	<ul style="list-style-type: none"> Fruitless and wasteful expenditure due to interest and penalties charged. Irregular expenditure as a result of non-compliance with certain procurement and other regulations. 	Yes
	<ul style="list-style-type: none"> No disciplinary steps or criminal proceedings were instituted to resolve unauthorised expenditure. 	No



AUDITOR - GENERAL

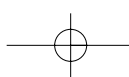
3.12 Information systems audit

Department	Issue	Issue raised in 2004-05
Level 2		
Authorisations		
Independent Complaints Directorate	<ul style="list-style-type: none"> o Information systems audit weaknesses included: <ul style="list-style-type: none"> • Inadequate authorisation of new users. 	No
Policy framework		
Correctional Services	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> • Security administration. • Segregation of duties and physical security. 	Yes
Defence	<ul style="list-style-type: none"> o Weaknesses in the general controls relating to payroll, financial administration and inventory included the following: <ul style="list-style-type: none"> • No information system security steering committee. • No formal, updated and tested disaster recovery plan. • No formally documented user account management procedures were available for system maintenance and support personnel. • 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. 	Yes
Environmental Affairs and Tourism	<ul style="list-style-type: none"> • No information technology strategic plan. 	Yes
Foreign Affairs	<ul style="list-style-type: none"> o Weaknesses in the general control environment included the following: <ul style="list-style-type: none"> • 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. 	Yes
Government Communication and Information System	<ul style="list-style-type: none"> o Weaknesses in the general control environment included the following: <ul style="list-style-type: none"> • Password change control and security events were not logged. 	No
Home Affairs	<ul style="list-style-type: none"> • An information systems audit revealed that improvement is necessary in user awareness, access controls, account management and comprehensive service level agreements. 	No
Land Affairs	<ul style="list-style-type: none"> o Material control weaknesses in the general controls included: <ul style="list-style-type: none"> • 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. 	No



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Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Provincial and Local Government	<ul style="list-style-type: none"> o Weaknesses in the general control environment included the following: <ul style="list-style-type: none"> • No authorised and tested disaster recovery and business continuity plan. • Inadequate user account management procedures. o Weaknesses in the general control environment included: <ul style="list-style-type: none"> • 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. 	Yes
Public Works	<ul style="list-style-type: none"> o Weaknesses in the Property Management Information System (PMIS) <ul style="list-style-type: none"> • User IDs of both the capturer and the authoriser in respect of the supplier maintenance and invoices were not reflected in the audit trail. • Certain validation tests have not been established to ensure that a supplier can only be created once. 	Yes
Safety and Security	<ul style="list-style-type: none"> o Information systems audit <ul style="list-style-type: none"> • 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. 	No
Social Development	<ul style="list-style-type: none"> o Weaknesses in the general controls of the Social Pensions System included the following: <ul style="list-style-type: none"> • No formally documented and approved program-change control standards and procedures. • No user account management procedures. • No formal disaster recovery plan. o Weaknesses in the general controls of the Social Pensions System included the following: <ul style="list-style-type: none"> • Inadequate logical security and access controls. • Possibility of making unauthorised changes to production data. 	Yes
Transport	<ul style="list-style-type: none"> • General control weaknesses surrounding information technology. 	No
Monitoring		
Public Works	<ul style="list-style-type: none"> o Weaknesses in the Property Management Information System (PMIS) <ul style="list-style-type: none"> • No evidence of any reviews performed to verify the accuracy of the PMIS supplier information captured. 	Yes
Social Development	<ul style="list-style-type: none"> o Weaknesses in the general controls of the Social Pensions System included the following: <ul style="list-style-type: none"> • No independent monitoring of the mainframe security. 	Yes
Segregation of duties		
Defence	<ul style="list-style-type: none"> o Weaknesses in the general controls relating to payroll, financial administration and inventory included the following: <ul style="list-style-type: none"> • Programmers had access to modify data in the production environment and their activities were not reviewed by an independent person. • No segregation of duties for critical functions such as database and operating system administration. 	Yes



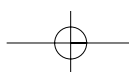
Analysis per issue: emphasis of matter



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

Department	Issue	Issue raised in 2004-05
Level 2		
Segregation of duties		
Independent Complaints Directorate	<ul style="list-style-type: none"> o Information systems audit weaknesses included: <ul style="list-style-type: none"> • Inadequate segregation of duties of system administrators, who could also perform the functions of ordinary users. 	No
Public Works	<ul style="list-style-type: none"> o Weaknesses in the Property Management Information System (PMIS) <ul style="list-style-type: none"> • Users had access to functions that were not defined in their system roles. 	Yes
Safety and Security	<ul style="list-style-type: none"> o Information systems audit <ul style="list-style-type: none"> • 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. 	No
Social Development	<ul style="list-style-type: none"> o Weaknesses in the general controls of the Social Pensions System included the following: <ul style="list-style-type: none"> • No segregation of duties for the mainframe security system administration. 	No

Level 3		
Segregation of duties		
Social Development	<ul style="list-style-type: none"> o Weaknesses in the general controls of the Social Pensions System included the following: <ul style="list-style-type: none"> • Segregation of duties was not maintained between the mainframe security system administration and the application security functions. 	No
Reconciliation / checking (non-compliance with policy framework)		
Government Communication and Information System	<ul style="list-style-type: none"> o Weaknesses in the general control environment included the following: <ul style="list-style-type: none"> • Formal processes were not followed to ensure timely termination of user accounts and no procedures existed for the monitoring of powerful users. 	No
Monitoring		
Public Works	<ul style="list-style-type: none"> o Weaknesses in the Property Management Information System (PMIS) <ul style="list-style-type: none"> • Audit trails were not regularly reviewed by management. • Supplier registration data not always correctly captured on the system. 	Yes





AUDITOR - GENERAL

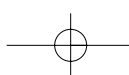
3.13 Late submission and resubmission of annual financial statements

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Defence	<ul style="list-style-type: none"> • Deviations from prescribed accounting framework approved by National Treasury relating to accruals, including goods and services received where an invoice had not been received. o Deviations from prescribed accounting framework approved by the National Treasury included the following: <ul style="list-style-type: none"> • The physical asset movement schedule did not include the opening balance, additions, disposals and closing balance not paid 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 or for which an invoice had not been received at year-end. • No comparative figures were disclosed for capital expenditure on machinery and equipment. 	Yes
	<ul style="list-style-type: none"> o Deviations from prescribed accounting framework approved by the National Treasury included the following: <ul style="list-style-type: none"> • Receivables for departmental revenue have been omitted from the disclosure notes. 	No

Level 3		
Reconciliation / checking (non-compliance with policy framework)		
Environmental Affairs and Tourism	<ul style="list-style-type: none"> • The financial statements were resubmitted after significant amendments were effected. 	No
Public Works	<ul style="list-style-type: none"> • Significant adjustments were effected to the financial statements after submission. 	No

3.14 Value for money (Human resources)

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Correctional Services	<ul style="list-style-type: none"> • There is a 7% vacancy rate in the department. 	No
Home Affairs	<ul style="list-style-type: none"> • High vacancy rates due to funding constraints and the suspension of staff for suspected fraud. 	No
Sport and Recreation	<ul style="list-style-type: none"> • High level of vacancies resulted in a lack of monitoring at all levels. 	No



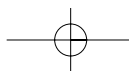
Analysis per issue: emphasis of matter



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

3.15 Value for money (Supply chain management)

Department	Issue	Issue raised in 2004-05
Level 2		
Policy framework		
Labour	<ul style="list-style-type: none"> • No approved supply chain management policy. 	No
Safety and Security	<ul style="list-style-type: none"> o The phased-in approach for the implementation of supply chain management has the following shortcomings: <ul style="list-style-type: none"> • 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. 	No
Monitoring		
Arts and Culture	<ul style="list-style-type: none"> o Due to lack of monitoring controls, the following discrepancies were found with regard to supply chain management: <ul style="list-style-type: none"> • 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. 	No

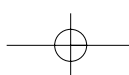




AUDITOR - GENERAL

ANNEXURE 4: LIST OF NATIONAL ENTITIES AUDITED BY THE AUDITOR-GENERAL

National departments
Agriculture
Arts and Culture
Communications
Correctional Services
Defence
Education
Environmental Affairs
Foreign Affairs
Government Communications and Information System
Health
Home Affairs
Housing
Independent Complaints Directorate
Justice and Constitutional Development
Labour
Land Affairs
Minerals and Energy
National Intelligence Agency
National Parliament
National Treasury
Provincial and Local Government
Public Enterprises
Public Service Administration
Public Service Commission
Public Works
Safety and Security
Science and Technology
Social Development
South African Management Development Institute (SAMDI)
South African Secret Services
Sport and Recreation
Statistics South Africa
The Presidency
Trade and Industry



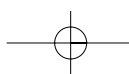
National entities audited by Auditor-General



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

Transport
Water Affairs and Forestry

Listed public entities
Africa Institute of South Africa, Pretoria
African Renaissance and International Cooperation Fund
Afrikaanse Taalmuseum, Paarl
Agricultural Research Council
Agricultural Sector Education and Training Authority (Agriseta) - previously PAETA & SETASA
Armaments Corporation of South Africa (ARMSCOR)
Artscape
Banking Sector Education and Training Authority (Bankseta)
Boxing South Africa
CEF (Pty) Ltd
Castle Control Board
Chemical Industries Education and Training Authority (CHIETA)
Clothing, Textiles, Footwear and Leather Sector Education and Training Authority (CTFL SETA)
Commission for Conciliation, Mediation and Arbitration (CCMA)
Commission for Gender Equality
Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities
Compensation Fund including Reserve Fund
Competition Commission
Competition Tribunal
Construction Education and Training Authority (CETA)
Construction Industry Development Board (CIDB)
Council for Geoscience
Council for Medical Schemes
Council for Mineral Technology (Mintek)
Council for Scientific and Industrial Research (CSIR)
Council for the Built Environment
Council on Higher Education
Cross-border Road Transport Agency
Diplomacy, Intelligence, Defence and Trade & Industry Sector Education and Training Authority (DIDTETA)
Education Labour Relations Council
Education, Training and Development Practices Sector Education and Training Authority (ETDP SETA)
Electricity Distribution Industry Holdings (Pty) Ltd
Energy Sector Education and Training Authority (ESETA)





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

Film and Publication Board
Financial and Accounting Services Training Authority (FASSET)
Financial and Fiscal Commission
Financial Intelligence Centre
Financial Services Board
Food and Beverages Manufacturing Industry Sector Education and Training Authority (FOODBEV)
Forest Industries Sector Education and Training Authority (FIETA)
Freedom Park Trust
Greater St Lucia Wetland Park Authority
Health and Welfare Sector Education and Training Authority (HWSETA)
Human Sciences Research Council
Independent Communications Authority of South Africa (ICASA)
Independent Development Trust
Independent Electoral Commission
Information Systems, Electronics and Telecommunications Technologies Training Authority (ISETT SETA)
Ingonyama Trust Board
Insurance Sector Education and Training Authority (INSETA)
International Trade Administration Commission
Iziko Museums of Cape Town
Land and Agricultural Bank of South Africa
Legal Aid Board
Local Government, Water and Related Services Sector Education and Training Authority (LGWSETA)
Luthuli museum
Manufacturing, Engineering and Related Services Education and Training Authority (MERSETA)
Marine Living Resources Fund
Market Theatre Foundation
Media Development and Diversity Agency
Media, Advertising, Publishing, Printing and Packaging Training Authority (MAPPP SETA)
Mine Health & Safety Council
Mining Qualifications Authority (MQA)
Municipal Demarcation Board
Municipal Infrastructure Investment Unit
Natal Museum, Pietermaritzburg
National Agricultural Marketing Council
National Arts Council
National Development Agency
National Electricity Regulator
National Electronic Media Institute of SA
National Energy Regulator of South Africa

National entities audited by Auditor-General



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

National Film and Video Foundation
National Gambling Board of SA
National Heritage Council
National Home Builders Registration Council (NHBRC)
National Library, Pretoria/Cape Town
National Lotteries Board
National Museum, Bloemfontein
National Nuclear Regulator
National Research Foundation
National Student Financial Aid Scheme
National Youth Commission
Nelson Mandela Museum, Umtata
Northern Flagship Institute, Pretoria
Office of the Public Protector
Pan South African Language Board (PANSALB)
Performing Arts Council of Free State (PACOFS)
Police, Private Security, Legal and Correctional Services Training Authority (POSLEC SETA)
Primary Agricultural Education and Training Authority (PAETA)
Public Investment Corporation Ltd (PIC)
Railway Safety Regulator
Road Accident Fund
Road Traffic Management Corporation
Robben Island Museum, Cape Town
SA Institute for Drug-free Sport
SA Medical Research Council
SA Nuclear Energy Corporation
Safety and Security Services Training Authority (SASSETA) - Include POSLEC and DIDTETA
Secondary Agricultural Sector Education and Training Authority (SETASA)
Services Sector Education and Training Authority (SSETA)
Small Enterprise Development Agency
South African Bureau of Standards (SABS)
South African Diamond Board
South African Heritage Resources Agency
South African Human Rights Commission
South African Library for the Blind, Grahamstown
South African Local Government Association
South African Maritime Safety Authority
South African National Biodiversity Institute
South African National Parks



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

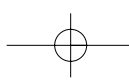
South African National Roads Agency
South African Qualifications Authority (SAQA)
South African Rail Commuter Corporation Limited
South African Revenue Service (Administered Revenue)
South African Revenue Service (Own Account)
South African Sport Commission
South African Tourism Board
South African Weather Service
Special Investigation Unit
State Information Technology Agency (SITA)
The National English Literary Museum, Grahamstown
The Playhouse Company, Durban
The South African State Theatre
Tourism and Hospitality Education and Training Authority (THETA)
Transport Education and Training Authority (TETA)
Unemployment Insurance Fund (UIF)
Universal Service Agency
Universal Service Fund
Urban Transport Fund
Voortrekker and Ncome Museums
War Museum of the Boer Republics, Bloemfontein
Water Research Commission
Wholesale and Retail Sector Education and Training Authority (W&R SETA)
William Humphreys Art Gallery
Windybrow Theatre

Other entities
Agricultural Debt Account (administered by the Department of Agriculture)
Citrus Growers' Association
Companies and Intellectual Property Registration Office (CIPRO)
Compensation Commissioner for Occupational Diseases
Consolidated Financial Statements
Cotton South Africa Statutory Levy
Criminal Asset Recovery Account
Deciduous Fruit Producers' Trust (DFPT) Finance Statutory Levy
Disaster Relief Fund
Dried Fruit Technical Services Statutory Levy
Engelenburg House Art Collection, Pretoria
Equalisation Fund

National entities audited by Auditor-General


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

Equipment Trading Account
Erf 706 Rietfontein
Government Printing Works
Guardians' Fund
High School Vorentoe Disaster Fund
International Marketing Council
King George V Silver Jubilee Fund for Tuberculosis
Maize Board
Mali Trust
Milk Levies
Monies in Trust
National Forest Recreation and Access Trust
National Lottery Distribution Trust Fund
National Prosecuting Authority
National Revenue Fund
National Skills Fund
National Supplies Procurement Fund
Pension Fund for Associated Institutions
Potato Levies
President's Fund
Project Development Facility
Reconstruction and Development Programme Fund
Refugee Relief Fund
Registration of Deeds Trading Account
Represented Political Parties' Fund
SA National Defence Force Fund
SAWIS Levies
Sheltered Employment Factories
Social Relief Fund
Sorghum Levies
South African Housing Fund
South African Management Development Institute Trading Entity
South African National AIDS Trust
South African Wine and Spirit Exporter's Association (SAWSEA) Statutory Levy
Special Defence Account
Special Pensions Board
State Debt and Tax and Loan Account
State President Fund
Temporary Employees Pension Fund

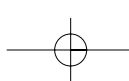


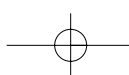
National entities audited by Auditor-General



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

The Office of the Ombud for Financial Services Providers (FAIS Ombud)
Transformation Fund of the Education and Labour Relations Council
Water Trading Account
Winetech Levies
Winter Cereal Levies



**A U D I T O R - G E N E R A L****ANNEXURE 5: NATIONAL DEPARTMENTS PER CLUSTER****CENTRAL GOVERNMENT ADMINISTRATION**

- Vote 1: The Presidency
- Vote 2: Parliament
- Vote 3: Foreign Affairs
- Vote 4: Home Affairs
- Vote 5: Provincial and Local Government
- Vote 6: Public Works

FINANCIAL AND ADMINISTRATIVE SERVICES

- Vote 7: Government Communication and Information System
- Vote 8: National Treasury
- Vote 9: Public Enterprise
- Vote 10: Public Service and Administration
- Vote 11: Public Service Commission
- Vote 12: South African Management Development Institute
- Vote 13: Statistics South Africa

SOCIAL SERVICES

- Vote 14: Arts and Culture
- Vote 15: Education
- Vote 16: Health
- Vote 17: Labour
- Vote 18: Social Development
- Vote 19: Sport and Recreation South Africa

JUSTICE AND PROTECTION SERVICES

- Vote 20: Correctional Services
- Vote 21: Defence
- Vote 22: Independent Complaints Directorate
- Vote 23: Justice and Constitutional Development
- Vote 24: Safety and Security

ECONOMIC SERVICES AND INFRASTRUCTURE

- Vote 25: Agriculture
- Vote 26: Communications
- Vote 27: Environmental Affairs and Tourism
- Vote 28: Housing
- Vote 29: Land Affairs
- Vote 30: Minerals and Energy
- Vote 31: Science and Technology
- Vote 32: Trade and Industry
- Vote 33: Transport
- Vote 34: Water Affairs and Forestry

