

**REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT
on the financial statements of the Ingonyama Trust Board for the year
ended 31 March 2005**

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 21 to 30 for the year ended 31 March 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 20 of the KwaZulu-Natal Ingonyama Trust Act, 1994 (Act No. 3 of 1994). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

Except as discussed in paragraph 3.1, the audit was conducted in accordance with the Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

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

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

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

3. QUALIFICATIONS

3.1 Limitation of scope

For matters reported under limitation of scope it was not feasible to perform alternative audit procedures in order to gain the required level of assurance on the account balances disclosed in the financial statements.

3.1.1 Land holdings

During the year under review the Ingonyama Trust Board (Board) engaged the services of a registered land surveyor to update the asset register for those properties registered in the name of the Board as at 31 March 2005. The Board maintains that details of all the land on the asset register was compiled from data provided by the Registrar of Deeds.

Notwithstanding the above mentioned actions taken by the Board I report as follows:

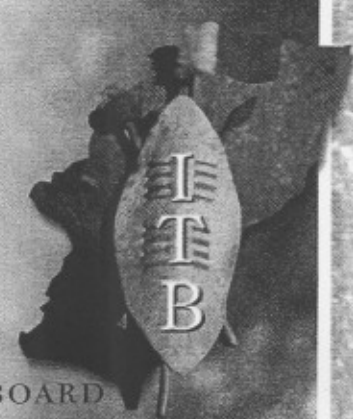
- From a sample of 1 523 784.76 hectares of land, 574 166.49 hectares were verified to certified copies of title deeds. Consequently, 949 618.27 hectares could not be verified to certified copies of the title deeds.

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- Land holdings have been valued at a nominal value of R300 per hectare and we could not confirm the basis of the valuation for audit purposes and
- Supporting documentation to substantiate the decrease of R32 840 700 in the land value could not be submitted for audit purposes.

3.1.2 Completeness of income

In common with similar organisations, it is not feasible for the Board to institute controls over mineral extractions, therefore subsequent complete recording of royalty income cannot be verified. Accordingly it was impracticable for us to extend our examination beyond the receipts actually recorded.

4. DISCLAIMER OF AUDIT OPINION

Because of the significance of the matters referred to in paragraphs 3, I do not express an opinion on the financial statements.

5. EMPHASIS OF MATTER

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

5.1 Contingent liability arrear rates – Municipalities

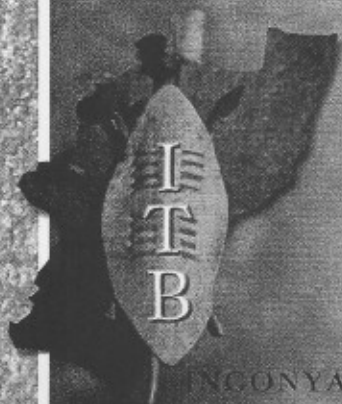
The Board has been invoiced over a number of years for rates due to municipalities for land owned within the Board's demarcated areas. The exact amount of this potential liability, owed to all these municipalities, could not be ascertained as no provision for this potential liability had been raised in the financial statements.

The Board repudiates the extent of the liability because the municipalities cannot substantiate their claims and therefore this potential liability could be substantially reduced.

It was noted with concern that an accumulated amount in the region of R25 million (2003-04: R88million) in respect of rates in arrear claimed by the eThekweni Municipality, is disclosed as a contingent liability in note 8 of the financial statements. Ministerial intervention is being sought to resolve this long outstanding matter.

5.2 Internal audit and audit committee

In terms of section 51(1)(a)(ii) of the Public Finance Management Act, 1999 (Act No.1 of 1999) (PFMA) read with Treasury Regulation 27.1, the public entity must establish an audit committee and internal audit function. During the financial year the Board has neither appointed an audit committee nor an internal audit function.



5.3 Weakness in internal control – segregation of duties

There was a lack of segregation of duties in the accounting function as the accountant performed the following incompatible functions due to a limited staff complement:

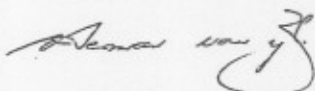
- VAT (preparation of returns),
- Processing of journals entries,
- Maintenance of the general ledger and
- Preparation of the financial statements.

5.4 Non compliance – Budget approval

The budget for the 2004-2005 financial year was not prepared and submitted to the executive authority, at least six months before the start of the financial year. This is in contravention of section 53(1) of the PFMA.

6. APPRECIATION

The assistance rendered by the staff of Ingonyama Trust Board during the audit is sincerely appreciated.



H van Zyl for Auditor-General
Pietermaritzburg
29 July 2005



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INGONYAMA TRUST BOARD