

Response of the Board to aspects of the Audit Report

The Board comments below on the issues raised in the Audit Report

Land holdings

The Board notes that the auditors took a sample of properties for examination and testing purposes. As at 31 March 2005 the Trust prepared an asset register detailing 1614 properties presently registered in the deeds office in the name of the Ingonyama Trust. The asset register does not however include properties that are deemed to vest in the Trust but have not yet been registered. The asset register indicates the area in hectares of each property. These areas are as provided by the Registrar of Deeds except where there are obvious errors in which case the areas have been taken from the survey diagrams approved by the Surveyor-General.

It is noted that the auditors had difficulty in verifying some areas. This is because of the following:

- many of the titles date back over 100 years and reference therein is often to imperial or earlier measurements of area rather than the present day metric system. Some of these deeds cover multiple properties and have many endorsements reflecting transfers and sub-divisions.
- the Board is engaged in an on-going exercise of consolidation of titles. This means that the property descriptions and areas will have varied during the period between 31 March 2005 when the asset register was compiled and the date when the auditors undertook their examination and testing.

As part of the title consolidation exercise, cadastral surveys were carried out. Most of the Locations and Zululand Reserves were re-surveyed and substitution diagrams framed.

- The Board does not keep certified copies of all of its properties unless it is necessary. The originals were apparently lost or misplaced during the process of rationalising Deeds Offices subsequent to 1994. The Board does not intend to incur the considerable expense of obtaining certified copies of all title deeds as legal proof of ownership lies in the Deeds Registry records. Certified copies are obtained however for particular purposes, for example a court case.

It is intended during the financial year 2005/2006 to commission a Land Tenure Information System. As part of this system copies of each deed will be held and updated on a regular basis. This will ensure that a close reconciliation of areas can be made at any given time.

The auditors also noted that whilst the land holdings had been valued at R300 per hectare there was no supporting documentation to verify this valuation.

Whilst the extent of land controlled by the Trust stands at 2,703,840 hectares as at 31 March 2005, this figure is changing on a day to day basis as land is being transferred both into and out of the Trust.

To value every hectare in detail would therefore be both fruitless and expensive at this stage. An average rate of R300 per hectare has been taken for balance sheet purposes to reflect the following:

- the diverse uses and physical characteristics of the land;
- the lack of availability of infrastructure;
- occupations – through customary allocations and statutory rights;
- Communal land does not change hands as frequently as privately owned land and there is therefore little or no market evidence available.
- the fact that the land has in any event a restricted market value due to the restrictions placed by section 2 (5) of the KwaZulu Ingonyama Trust Act (Act 3 of 1994)
- the on – going changes to the extent of the landholdings;
- the implementation of the Municipal Property Rates Act (Act 6 of 2004) will require valuation rolls to be prepared on all land within a Municipal area. This will include Ingonyama Trust land and the various Municipalities will have to find a way of establishing a value.

Finally the auditors note that supporting documentation to substantiate the decrease of R32,852,700 could not be submitted for audit purposes. This decrease reflects the difference in areas as at 31 March 2005 compared to 31 March 2004 at a value of R300 per hectare.

The decrease is attributable to the following:

- The 2004 totals included the properties that vest in the Ingonyama Trust but have not yet been endorsed across in ownership.
- The 2004 totals excluded the townships that vest in the various municipalities but have not yet been endorsed across in ownership.
- Some of the areas shown on the 2004 schedule cannot be individually identified, since they do not relate to a specific property.
- The Deeds Office records have excluded the remaining extent on some properties when there has been a subdivision.
- Most of the Locations and Zululand Reserves have been re-surveyed and substitution diagrams framed. The revised areas have not yet always been noted by the Deeds Office as the endorsements cannot be made on the title deeds until the substitution diagrams have been lodged by the Ingonyama Trust as part of the on – going consolidation exercise.

Contingent liability: arrear rates

The auditors have noted with concern that an accumulated amount in the region of R25 million in respect of rates in arrears claimed by eThekweni Municipality is shown as a contingent liability.

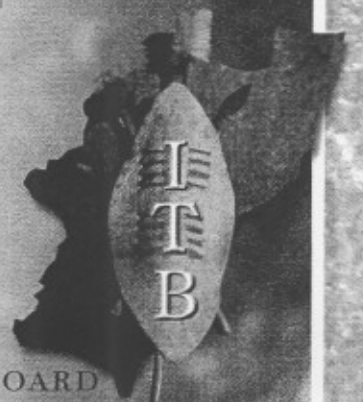
Whilst the Board refutes liability in most instances, it continues to address this important issue with the Municipality in a spirit of co-operation. Recently the Municipality has again revised its claim in a downwards direction to R1 4,000,000 excluding penalties.

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Completeness of income

We concur with the report of the Auditor General regarding this matter. The Board has issued thirty six mining leases throughout Kwa-Zulu Natal. Mining companies are requested to furnish to the Trust affidavits regarding actual extractions on a quarterly basis.

The Board is unable to monitor the actual volumes of minerals removed, as this would mean employing personnel at each site. However, the Board has employed a service provider to conduct a periodic inspection of the sites in order to reasonably agree the volumes removed to what has been declared, paying special attention to stockpiles of minerals removed and also environmental issues.

Further to the above, in terms of the relevant lease agreements the Trust will request the inspection of mineral extraction records.

The above measures will assist the Trust to regulate significant irregularities regarding declarations by mining companies and assure greater completeness of income.

Internal Audit Committee

The Board has appointed an Audit Committee subsequent to 31 March 2005.

The Board has also approved the Audit Committee terms of reference and the Internal audit charter for the internal audit function.

Weakness in internal control – segregation of duties

The Ingonyama Trust Board has a small staff complement managing the accounting function. The need to employ further staff will be investigated to gain better accounting controls.

Non- Compliance - Budget Approval

In respect of the 2004/2005 year, the Board had approved the budget only a few days after the deadline date.

Adequate steps have been taken to ensure that future budgets be finalised within the required time.