

10. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE CRL RIGHTS COMMISSION FOR THE YEAR ENDED 31 MARCH 2006

1. Audit Assignment

The financial statements as set out on pages 24 to 34, for the year ended 31 March 2006, 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 35 of the CRL Rights Commission Act, 2002 (Act No. 19 of 2002). These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. Scope

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 544 of 2006, issued in Government Gazette no. 28723 of 10 April 2006 and General Notice 808 of 2006, issued in Government Gazette no. 28954 of 23 June 2006. 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
- evaluating the overall financial statement presentation

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

3. Basis Of Accounting

The entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury as described in note 1 to the financial statements.

4. Audit Opinion

In my opinion, the financial statements fairly present, in all material respects, the financial position of the CRL Rights Commission at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa as described in note 1 to the financial statements and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA).

5. Emphasis Of Matter

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

5.1 Non-compliance with laws and regulations

The CRL Rights Commission was established on 1 January 2004. Therefore, systems and procedures were still being developed to ensure compliance with laws and regulations. The following non-compliance was noted:

5.1.1 Risk assessment strategy, fraud prevention and internal audit

The fraud prevention plan, internal audit charter and risk assessment strategy were not approved and implemented during the year contrary to section 38(1)(a)(i) and (d) of the PFMA.

5.1.2 Supply chain management

- (a) In terms of Treasury Regulation 16A4.1 the accounting officer or accounting authority must establish a separate supply chain management unit within the office of that institution's chief financial officer, to implement the institution's supply chain management system. The supply chain management unit was not established at the CRL Rights Commission.

The following goods were procured without following tender procedures as required by Treasury Regulations and SCM guidelines:

- Katiba PMC for the CRL Rights Commission governance and organizational design - R400 653
- Uweso - Electrical Image for CRL Rights Commission diaries and calendars - R733 392

- (b) Some instances were found where the required quotations in accordance with the procurement policies and procedures were not obtained.

5.1.3 CEO Performance contract

In terms of section 30(2) (c) of the CRL Rights Commission Act, the Chief Executive Officer (CEO) must have a written contract of employment.

Sections 38 to 42 of the PFMA, prescribes the general responsibilities of the accounting officer. A performance contract for the CEO did not exist.

5.1.4 Lack of delegation of authority

In terms of section 38(1) (a) (i) and (d) of the PFMA, the constitutional institution must have and maintain an effective, efficient and transparent systems of financial and risk management and internal control, and is responsible for the safeguarding and the maintenance of the assets, and for the management of the

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liabilities, of the department, trading entity or constitutional institution.

A policy on the delegation of powers did not exist. The CEO was responsible for all approvals and authorisations. In accordance with section 31(3) of the CRL Rights Commission Act, the accounting officer is responsible for proper and diligent compliance with the PFMA

The delegation of authority was subsequently approved and adopted for the 2006-07 financial year.

5.1.5 Declaration of interests

Contrary to good corporate governance, senior officials had not declared their business interests.

5.2 Financial management and staff establishment

The CRL Rights Commission had a vacancy rate of 42 percent on its ideal compliment, which might have affected service delivery and had affected the proper functioning of the internal control environment. The funding from Parliament was not sufficient to employ the full staff compliment as desired by the CRL Rights Commission.

Subsequent to year-end, the CFO resigned.

The high vacancy rate was also due to the full organisational structure not being approved therefore there was no clear direction for the CRL Rights Commission to recruit staff. This also resulted in roles and responsibilities of appointed staff not being defined.

5.3 Performance management

Employees of the CRL Rights Commission including the CFO did not have performance contracts, and the CRL Rights Commission did not have a performance management system to measure performance of its employees.

5.4 Control environment

The following weaknesses were identified in the control environment.

- Most policies and procedures were only approved in December 2005.
- A general lack of segregation of duties existed in the finance department due to a lack of personnel.
- Journals were not properly authorised by senior staff members to ensure that they were accurate, valid and complete before they were processed on Pastel.
- Creditors reconciliations were not performed during the year under review except for the month of March 2006.
- The preparation, review, approval and payment of the payroll

was performed by one person. Other weaknesses identified regarding the payroll were:

- Incomplete personnel files.
 - Leave was not approved timely.
 - The accuracy of the leave provision of R23 000 disclosed in note 14 to the annual financial statements was calculated on basic salary and not total cost to company. Consequently provision might be understated.
- An approved depreciation policy was not in place.
 - Contrary to section 41 of the PFMA, various source documents could not be presented for audit.

5.5 Conditions of appointment for commissioners

The conditions of appointment for Commissioners were not finalised in terms of section 14(1) of the CRL Rights Commission Act.

Furthermore, the Commissioner's roles and responsibilities were not defined which might affect the functioning of the Board of Commissioners with the accounting officer.

5.6 Performance information

The CRL Rights Commission did not submit performance information to the auditors for review. The non-submission constitutes non-compliance with section 20(2) (c) of the Public Audit Act, 2004 (Act No. 25 of 2004).

5.7 Computer environment control weaknesses

Control weaknesses were identified around segregation of duties, lack of policies and procedures, change control and disaster recovery planning.

An approved and implemented backup policy and disaster recovery plan did not exist. The draft IT policy and disaster recovery plan were not submitted to the Commissioners for approval and implementation.

6. Appreciation

The assistance rendered by the staff of the CRL Rights Commission during the audit is sincerely appreciated.



E Brass for Auditor-General

Johannesburg
31 July 2006

