

# Report of the Auditor-General to parliament on the financial statements of Vote 15 – Department of Education

## for the year ended 31 March 2006

### 1. AUDIT ASSIGNMENT

The financial statements as set out on pages 108 to 151, 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, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). The fixed asset opening balances have not been audited because of the timing of guidance from National Treasury to the departments relating to the treatment, valuation and disclosure of fixed assets. 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 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 department's policy is to prepare financial statements on the modified cash basis of accounting determine by the National Treasury, as described in note 1.1 to the financial statements.

### 4. AUDIT OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of the department of Education at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the modified cash basis of accounting determined by the National Treasury of South Africa, as described in note 1.1 to the financial statements, and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

### 5. EMPHASIS OF MATTER

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

#### 5.1 Conditional Grants

In terms of section 38(i) of the PFMA the accounting officer of the department must ensure that the provisions of the Division of Revenue

Act, 2005 (Act No. 1 of 2005) (DoRA) are complied with when the transfer of funds take place whilst the department has put a framework in place to monitor that conditional grants are transferred to the provinces in accordance with the DoRA, it has indicated that it is not able to enforce timely compliance. Further information has been included in paragraph 6.5 of the management report of the accounting officer.

#### 5.2 Asset register

In terms of section 10.1 of the Treasury Regulations issued in terms of the PFMA the accounting officer of an institution must take full responsibility and ensure that proper control systems do exist for assets. Although an asset register was in place the following shortcomings occurred:

- The financial information was inconsistently valued in the asset register.
- Intangibles assets were not included in the asset register at all.
- Certain capitalised assets were not included in the asset register.
- Certain capital assets had been misallocated to repairs and maintenance.
- Certain assets which had been disposed of had not been removed from the asset register.

### 6. APPRECIATION

The assistance rendered by the staff of the department during the audit is sincerely appreciated.



**L Zondo**  
*for Auditor-General*

Pretoria  
29/07/2006

