

DEPARTMENT OF DEFENCE VOTE 21

REPORT OF THE AUDIT COMMITTEE for the year ended 31 March 2006

We are pleased to present our report for the financial year ended 31 March 2006.

Audit Committee Members and Attendance:

The Audit Committee consists of the members listed hereunder and meets four times per annum as per its approved terms of reference. During the year under review, four scheduled and one special meeting were held.

Name of External Members	Number of Meetings Attended
Dr L Konar (Chairperson)	5
Ms J John (Resigned 25/07/2005)	2
Mr D S Molapo	4
Mr R K Pule (Contract expired 23/04/2005)	1
Mr K A Ross	5
Mr G R Witthöft (Appointed 07/07/2005)	2
Name of Internal Members	
Mr T E Motumi	1
Lt Gen T T Matanzima (Internal transfer in the DOD and replaced by Lt Gen Jansen van Rensburg with effect from 31/07/2005) .	1
Lt Gen J L Jansen van Rensburg (Appointed 01/08/2005)	2

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38 (1) (a) of the PFMA and the Treasury Regulations. The Audit Committee also reports that it has adopted appropriate formal terms of reference as

its audit committee charter, has regulated its affairs in compliance with this charter and has discharged its responsibilities as contained therein.

The effectiveness of internal control

The Audit Committee is of the opinion, based on the information and explanations given by management and the internal auditors and discussions with the independent external auditors on the result of their audits and the status in addressing the matters raised by SCOPA, that the internal accounting controls are operating. However, these controls need strengthening and improvement to ensure that the financial records may be relied upon for preparing the annual financial statements and that accountability for assets and liabilities is improved.

Nothing significant has come to the attention of the Audit Committee other than the matters referred to in the Auditor-General's report to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

However, it was noted that certain weaknesses were identified by the Internal Auditors and are being addressed by management.

The quality of in year management and monthly reports submitted in terms of the Act

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer and the Department during the year under review.

Internal Audit

The Internal Audit Function is conducted internally by the Inspector General. The internal audits for the second year of the rolling three-year strategic internal audit plan have commenced, and many have been completed, with others in progress.

The Defence Inspectorate, inclusive of the Service Inspectors General, undertook a comprehensive risk assessment during the FY2005/06. An established Risk Management Committee assists in overseeing the quality, integrity and reliability of the Department's corporate accountability and associated risk management and reporting.

REPORT OF THE AUDIT COMMITTEE for the year ended 31 March 2006 (continued)

Evaluation of Financial Statements

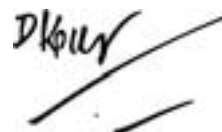
The Audit Committee has:

- Reviewed and discussed with the Auditor-General and the Accounting Officer the audited annual financial statements to be included in the annual report;
- Reviewed the Auditor-General's audit report, management letter and management response thereto;
- Reviewed the accounting policies and practices; and
- Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General. However, the Audit Committee has noted that "non-financial" or "fixed assets" have been written-off in the "Statement of Financial Performance" or "Income Statement"

and therefore do not appear on the "Statement of Financial Position", or "Balance Sheet" as at 31 March 2006.

Currently one independent member is still being vetted for security clearance purposes, prior to appointment to the Audit Committee. Two additional vacancies are available through which the Department of Defence seeks to improve gender and race representivity within the Audit Committee.



(Dr Len Konar)

Chairperson of the Audit Committee

28 July 2006