

Part 3

Report of the Audit Committee



Report of the Audit Committee annual report

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 below and is required to meet four times per annum as per its approved terms of reference. During the current year six meetings were held.

Name of members	Number of meetings attended
Stuart Patterson (Chairperson)	6
Cedric Boltman (appointed 25 January 2006)	2
Ntombi Langa-Royds (appointed 25 January 2006)	3
Motsamai Karedi (appointed 31 March 2005)	2
Ronald Lubisi (retired 31 August 2005)	-
Jasper Noeth (retired 31 August 2005)	3
Andrew Sefala (appointed 25 January 2006)	2

Mr. Motsamai Karedi has been appointed since 31 March 2005 to fill one of the vacancies arising on the Committee.

The exception is that the chairperson was scheduled to retire along with other standing members on 31 August 2005. However, in order to retain continuity and experience the Accounting Officer extended his contract for further period. The Audit Committee charter has been amended to provide scope for this exception.

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 38 (1)(a) of the PMFA and Treasury Regulation 3.1.13. 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 all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal control was not entirely effective during the year under review. Common causes of significant findings reported by internal audit were:

- Non-compliance with prescribed policies and procedures
- Over-riding of controls by management
- Lack of skills training or inadequate training

- Lack of supervision and discipline
- Lack of capacity due to vacancies
- Inadequate facilities
- Inadequate security

These weaknesses continue to be addressed by the Accounting Officer and the management team, although certain elements appear to be endemic.

Significant control weaknesses have been reported by the Auditor-General under emphasis of matter and in the management letter. In certain instances, the weaknesses reported previously have not been fully and satisfactorily addressed. The effect of these instances were included in the annual statement and the report of the Accounting Officer.

The quality of in-year management and monthly/quarterly reports are submitted in terms of the PFMA and the Division of Revenue 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. Considerable progress continues to be made in the investigation of suspense accounts, which have built up over prior years.

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; 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.



S A Patterson
Chairperson of the Audit Committee
Date: 31 July 2006