



## Report of the Auditor-General

to Parliament on the Financial Statements and Group Financial Statements  
of the Land and Agricultural Bank of South Africa (Land Bank)  
for the year ended 31 March 2006

## 1. Audit Assignment

The financial statements and group financial statements as set out on pages 18 to 30 and 46 to 95 for the financial 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 section 4 and 20 of the Public Audit Act, 2004 (Act No 15 of 2002). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the Board of the Land Bank. 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 disclosure in the financial statements,
- Assessing the accounting principles used and significant estimates made by management, as well as
- Evaluating the overall financial statement presentation

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

## 3. Qualification

### Impairment of loans and the interest on impaired loans- 2005

The Land Bank's comparative income statement numbers do not comply with the requirement of IAS 39: Financial Instruments- recognition and measurement, to determine impairment of loan and interest income on the impaired value of loans. The loans impaired movement in the income statement and the split between impairment and interest income for 2005 financial year does not comply with the

requirements of the standard. Owing to the nature of the shortcomings in terms of the systems and data availability at the Land Bank, we were unable to perform alternative audit procedures to determine the effect of this classification

## 4. Audit Opinion

In my opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements of the Land Bank and the Group fairly present, in all material respects, the financial position of the Land Bank and the Group at 31 March 2006 and the results of its operations and cash flows for the year then ended, in the accordance with International Financial Reporting Standards and in the manner required by the Public Finance Management Act, 1999 (Act No.1 of 1999) as amended.

## 5. Emphasis of Matter

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

### Computer system

As previously reported, there are still deficiencies in the banking loan module, as well a certain inadequacies in either logical or manual mitigating controls, which remains unresolved. As a result of the loan module shortcomings, certain accounting work is being performed outside the loan system in order to comply with the requirements of the standards, specifically IAS 18: Revenue and IAS 39: Financial instrument – recognition and measurement. Our audit procedures were planned and performed to obtain reasonable assurance that the work being conducted outside the loan module, are free of material misstatement.

## 6. Appreciation

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

*S. A. Fakee*

Auditor-General  
Pretoria  
31 July 2006

