

## Report of the Auditor-General to Parliament on the Financial Statements of the Sheltered Employment Factories for the year ended 31 March 2007

### Report on the Financial Statements

#### Introduction

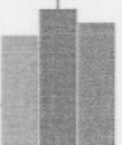
- 1 I have audited the accompanying financial statements of the Sheltered Employment Factories which comprise the balance sheet as at 31 March 2007, income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 130 to 148.

#### Responsibility of the Accounting Officer for the financial statements

- 2 The Accounting Officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the Auditor-General Audit Circular 1 of 2005. This responsibility includes:
  - designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

#### Responsibility of the Auditor-General

- 3 As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
- 4 I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 647 of 2007, issued in Government Gazette No. 29919 of 25 May 2007*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
- 5 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.
- 6 An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management



# Annual Report

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## **Responsibility of the Auditor-General**

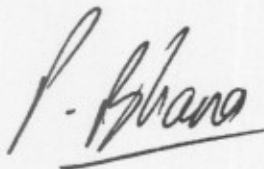
- 19 I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 646 of 2007*, issued in *Government Gazette No. 25 of May 2007*.
- 20 In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
- 21 I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit conclusions reported below.

## **Audit findings**

- 22 The Sheltered Employment Factories is included as a sub-program in the Department of Labour. My findings will be contained in the Department of Labour's audit report.

## **Appreciation**

- 23 The assistance rendered by the staff of the Sheltered Employment Factories during the audit is sincerely appreciated.



**P. Bhana for Auditor-General**

Pretoria  
31 July 2007



AUDITOR - GENERAL