

# PART TWO:

## AUDIT OUTCOMES OF MINISTERIAL PORTFOLIOS

SECTION 2.1: KEY ASPECTS OF AUDIT OUTCOMES OF GOVERNMENT CLUSTERS AND MINISTERIAL PORTFOLIOS

SECTION 2.2: AUDIT OUTCOMES OF INDIVIDUAL MINISTERIAL PORTFOLIOS



AUDITOR - GENERAL  
SOUTH AFRICA





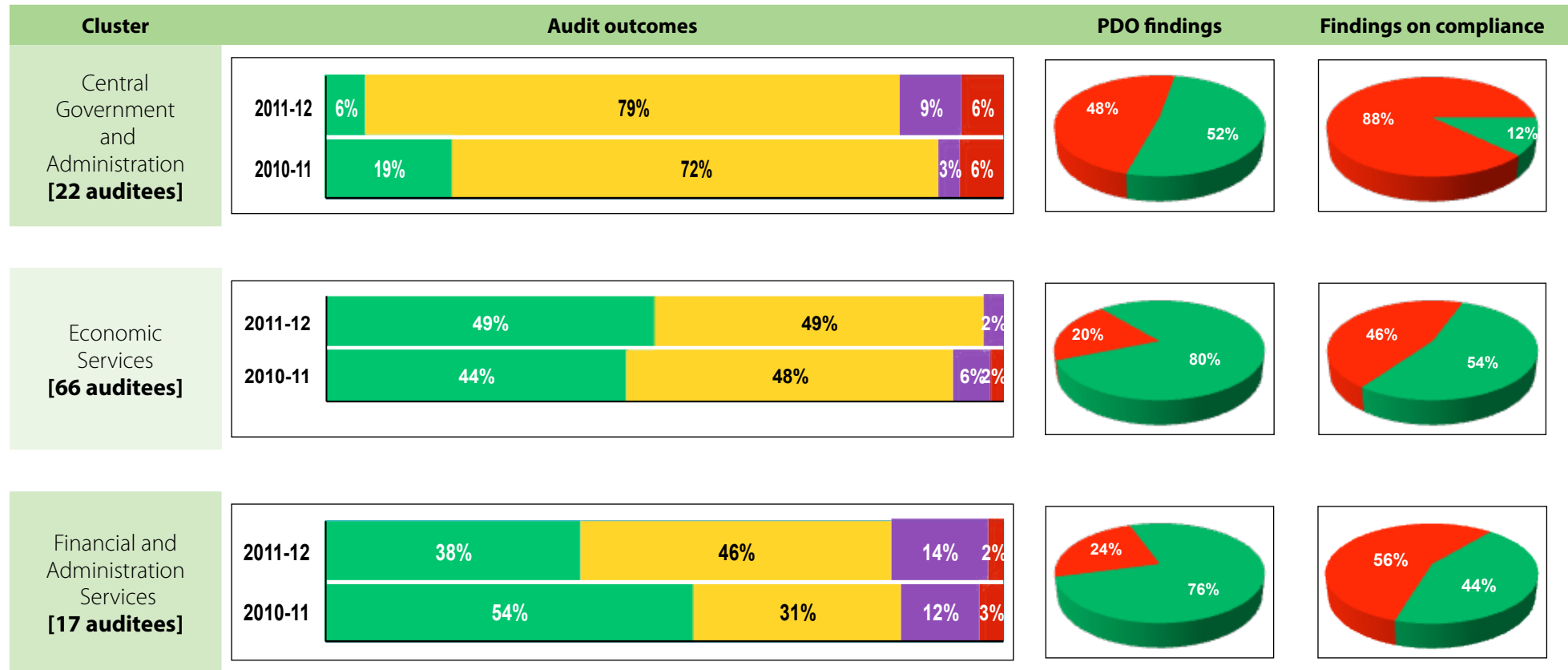
**PART 2: AUDIT OUTCOMES OF MINISTERIAL PORTFOLIOS**

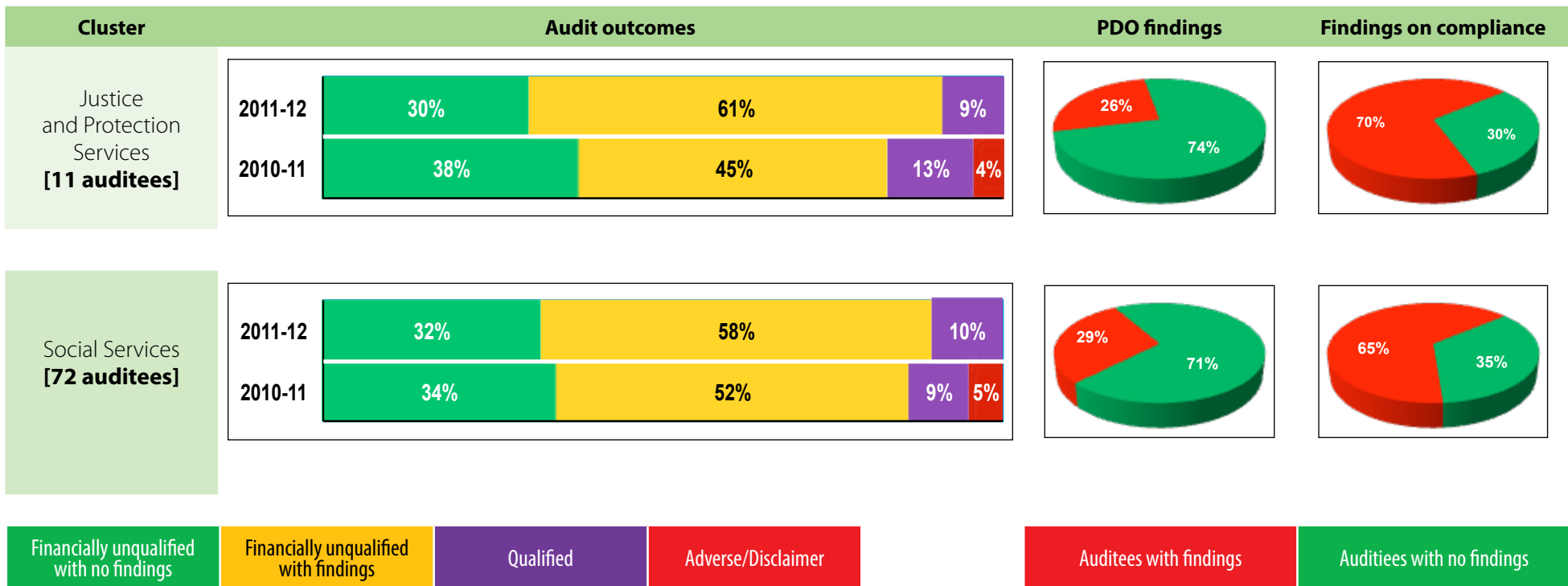
**SECTION 2.1: KEY ASPECTS OF AUDIT OUTCOMES OF GOVERNMENT CLUSTERS AND MINISTERIAL PORTFOLIOS**

# PART 2: AUDIT OUTCOMES OF MINISTERIAL PORTFOLIOS

## SECTION 2.1: KEY ASPECTS OF AUDIT OUTCOMES OF GOVERNMENT CLUSTERS AND MINISTERIAL PORTFOLIOS

This section of the general report presents the 2011-12 audit outcomes of government clusters.





The audit outcomes of individual departments within these clusters as well as the status of the five risk areas at March 2012 are summarised below.

Cluster	Audit opinions on national departments' financial statements	Focus area findings				
		Material errors in AFS submitted for audit No improvement	Predetermined objectives Improvement	Supply chain management Some improvement	IT controls No improvement	HR Regressed
<b>Central Government Administration</b> [9 Departments]	The Presidency	•	•	•	•	•
	Parliament of the Republic of South Africa	•	•	•	•	•
	Cooperative Governance and Traditional Affairs	•	•	•	•	•
	Government Communications and Information System	•	•	•	•	•
	Home Affairs	•	•	•	•	•
	International Relations and Cooperation	•	•	•	•	•
	Performance Monitoring and Evaluation	•	•	•	•	•
	Public Works	•	•	•	•	•
	Women, Children and Persons with Disabilities	•	•	•	•	•
<b>Financial and Administrative Services</b> [4 Departments]	National Treasury (Finance)	•	•	•	•	•
	Public Enterprises	•	•	•	•	•
	Public Service and Administration	•	•	•	•	•
	Statistics South Africa	•	•	•	•	•

Cluster	Audit opinions on national departments' financial statements	Focus area findings				
		Material errors in AFS submitted for audit No improvement	Predetermined objectives Improvement	Supply chain management Some improvement	IT controls No improvement	HR Regressed
Social Services [7 Departments]	Arts and Culture	•	•	•	•	•
	Basic Education	•	•	•	•	•
	Health	•	•	•	•	•
	Higher Education and Training	•	•	•	•	•
	Labour	•	•	•	•	•
	Social Development	•	•	•	•	•
	Sport and Recreation South Africa	•	•	•	•	•
Justice and Protection Services [5 Departments]	Correctional Services	•	•	•	•	•
	Defence and Military Veterans	•	•	•	•	•
	Independent Complaints Directorate	•	•	•	•	•
	Justice and Constitutional Development	•	•	•	•	•
	Police	•	•	•	•	•

Cluster	Audit opinions on national departments' financial statements	Focus area findings				
		Material errors in AFS submitted for audit No improvement	Predetermined objectives Improvement	Supply chain management Some improvement	IT controls No improvement	HR Regressed
Economic Services and Infrastructure [13 Departments]	Agriculture, Forestry and Fisheries	•	•	•	•	•
	Communications	•	•	•	•	•
	Economic Development	•	•	•	•	•
	Energy	•	•	•	•	•
	Environmental Affairs	•	•	•	•	•
	Human Settlements	•	•	•	•	•
	Mineral Resources	•	•	•	•	•
	Rural Development and Land Reform	•	•	•	•	•
	Science and Technology	•	•	•	•	•
	Tourism	•	•	•	•	•
	Trade and Industry	•	•	•	•	•
	Transport	•	•	•	•	•
	Water Affairs	•	•	•	•	•

Financially unqualified with no findings	Financially unqualified with findings	Qualified	Adverse/Disclaimer	Repeat findings	No findings	New finding
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The audit outcomes of individual ministerial portfolios, the impact of the AGSA's quarterly discussions with the executive authorities and key commitments received from ministers are presented in the remainder of this section.

**The audit outcomes of Vote 6: Performance Monitoring and Evaluation and Vote 9: Government Communication and Information System are included under Vote 1: Presidency, while those of Vote 23: Independent Police Investigative Directorate (Independent Complaints Directorate) are included under Vote 25: Police**





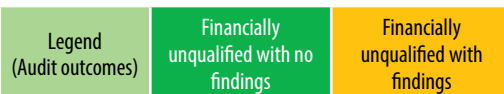
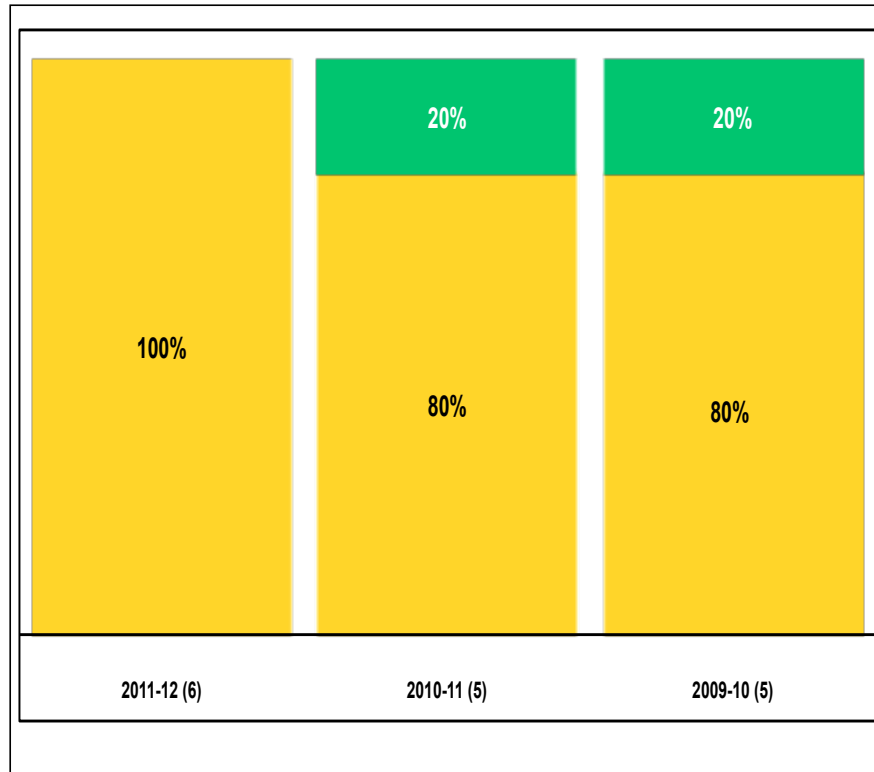
**SECTION 2.2: AUDIT OUTCOMES OF INDIVIDUAL MINISTERIAL PORTFOLIOS**

## 2.2.1 CENTRAL GOVERNMENT ADMINISTRATION



VOTE 1: THE PRESIDENCY [including Performance Monitoring and Evaluation and Government Communication and Information Systems (GCIS)]

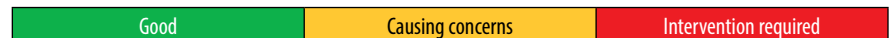
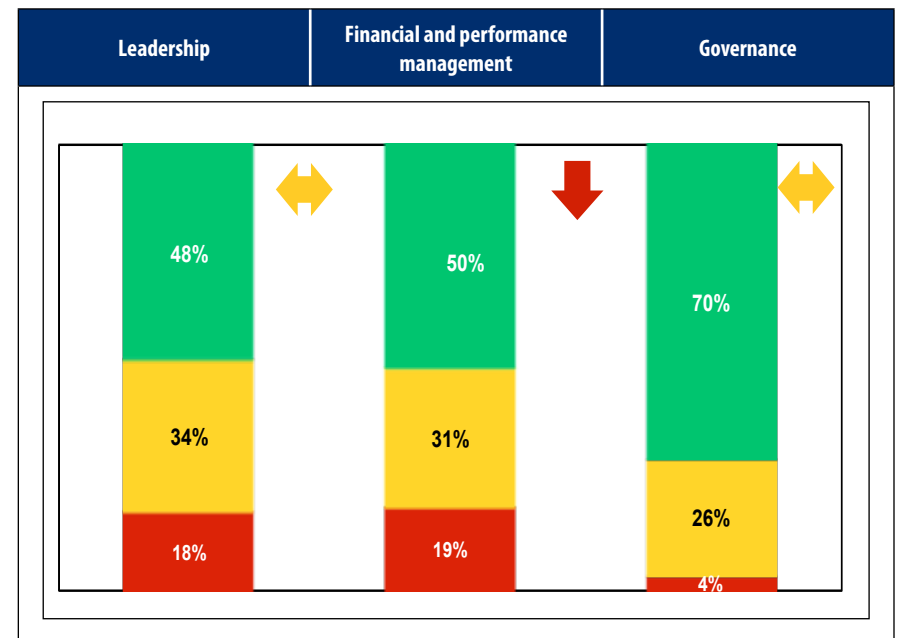
### Three-year progress towards clean audits



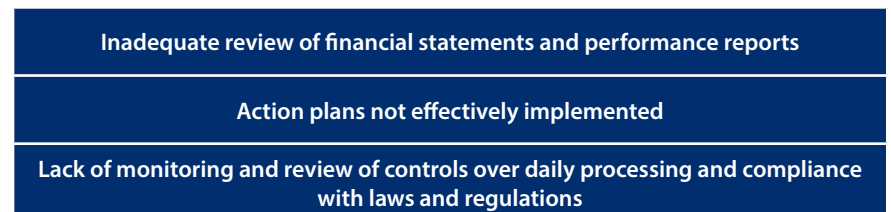
5 risk areas



Key controls



Root causes



## VOTE 1: THE PRESIDENCY [including Performance Monitoring and Evaluation and Government Communication and Information Systems (GCIS)]

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### Audit outcomes and key reasons for movements

The audit outcomes relating to the departments and entities within this portfolio were financially unqualified with findings. Media Development and Diversity Agency (MDDA) regressed from financially unqualified with no findings on non-compliance with laws and regulations to financially unqualified with findings. The accounting authority at MDDA did not take adequate steps to prevent irregular expenditure.

The Presidency, Government Communication and Information System, National Youth Development Agency, Brand SA and MDDA only had findings on compliance, whereby the Department of Performance Monitoring and Evaluation (established 1 April 2011) had findings on both compliance and predetermined objectives.

#### Risk/focus areas

The main areas of concern are the non-adherence to SCM regulations and financial statements subject to material misstatements. The findings on predetermined objectives relate to targets not conforming to the SMART principles, i.e. Specific, Measurable, Achievable, Relevant and Time bound.

The Presidency portfolio should continue to focus on implementing monthly controls to eliminate material corrections to the annual financial statements, including preparation of a complete set of monthly financial statements and controls to ensure compliance with SCM regulations and the requirements of the *Framework for managing programme performance information* (FMPPi). The executive authority should intervene to ensure that all the departments and entities implement effective internal controls and that leadership is held accountable for their actions.

The executive authority should also focus on appointing a new board for the NYDA and remedial measures to manage the non-performing loan book.

## VOTE 1: THE PRESIDENCY [including Performance Monitoring and Evaluation and Government Communication and Information Systems (GCIS)]

### Status of key controls and root causes of audit outcomes

The failure to record improved outcomes was mainly due to the key messages which were communicated during the audit not being taken seriously and, consequently, key controls not being adequately implemented throughout the year.

Senior management and those charged with governance also failed to adequately review financial statements and the report on predetermined objectives prior to submission for auditing.

Although most of the departments and entities within the portfolio have Internal audit and governance structures, there still seems to be inadequate reviews over financial and performance reporting which resulted in material adjustments having to be made to the financial statements.

Poor procurement planning, inadequate checks, reviews and application of SCM regulations resulted in irregular expenditure within the presidency portfolio.

### Commitments and initiatives by minister

### Impact on 2011-12 audit outcomes

**No impact**

### Impact of quarterly discussions with the executive authority

We did not meet with the minister for quarterly discussions.

### Previous year

We could not secure any meetings with the minister and therefore did not obtain any commitments regarding his portfolio. The minister had also not provided any commitments in the prior year.

### New

VOTE 1: THE PRESIDENCY [including Performance Monitoring and Evaluation and Government Communication and Information Systems (GCIS)]

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**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENTS AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 1: THE PRESIDENCY [including Performance Monitoring and Evaluation and Government Communication and Information Systems (GCIS)]

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Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas	Findings on predetermined objectives	Findings on areas of non-compliance									
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	None	Reported information not useful	Material misstatement/limitations in submitted annual financial statements	Procurement and contract management	Human resource management	Revenue management	Asset management	Audit committees	AFS, performance report and annual report	Expenditure management	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Budget
<b>Departments</b>																			
1	Presidency								A	N	R	N					R	R	
2	Department of Performance Monitoring and Evaluation								N	N		N						N	
3	Government Communication Information Systems									N	R							A	
<b>Public Entities</b>																			
1	National Youth Development Agency									R	R		N	N	N	N	N	R	N
2	Brand SA								A	N								R	N
3	Media Development and Diversity Agency										N							N	

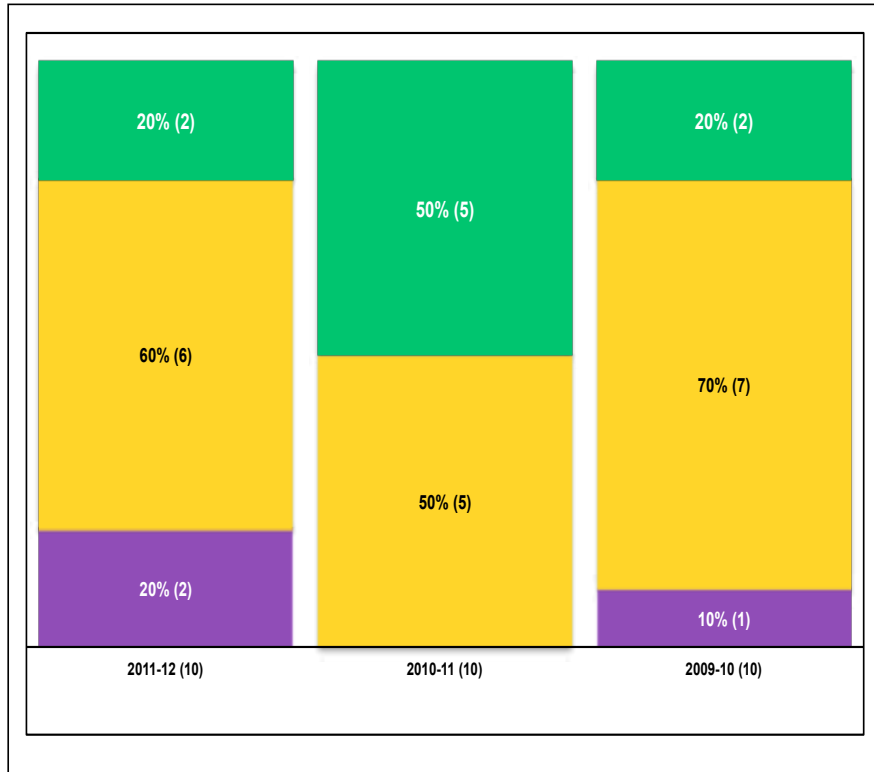
Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Findings
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Legend (Findings)	Addressed	New	Repeat
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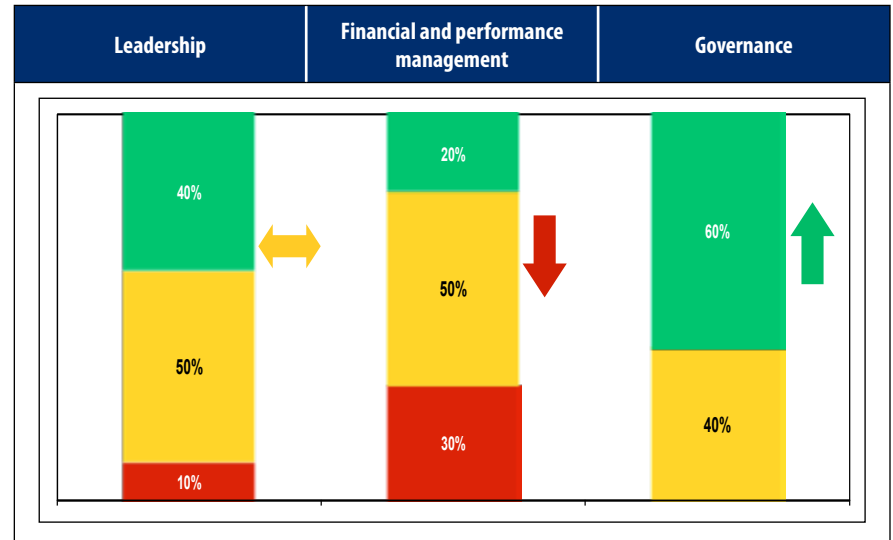
## VOTE 2: PARLIAMENT (including provincial legislatures)



5 risk areas



Key controls



Root causes





### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### Audit outcomes and key reasons for movements

While the Western Cape legislature retained its clean audit outcome of the prior financial year and was joined by the Free State legislature in this category, the overall audit outcomes of the legislature cluster regressed, with the legislatures of Eastern Cape, Gauteng and KwaZulu-Natal regressing from clean audit outcomes to financially unqualified with findings on PDOs and/or compliance.

Parliament remained financially unqualified with findings on compliance with laws and regulations, which included money owing by Parliament not paid within 30 days and material corrections having to be made to the financial statements during the audit

The financial statements of Mpumalanga Legislature were materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in elements making up the statement of financial position, the statement of financial performance and the notes to the financial statements. The financial statements of the Northern Cape Legislature were qualified due to the absence of sufficient and appropriate audit evidence to support goods and services and the existence and value of its debtors. The value of staff leave entitlement could likewise not be substantiated.

#### Risk/focus areas

Six (2010-11: 2) of the legislatures submitted financial statements for audit that contained material misstatements, five of which were corrected during the audit, thereby avoiding qualification of their financial statements.

The performance information of four legislatures (2010-11: 3) did not meet all the criteria for usefulness, while the information of three (2010-11: 2) was not reliable. The usefulness of reported information was measured against the criteria of presentation, consistency, measurability and relevance. As regards consistency, some of the findings related to targets not being specific or time bound. Indicators are not well defined or verifiable and there was no consistency between planned and reported objectives/targets. Performance could not be measured for some of the targets relevant to sub-programmes.

SCM findings were raised at two (20%) of the legislatures (2010-11: 2).

Findings on HR management were raised at six of the legislatures, which included vacancies in key posts, Performance management matters and the absence of an HR plan based on the strategic plan.

Weaknesses of varying levels of risk were identified in the management of information technology at all legislatures in one or more of the following areas: IT service continuity, data centre management, facilities and environmental control, user access control, program change management and security management. Section 3.4 of part 1 of this report provides more information on the IT audit focus areas.

The declaration of a provincial legislature's management actions as unconstitutional would have a far-reaching impact on the operations of provincial legislatures as well as the financial reporting framework.

## VOTE 2: PARLIAMENT (including provincial legislatures)

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### **Status of key controls and root causes of audit outcomes**

Financial statement qualifications and PDO findings stem from matters that include the following:

- **Leadership:** The leadership did not perform sufficient monitoring and oversight in respect of financial and performance reporting and related internal controls, resulting in errors not being detected and corrected timeously. In addition, the leadership did not address identified internal control deficiencies and risks.
- **Financial and performance management :** The financial statements and performance reports were not adequately reviewed for completeness, validity and accuracy prior to submission for audit, resulting in material misstatements being identified during the audit. Findings on performance information are the result of a lack of proper systems of record management for maintaining information that supports the reported performance.
- **Governance:** Audit committees did not adequately review financial statements before submission for audit, while Internal audit coverage for the financial year did not adequately cover performance information and compliance with laws and regulations.

**NEXT PAGE: AUDIT OUTCOMES OF LEGISLATURES**

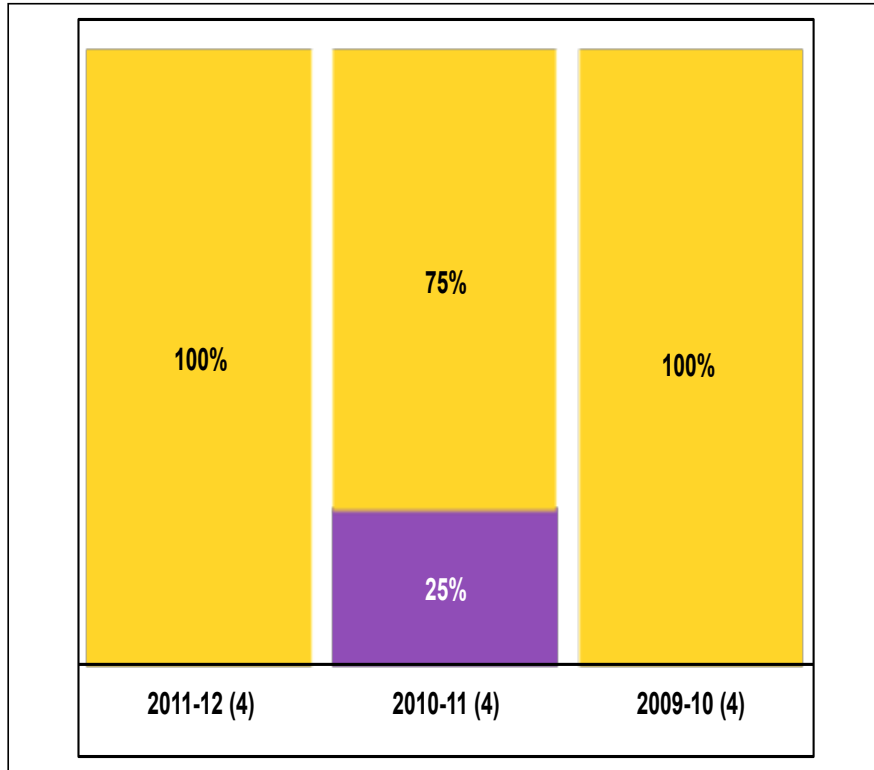




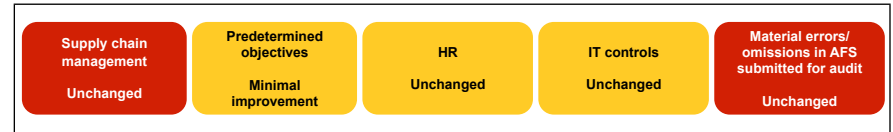


# VOTE 3: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

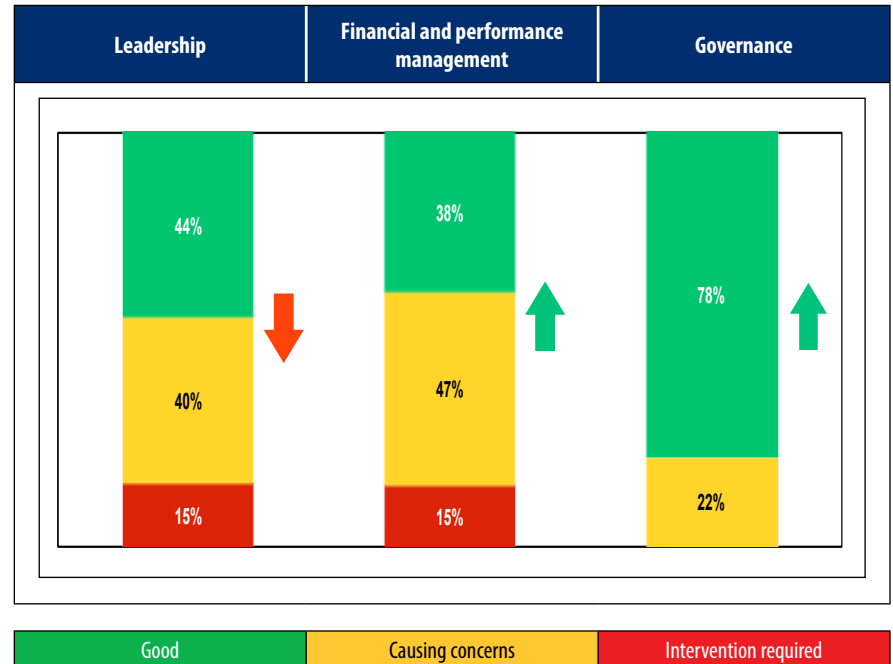
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

- Lack of understanding of laws, regulations and FMPPi as well as lack of key controls in system for collation, collection and filing of PDO and SCM documentation.
- Action plans are inadequate or not implemented correctly to address prior year matters reported.
- Lack of monitoring of commitments by oversight and adequate review of annual financial statements.
- Instability in leadership and vacancies in internal audit and supply chain management unit not filled timeously.

## VOTE 3: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### Audit outcomes and key reasons for movements

The overall improvement in the audit outcomes is due to the Department of Cooperative Governance and Traditional Affairs (**CoGTA**) improving from a financially qualified opinion with findings on compliance and predetermined objectives to a financially unqualified opinion with findings on compliance and predetermined objectives. Although the department cleared the qualification by focusing on the detection and disclosure of irregular expenditure, prevention thereof still has not been addressed. Thus, there has not been a reduction in the number of non-compliance findings, especially with regard to SCM, compliance with laws and regulations and material adjustments to the financial statements. The South African Local Government Association (**SALGA**) has remained financially unqualified with findings on compliance. Findings on predetermined objectives were reported at **CoGTA**.

#### Risk/focus areas

The key challenges to moving towards clean administration remain primarily in the areas of submission of financial statements which are free from material misstatements, compliance with SCM prescripts and compliance with the regulations and guidance on managing and reporting on performance against predetermined objectives.

The improvement in audit outcomes at the department cannot be attributed to an improvement in internal controls as numerous instances of non-compliance persist with regard to SCM laws and regulations. Adequate controls must now be implemented at **CoGTA** and **SALGA** to properly review and monitor compliance with laws and regulations, mainly in the area of SCM prescripts, to avoid incurring irregular expenditure. Monthly financial statements with all relevant disclosure notes should be prepared by both entities to avoid material corrections to financial statements submitted to audit. Proper record keeping supporting reported performance information should also be a focus at **CoGTA**.

#### Status of key controls and root causes of audit outcomes

Key controls have not improved significantly as a result of lack of oversight responsibility. This resulted in a lack of progression towards clean administration. Action plans implemented to address prior year audit outcomes were not fully implemented resulting in many repeat findings in the areas of non-compliance with SCM laws and regulations, material adjustments to financial statements and findings on predetermined objectives, especially at **CoGTA**. There is also a lack of adequate progress monitoring of the action plans. Financial statements submitted are not adequately reviewed by the leadership and those charged with governance at both **CoGTA** and **SALGA**.

The PDO findings at the department were mainly as a result of a lack of understanding of the FMPPPI requirements resulting in indicators not being well defined and verifiable, targets not conforming to the SMART principle and reported indicators and targets not being consistent with planned indicators and targets. Further to this, a system to collect and collate information to support reported performance information was not implemented at **CoGTA**, resulting in reported performance not being supported by source information. The findings on compliance were mainly as a result of non-adherence to SCM prescripts, which was reported at the department and **SALGA**. **CoGTA** and **SALGA** also required material adjustments to their financial statements due to a lack of adequate review of financial statements.

## VOTE 3: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

Commitments and initiatives made by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership met once with the new executive authority during the 2011-12 financial year. The discussion focused on the weaknesses reported as per the key control dashboards and on prior year qualification areas. We were not successful in securing meetings with the previous executive authority of the department and letters were sent regarding the key control assessments.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our limited interactions, we have assessed that the executive authority of CoGTA does not yet provide the required level of assurance.</p>			■
<b>Previous year</b>			
No commitments were obtained from the previous minister in the prior year.		■	
<b>New</b>			
The minister of <b>CoGTA</b> undertook to ensure that proper systems are implemented to address non-compliance with laws and regulations, especially in the area of SCM, and to capacitate Internal audit to improve its effectiveness. Progress will be monitored by means of monthly reports provided to the minister.			



## VOTE 3: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

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### Constitutional institutions

The Municipal Demarcation Board (**MDB**) and the **CRL** Rights Commission have remained financially unqualified with findings.

Findings on predetermined objectives were reported at the **CRL** Rights Commission, with no material findings reported at **MDB**. A system to collect and collate information to support reported performance information was also not implemented at the **CRL** Rights Commission, resulting in reported performance not being supported by source information. The findings on compliance were mainly due to non-adherence to SCM prescripts as a result of lack of understanding and incorrect interpretation of applicable laws and regulations at the **CRL** Rights Commission, a lack of capacity in the SCM unit and inadequate documentation storage processes at **MDB**. Both **MDB** and **CRL** Rights Commission required material adjustments to their financial statements. This was due to those charged with governance not adequately reviewing the financial statements.

**MDB** and the **CRL** Rights Commission's lack of progression towards clean administration can be attributed to management developing action plans which did not address the real root causes of the findings reported, actions not being specific and/or failure to assign responsibility for the tasks, and/or timelines not being determined for ultimate resolution of internal and external audit findings. There was also a lack of adequate monitoring of the action plans.

The executive authorities of these entities should focus on improving the key controls which impact on these areas, including the requirement to prepare monthly financial statements with all relevant disclosure notes that are properly reviewed by management and those charged with governance.

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 3: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

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Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas				Findings on predetermined objectives				Findings on areas of non-compliance									
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Revenue	Contingent liabilities	Irregular expenditure	Other	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Procurement and contract management	Human resource management	Asset management	Expenditure management	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Transfers and conditional grants	Strategic planning and performance management	Audit committee	Internal audit
	Department of Cooperative Governance and Traditional Affairs								A		R	R			R	R	N	N	R	R	A	R		A	
<b>Reporting auditees</b>																									
1	South African Local Government Association											A			R	R					R		A		
2	Municipal Demarcation Board														R	R					R				
3	Commission for the promotion and protection of the rights of cultural, religious and linguistic communities										A	N			R	R		N	A	R		A	A	A	

Legend (Audit outcomes)	Financially unqualified with findings	Qualified	Findings
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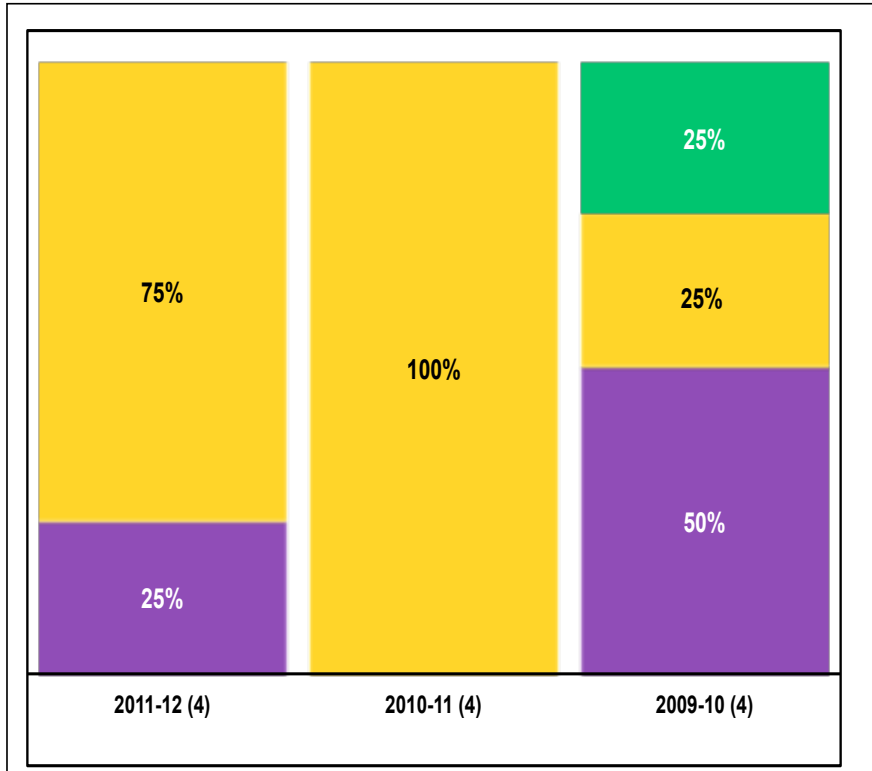
Legend (Findings)	Addressed	New	Repeat
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# VOTE 4: HOME AFFAIRS

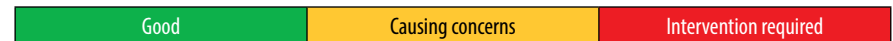
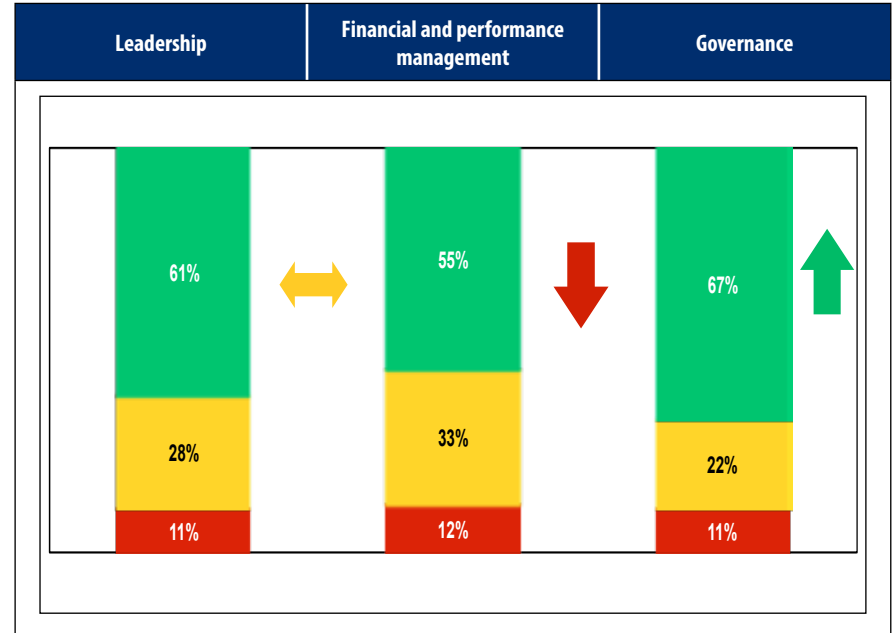
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

- Lack of monitoring and review of controls over monthly processing
- Vacancies in senior management positions within the portfolio
- Ineffective and poor record keeping from the point of source of information to the financial records.

## VOTE 4: HOME AFFAIRS

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### **Audit outcomes and key reasons for movements**

Overall, the portfolio showed a regression, with the best-ever results for the portfolio being for the 2010-11 financial year. The DHA regressed to a financially qualified audit opinion with findings on predetermined objectives and compliance with laws and regulations. The audit outcome for the current year reflects a regression relative to the prior year and potentially a yo-yo effect over a three-year period, with the 2009-10 result also being qualified with other matters.

The deterioration in the department's results is driven by inconsistent application of the changed accounting policy because management has not implemented processes to adequately deal with the implications thereof; shortcomings in the skills level with respect to financial reporting; management not having implemented processes and controls to address internal control deficiencies identified in the previous year's audit; and a lack of proper record keeping.

#### **Risks and focus areas**

Asset management remains a concern even though there are no audit report findings on the matter. Regular asset counts must be performed at least twice annually on documented instructions so that there is consistency in the accounting treatment of items. The departmental processes for Revenue management must be standardised and should include documented processes with pre-numbered stationery and regular revenue reconciliations. Record keeping must be improved. A procedure manual must be developed for operations in foreign missions and this manual must be rolled out in conjunction with the Department of International Relations and Cooperation (DIRCO). The service level agreement with DIRCO needs to be revised in order to establish accountability arrangements between the two departments. The Internal audit unit must audit the processes to be implemented by the department and a robust audit must be performed on the financial statement preparation process with a view to understanding the internal control deficiencies in this process. The current accounting policy on foreign revenue could have significant negative consequences in respect of the migration to the GRAP framework.

#### **Status of key controls and root causes of audit outcomes**

Capacity issues in terms of the skills level pose a challenge to the department. There is a deficiency in management's understanding of financial accounting concepts (as contained in the National Treasury's *Departmental financial reporting framework guide*) and, in turn, a lack of appropriate processes to address the reporting requirements. Despite interventions by the accounting officer, such as senior management being held accountable for not implementing appropriate actions to address internal control deficiencies, there were still non-compliance findings, findings on material corrected and uncorrected misstatements as well as significant findings on predetermined objectives. The department's current internal control processes are not sustainable in that there is still much reliance on the audit process to identify and drive the correction of material errors and misstatements. Appropriate actions have not been implemented to address the internal control deficiencies identified in the current and previous audits.

## VOTE 4: HOME AFFAIRS

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Commitments and initiatives by the minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership met with the executive authority four times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we have assessed that the executive authority of the DHA provides some level of assurance.</p>			■
<b>Previous year</b>			
<p>The Minister of the DHA undertook to improve service delivery processes throughout the country. Significant progress has been made and this remains a focus area going forward.</p> <p>There was also a commitment to make full use of the Internal audit unit and the Audit committee to ensure the ongoing quality of financial information. Although progress has been made, it remains a challenge.</p>			■
<b>New</b>			
<p>Improve the relationship between DIRCO and the DHA to ensure better quality of information on the vouchers from foreign missions.</p> <p>Improve record keeping with regard to the capturing of vouchers in the financial records (monthly listings for both local and foreign revenue).</p> <p>Improve the process of Asset management with regard to maintenance of the asset register (improve the monthly reconciliations).</p>			
<b>Constitutional institution (IEC)</b>			
<b>Audit outcomes and key reasons for movements</b>			
<p>The IEC received an unqualified audit opinion with findings on compliance with laws and regulations. This is an improvement since the prior year, as there are no findings on predetermined objectives.</p>			
<b>Risks and focus areas</b>			
<p>Non-compliance with laws and regulations remains an issue at the IEC. Irregular expenditure was incurred by the commission and the evaluation criteria for equity ownership were not specified when quotations were invited.</p>			

## VOTE 4: HOME AFFAIRS

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### **Status of key controls and root causes of audit outcomes**

Although there has been an improvement in addressing internal control deficiencies and the root causes of audit outcomes, management should put measures in place to update staff on new laws and regulations and to apply them when they become effective.

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 4: HOME AFFAIRS

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas				Findings on predetermined objectives				Findings on areas of non-compliance					
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Contingent assets	Contingent assets - Prior year	Receivables for departmental revenue - Prior year	Other	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Expenditure management	Internal audit	Revenue management	Procurement and contract management
	Department of Home Affairs						N	N	N		R	N			R	R	R	R	N	R	R
<b>Reporting auditees</b>																					
1	Independent Electoral Commission										A					R				R	
2	Government Printing Works										A					A	N	R	A		A
3	Film and Publication Board															R					

Legend (Audit outcomes)	Financially unqualified with findings	Qualified	Findings
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Legend (Findings)	Addressed	New	Repeat
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# VOTE 4: HOME AFFAIRS

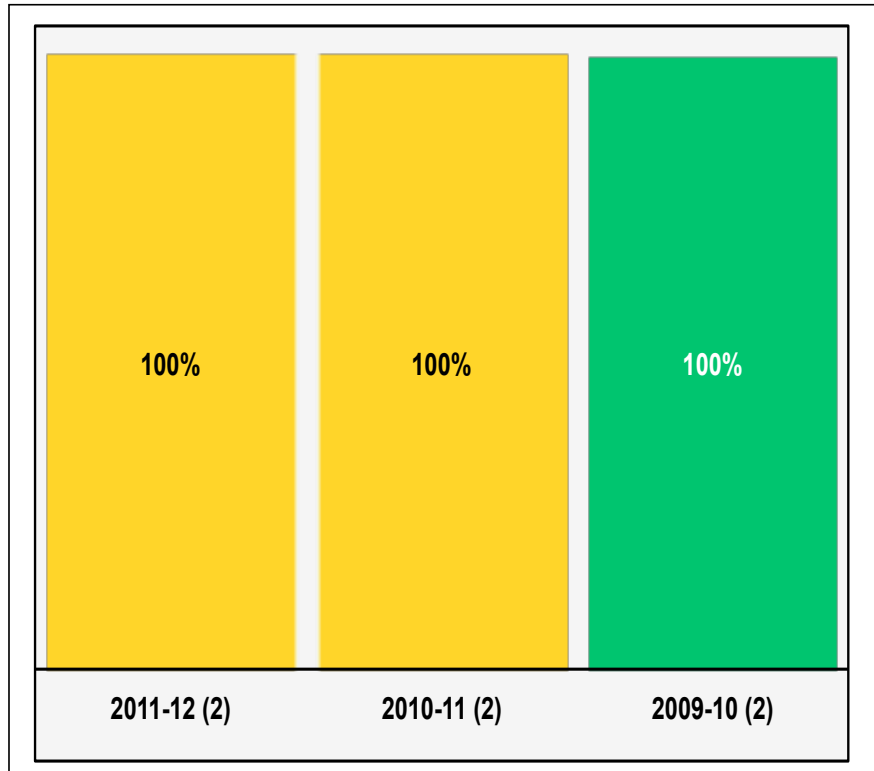
Unauthorised, irregular, as well as fruitless and wasteful expenditure						Procurement and contract management						Drivers of internal control										Human resource management				Information technology management				Root causes						
Unauthorised expenditure		Irregular expenditure		Fruitless and wasteful expenditure		Limitation on planned scope of audit of awards	Awards to employees	Awards to close family members of employees	Uncompetitive or unfair procurement processes	Inadequate contract management	Inadequate SCM controls	Leadership					Financial and performance management					Governance			Management of vacancies	Overtime	Performance management	HR planning and organisation	IT governance	Security management	User access management	IT service management	Human resources capacity & productivity	Attention to key controls	Effectiveness of assurance providers	
Movement	Amount R	Movement	Amount R	Movement	Amount R							Effective leadership culture	Oversight responsibility	HR management	Policies and procedures	Action plans	IT governance	Proper record keeping	Processing and reconciling controls	Reporting	Compliance	IT systems controls	Risk management	Internal audit												Audit committee
		↑	5,72m	↑	700k		R	N	R		A		S			S		S	S	S	S		S			R	A	R		R	R	R				
		↑	42,60m	↓	20,45k		R		R																	A			R	R	R	R	R			
		↑	1,85m						A																A	A			R	R	R	R				
				↓	200k				R	A																	R	N	N	N						

Legend (Movements)	Reduction	↑	Increase	↓
Legend (Drivers)	Good	Causing concern	Intervention required	S = Significant control deficiency
Legend (Findings)	Addressed	New	Repeat	

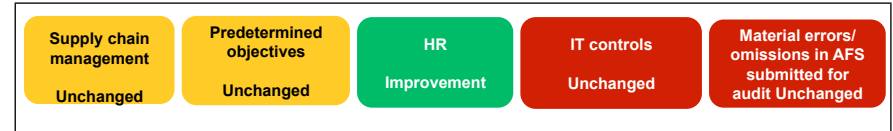


# VOTE 5: INTERNATIONAL RELATIONS AND COOPERATION

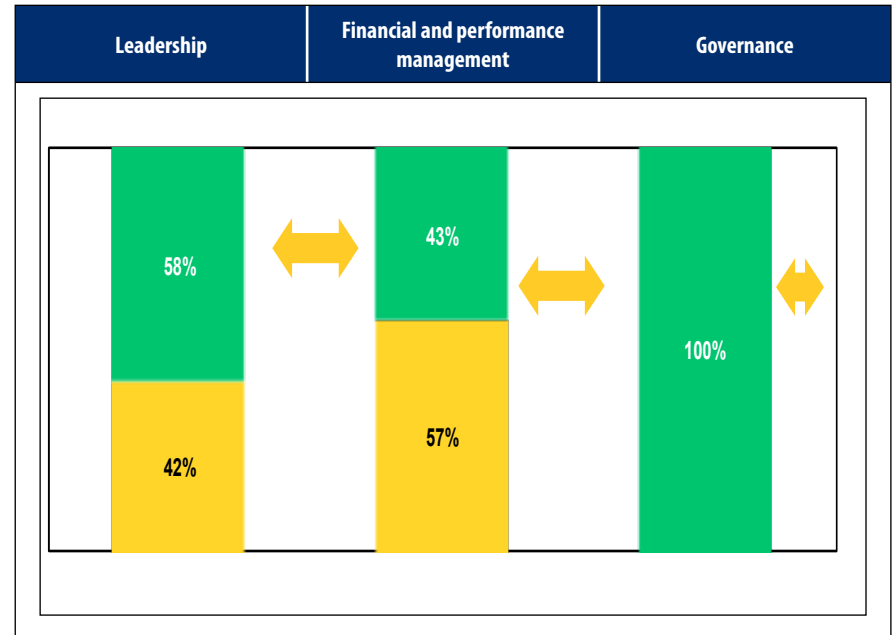
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

- Lack of monthly preparation and proper reviews of financial statements
- Lack of timely updating of the fixed asset register
- Key performance indicators not useful

## VOTE 5: INTERNATIONAL RELATIONS AND COOPERATION

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### Audit outcomes and key reasons for movements

Overall the portfolio regressed over the period of three years. In 2009-10 it was unqualified with no findings and in 2010-11 and 2011-12 it was qualified with findings on predetermined objectives and compliance.

The Department of International Relations and Cooperation (DIRCO) achieved a financially unqualified audit opinion with findings on compliance with laws and regulations and predetermined objectives.

The African Renaissance and International Cooperation Fund (ARF) achieved a financially unqualified audit opinion with findings on predetermined objectives. It cleared findings on compliance with laws and regulations (as it does not have SCM, annual financial statements were not materially adjusted).

The regression in the audit outcomes of the portfolio was due to lack of implementation of key controls, such as monthly preparation of financial statements and monitoring.

#### Risk/focus areas

Supply chain management remains a challenge in the department as it has embassies and missions in all countries. Some countries do not comply with South Africa's SCM legislation. The major challenge is the approval of deviations from SCM legislation. The oversight function of monitoring and implementation of controls as well as risk management relating to SCM processes should be improved.

Issues identified in relation to predetermined objectives included performance targets not being specific and measurable and performance indicators not being well defined. The major challenge is meeting the SMART principle due to the sensitivity of the information that the department has as key performance indicators (KPIs). The department should continue to engage with National Treasury on its challenges with regards to compliance with the requirements of the FMPPI. The oversight of the predetermined objectives process, including the implementation of action plans to address the issues raised should be closely monitored by the accounting officer.

IT governance should be elevated to an appropriate level of management and, in the absence of a government-wide framework, the department should develop its own framework which should then be evaluated for alignment to the government-wide framework once approved by Cabinet.

The oversight function of monitoring the implementation and effectiveness of controls over the financial statement processes, including the review function, should be substantially improved.

The department did not always ensure that the system of controls over Asset management was adequately implemented and functioned appropriately. This function requires substantial improvement.

Overall the portfolio remained the same as in the previous year.

## VOTE 5: INTERNATIONAL RELATIONS AND COOPERATION

### Status of key controls and root causes of audit outcomes

Deficiencies in the oversight, monitoring and review of the implementation and effectiveness of key controls resulted in the audit outcomes. There was no movement in the audit outcomes for DIRCO since the previous year while the ARF improved from findings on both compliance and predetermined objectives in 2010-11 to findings on predetermined objectives in 2011-12.

Some of the measures taken to address the issues raised previously were rolled out for implementation in the last quarter of 2011-12, resulting in repeat findings.

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
The AGSA leadership met with the executive authority once during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.		■	
<b>Previous year</b>			
No commitments were made in the 2010-11.			
<b>New</b>			
Meeting with the minister took place on 9 February 2012. The minister undertook to follow up on the action plans that were being implemented by the department and to engage the accounting officer on the focus area issues raised by the AGSA.			

## VOTE 5: INTERNATIONAL RELATIONS AND COOPERATION

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**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENTS AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 5: INTERNATIONAL RELATIONS AND COOPERATION

212

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas				Findings on predetermined objectives				Findings on areas of non-compliance					
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Current asset	Capital and reserves	Revenue	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Expenditure management	Strategic planning and performance management	Procurement management	Financial misconduct
1	Department of International Relations and Cooperation										R				R	R	N	R	N	A	N
<b>Reporting auditees</b>																					
2	African Renaissance and International Cooperation Fund										R				A						

Legend (Audit outcomes)	Financially unqualified with findings	Findings
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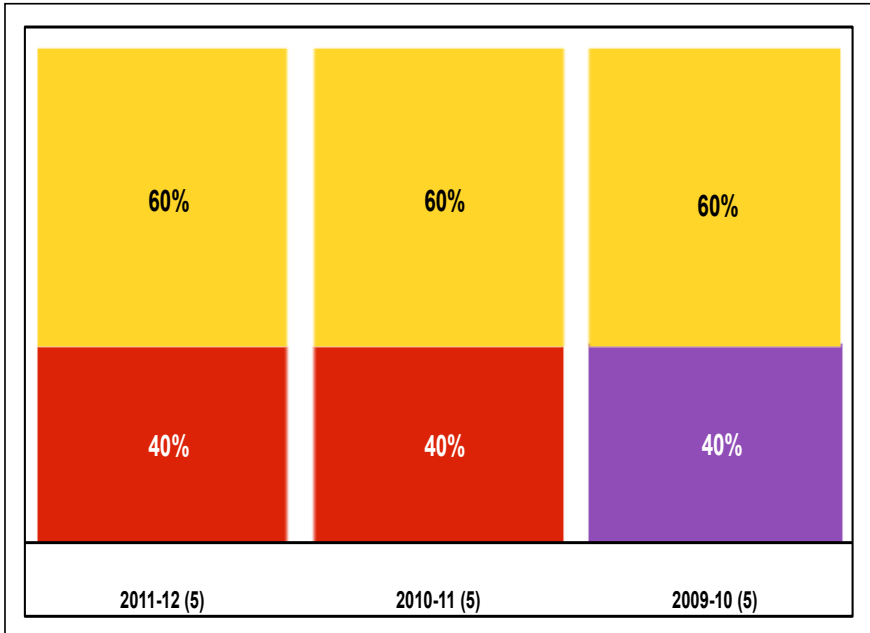
Legend (Findings)	Addressed	New	Repeat
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# VOTE 7: PUBLIC WORKS

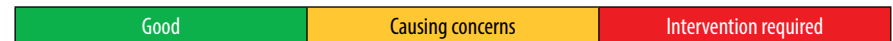
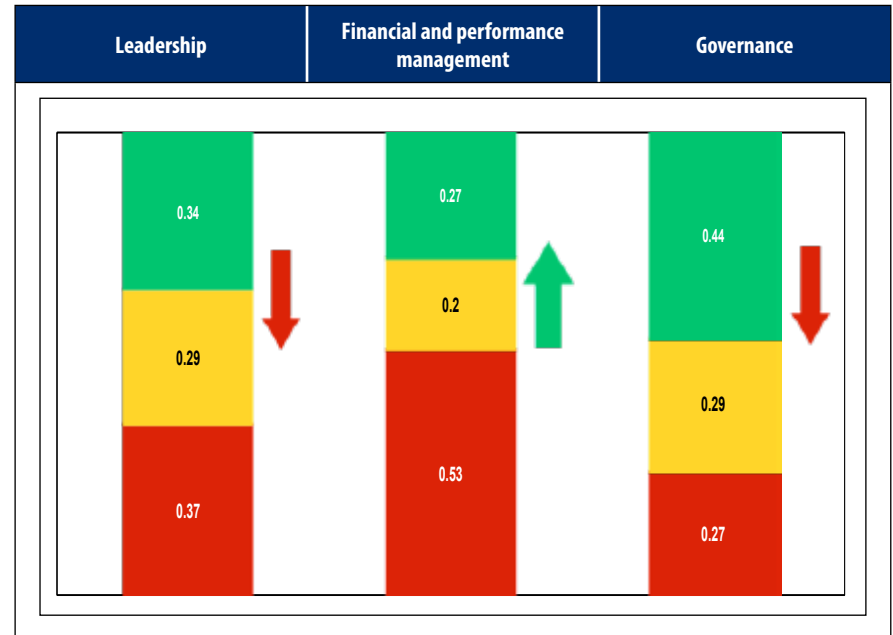
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

Instability in key leadership positions and a lack of human resource capacity had a negative impact in providing effective leadership in the department.

Implemented controls over daily and monthly processing and reconciling of transactions were ineffective.

The high level turnaround strategy did not timeously translate into a comprehensively documented audit action plan with deadlines and short and long term milestones and deliverables to sustainably address internal control deficiencies.



## VOTE 7: PUBLIC WORKS

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### Audit outcomes and key reasons for movements

The audit outcomes of the department and all entities in the portfolio remained unchanged. The Department of Public Works (DPW) and the Property Management Trading Entity (PMTE) received disclaimers and the Independent Development Trust (IDT), Council for the Built Environment (CBE) and the Construction Industry Development Board (CIDB) received financially unqualified opinions with findings on predetermined objectives and compliance with laws and regulations. Although ultimately it did not influence the audit outcome, compliance in the area of procurement and contract management regressed for both IDT and CBE due to a lack of appropriate monitoring of compliance by leadership.

#### Risk/focus areas

Supply chain management remains a major risk area throughout the portfolio and it is critical that the department and entities focus on enhancing their oversight and monitoring functions in respect of SCM as well as adopting a zero tolerance stance on non-compliance and holding transgressors accountable. Furthermore, updating of SCM policies and procedures in line with latest laws and regulations should be ensured and training should be rolled out to all applicable staff members to enhance understanding of principles. At the department and PMTE a comprehensive contract management system must be implemented to enable proper procurement planning and avoid unjustified deviations.

With respect to reporting against predetermined objectives a minimal improvement was noted, with the CBE and CIDB improving the reliability of reported information. There is, however, a continued lack of understanding and incorrect implementation of guidance issued by the National Treasury, amongst others the FMPPI, which had a negative impact on the usefulness of reported information of all entities in the portfolio except for the IDT. The department and affected entities should implement corrective action during the crafting of targets and indicators for inclusion in the strategic plan to ensure that they conform to the required principles. Furthermore, the department and the IDT should improve their records management systems and ensure that appropriate audit evidence is available to substantiate all achievements recorded.

Human resource management is a concern at the DPW where the organisational structure must be aligned to the strategic plan of the department, the filling of vacancies with appropriately skilled people must be expedited and the essential basic control of certification of the payroll must be rigorously enforced.

Significant shortcomings were identified in the IT environment; specifically with respect to the Property Management Information System (PMIS) utilised by the department and PMTE, which must be addressed as a matter of urgency. The proposed implementation of the iE-Works system and procurement of a financial system which enables accrual accounting for the PMTE must also be expedited.

The focus must be on the preparation and adequate review by appropriate members of senior management of a full set of financial statements (including disclosure notes for the department) and reports on compliance with laws and regulations on a monthly basis. Similarly performance reports should also be updated and reviewed (including obtaining confirmation that sufficient and appropriate supporting evidence was in place) on a monthly basis to enable corrective action where achievement of targets is not on track. Those charged with governance should place significant focus on performing a proper review of financial statements submitted for auditing purposes to avoid material adjustments after submission.

## VOTE 7: PUBLIC WORKS

### Status of key controls and root causes of audit outcomes

The status of key controls in the portfolio remained unchanged since the previous financial year with DPW and PMTE experiencing a significant breakdown in all areas of internal control – leadership, Financial and performance management and governance. Key controls at the entities are largely implemented; however, improvement is required in the areas of leadership oversight of financial reporting, compliance with laws and regulations and reporting on performance against predetermined objectives to ensure a movement towards an unqualified opinion without findings.

The instability of leadership and lack of sufficiently skilled human resources in both the department and the PMTE, combined with the lack of implementation of corrective action in respect of prior year audit outcomes (by means of successful execution of an audit action plan/turnaround strategy), contributed to the repeated disclaimer. Furthermore, a comprehensive policy and procedure framework was not in place, which resulted in an inability to implement properly functioning daily controls. This was exacerbated by the absence of a proper records management system.

### Oversight

Oversight procedures were conducted at the department. The department has established a directorate which facilitates the oversight and governance function at its public entities. Even though the department has adopted policies to facilitate its function of oversight and governance, it did not have policies and procedures to monitor, detect and mitigate risks affecting the business of the public entity.

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Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership met with the Minister of Public Works three times during the 2011-12 audit cycle. These discussions focused on the critical weaknesses reported as per the key control dashboards and recommendations to address these shortcomings.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority had provided some level of assurance for the year under review.</p>			■
<b>Previous year</b>			
The current executive authority was not with the DPW in the previous financial year, therefore the focus is on current commitments (see below).	Change in leadership, therefore not applicable.		

## VOTE 7: PUBLIC WORKS

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### **New**

The executive authority committed to the implementation of a multi-year turnaround strategy for the department and the PMTE, as well as the implementation of a stabilisation project with a view of achieving clean audit outcomes. These initiatives will address critical areas of leadership stability and enhancement, a fairly presented immovable asset register by 31 March 2014, implementation of policies governing prestige procurement and addressing shortcomings in leasing. In addition, the accounting officer of DPW will report monthly on expenditure against the budget and the executive authority will review the report and take appropriate action.

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 7: PUBLIC WORKS

218

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas						Findings on predetermined objectives				Findings on areas of non-compliance													
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Immovable assets	Current assets	Liabilities	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Revenue	Operating expenditure	Other	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Strategic planning and performance management	Asset management	Procurement and contract management	Budgets	Expenditure management	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Financial misconduct	HR management	Revenue management	Internal audit		
	Department of Public Works	R			R				R			R	R	R	R			R	R	R	R	R	N	R	R	R	R	N	R		
<b>Reporting auditees</b>																															
1	Property Management Trading Entity	R			R			R	R	R	R	R	R					R			R			R	R	N					
2	Independent Development Trust														R			R			N										
3	Council for the Built Environment													R	A			R	N	N	N				N						
4	Construction Industry Development Board													R	A			R			R	N		R							

Legend (Audit outcomes)	Financially unqualified with findings	Disclaimer	Findings
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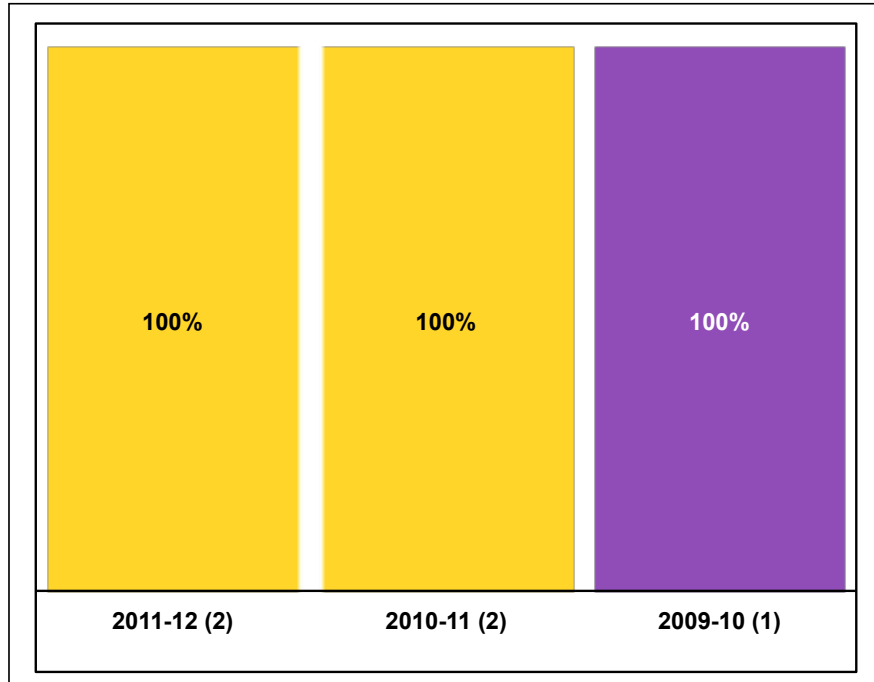
Legend (Findings)	Addressed	New	Repeat
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## VOTE 8: WOMEN, CHILDREN AND PEOPLE WITH DISABILITIES

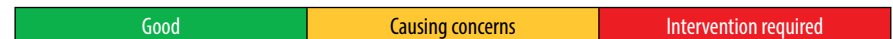
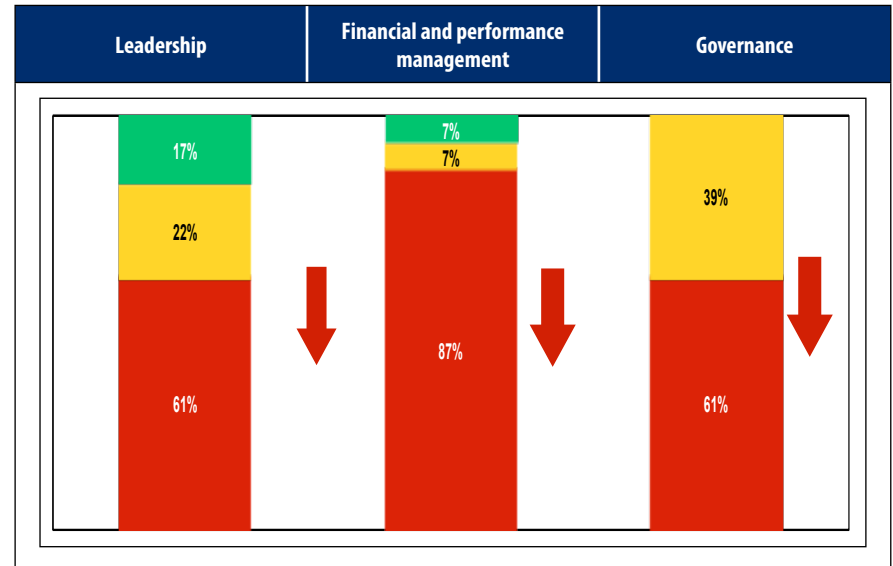
### Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

Ineffective governance structures, no Internal audit appointed and the Audit committee was not effective.

Leadership did not take action to address issues identified.

Basic internal control procedures were not in place. Lack of understanding of the Framework for managing programme performance information.

## VOTE 8: WOMEN, CHILDREN AND PEOPLE WITH DISABILITIES

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### Audit outcomes and key reasons for movements

The audit outcomes of the department remained unchanged. The Department of Women, Children and People with Disabilities (DWCPD) received a financially unqualified opinion with findings on compliance with laws and regulations and predetermined objectives. Although the department remained in the same category, the extent of non-compliance as well as unauthorised expenditure and irregular expenditure had increased since the prior year. This can be attributed to the failure by leadership to take action in addressing the issues raised in the prior year.

#### Risk/focus areas

The main area of concern at the department is compliance with laws and regulations, including the SCM prescripts and predetermined objectives. Inadequate expenditure management and in-year monitoring of the budget as well as a lack of oversight and monitoring mechanisms have resulted in the department incurring significant unauthorised and irregular expenditure. There were inadequate systems and processes in place for the identification and recording of irregular expenditure. The financial statements were not appropriately reviewed by senior management, which was exacerbated by a lack of discipline in preparing credible monthly financial, compliance and performance reports, resulting in material adjustments being made. The annual report was not consistent with the strategic plan and the indicators did not conform to the SMART principles.

The department should focus on implementing monthly controls to eliminate material corrections to the financial statements. These controls should include proper record keeping and full monthly financial statements with all relevant disclosure notes. SCM processes should also be improved. The department should focus on ensuring that the strategic plan is prepared in compliance with the guidelines issued by the National Treasury and that reporting is consistent between the strategic plan and the annual performance report.

#### Status of key controls and root causes of audit outcomes

The recurrent poor audit outcomes at the department can be attributed to a lack of committed leadership. Effective controls were not developed and implemented in the department, while governance structures such as Internal audit were not in place. The audit committee was appointed too late in the financial year to have any impact. In addition, leadership failed to timeously implement corrective action to address matters reported previously.

Findings on predetermined objectives were mainly as a result of a lack of understanding of the FMPPI requirements, resulting in the department's strategic plan not conforming to the SMART principles as well as inconsistent reporting between planning and reporting documents.

## VOTE 8: WOMEN, CHILDREN AND PEOPLE WITH DISABILITIES

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership met with the executive authority at least four times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of the DWCPD provides some level of assurance.</p>			■
<b>Previous year</b>			
<p>The filling of critical positions to ensure that the department establishes the governance structures as required by legislation.</p>		■	
<b>New</b>			
<p>The minister has undertaken to develop a turnaround strategy to address the identified internal control deficiencies. Such a plan will be monitored by the Audit committee, while the accounting officer will report quarterly to the minister on the progress thereof.</p>			
<b>Constitutional institution: Commission on Gender Equality</b>			
<b>Constitutional institution</b>			
<p>The audit outcomes of the constitutional institution remained unchanged. The Commission on Gender Equality (CGE) received a financially unqualified opinion with findings.</p> <p>At the CGE there has been no improvement in the environment with respect to predetermined objectives. Predetermined objectives findings have been raised again and five compliance matters recurred. The financial statements were again subject to material adjustments.</p> <p>Findings on predetermined objectives were raised mainly as a result of a lack of understanding of the FMPPI requirements resulting in the institution's strategic plan not conforming to the SMART principles as well as inconsistent reporting between planning and reporting documents.</p> <p>Although two areas of non-compliance had been resolved, the CGE leadership has to show more commitment and take audit findings and the key messages communicated during the audit process more seriously to move towards a positive outcome.</p>			



**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITY IN PORTFOLIO**

# VOTE 8: WOMEN, CHILDREN AND PEOPLE WITH DISABILITIES

224

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas				Findings on predetermined objectives				Findings on areas of non-compliance											
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Current assets	Capital and reserves	Revenue	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Procurement and contract management	Human resource management	Asset management	Expenditure	Strategic planning and performance management	Budgets	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Audit committee	Internal audit	Revenue	Borrowings
	Department of Women, Children and People with Disabilities										R				R	R	R			R	R	R	R	R	R	R	
<b>Reporting auditees</b>																											
1	Commission on Gender Equality										R				R	R		R	R	A		R					A

Legend (Audit outcomes)	Financially unqualified with findings	Findings
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Legend (Findings)	Addressed	Repeat
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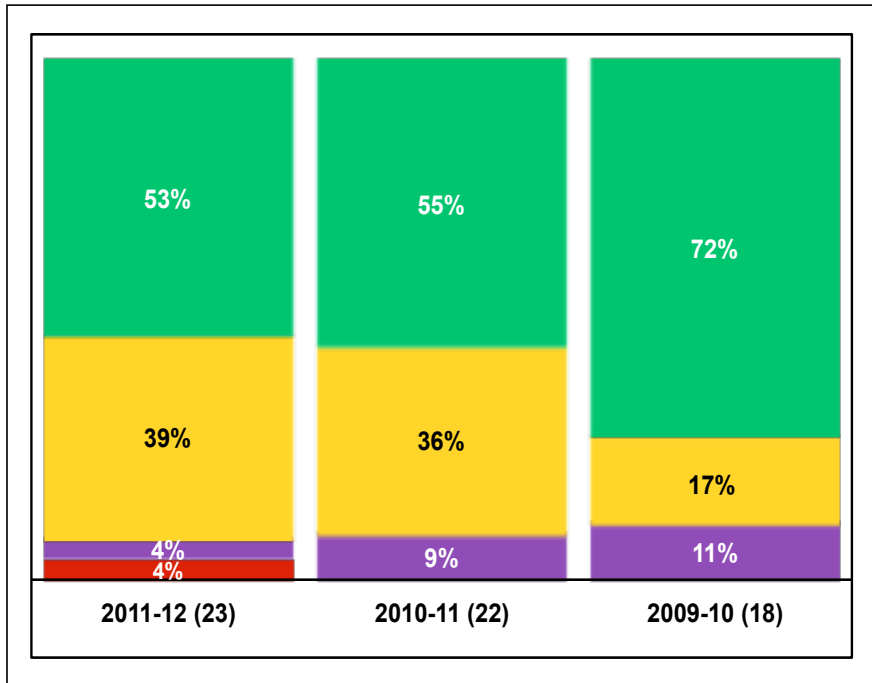


## 2.2.2 FINANCIAL AND ADMINISTRATIVE SERVICES



### VOTE 10: NATIONAL TREASURY (FINANCE)

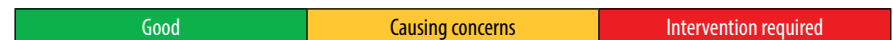
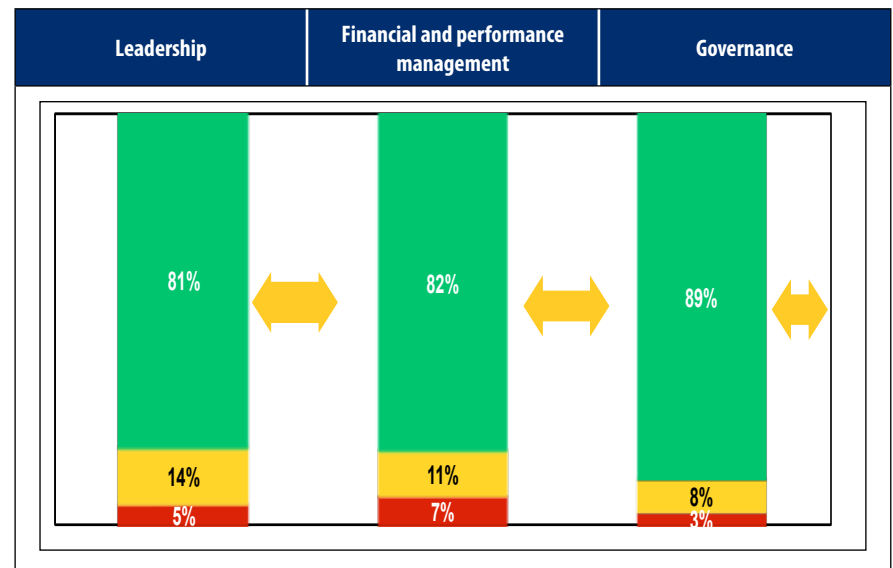
#### Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

- Vacancies and Acting positions in department and certain entities not adequately managed
- Inadequate oversight of SCM, AFS not prepared on a monthly basis, lack of policies and procedures to guide on strategic plan and PDO reporting
- Lack of consolidation internal controls

## VOTE 10: NATIONAL TREASURY (FINANCE)

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### Audit outcomes and key reasons for movements

The audit outcomes of the portfolio have regressed over a period of the three years. The outcomes of the consolidation process for both departments and entities were modified, entities disclaimed and departments qualified. The portfolio had 72% of clean audit outcomes in 2009-10, with 55% in 2012. This represents a regression, mainly due to findings on compliance with laws and regulations (SCM, material adjustments, etc).

The regression is attributable to lack of implementation and monitoring of action plans and understanding of the FMPPI. The parent department does not perform adequate monitoring and provide proper guidance.

Consolidations - National department consolidation received a qualified audit opinion due to non-elimination of interdepartmental transactions and balances, immovable tangible capital assets and irregular expenditure.

Public entity consolidations received a disclaimer. In 2011-12 the consolidations were audited for the first time (i.e. we expressed an opinion) while in the previous years it was agreed-upon procedures. The disclaimer was mainly due to the basis of preparation, failure by National Treasury to adequately adjust for different accounting frameworks applied by individual entities and incomplete elimination of inter-entity transactions.

#### Risk/focus areas

Information technology - One department (National Treasury) and three entities (GPAA, Land Bank and SARS: Admin Revenue) all had findings on IT.

Supply chain management - Employees with interests in contracts were identified and a limitation was placed on contract management (service provider with no contract).

HR management - The most common findings in this area relate to a lack of HR plans, delays in approving organisational structures at some entities and inadequate management of vacancies and Acting positions at the department and entities.

PDO reporting – Compliance matters. Strategic plan not submitted on time. Information to support reported performance was not accurate at two entities. At four entities it was found that the objectives, indicators and targets did not meet the SMART principles.

Material misstatements – Six entities had material misstatements in submitted financial statements that were subsequently corrected by management .

## VOTE 10: NATIONAL TREASURY (FINANCE)

### Status of key controls and root causes of audit outcomes

#### Leadership

Inadequate oversight of the high-risk area of procurement and contract management as well as a lack of review of the procurement decisions made.

#### Financial and performance management

Inadequate review of annual financial statements and disclosure notes; annual financial statements not prepared on a monthly basis; lack of policies and procedures to guide preparation of strategic plan and reporting of PDOs; non-compliance with SCM manual and over-reliance on consultants for preparation of the financial statements.

#### Governance

Limited discussions between Audit committees and the executive authority or accounting authority. We will recommend that these interactions take place during our stakeholder engagements. Overall governance structures in the Finance portfolio are effective.

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### Commitments and initiatives by minister

#### Impact on 2011-12 audit outcomes

Significant impact

No impact

Limited impact

#### **Impact of quarterly discussions with the executive authority**

The AGSA leadership has met with the executive authority represented by the Deputy Minister twice during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards and previous audit outcomes.

The meeting with the minister took place in July 2012 to discuss the audit outcomes for the 2011-12 audit period. These engagements resulted in positive responses from those charged with governance in terms of dealing with outcomes. Significant improvements were realised by improving controls relating to special pensions.



#### **Previous year**

No documented action plans were received in the previous year.

## VOTE 10: NATIONAL TREASURY (FINANCE)

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### **New**

The following were commitments made by the Minister of Finance during a stakeholder meeting:

- He undertook to give us time where detailed transversal IT findings can be discussed, including issues impacting SITA and IFMS.
- The minister cited a need for government (i.e. National Treasury) to focus on a more streamlined approach to reporting which relates to the specific objectives of government.
- The minister acknowledged findings on HR and committed to sign off on the National Treasury's HR Plan as soon as possible.
- He proposed a round table discussion with affected entities that have audit outcomes so as to devise action plans to resolve negative audit outcomes.
- The minister suggested that a broader view and discussions were necessary to consider political culture, societal culture, a culture matrix in government and the bureaucratic culture of the country to deal with audit findings raised by AGSA.
- The deputy director-general at National Treasury responsible for the administration intervention in Limpopo liaise with the corporate executive in the AGSA responsible for that province and to agree on how to take these matters forward.

### **Constitutional entity: Financial and Fiscal Commission**

The entity has improved on its audit outcomes. In 2010-11, the entity had findings on predetermined objectives and compliance while in 2011-12 it only had findings on compliance matters. The action plan aimed at addressing PDO findings was effective.

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 10: NATIONAL TREASURY (FINANCE)

230

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas				Findings on predetermined objectives				Findings on areas of non-compliance											
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Current asset	Capital and reserves	Revenue	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Expenditure management	HR management	Procurement management	Annual financial statements and annual report	Strategic planning and performance management	Asset and liability management	Audit committee	Internal audit	Other	
1	National Treasury										N				R		A	N	R	A	R						
<b>Reporting auditees</b>																											
2	Cooperative Banks Development Agency										N				R	R			N		R					N	
3	Financial Intelligence Centre										N				R	R			R			N					
4	Financial Services Board																										
5	Government Pensions Administration Agency											N									N		R				
6	Independent Regulatory Board for Auditors																										
7	Land and Agricultural Bank of South Africa																										
8	Land Bank Insurance Company										N																
9	Office of the Ombud for Financial Service Providers												N		N						N						

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Disclaimer	Findings
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Legend (Findings)	Addressed	New	Repeat
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# VOTE 10: NATIONAL TREASURY (FINANCE)

234

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas				Findings on predetermined objectives				Findings on areas of non-compliance											
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Current asset	Capital and reserves	Revenue	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Expenditure management	HR management	Procurement management	Annual financial statements and annual report	Strategic planning and performance management	Asset and liability management	Audit committee	Internal audit	Other	
<b>Audits not conducted by the AGSA</b>																											
17	Development Bank of Southern Africa																										
18	Development Bank of Southern Africa Fund																										
19	SASRIA																										
20	Accounting Standards Board																										
<b>Constitutional Institution</b>																											
21	Financial and Fiscal Commission																										
<b>National Treasury Consolidations</b>																											
22	NT Consolidations (Departments)																										
23	NT Consolidations (Public Entities)																										

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Disclaimer	Findings
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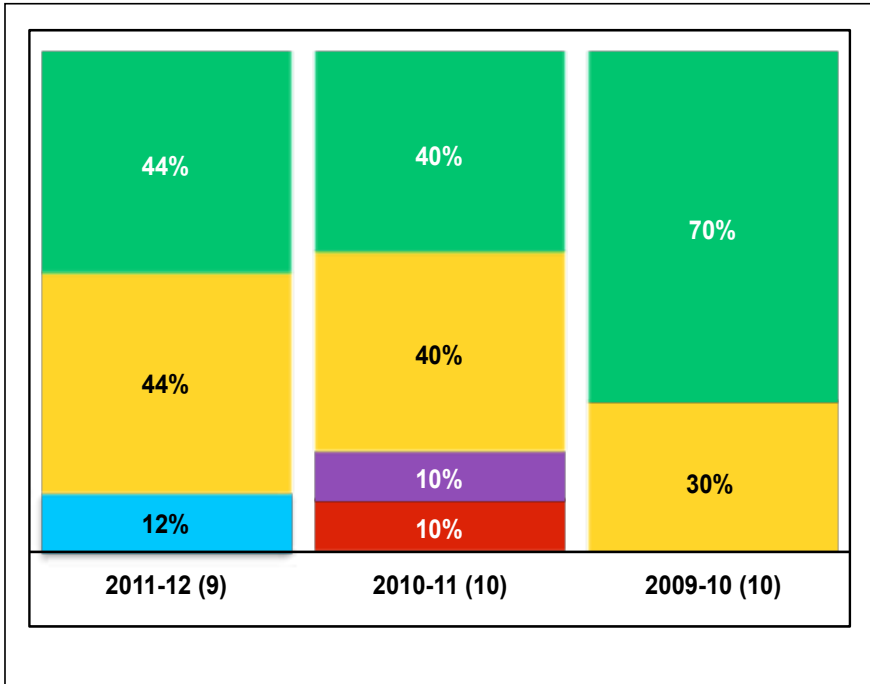
Legend (Findings)	Addressed	New	Repeat
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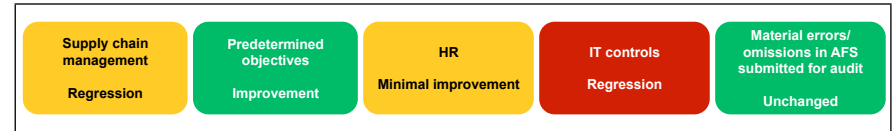


# VOTE 11: PUBLIC ENTERPRISES

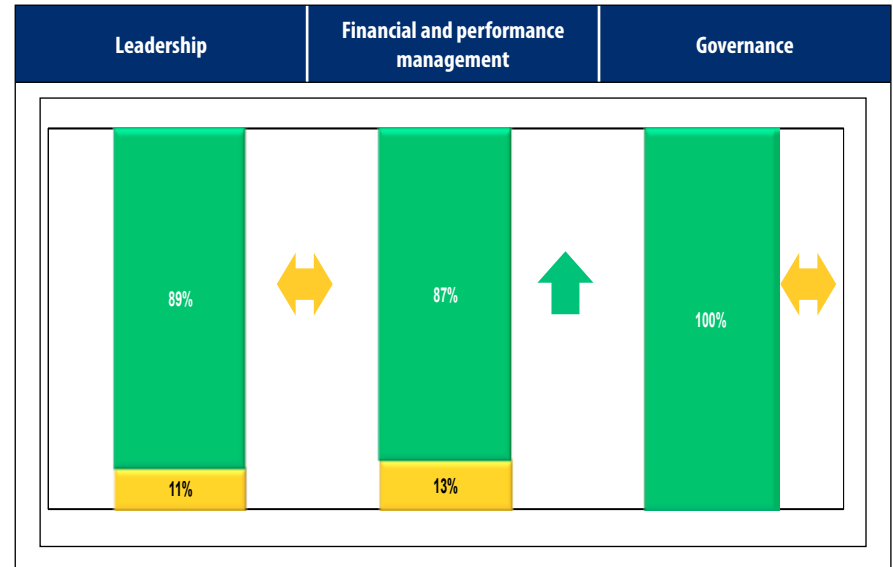
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

Weaknesses within the systems for the reporting on non-compliance and irregular, fruitless and wasteful expenditure at SOCs

Management has created a culture of implementing key controls

Challenges are experienced with the recruitment and retention of highly skilled staff by the SOCs.

## VOTE 11: PUBLIC ENTERPRISES

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### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### **Audit outcomes and key reasons for movements**

The Department of Public Enterprises (DPE) received a clean audit opinion in the 2011-12 financial year. The department has managed to maintain a clean audit opinion for nine years. Broadband Infracore improved from a financially qualified audit opinion to a financially unqualified opinion with findings on compliance with laws and regulations. The Pebble Bed Modular Reactor (PBMR) was placed under care and maintenance and their financial results have been incorporated into the consolidated annual financial statements of Eskom for the 2011-12 financial year. The audit of South African Express Airways has not yet been finalised.

The accounting officer and the chief financial officer of the DPE have been hands-on in ensuring that the department's internal controls are strengthened, resulting in the department consistently producing accurate and complete financial information.

#### **Risks and focus areas**

Challenges are experienced with the recruitment and retention of highly skilled staff to carry out the function of oversight and governance at state-owned companies. The DPE cannot compete with private sector salaries, which contributes to the high migration of key staff members. Linked to this is the high rate of leadership change at accounting officer level and the resultant changes at lower levels of leadership. The DPE should continue to focus on increasing oversight of state-owned companies to ensure the efficient roll-out of infrastructure plans by such companies; meaning that there should be a move away from functional oversight to strategic oversight.

#### **Status of key controls and root causes of audit outcomes**

Weaknesses were identified in the systems for reporting non-compliance as well as irregular and fruitless and wasteful expenditure at state-owned companies. The lack of leadership stability at the state-owned companies also remains a challenge.

#### **Oversight and governance of PFMA schedule 2 public entities**

Oversight procedures were conducted at the department. The department has established a directorate that facilitates the oversight and governance function at its public entities. No material findings were noted.

## VOTE 11: PUBLIC ENTERPRISES

Commitments and initiatives by the minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership met with the executive authority four times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of the DPE provides the required level of assurance.</p>	■		
<b>Previous year</b>			
<p>The executive authority committed to meet with the Audit committee chairpersons of state-owned companies. This process is at an advanced stage.</p> <p>The relationship with the AGSA on matters relating to state-owned companies was enhanced in 2011-12.</p>	■		
<b>New</b>			
<p>Focus on the sustainability of the clean audit and clean administration at state-owned companies in order to lead by example, as well as continuous focus on the engagements between the Audit committee and board chairpersons of state-owned companies and the executive.</p>			



**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 11: PUBLIC ENTERPRISES

240

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas	Findings on predetermined objectives				Findings on areas of non-compliance				
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Fruitless and wasteful expenditure	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Annual report	Strategic planning and performance management	Transfer and conditional grants
Department of Public Enterprises																	
<b>Audits not conducted by the AGSA</b>																	
2	Alexkor Limited								A						N	A	
3	Broadband Infraco (SOC) Ltd							A						A		N	
4	DENEL (SOC) Ltd																
5	Eskom																
6	South African Airways (SOC) Limited													R			
7	South African Express (SOC) Limited																
8	South African Forestry Company Limited																
9	Transnet Limited													R			

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Disclaimer	Audit outstanding	Findings
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Legend (Findings)	Addressed	New	Repeat
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# VOTE 11: PUBLIC ENTERPRISES

Unauthorised, irregular, as well as fruitless and wasteful expenditure						Procurement and contract management					Drivers of internal control									Human resource management			Information technology management				Root causes							
Unauthorised expenditure		Irregular expenditure		Fruitless and wasteful expenditure		Limitation on planned scope of audit of awards	Awards to employees	Awards to close family members of employees	Uncompetitive or unfair procurement processes	Inadequate contract management	Internal control deficiencies	Leadership					Financial and performance management				Governance			HR planning and organisation	Management of vacancies	Appointment processes	Other	IT governance	Security management	User access management	IT service management	Human resources capacity & productivity	Attention to key controls	Effectiveness of assurance providers
Movement	Amount R	Movement	Amount R	Movement	Amount R							Effective leadership culture	Oversight responsibility	HR management	Policies and procedures	Action plans	IT governance	Proper record keeping	Processing and reconciling controls	Reporting	Compliance	IT systems controls	Risk management											
								N													A	R			N	R	R	R						
		↑	73,45m	↑	1,11m	These entities are not audited by the AGSA in terms of section 4(3) of the Public Audit Act, therefore we have not assessed the status of the key areas.																												
				↑	20m																													
		↓	128m	↓	4m																													
		↓	155m	↓	89m																													

Legend (Movements) Reduction ↑ Increase ↓

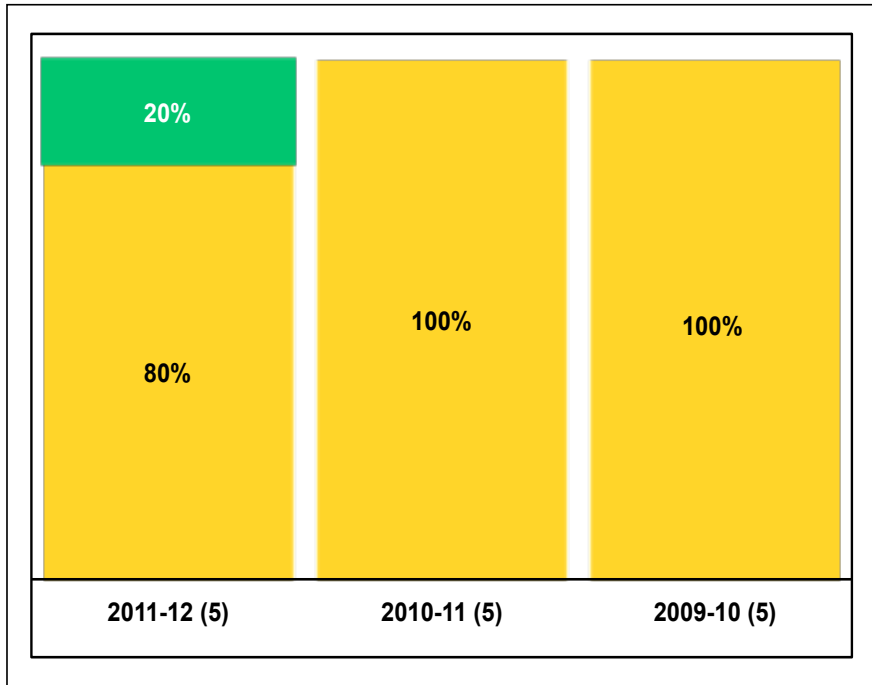
Legend (Drivers) Good

Legend (Findings) Addressed New Repeat

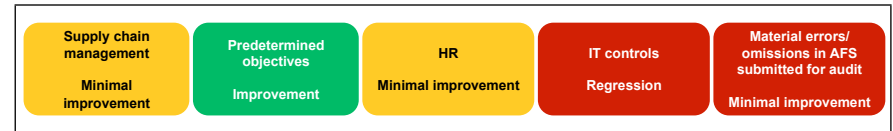


# VOTE 12: PUBLIC SERVICE AND ADMINISTRATION

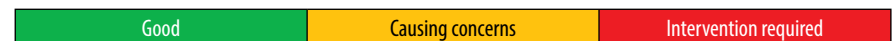
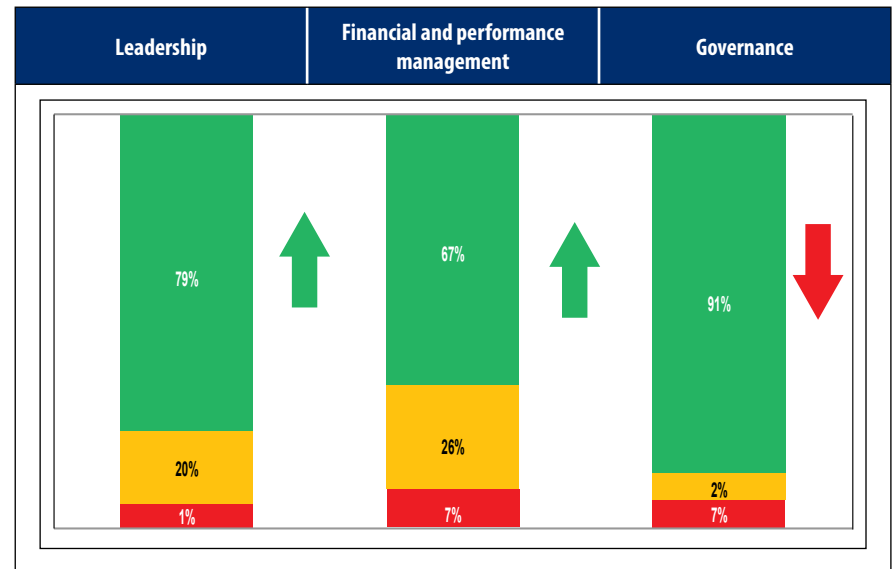
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

- Vacancies in senior management positions and leadership instability
- Lack of effective and efficient utilisation of the available systems
- Lack of monitoring and review of controls over monthly processing

## VOTE 12: PUBLIC SERVICE AND ADMINISTRATION

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### **Audit outcomes and key reasons for movements**

There were notable improvements in the public service and administration portfolio. The Department of Public Service and Administration had significant improvements within the reported predetermined objectives. State Information Technology Agency remained unchanged and achieved an unqualified audit opinion on the annual financial statements with findings on compliance with laws and regulations. The number of transgressions per non-compliance area has decreased.

The improvement in the department's reported predetermined objectives was due to the necessary interventions from its leadership, such as filling key vacancies and focusing on the improvement of the internal control environment, driven by the detailed discussions on the key control dashboard with the AGSA. The Internal audit unit conducted an extensive review of the strategic plan and the annual performance plan, which resulted in indicators and targets being adjusted to be well defined and SMART. The accounting officer implemented key controls for reporting and managing the predetermined objectives with the cooperation of the management team. The decrease in the number of transgressions per non-compliance item at SITA was due to the Internal audit unit reviewing significant procurement contracts before the contracts were awarded.

#### **Risks and focus areas**

Capacity or a system to effectively monitor the audit outcomes throughout government to improve service delivery should be created. More specifically, a system should be developed to monitor the results of outcomes of Performance management within government to be able to react to the results timeously. Difficulty with the appointment of senior management within the public sector should be addressed to ensure that critical vacancies are filled to ensure service delivery. The available systems should be used effectively and efficiently to avoid extensive reliance on manual interventions that lead to a high rate of human error. Proper record keeping and preparation of full monthly financial statements with all relevant disclosure notes should be implemented to eliminate material corrections to financial statements. The restructuring process at SITA should be finalised.

#### **Status of key controls and root causes of audit outcomes**

Senior management positions were vacant for more than 12 months at the DPSA and the department had three different ministers during the last 12 months, which resulted in some of the commitments made by the executive authority not being implemented. There was poor budgetary planning per programme to enable programme directors to achieve the indicators and targets. As the available systems were not used effectively and efficiently, manual interventions at the department led to a high rate of human error.

## VOTE 12: PUBLIC SERVICE AND ADMINISTRATION

Commitments and initiatives made by the minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership met with the executive authority four times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of the DPSA provides some level of assurance.</p>			■
<b>Previous year</b>			
<p>The DPSA committed to address weaknesses in the reported predetermined objectives. This was achieved in the 2011-12 financial year.</p> <p>The process flow in respect of HR management was rolled out in 2011-12, but challenges were experienced due to changes in the executive. The roll-out of a turnaround strategy at SITA is still in progress.</p> <p>The DPSA committed to finalise the information and communications technology governance framework by 28 February 2013. This was achieved.</p>			■
<b>New</b>			
<p>Continuous commitment by the new executive to focus on the turnaround strategy at SITA.</p> <p>Improve the quality of quarterly financial reporting through proper reviews of financial information by the governance structures (Internal audit units).</p>			

## VOTE 12: PUBLIC SERVICE AND ADMINISTRATION

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### **Constitutional institution: Public Service Commission**

#### **Audit outcomes and key reasons for movements**

The Public Service Commission (PSC) achieved an improved audit outcome (clean audit) compared to the prior year's financially unqualified opinion with findings. A culture of implementing mitigating controls where control deficiencies were identified resulted in the PSC requiring insignificant amendments to the financial statements during 2011-12. No material adjustments to the financial statements submitted for auditing were necessary.

#### **Risks and focus areas**

The focus should be on sustaining the clean audit outcome through continuous oversight by the governance structures.

#### **Status of key controls and root causes of audit outcomes**

Staff members at the PSC have a positive attitude and are willing to go the extra mile to ensure that the objectives of the Public Service Commission Act are achieved. Controls have also been put in place to ensure that all invoices are paid within 30 days.

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 12: PUBLIC SERVICE AND ADMINISTRATION

246

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Findings on predetermined objectives				Findings on areas of non-compliance						
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Procurement and contract management	Expenditure management	Asset management	Strategic planning and performance management	Financial misconduct
	Department of Public Service and Administration																	
<b>Reporting auditees</b>																		
1	Public Administration Leadership and Management Academy (PALAMA department)																	
2	Public Service Commission (PSC)																	
3	State Information Technology Agency (SITA)																	
4	Public Administration and Leadership Management Training Trading Account (PALAMA TTA)																	

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Findings
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Legend (Findings)	Addressed	New	Repeat
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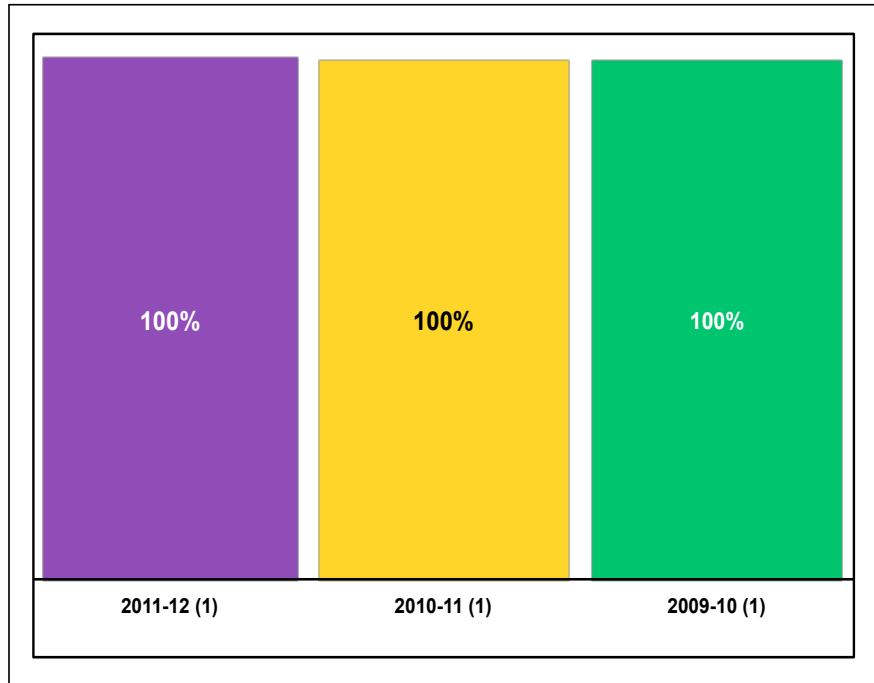






# VOTE 13: STATISTICS SOUTH AFRICA

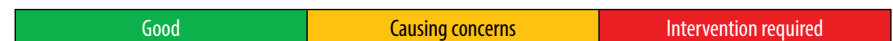
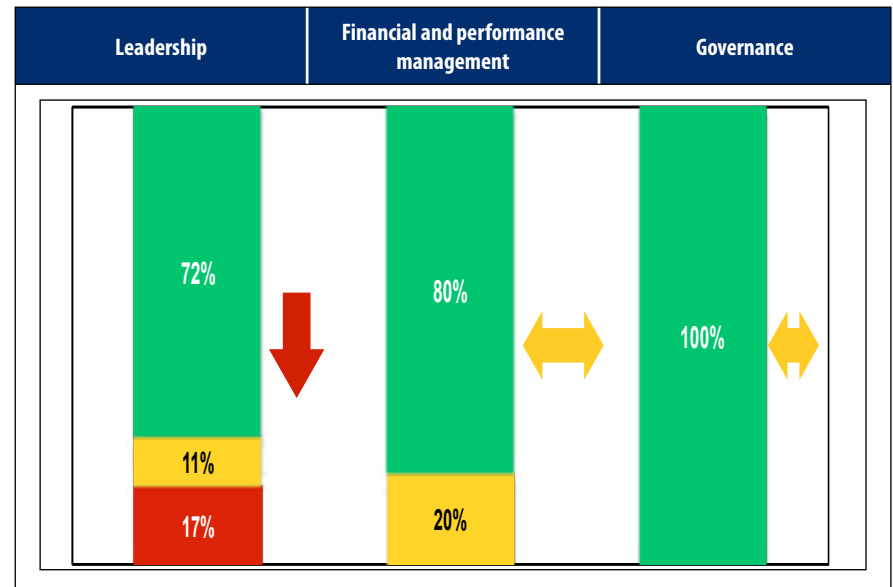
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

- Inadequate review of AFS and disclosure notes, AFS not prepared on a monthly basis.
- Lack of policies and procedures and non-compliance with SCM manual.
- Payroll reports not returned to the CFO, leave not captured timeously on Persal, temporary incapacity leave non-compliance and no policy on suspensions

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### Audit outcomes and key reasons for movements

In comparing the three years' audit outcomes, it was found that the department is regressing. The audit outcomes regressed from unqualified with no findings in 2009-10 to unqualified with findings in 2010-11, and regressed further to qualified opinion in the 2011-12 as a result of incomplete and inaccurate accruals disclosed in the annual financial statements. The reason for the qualification was that the department focused on the census project which took place in 2011 due to inadequate planning for the Census activities. This has led to internal controls being neglected as many staff members were removed from their normal day-to-day operations in order to assist with the Census. This was exacerbated by the fact that during Census the volume of transactions increased significantly creating some backlogs in the capturing and recording of the invoices and insufficient review time prior to submission of the information for auditing.

The regression was driven by lack of implementation of action plans and monitoring therefore.

#### Risk/focus areas

The department regressed in the area of financial reporting, while one area which remained without findings is predetermined objectives. This is due to adequate monitoring and controls in place over reporting on predetermined objectives. With regard to financial reporting, the department should put measures in place to address the following:

Supply chain management - the requirements of SCM legislation should be communicated to the internal officials. Where necessary training should be provided and guidance from National Treasury as areas of concern were identified during the audit.

The department needs to develop and document policies and procedures, setting out the process to be followed on a monthly basis for capturing the financial information on the financial reporting system. The department needs to monitor and review the implemented controls over the monthly processes on a regular basis with the assistance of the Internal audit unit.

Human resource processes relating to recruitment, the organisational structure or plan were not approved timeously. The departments should communicate all HR requirements to staff. These include the payroll certificates submission requirements in terms of legislation.

Information technology - IT strategic plan and IT governance framework/charter had not been approved, IT violation reports were not reviewed, Statistics SA does not have a process in place to ensure that the system administrators/controllers' activities were reviewed on the network and the disaster recovery plan was not approved.

#### Status of key controls and root causes of audit outcomes

The material adjustments to the financial statements were due to lack of monitoring and review of controls over monthly processing. The qualification was due to the lack of monthly controls over financial reporting.

There was also a lack of appropriate oversight responsibility regarding compliance with laws and regulations. This non-compliance could have been prevented if compliance with laws and regulations relating to procurement and contract management had been adequately monitored and reviewed.

## VOTE 13: STATISTICS SOUTH AFRICA

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership met with the executive authority three times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of the Stats SA provides the required level of assurance. The quarterly engagements did not have an impact on the audit outcomes.</p>		■	
<b>Previous year</b>			
No written commitments to address the internal control deficiencies were made during the 2010-11 financial year because the department focused on the Census project.			
<b>New</b>			
<p>Progress with the implementation of corrective action plan which would be used to monitor and track the corrective actions taken will be reported to the Audit committee on a monthly basis. These plans were shared with the AGSA team during the debrief meeting.</p> <ul style="list-style-type: none"> <li>• Numerous monthly reporting controls are implemented to create a culture of regular reporting.</li> <li>• The office of the Statistician-General (SG) would receive a monthly progress report from HRM on progress made with the leave approval.</li> <li>• The AGSA should facilitate a workshop with the management to discuss root causes of the qualification and recommendations in this regard.</li> </ul>			

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT IN PORTFOLIO**

# VOTE 13: STATISTICS SOUTH AFRICA

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas				Findings on predetermined objectives				Findings on areas of non-compliance				
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Current asset	Capital and reserves	Liabilities	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Expenditure management	HR management	Procurement management
Statistics SA									N						R	A	N	N		

Legend (Audit outcomes)	Financially unqualified with findings	Qualified	Findings
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Legend (Findings)	Addressed	New	Repeat
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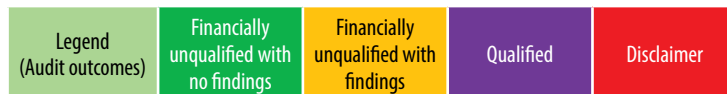
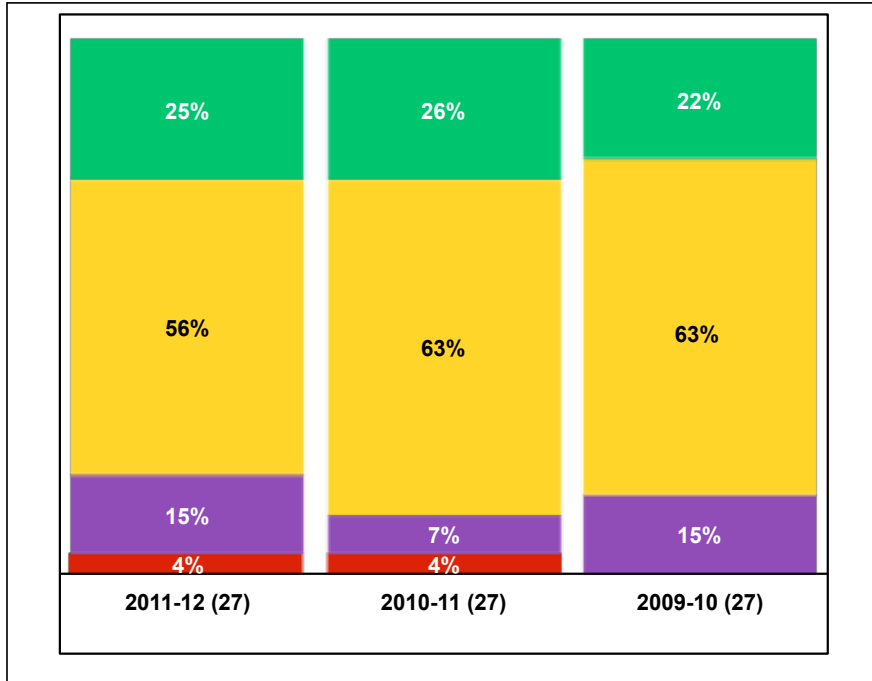


## 2.2.3 SOCIAL SERVICES

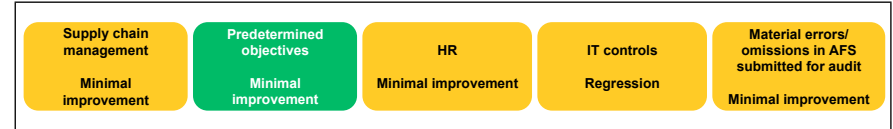


### VOTE 14: ARTS AND CULTURE

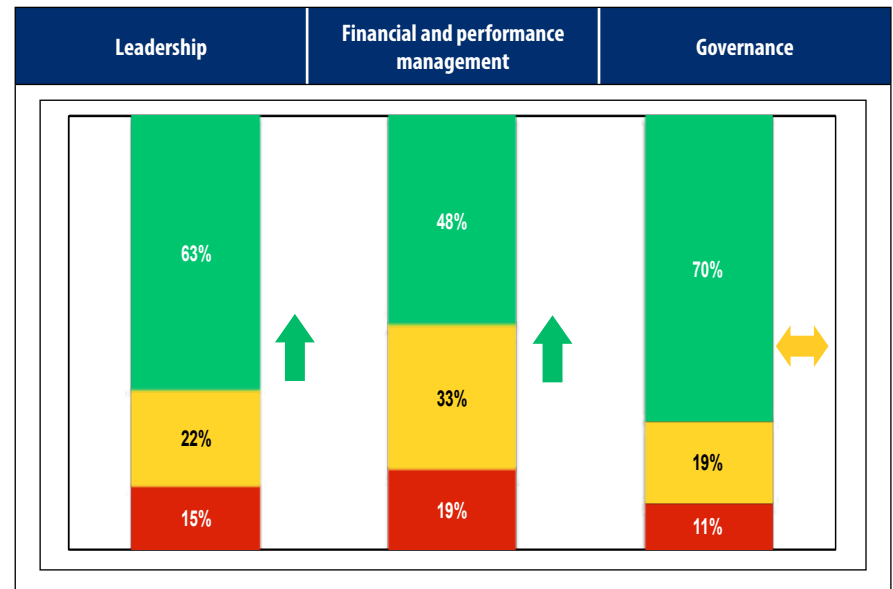
#### Three-year progress towards clean audits



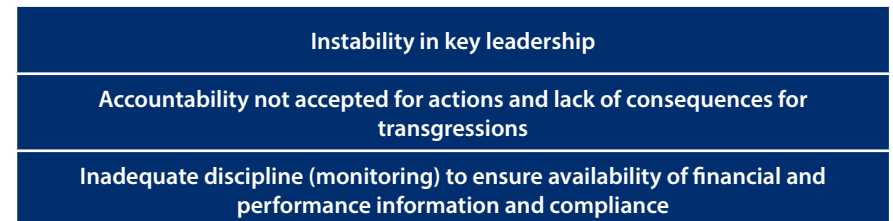
5 risk areas



Key controls



Root causes





## VOTE 14: ARTS AND CULTURE

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### Audit outcomes and key reasons for movements

The audit outcomes for the arts and culture portfolio showed a slight regression overall with five of the 27 entities remaining “clean”, i.e. financially unqualified with no other findings. Four entities (15%) showed improvement. The Market Theatre and Iziko improved from financially unqualified with findings to financially unqualified without other findings, the Afrikaans Taalmuseum (ATM) improved from a qualification to financially unqualified with other findings and the National Arts Council (NAC) improved from an adverse opinion to a qualified opinion. The improvement can be contributed to the improvement in PDO outcomes, which in turn is attributable to the workshops that the department and the AGSA held with all the entities and the fact that the minister signed performance agreements with all the entities in the portfolio.

Six (23%) entities showed a regression, with the National Museum and William Humphrey Museum regressing from clean to financially unqualified with findings. Three entities, namely the Performing Arts Centre of the Free State (PACKOFS), State Theatre and Pan South African Language Board (PanSALB), regressed from financially unqualified with findings to a qualified opinion, while South African Heritage Resources Agency (SAHRA) regressed from a qualification to a disclaimer of opinion.

Twelve (44%) auditees, including the department, remained unchanged at financially unqualified with other findings. The effectiveness of the leadership proved to have a direct impact on the improvement or regression in audit outcomes.

#### Risk/focus areas

There were only three entities, namely Iziko, Market Theatre and the National Library of South Africa (NLSA), that resolved all their previous non-compliance issues. Material non-compliance was identified at 70% (19) of the entities in the portfolio. Reporting on predetermined objectives improved and only 30% (8) of the entities again received findings on predetermined objectives. Some improvements were also noted in supply chain management with a reduction of 43% in reported irregular expenditure. The lack of information technology governance frameworks was still an area of concern at the department and six entities, namely the National Arts Council, National Heritage Council, National Library of South Africa, PACOFS, PANSALB and SAHRA. Nine (33%) of the auditees in the portfolio had to make material adjustments to their financial statements to prevent qualifications.

#### Status of key controls and root causes of audit outcomes

Improved discipline to monitor and review daily activities will enhance the quality of financial information and it is recommended that monthly financial statements be prepared to reduce the extent of year-end efforts. Poor HR management was identified at five (18%) of the auditees, including the department, which still had to fill senior positions. PANSALB was administered by a caretaker chief executive officer (CEO) after the board was dissolved, the CEO was released after a long suspension and the chief financial officer’s contract came to an end.

## VOTE 14: ARTS AND CULTURE

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership met with the executive authority twice during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of the DAC provides some level of assurance.</p>			■
<b>Previous year</b>			
The minister undertook to resolve PDO matters and internal control deficiencies.			■
<b>New</b>			
The minister undertook to sign performance agreements with all entities as from the 2011-12 financial year and also did so for 2011-12. The minister also committed to enhance support from the department to its entities and to explore the possibility of shared services. A further commitment was received from the minister to expedite the filling of leadership vacancies, including the position of the chief financial officer in the department.			

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 14: ARTS AND CULTURE

258

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes		Financial statement qualification areas							Findings on predetermined objectives				Findings on areas of non-compliance																	
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Liabilities	Current assets	Non-current assets	Capital and reserves	Other disclosure items	Aggregate misstatements	Revenue	Expenditure	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Expenditure management	Strategic planning and performance management	Procurement management	Budget	Revenue management	Financial misconduct	Internal audit	Audit committees	Asset and liability management	Annual financial statements	Other		
	Department of Arts and Culture															R				R	N	R													
<b>Reporting auditees</b>																																			
1	Artscape																				N	A			A										
2	Die Afrikaanse Taalmuseum												A								N										A				
3	Ditsong: Museums of South Africa															A	A			R															
4	Freedom Park Trust																																		
5	Iziko Museums of Cape Town																					A			A										
6	KwaZulu-Natal Museum																																		
7	KwaZulu-Natal Performing Arts Company (The Playhouse Company)																																		
8	Luthuli Museum																																		
9	Market Theatre Foundation																				A				A										
10	Msunduzi/Voortrekker Museum																																		
11	National Arts Council of South Africa						R	A	A	R	A	N	A			A					N	R			R										

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Adverse	Disclaimer	Findings
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Legend (Findings)	Addressed	New	Repeat
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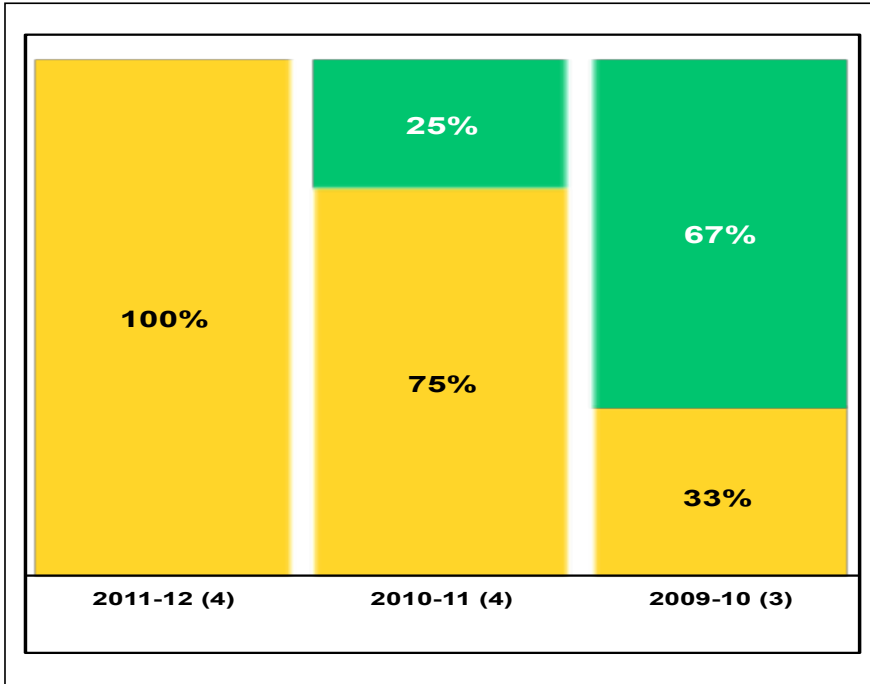




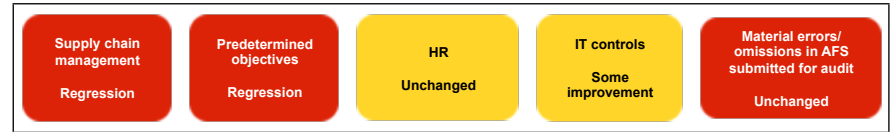


# VOTE 15: BASIC EDUCATION

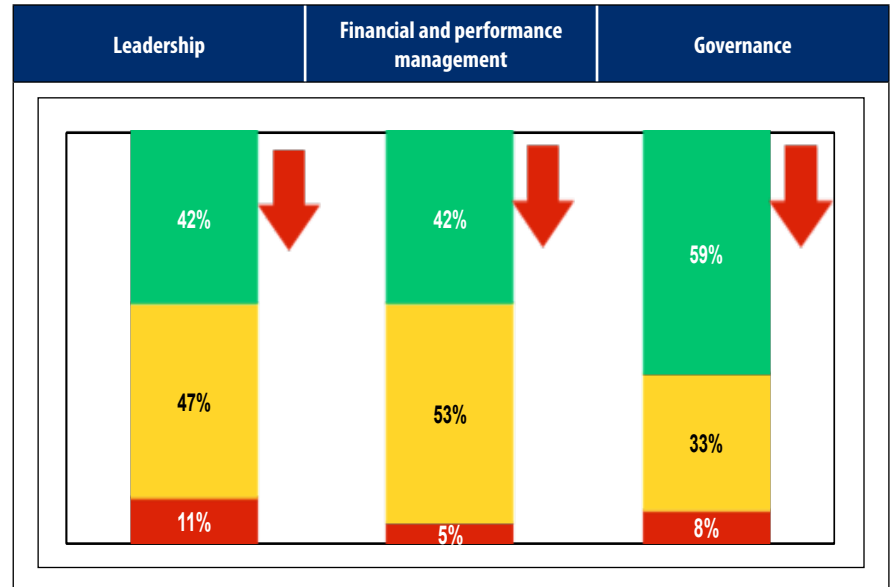
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

- Lack of oversight and compliance monitoring
- Inadequate financial administration policies and procedures
- Slow implementation of action plans to address findings previously reported
- Inadequate credible and comprehensive monthly reporting
- Ineffective Internal audit function
- Lack of capacity in the monitoring and evaluation of predetermined objectives units

## VOTE 15: BASIC EDUCATION

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### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### **Audit outcomes and key reasons for movements**

The overall audit outcomes for the portfolio have regressed with one entity unable to sustain the clean audit outcome achieved in the previous year. This resulted in the portfolio having no clean audit outcomes. The department and all entities achieved financially unqualified audit opinions with findings on either predetermined objectives or compliance with laws and regulations.

The regression relating to predetermined objectives is attributable to audit findings on the usefulness of information reported, in that some of the reported indicators and targets were not consistent with the indicators and targets as per the approved strategic plan.

Other factors relating to the regression in the portfolio are the slow implementation, monitoring and follow-up of the action plans to address previous year reported audit findings and recommendations.

#### **Risk/focus areas**

The main area of concern over the usefulness of performance indicators in the strategic plan is that the indicators were not measurable and the tools to measure these indicators were not specifically defined.

The lack of monitoring compliance with SCM regulations resulted in irregular expenditure. Irregular expenditure was also aggravated by the lack of timeous review of existing risk assessment and lack of oversight by the Audit committee and the accounting authority at the affected entity.

The department experiences capacity challenges as a result of unfunded positions. This has resulted in the department not being able to meet its set targets, which in turn compromises service delivery.

## VOTE 15: BASIC EDUCATION

### Status of key controls and root causes of audit outcomes

Considerable efforts were made by the leadership to address all deficiencies within the portfolio identified and reported on during the prior year audit, among others, filling of vacancies and performing risk assessment in the department. The Internal audit function was not effective due to inadequate capacity.

The department had a number of unfunded positions which had a negative impact on the achievement of targets and monitoring and evaluation responsibilities at different levels.

Lack of clear alignment of the performance contracts of senior management and staff to the strategic plan of the department resulted in ineffective Performance management and lack of accountability for non-performance.

Lack of controls over monthly reporting resulted in inaccurate and incomplete financial (with full disclosure notes) and performance reporting.

A lack of monitoring and review of controls over monthly processing and reporting led to the material misstatements in the financial statements and annual performance report submitted for auditing. This is an indication of inadequate disciplines to ensure credible monthly reporting on Financial and performance management and compliance with laws and regulations.

The national department does not have a clear mandate in relation to the oversight monitoring responsibilities at the provincial departments of education. This impacts negatively on the national department's effectiveness in exercising oversight and monitoring responsibilities, including areas affecting service delivery and management of conditional grants.

In addition, challenges were experienced in the Eastern Cape and Limpopo with the execution of powers for oversight monitoring as per section 100 (1)(b) of the Constitution.

Credibility of data on EMIS creates challenges for the department in relation to proper planning, allocation and monitoring of resources (for example accounting for inventory relating to workbooks and textbooks on hand at year-end).

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Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<p><b>Impact of quarterly discussions with the executive authority</b></p> <p>The AGSA leadership met with the minister four times during the 2011-12 financial year.</p> <p>These interactions were focused on positively addressing the audit recommendations intended to improve effectiveness in the five key focus areas and ways to improve involvement of the national department in the province's service delivery.</p> <p>The impact of these interactions on audit outcomes was limited due to the late implementation of action plans.</p>			■

## VOTE 15: BASIC EDUCATION

### Previous year

- The department committed to account for all loans and assets received from the “old department of education” in the financial statements for 2011-12 as per advice from National Treasury.
- Review and awareness of procurement policies and procedures to ensure compliance with laws and regulations relating to procurement.
- Compliance with HR regulations relating to leave management
- Enforce compliance with government procurement regulations by service provider appointed to assist on the Kha Ri Gude project.
- Follow-up on control deficiencies identified at PEDs reported in the sector service delivery focus areas:
  - LTSM, NSNP, LTS
  - Education infrastructure
  - HIV/Aids life skills education



### New

In addition to carrying over prior year commitments not met, the minister undertook to hold the accounting officer accountable for the following:

- Ensuring that effective internal controls are implemented across all three levels (financial administration, performance information and compliance with laws and regulations) at the national department
- Regular monitoring of performance (financial administration, performance information and compliance with laws and regulations) of entities reporting to DBE
- Continuous oversight monitoring of provinces in areas affecting the management of predetermined objectives (service delivery) and management of conditional grants
- DBE to prepare complete monthly financial and performance reports that include disclosure items and also encourage all provincial departments of education to do the same
- DBE leadership intervention where remedial action is required at the provincial departments of education
- Effective utilisation of the Internal audit: Review Internal audit scope to include adequate coverage of PDO and compliance in the Internal audit plans
- Ensure that performance contracts of the senior management and staff are aligned to the strategic plan of the department and fill positions as per the establishment.

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 15: BASIC EDUCATION

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Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas				Findings on predetermined objectives				Findings on areas of non-compliance							
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Non-current assets	Current assets	Liabilities	Other	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Procurement management	HR management	Audit committees	Revenue management	Strategic planning and performance management	Transfer and conditional grants
	Department of Basic Education										R	R			R	R	R	R					A
<b>Reporting auditees</b>																							
1	Education Labour Relations Council															R	N		N	N	N		
<b>Audits not conducted by the AGSA</b>																							
2	South African Council of Educators										R												
3	Umalusi QA on Further Training & Education										N												

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Findings
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Legend (Findings)	Addressed	New	Repeat
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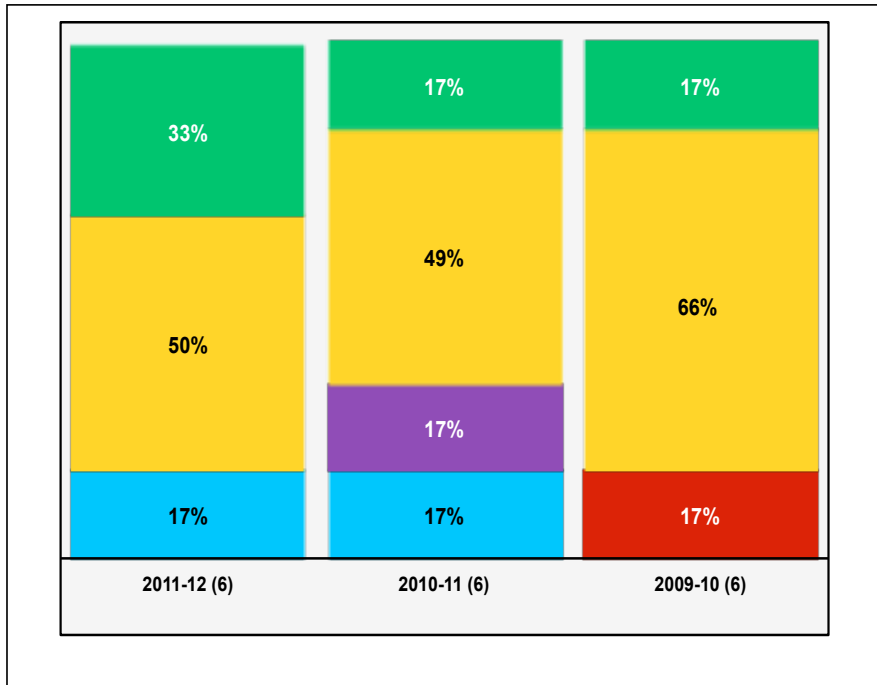




# VOTE 16: HEALTH

270

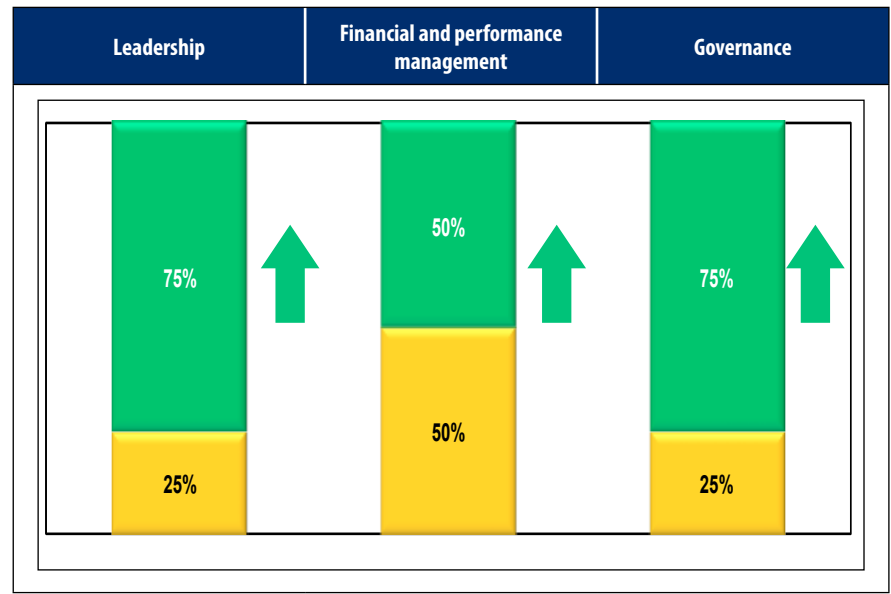
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

- Vacancies and instability in leadership positions as well as lack of financial and performance management skills
- Inadequate discipline to monitor daily financial and performance activities
- Responsibility for the implementation of action plans not taken seriously



## VOTE 16: HEALTH

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### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### **Audit outcomes and key reasons for movements**

The Health portfolio showed improvement as the national Department of Health (NDoH) and the Council for Medical Schemes (CMS) improved to financially unqualified with other matters and financially unqualified with no other matters (clean audit) respectively. The South African Medical Research Council (MRC) and National Health Laboratory Service (NHLS) improved in respect of predetermined objectives as no findings were reported for the 2011-12 financial year.

The improvements that were noted are mainly due to the tone set by the accounting officer and the executive authority. The revised establishment was approved, senior positions were being filled and the Performance management system was strengthened. The leadership at CMS implemented policies and procedures to address the prior year findings on predetermined objectives.

Regular engagements with the AGSA on areas of risk such as assets and predetermined objectives also contributed to the improved outcomes, resulting in a reduction in year-end efforts to resolve audit findings. The national Department of Health (NDoH) had also improved in terms of their oversight responsibility over the provinces and regular interactions are taking place within the health sector.

#### **Risk/focus areas**

The information technology control environment was an area of concern and no improvement has been noted. More attention should be given to monitoring and review of compliance with procurement processes to prevent irregular expenditure. The national department showed no improvement in reporting accurate performance information as it was found that information in the manual registers used in the provinces was incorrectly transferred to the health information systems.

#### **Status of key controls and root causes of audit outcomes**

Management should prioritise strengthening of the IT environment.

Daily monitoring and review procedures should be enhanced to prevent the reporting of unreliable information.

## VOTE 16: HEALTH

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership met with the executive authority four times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of the NDoH provides the required level of assurance.</p>			■
<b>Previous year</b>			
<p>Enhancement of monitoring and oversight of grants to improve service delivery and the quality of reporting on predetermined objectives. Capacitating the department to build on internal controls and address the predetermined objectives matters.</p>			■
<b>New</b>			
<p>The minister committed to strengthen the daily and monthly controls of NDoH to report accurate financial and performance information. More attention will be given to align performance contracts to the strategic plan.</p>			

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 16: HEALTH

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Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas				Findings on predetermined objectives				Findings on areas of non-compliance												
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Capital assets				Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Strategic planning and performance management	Transfers and conditional grants	Annual financial statements, performance report and annual report	Expenditure management	Asset management	Audit committee	HR management	Material misstatements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Procurement management	Budgets	Other	
	Department of Health						A					R			R	R			A	A	R	A	A	A				
<b>Reporting auditees</b>																												
1	Compensation Commissioner for Occupational Diseases																											
2	Council for Medical Schemes										A	A			A		A						A					
3	South African Medical Research Council										A											A	R	N				
4	South African National Aids Council																											
<b>Audits not conducted by the AGSA</b>																												
5	National Health Laboratory Services										A				A		A					A			A	N		

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Audit outstanding	Findings
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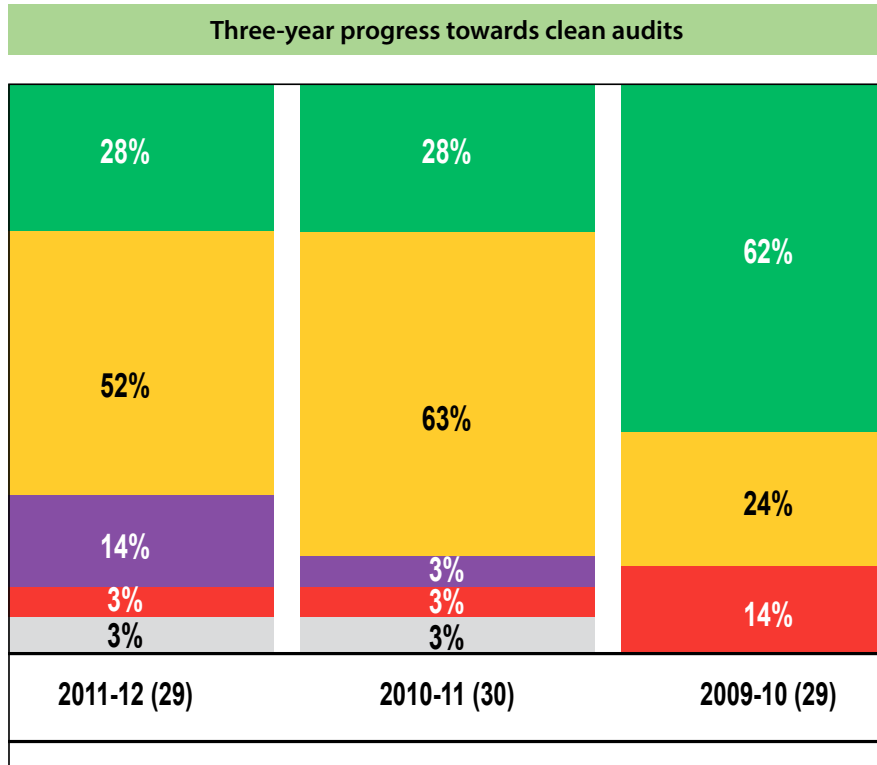
Legend (Findings)	Addressed	New	Repeat
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# VOTE 17: HIGHER EDUCATION AND TRAINING

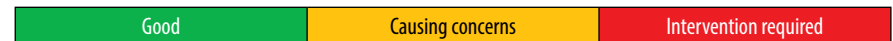
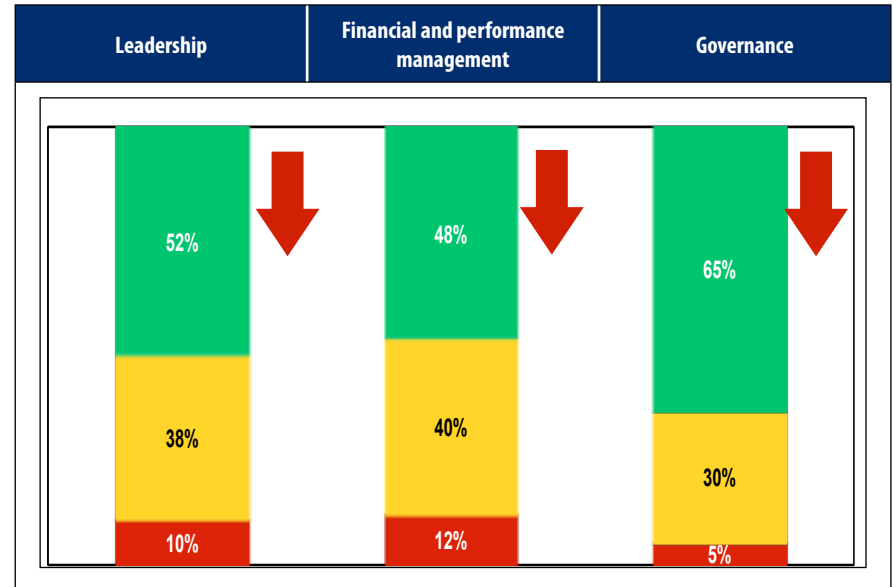
276



5 risk areas



Key controls

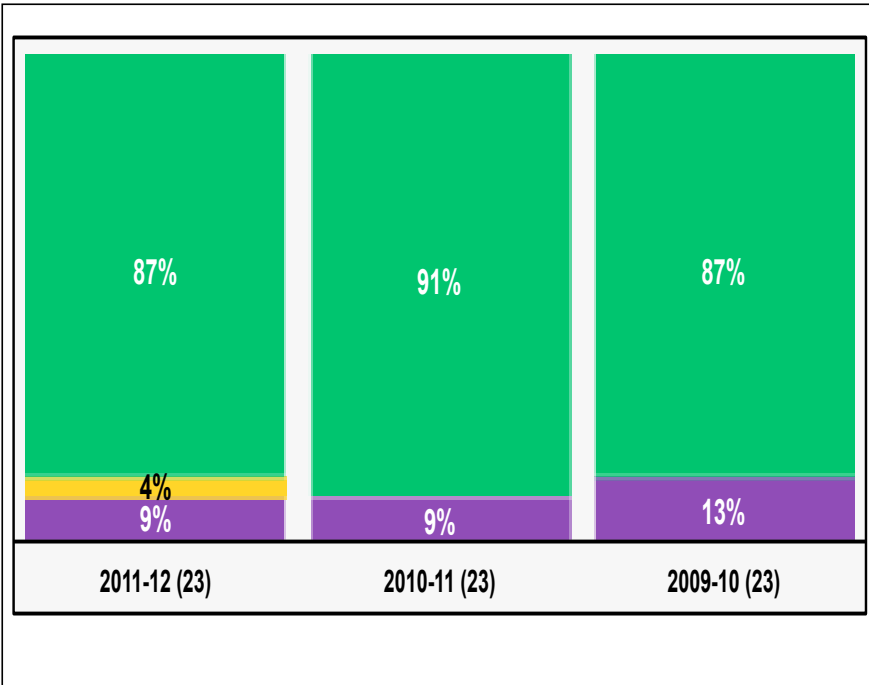


Root causes

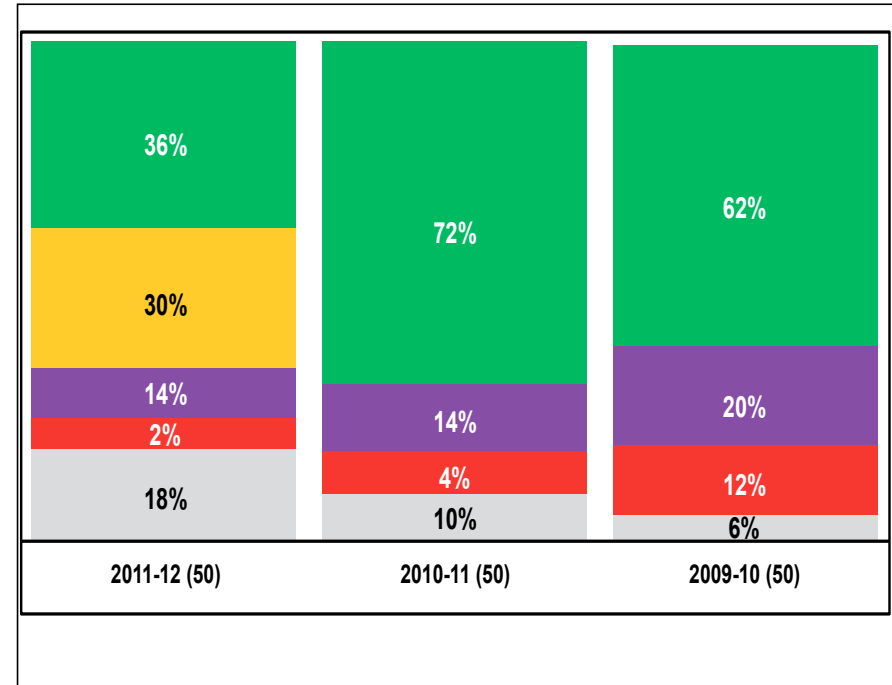
- Vacancies at critical positions
- Inadequate culture of credible comprehensive monthly reporting
- Ineffective internal audit function

# VOTE 17: HIGHER EDUCATION AND TRAINING

Three-year progress towards clean audits - Universities



Three-year progress towards clean audits - FET colleges



Legend (Audit outcomes)	Financially unqualified with no findings	Disclaimer	Qualified
	Financially unqualified with findings	Audit not finalised at legislated date	

## VOTE 17: HIGHER EDUCATION AND TRAINING

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### **Audit outcomes and key reasons for movements**

The Department of Higher Education and Training (DHET) has now been in existence for two years, together with its 28 public entities [including the National Skills Fund (NSF) that is not yet listed], 23 public universities and 50 Further Education and Training Colleges (FETs).

The department and the majority of entities in the portfolio received a financially unqualified audit opinion with findings on reporting on predetermined objectives or compliance with laws and regulations. While the department still has findings on predetermined objectives, there has been an improvement since the prior year in this area.

The improvement in the reported predetermined objectives is due to the department's leadership implementing the necessary interventions, such as filling key vacancies and holding a workshop with AGSA and National Treasury to gain an understanding of the requirements relating to the audit of predetermined objectives, leading to the department aligning the strategic plan to the SMART principles.

Ten SETAs were financially unqualified with findings on predetermined objective and/or compliance with laws and regulations. Four were qualified and one received a disclaimer. Only six SETAs received clean audit outcomes for the 2011-12 financial year.

Universities and FETs were audited in terms of the Public Audit Act for the first time in the financial year ended 31 December 2011. The audits of universities included the audit of compliance with laws and regulations, as well as audit of predetermined objectives. Due to limitations in current legislation, the audit of predetermined objectives was limited to the reliability of information reported. The audit of predetermined objectives was not carried out at the FETs as there is currently no legal requirement for them to report in this area and as such they do not report on predetermined objectives. Limitations were also experienced in the audit of procurement and contract management as this area is currently not legislated.

Of the 23 Universities, 20 received clean audit outcomes, one had material findings on compliance with laws and regulations and/or predetermined objectives and two were qualified.

Of the 50 FET colleges, 18 received clean audit outcomes, 15 had material findings on compliance with laws and regulations and seven obtained qualified opinions. One received an adverse/or disclaimer of opinion and nine audits had not yet been finalised by 30 September 2012.

The audit of the National Institute for Higher Education - Northern Cape for the financial years ended 31 March 2011 and 31 March 2012 was outstanding at the date of this report as the financial statements had not been submitted for audit.



## VOTE 17: HIGHER EDUCATION AND TRAINING

### **Risk/focus areas**

The main area of concern involves compliance with laws and regulations relating to procurement and material misstatement in the financial statements at the department and its entities. Another concern relates to timely approval of the SETA's strategic plans.

The department and its entities should continue to focus on implementing monthly controls to avoid material corrections to the financial statements. These controls should include proper record keeping and full monthly financial statements with all relevant disclosure notes.

The accounting authorities of the entities have to adequately exercise their oversight responsibility by implementing and monitoring proper systems of internal controls to ensure compliance with laws and regulations and the monitoring of and reporting on predetermined objectives.

The DHET and NSF should capacitate its Internal audit function to be fully effective in carrying out its assurance role.

The DHET should create capacity/systems to effectively monitor the performance of the department's public entities, FETs and universities throughout the year to ensure service delivery.

The filling of vacant positions within the entities in the DHET portfolio must be prioritised.

Progress still needs to be made in amending legislation to ensure that the FETs report on performance against their predetermined objectives, to ensure adequacy of such reporting by universities as well, and to address the legislation gap in supply chain management in the higher education sector.

### **Status of key controls and root causes of audit outcomes**

A lack of monitoring and review of controls over monthly processing at the department and entities led to the material misstatements in the financial statements submitted for auditing which, in turn, led to material adjustments. This is an indication of inadequate disciplines to ensure credible monthly reporting on Financial and performance management and compliance with laws and regulations.

Lack of clear alignment between performance contracts of senior management and staff and the strategic plan of the department. This resulted in ineffective Performance management and lack of accountability for non-performance.

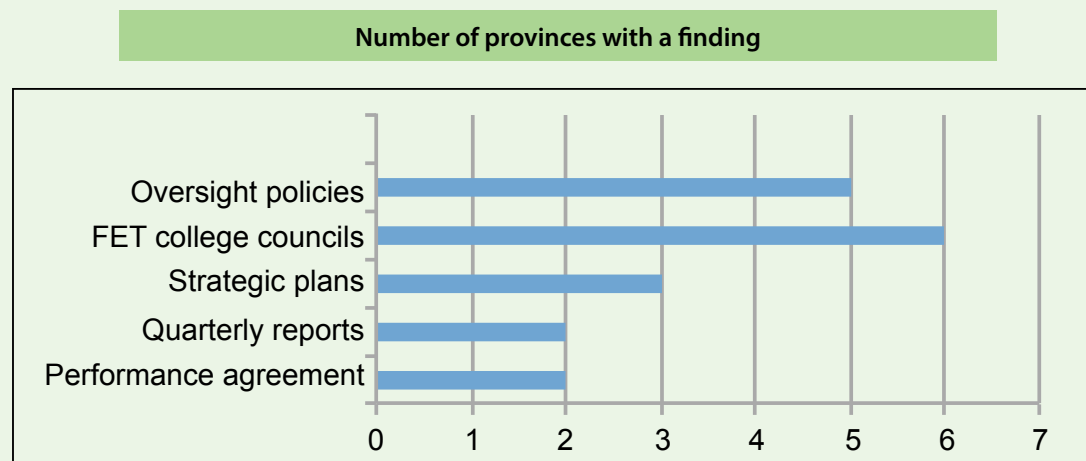
A delay in filling critical vacancies resulted in the department not being able to achieve its targets.

The Internal audit function was not able to adequately evaluate the control environment at the department and NSF and therefore could not identify material weaknesses in internal control.

## VOTE 17: HIGHER EDUCATION AND TRAINING

### Oversight

The effectiveness of the governance and oversight mechanisms instituted by the national department and the provincial departments of Education in the FET sector was audited. The audit focused on influencing strategic direction, monitoring implementation, identifying risks, implementing corrective actions and ensuring transparency and accountability. The graph below indicates the number of provinces with findings.



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Four provincial departments did not have policies and procedures in place to provide a framework to exercise their oversight function.

Five provincial departments did not have policies and guidelines to assist FETs to detect, monitor and mitigate risks affecting their activities.

Five provincial departments did not have policies and guidelines to appoint, monitor and evaluate the performance of the FET councils.

Instances were noted at six provincial departments where the performance of the FET councils was not assessed.

At three provincial departments, instances were noted where the strategic plans for FETs had not been reviewed and approved by the MEC.

At one provincial department, quarterly reports that would have facilitated effective performance monitoring, evaluation and the implementation of corrective actions were not received from the FETs. Another provincial department only used the quarterly reports to monitor the conditional grant of FETs.

At two provincial departments, it was noted that no performance agreements existed between the department and college principals. Furthermore, at one province instances were noted where college principals were evaluated late or were not evaluated at all and yet were given pay progressions.

## VOTE 17: HIGHER EDUCATION AND TRAINING

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The four interactions that took place between the AGSA and the minister and accounting officer have been positive with firm commitments being obtained. The challenge lies in the follow-through on commitments made by the executive and holding the accounting officer accountable to ensure implementation and monitoring of these commitments.</p> <p>The executive authority plays a role in providing assurance in the public sector. Our assessment is that more work needs to be done in this area to ensure that the assurance provided is at the required level.</p>			■
<b>Previous year</b>			
<p>Audit of predetermined objectives - To hold a workshop with National Treasury and AGSA to obtain an understanding regarding the requirements for audit of predetermined objectives.</p> <p>Financial management - To implement controls to ensure that information provided for financial statement disclosures is reliable. This will include preparation of monthly financial statements, together with disclosure notes, that are verified by Internal audit or other reliable internal processes.</p> <p>Information technology - To develop and implement IT strategies, policies and procedures and to capacitate the IT department.</p> <p>HR management - Develop a plan to fill critical posts.</p> <p>Unconditional approval of entities' strategic plans before commencement of the financial year.</p>			■
<b>New</b>			
<p>In addition to carrying over prior year commitments not met, the minister committed to hold the accounting officer accountable for the following:</p> <ul style="list-style-type: none"> <li>Amend grant regulations to the Skills Development Act with the focus on discretionary funding</li> <li>Develop regulations for FETs to report on performance information and supply chain management processes</li> <li>Urgently issue the revised regulations on reporting requirements of universities and SCM processes</li> <li>Amend relevant legislation to phase in the audit of the FETs by the AGSA.</li> </ul>			

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 17: HIGHER EDUCATION AND TRAINING

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Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas							Findings on predetermined objectives				Findings on areas of non-compliance																	
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Liabilities	Capital and reserves	Other disclosure items	Non-current assets	Revenue	Expenditure	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Current assets	Aggregate misstatements	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Annual financial statements and annual report	Procurement management	HR management	Expenditure management	Asset and liability management	Internal audit	Audit committees	Budgets	Revenue management	Financial misconduct	Strategic planning and performance management	Transfer and conditional grants	Other	
	Department of Higher Education and Training															R				R	A			N	N		N					N			A	N
<b>Reporting auditees</b>																																				
1	Agricultural Sector Education and Training (AGRISETA)															N				N																
2	Banking Sector Education and Training Authority (BANKSETA)																																			
3	Chemical Industries Education and Training Authority																					A														
4	Construction Education and Training Authority															N	R			N	R		N			N						N			N	
5	Council on Higher Education																					A														
6	Culture, Arts, Tourism, Hospitality and Sports Education and Training Authority															N	A			A	A															
7	Education, Training and Development Practices Sector Education and Training Authority																						A													
8	Energy and Water Sector Education and Training Authority															A	R			N	R	A	N		N						A				A	

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Disclaimer	Audit outstanding	Closed	Findings
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Legend (Findings)	Addressed	New	Repeat
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# VOTE 17: HIGHER EDUCATION AND TRAINING

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Number	Auditee	2011-12 Audit outcomes		2010-11 Audit outcomes		Financial statement qualification areas							Findings on predetermined objectives			Findings on areas of non-compliance																				
		Audit opinion	Predetermined objectives Compliance with laws and regulations	Audit opinion	Predetermined objectives Compliance with laws and regulations	Liabilities	Capital and reserves	Other disclosure items	Non-current assets	Revenue	Expenditure	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Current assets	Aggregate misstatements	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Annual financial statements and annual report	Procurement management	HR management	Expenditure management	Asset and liability management	Internal audit	Audit committees	Budgets	Revenue management	Financial misconduct	Strategic planning and performance management	Transfer and conditional grants	Other			
18	National Skills Fund													A	A			R	A																A	
19	Public Service Sector Education and Training Authority					R	A							N	A			R	R							A										
20	Quality Council for Trades and Occupations													N				N								N										
21	Safety and Security Sector Education and Training Authority (SASSETA)					N	N							N	R			R	R			N				A										
22	Services Sector Education and Training Authority (Services SETA)													N	A			R	R	N	N														A	
23	South African Qualifications Authority (SAQA)																																			
24	Transport Education and Training Authority (TETA)													N	R			R																		
25	Wholesale & Retail Sector Education and Training Authority													N				N	N			N														
26	National Student Financial Aid Scheme																	R	R			N														
27	National Institute for Higher Education - Northern Cape																																			

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Disclaimer	Audit outstanding	Closed	Findings
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Legend (Findings)	Addressed	New	Repeat
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# VOTE 17: HIGHER EDUCATION AND TRAINING

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Number	Auditee	2011-12 Audit outcomes		2010-11 Audit outcomes		Financial statement qualification areas							Findings on predetermined objectives				Findings on areas of non-compliance																							
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Liabilities	Capital and reserves	Other disclosure items	Non-current assets	Revenue	Expenditure	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Current assets	Aggregate misstatements	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Annual financial statements and annual report	Procurement management	HR management	Expenditure management	Asset and liability management	Internal audit	Audit committees	Budgets	Revenue management	Financial misconduct	Strategic planning and performance management	Transfer and conditional grants	Other					
28	Clothing, Textiles, Footwear and Leather Sector Education Training Authority																																							
29	Forest Industries Sector Education and Training Authority																																							
30	Information Systems, Electronics and Telecommunications Technologies Training Authority																																							
31	Media, Advertising, Publishing, Printing and Packaging Training Authority																																							
<b>Audits not conducted by the AGSA</b>																																								
32	National Institute for Higher Education - Mpumalanga																																							
33	Cape Peninsula University of Technology																																							
34	Central University of Technology																																							
35	Durban University of Technology																																							
36	Mangosuthu University of Technology																																							
37	Nelson Mandela Metropolitan University																																							
38	North West University																																							

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Disclaimer	Audit outstanding	Closed	Findings
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Legend (Findings)	Addressed	New	Repeat
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# VOTE 17: HIGHER EDUCATION AND TRAINING

Unauthorised, irregular, as well as fruitless and wasteful expenditure						Procurement and contract management				Drivers of internal control									Human resource management				Information technology management			Root causes								
Unauthorised expenditure		Irregular expenditure		Fruitless and wasteful expenditure		Limitation on planned scope of audit of awards	Awards to employees	Awards to close family members of employees	Uncompetitive or unfair procurement processes	Inadequate contract management	Internal control deficiencies	Leadership				Financial and performance management			Governance		HR planning and organisation	Management of vacancies	Appointment processes	Competencies of key personnel	Performance management	Acting positions	Management of leave, overtime and suspensions	IT governance	Security management	User access management	IT service management	HR capacity and productivity	Attention to key controls	Effectiveness of assurance providers
Movement	Amount R	Movement	Amount R	Movement	Amount R							Effective leadership culture	Oversight responsibility	HR management	Policies and procedures	Action plans	IT governance	Proper record keeping	Processing and reconciling controls	Reporting														
<p>These entities are not audited by the AGSA in terms of section 4(3) of the Public Audit Act, therefore we have not assessed the status of the key areas.</p>																																		

# VOTE 17: HIGHER EDUCATION AND TRAINING

Number	Auditee	2011-12 Audit outcomes		2010-11 Audit outcomes		Financial statement qualification areas							Findings on predetermined objectives			Findings on areas of non-compliance																				
		Audit opinion	Predetermined objectives Compliance with laws and regulations	Audit opinion	Predetermined objectives Compliance with laws and regulations	Liabilities	Capital and reserves	Other disclosure items	Non-current assets	Revenue	Expenditure	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Current assets	Aggregate misstatements	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Annual financial statements and annual report	Procurement management	HR management	Expenditure management	Asset and liability management	Internal audit	Audit committees	Budgets	Revenue management	Financial misconduct	Strategic planning and performance management	Transfer and conditional grants	Other			
54	Walter Sisulu University for Technology and Science					R	A	R	A	A		A					N																			
55	Vaal University of Technology																																			
56	Boland FET College																																			
57	Buffalo City FET College																	N							N											
58	Capricorn FET College																																			
59	Central JHB FET College																			N											N					
60	Coastal FET College																																			
61	College of Cape Town																																			
62	East Cape Midlands FET College																																			
63	Ehlanzeni FET College																																			
64	Ekurhuleni East FET College																																			
65	Ekurhuleni West FET College																																			
66	Elangeni FET College																																			
67	Esayidi FET College																																			
68	False Bay FET College																																			

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Disclaimer	Audit outstanding	Closed	Findings
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Legend (Findings)	Addressed	New	Repeat
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# VOTE 17: HIGHER EDUCATION AND TRAINING

Unauthorised, irregular, as well as fruitless and wasteful expenditure						Procurement and contract management				Drivers of internal control									Human resource management				Information technology management			Root causes								
Unauthorised expenditure		Irregular expenditure		Fruitless and wasteful expenditure		Limitation on planned scope of audit of awards	Awards to employees	Awards to close family members of employees	Uncompetitive or unfair procurement processes	Inadequate contract management	Internal control deficiencies	Leadership				Financial and performance management			Governance		HR planning and organisation	Management of vacancies	Appointment processes	Competencies of key personnel	Performance management	Acting positions	Management of leave, overtime and suspensions	IT governance	Security management	User access management	IT service management	HR capacity and productivity	Attention to key controls	Effectiveness of assurance providers
Movement	Amount R	Movement	Amount R	Movement	Amount R							Effective leadership culture	Oversight responsibility	HR management	Policies and procedures	Action plans	IT governance	Proper record keeping	Processing and reconciling controls	Reporting														
<p>These entities are not audited by the AGSA in terms of section 4(3) of the Public Audit Act, therefore we have not assessed the status of the key areas.</p>																																		





# VOTE 17: HIGHER EDUCATION AND TRAINING

Unauthorised, irregular, as well as fruitless and wasteful expenditure						Procurement and contract management				Drivers of internal control									Human resource management				Information technology management			Root causes								
Unauthorised expenditure		Irregular expenditure		Fruitless and wasteful expenditure		Limitation on planned scope of audit of awards	Awards to employees	Awards to close family members of employees	Uncompetitive or unfair procurement processes	Inadequate contract management	Internal control deficiencies	Leadership				Financial and performance management			Governance		HR planning and organisation	Management of vacancies	Appointment processes	Competencies of key personnel	Performance management	Acting positions	Management of leave, overtime and suspensions	IT governance	Security management	User access management	IT service management	HR capacity and productivity	Attention to key controls	Effectiveness of assurance providers
Movement	Amount R	Movement	Amount R	Movement	Amount R							Effective leadership culture	Oversight responsibility	HR management	Policies and procedures	Action plans	IT governance	Proper record keeping	Processing and reconciling controls	Reporting														
<p>These entities are not audited by the AGSA in terms of section 4(3) of the Public Audit Act, therefore we have not assessed the status of the key areas.</p>																																		



# VOTE 17: HIGHER EDUCATION AND TRAINING

Unauthorised, irregular, as well as fruitless and wasteful expenditure						Procurement and contract management				Drivers of internal control									Human resource management				Information technology management			Root causes								
Unauthorised expenditure		Irregular expenditure		Fruitless and wasteful expenditure		Limitation on planned scope of audit of awards	Awards to employees	Awards to close family members of employees	Uncompetitive or unfair procurement processes	Inadequate contract management	Internal control deficiencies	Leadership				Financial and performance management			Governance		HR planning and organisation	Management of vacancies	Appointment processes	Competencies of key personnel	Performance management	Acting positions	Management of leave, overtime and suspensions	IT governance	Security management	User access management	IT service management	HR capacity and productivity	Attention to key controls	Effectiveness of assurance providers
Movement	Amount R	Movement	Amount R	Movement	Amount R							Effective leadership culture	Oversight responsibility	HR management	Policies and procedures	Action plans	IT governance	Proper record keeping	Processing and reconciling controls	Reporting														
<p>These entities are not audited by the AGSA in terms of section 4(3) of the Public Audit Act, therefore we have not assessed the status of the key areas.</p>																																		



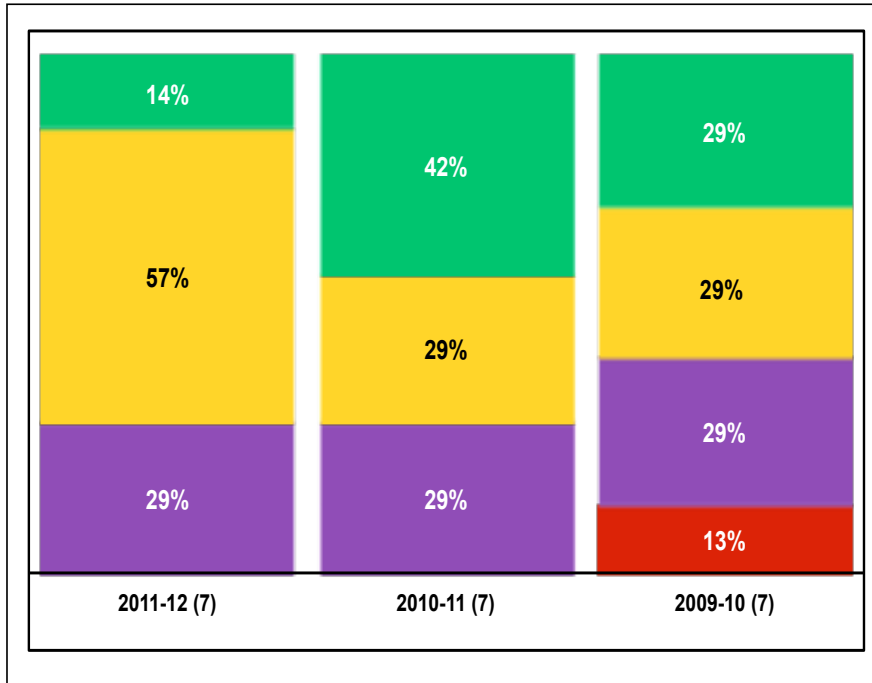
# VOTE 17: HIGHER EDUCATION AND TRAINING

Unauthorised, irregular, as well as fruitless and wasteful expenditure						Procurement and contract management				Drivers of internal control									Human resource management				Information technology management			Root causes										
Unauthorised expenditure		Irregular expenditure		Fruitless and wasteful expenditure		Limitation on planned scope of audit of awards	Awards to employees	Awards to close family members of employees	Uncompetitive or unfair procurement processes	Inadequate contract management	Internal control deficiencies	Leadership				Financial and performance management				Governance			HR planning and organisation	Management of vacancies	Appointment processes	Competencies of key personnel	Performance management	Acting positions	Management of leave, overtime and suspensions	IT governance	Security management	User access management	IT service management	HR capacity and productivity	Attention to key controls	Effectiveness of assurance providers
Movement	Amount R	Movement	Amount R	Movement	Amount R							Effective leadership culture	Oversight responsibility	HR management	Policies and procedures	Action plans	IT governance	Proper record keeping	Processing and reconciling controls	Reporting	Compliance	IT systems controls														
<p>These entities are not audited by the AGSA in terms of section 4(3) of the Public Audit Act, therefore we have not assessed the status of the key areas.</p>																																				



# VOTE 18: LABOUR

## Three-year progress towards clean audits



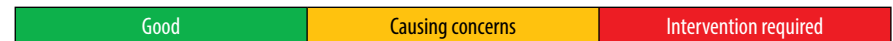
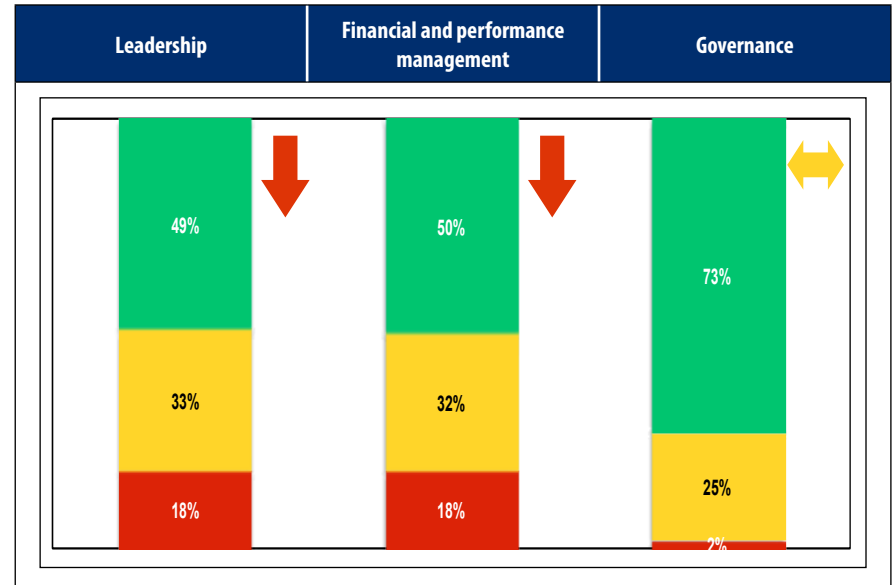
300



5 risk areas



Key controls



Root causes

- Lack of timely strategic and operational decision-making which impacts on progress of commitments made
- Inadequate monitoring of compliance with laws and regulations
- Lack of credible comprehensive monthly reporting
- Accountability not enforced resulting in lack of consequences for poor performance

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### **Audit outcomes and key reasons for movements**

The department and some of its entities achieved a financially unqualified audit opinion with findings on either reporting against predetermined objectives or compliance with laws and regulations. While one of its entities has maintained clean audit outcomes, the portfolio outcomes in general remain stagnant at unqualified with findings on predetermined objectives and compliance with laws and regulations. The findings raised at the entities can be resolved quickly with focused attention.

Due to the lack of timely and effective follow-up on agreed action plans and commitments there was limited impact on the internal controls for some entities within the portfolio. The improvement in the reported predetermined objectives for some of the entities was due to the accounting authority implementing interventions such as filling key vacancies and focusing on improving the internal control environment, driven by detailed discussions on the key control dashboard with the AGSA.

#### **Risk/focus areas**

Lack of an effective process to collate information from the regional offices for the compilation of financial and performance reporting resulted in material adjustments to the financial statements and performance information. The non-compliance with laws regulations relating to SCM processes which resulted in irregular expenditure for the department and some of its entities is a cause for concern.

Of major concern is the monitoring of the exit strategy of the current IT supplier and the portfolio strategy that governs the IT environment of the department and its entities.

#### **Status of key controls and root causes of audit outcomes**

Effective leadership is lacking at the Compensation Fund and SEF. While the commitment of leadership at the department is evident, the implementation of action plans to address internal control deficiencies identified during the audit has been slow.

Lack of adequate disciplines to ensure credible monthly reporting on financial, performance information and compliance with laws and regulations, including monitoring and review of controls over collation of information from the regions, led to the material misstatements in the financial statements and annual performance report submitted for auditing.

Lack of clear alignment between performance contracts of senior management and staff and the strategic plans within the portfolio. This results in ineffective Performance management and lack of accountability for non-performance.

## VOTE 18: LABOUR

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership had four quarterly interactions with the executive authority, the director-general and the chief financial officer to discuss the portfolio's significant audit risks, status on key controls per entity, progress on commitments and audit outcomes.</p> <p>These interactions were focused on positively addressing the audit recommendations intended to improve effectiveness in the five key focus areas and ways to improve the involvement of the department within the labour portfolio service delivery.</p> <p>The interactions with the executive authority had limited impact on the outcomes for some of the entities within the portfolio as a result of slow decision-making relating to a reduction in instances of non-compliance with laws and regulations and predetermined objectives. The UIF succeeded in sustaining its audit outcomes.</p>			■
<b>Previous year</b>			
<p>Sustainability of audit outcomes for the portfolio</p> <p>Leadership commitment at CF</p> <p>Improve progress in implementation of strategic decision at CF and SEF</p> <p>Improvement in audit outcomes relating to predetermined objectives</p>			■

302



## VOTE 18: LABOUR

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### **New**

In addition to carrying over prior year commitments not met, the minister undertook to hold the accounting officer accountable for the following:

Sharing of good practices within the portfolio

Increase executive's oversight of entities in the portfolio

Constant follow-up on progress made with commitments

Monitor, evaluate, manage and follow up commitments made on a regular basis

Ensure that performance contracts of the senior management and staff are aligned to the strategic plan on the department and fill positions as per the establishment.

Decisive actions against poor performance to be implemented (starting from the top)

Effectively use of oversight and governance structures, i.e. Internal audit

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 18: LABOUR

304

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas					Findings on predetermined objectives				Findings on areas of non-compliance										
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Non-current assets	Current assets	Other disclosure items	Revenue	Expenditure	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Annual financial statements and annual report	Procurement management	HR management	Expenditure management	Asset and liability management	Revenue management	Audit committees	Internal audit	
	Department of Labour											R	N			R	R		N	N	R	R	N				
<b>Reporting auditees</b>																											
1	Commission for Conciliation, Mediation and Arbitration																N		N								
2	Compensation Fund							R		R	R	A	A			R	A	A	N	N	N	N	R				
3	Sheltered Employment Factories						A	A	A			R	A			R	R		N	N			N				
4	Unemployment Insurance Fund																										
<b>Audits not conducted by the AGSA</b>																											
5	National Economic Development and Labour Council										N	N				A								N	N		
6	Productivity SA															N											

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Findings
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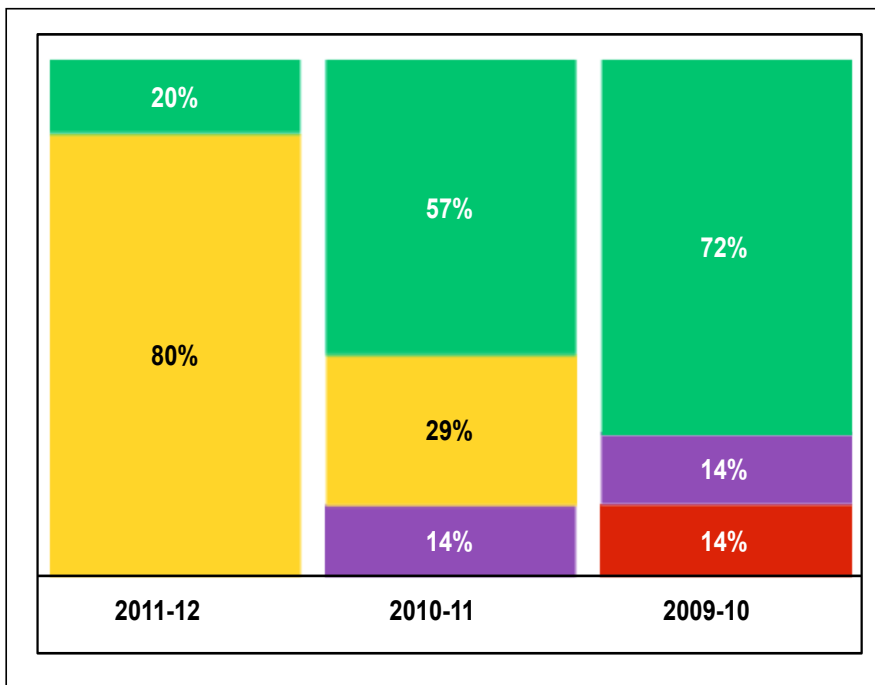
Legend (Findings)	Addressed	New	Repeat
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# VOTE 19: SOCIAL DEVELOPMENT

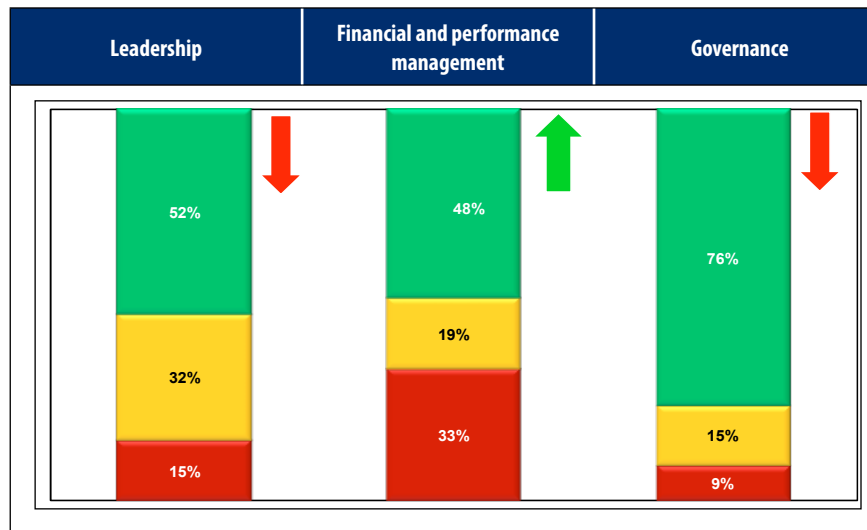
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

**Leadership:** Lack of oversight by leadership over performance reporting, compliance with laws and regulations and related controls  
Lack of performance management skills

**Financial and performance management:** Lack of consequences for poor performance and consequences for transgression  
Inadequate discipline of credible monthly reporting on financial, performance and compliance  
Lack of proper record keeping to ensure regular, accurate and complete financial records and performance reports resulting in material amendments to the financial statements and reports on predetermined objectives

**Governance:** SASSA's internal audit function are not fully staffed and was therefore not able to perform a full audit on the administration of SASSA. Therefore internal audit was not able to report sufficiently to the audit committee.  
The NDA did not conduct an adequate risk assessment in accordance with legislated requirements

## VOTE 19: SOCIAL DEVELOPMENT

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### Audit outcomes and key reasons for movements

The Social Development portfolio, which comprised the National Department of Social Development (NDSD), the South African Social Security Agency (SASSA - schedule 3A), the National Development Agency (NDA – schedule 3A) and the four dormant funds (State President Fund, the Social Relief Fund, Refugee Relief Fund and Disaster Relief Fund), showed an overall improvement. For the NDA the status is unchanged. The dormant funds are insignificant to the portfolio. All the audits within the portfolio received a financially unqualified audit report, with findings on predetermined objectives and/or compliance, with the exception of SASSA which had no findings on predetermined objectives or compliance.

The Department of Social Development improved from financially qualified to a financially unqualified audit opinion with findings on compliance. This was a result of good leadership, implementation of effective controls, progress made in document management and an effective audit action plan aimed at addressing risks and implementing previous audit recommendations.

The four dormant funds have regressed from financially clean audit opinions to financially unqualified audit opinions with findings on compliance. The regression was caused by a lack of oversight of financial reporting and compliance with laws and regulations by management .

Although the audit opinion of the NDA remained unchanged at financially unqualified with findings on predetermined objectives and compliance, more findings on predetermined objectives and compliance were reported than in the prior financial year audit. This was as a result of performance objectives, indicators and targets that were not appropriately approved and supported by relevant supporting documentation.

#### Risk/focus areas

The focus should be on ensuring that only eligible beneficiaries are recorded on the Social Pension System (SOCPEN), on maintaining and cleaning up existing grant beneficiary files, ensuring an adequate functioning document management system, fortifying the IT systems and related controls and maintaining sufficient processing and reconciliation systems. The weaknesses identified in the information system environment relating to user access controls on the Oracle, SOCPEN and BAS systems as well as program change controls on the SOCPEN system at SASSA should also be addressed.

For the NDA, there is concern regarding the entity's reporting on predetermined objectives. The NDA has had findings on PDO for the past two years. Controls should be implemented to ensure proper record keeping and monitoring of performance information as well as the monitoring of and control over the reliability of performance information. For DSD and NDA there are also concerns relating to procurement and contract management which these entities need to address by implementing adequate controls to ensure that all treasury regulations are complied with.

## VOTE 19: SOCIAL DEVELOPMENT

### Status of key controls and root causes of audit outcomes

There was a lack of oversight by leadership regarding performance reporting and compliance with laws and regulations and Performance management skills and a lack of consequences for poor performance and transgressions. There was inadequate discipline regarding credible monthly reporting on financial, performance and compliance matters. SASSA's Internal audit function is not fully staffed and was therefore unable to perform a full audit on the financial, performance and compliance matters of SASSA itself. Therefore Internal audit was unable to report sufficiently to the Audit committee.

The NDA did not ensure that an adequate risk assessment is conducted in accordance with legislated requirements.

### Commitments and initiatives by minister

#### Impact on 2011-12 audit outcomes

Significant impact

No impact

Limited impact

#### Impact of quarterly discussions with the executive authority

The AGSA leadership met with the executive authority three times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.

The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of the DSD provides the required level of assurance.



#### Previous year commitments

#### Department of Social Development

Commitments to implement a standard operating policy and procedures to address the presentation, usefulness and reliability of performance reporting.

AoPO



Commitments were made to develop and implement controls to prevent non-compliance with laws and regulations pertaining to Expenditure management and transfer of funds.

Compliance with laws and regulations



Commitments were made to improve oversight in order to ensure compliance with procurement policies and procedures.

Procurement and contract management








Actions taken by management were in progress to repeal the Fund-raising Act and to deregister the dormant funds.

Dormant funds



## VOTE 19: SOCIAL DEVELOPMENT

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>South African Social Security Agency</b>			
Detailed action plans were successfully implemented by SASSA for Transfers and subsidies, resulting in an unqualified audit opinion for the Department of Social Development. SASSA committed to cleaning the grant database of all duplications by March 2013.	Transfers and subsidies		
The entity committed to implement standard operating procedures which include accurate recordkeeping, reconciliations and rollout of monitoring and control procedures to improve performance reporting.	AoPO		
Leadership committed to develop policies and implement control procedures to address weaknesses in the IT environment.	Information systems		
The entity committed to put a process in place to capacitate the Internal audit section.	Governance		
<b>National Development Agency</b>			
The Minister committed to follow up on the implementation of the action plan to ensure that the National Treasury framework was implemented and that all the non-compliance matters are addressed.	AoPO and compliance with laws and regulations.		
<b>New</b>			
The commitments previously made are still in place and will address the matters reported in the current year.			

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 19: SOCIAL DEVELOPMENT

310

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas	Findings on predetermined objectives				Findings on areas of non-compliance						
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Transfers and subsidies	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Procurement and contract management	Expenditure management	Annual financial statements	Transfer and conditional grants	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Financial misconduct
	Department of Social Development							A	A	A			N			N	A	N	A
<b>Reporting auditees</b>																			
1	South African Social Security Agency									A									
2	National Development Agency								A	N			N				N	R	
3	State President Fund																N		
4	Disaster Relief Fund																N		
5	Refugee Relief Fund																N		
6	Social Relief Fund																N		

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Findings
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Legend (Findings)	Addressed	New	Repeat
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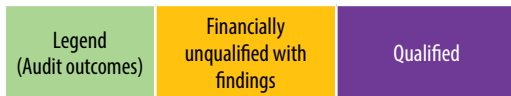
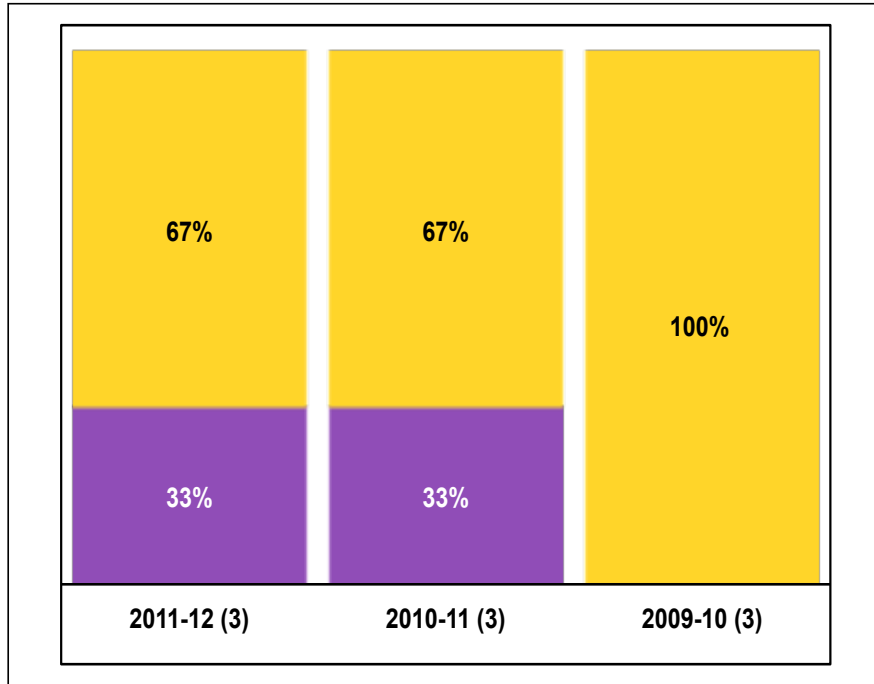






# VOTE 20: SPORT AND RECREATION SOUTH AFRICA

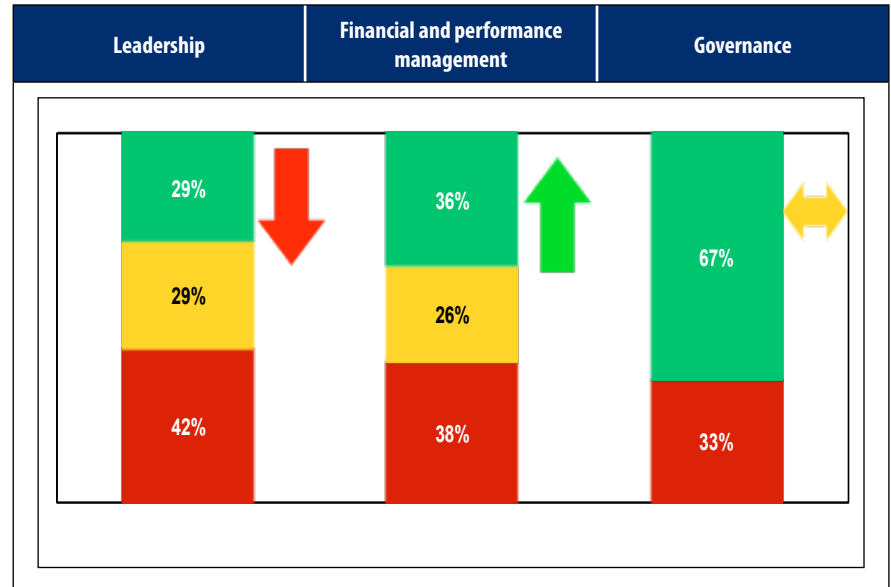
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

- People:** Lack of financial and performance management skills  
Vacancy and instability in key leadership positions, inability of leadership to provide effective leadership and to successfully manage projects
- Accountability:** Lack of consequences for transgressions and poor performance, no responsibility for commitments
- Sustainability:** Implementing adequately skilled workforce, inadequate discipline of credible monthly reporting on financial, performance and compliance

## VOTE 20: SPORT AND RECREATION SOUTH AFRICA

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### **Audit outcomes and key reasons for movements**

There has been no change in the audit outcomes for this portfolio. SRSA and SAIDS achieved a financially unqualified audit opinion with findings in the areas of compliance and predetermined objectives. Boxing SA again received a financially qualified opinion with findings in the areas of compliance and predetermined objectives. The number of qualification areas at Boxing SA increased since the previous year. The entity was qualified in the area of trade payables and trade receivables. The audit outcome for SRSA remained unchanged compared to the previous year; however, it had fewer findings on compliance than in the previous year.

#### **Risk/focus areas**

The main concern for the department is the material findings on predetermined objectives. Departmental systems to collate and report performance information are inadequate to ensure the reliability of the information reported. The department also had findings in different areas of non-compliance with laws and regulations. The department still does not have an approved HR plan or IT governance framework in place. There was a lack of compliance and monitoring of compliance with the Public Service Regulations in respect of sick leave to prevent the abuse thereof, as well as overtime and Performance management .

Boxing SA is struggling to achieve a clean audit outcome mainly due to a lack of funds. They do not have adequately skilled staff due to the lack of funding, while key top management positions have been vacant for long periods. There is also inadequate segregation of duties as the financial management consultant is involved in preparing financial, processing transactions, making payments as well as overseeing human resources. The number of instances of non-compliance with SCM laws and regulations increased in the current year. Compliance with SCM regulations must be monitored.

For SAIDS the main concern is the material findings on predetermined objectives. The entity also reported non-compliance with laws and regulations. Supply chain management is also a concern as many prior year findings had not yet been addressed in the current year.

For all three entities there was inadequate monitoring and control over the compilation of financial statements and a lack of review of the financial statements prior to submission to the auditors, resulting in material adjustments being made to the financial statements.

#### **Status of key controls and root causes of audit outcomes**

Staff lack sufficient Financial and performance management skills. Vacancy and instability in key leadership positions, such as the CFO position that had been vacant at Boxing SA for an extended period of time due to funding constraints. Inability of leadership to provide effective leadership and to successfully manage projects. Lack of consequences for transgressions and poor performance. No responsibility is accepted for commitments made. Inadequate discipline of credible monthly reporting on financial, performance and compliance. Boxing SA did not have an Audit committee and Internal audit function due to a lack of funding.

## VOTE 20: SPORT AND RECREATION SOUTH AFRICA

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership met with the executive authority twice during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of the SRSA provides some level of assurance.</p>			■
<b>Previous year commitments</b>			
Accounting officer to review and approve outstanding policies.		■	
Evidence of all quotations to be kept. All officials should be informed of the new delegations and SCM policies must be adhered to.			■
<b>New</b>			
<p>SRSA undertook to help Boxing SA with regards to the Internal audit function for the year 2012-13. Boxing SA committed to ensure that an Audit committee is set up for the coming financial year which will provide oversight on the audit process. Boxing SA undertook to appoint a CFO to ensure that the financial process runs smoothly and to take responsibility for the finance section. Boxing SA also committed to ensure that processes will be followed to remove the qualifications of the current year in order to obtain an unqualified audit opinion in the following year. SRSA prepared an action plan and the director-general and CFO undertook to implement and continuously monitor the action plans and progress made in this regard. No commitments were received for SAIDS.</p>			

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 20: SPORT AND RECREATION SOUTH AFRICA

316

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas		Findings on predetermined objectives				Findings on areas of non-compliance													
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Trade receivables	Trade payables	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Procurement and contract management	Human resource management	Asset management	Internal audit	Audit committees	Expenditure management	Revenue management	Transfer and conditional grants	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Budgets	Financial misconduct	Strategic planning and performance management	
	Department of Sport and Recreation								A	R			R	A	R					N		R	A		A	N	
<b>Reporting auditees</b>																											
1	Boxing SA						N	R	R	N			R	R		N	R	R		N		R				R	
2	SA Institute of Drug Free Sport								R				N	R								N	A			A	

Legend (Audit outcomes)	Financially unqualified with findings	Qualified	Findings
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Legend (Findings)	Addressed	New	Repeat
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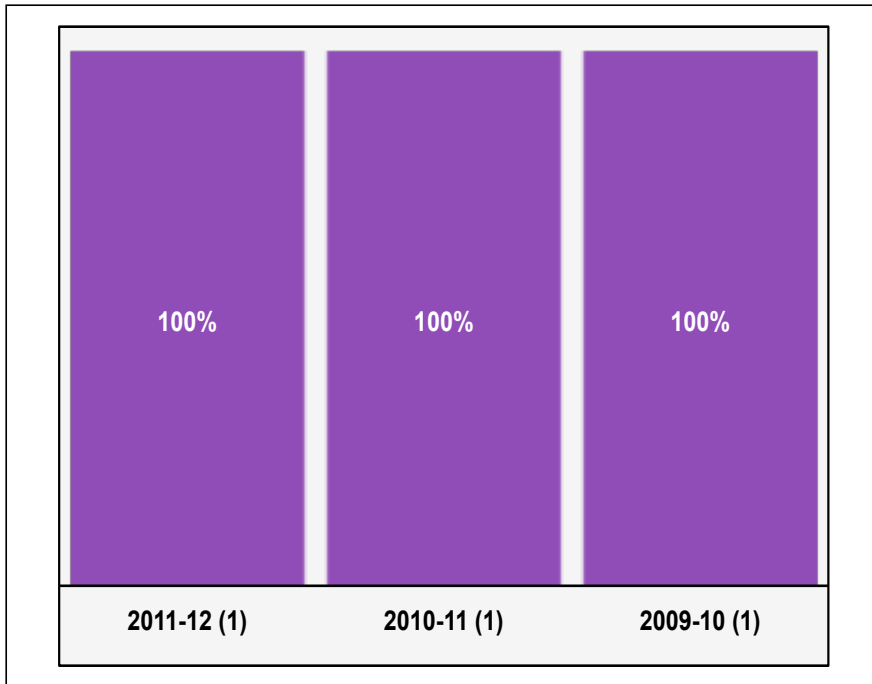


## 2.2.4 JUSTICE AND PROTECTION SERVICES



### VOTE 21: CORRECTIONAL SERVICES

#### Three-year progress towards clean audits

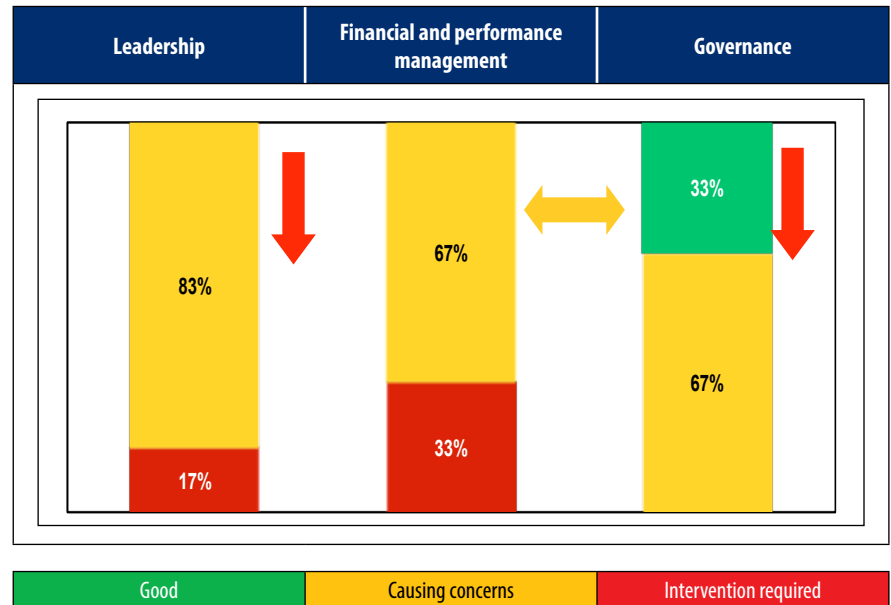


Legend (Audit outcomes) Qualified

5 risk areas



Key controls



Root causes

**People:** Vacancy and instability in key leadership positions  
 Inability of leaders to provide effective leadership and /or to successfully manage projects/teams/deliverables  
 Lack of financial and performance management skills

**Accountability:** Accountability not accepted for actions and outcomes  
 Responsibility for commitments not taken seriously  
 Lack of consequences for poor performance  
 Lack of consequences for transgressions

**Sustainability:** Implementing short term solutions to improve audit outcomes  
 Inadequate discipline of credible monthly reporting on financial, performance and compliance



## VOTE 21: CORRECTIONAL SERVICES

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### Audit outcomes and key reasons for movements

The audit outcomes of Department of Correctional Services (DCS) for the 2011-12 financial year remained unchanged with a financially qualified opinion on tangible major and minor assets and with findings on compliance and predetermined objectives. The department is still trying to address issues relating to the existence and completeness of assets recorded in its asset register, compliance and predetermined objectives.

#### Risk and focus areas

The department should focus on addressing the weaknesses identified in its asset register. These actions would include ensuring that the assets on hand agree to the assets recorded in the asset register and that the values of the assets as per the asset register are substantiated with supporting documents. Manual reconciliation of the Logis system should be monitored and reviewed regularly to avoid duplication of assets when there is an internal transfer of assets in the department. The departments should also ensure the implementation of proper control systems for safeguarding and maintenance of assets to prevent theft, losses, wastage and misuse.

In the area of compliance, measures should be implemented to ensure compliance with SCM regulations to prevent irregular and fruitless and wasteful expenditure. Management must ensure that creditors are settled within 30 days as required by the PFMA. Proper monitoring by management to ensure payments made in advance are not in contravention of stipulations in the contract. Management should institute controls to ensure that officials do not abuse sick leave and that overtime is claimed as per the Public Service Regulations. The department must implement measures to ensure that the financial statements submitted for audit are adequately reviewed and supported by relevant evidence before submission to the auditors. For revenue management the department must implement controls to ensure that long-outstanding debtors are written off or recovered from the relevant officials.

For PDO the department should implement controls to ensure that the information reported is supported by relevant documentation. The department must also ensure that the indicators as per the strategic plan are aligned to the indicators in the annual performance plan.

Weaknesses were identified in the IT environment which included a lack of a proper IT governance framework to enable the department to support and enable the business, deliver value and improve performance. The department should focus on implementing an IT governance framework.

## VOTE 21: CORRECTIONAL SERVICES

### Status of key controls and root causes of audit outcomes

In the area of people the key root causes that contributed to the audit outcomes of the department include vacancies and instability in key leadership positions and the inability of some leaders to provide effective leadership and/or to successfully manage projects/teams/deliverables and, in some instances, a lack of Financial and performance management skills.

Accountability was mostly not accepted for actions and outcomes and responsibility for commitments seemed not to be taken seriously. There was also, generally, a lack of consequences for poor performance and transgressions.

The department implemented short-term solutions to improve audit outcomes but there was also a lack of adequate discipline to ensure credible monthly reporting.

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership met with the executive authority four times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.</p> <p>The audit outcomes for the current year can be attributed to a lack of skills and staff in the Asset management unit. Even though commitments were made by the minister, the department was only able to fill its vacancies towards the end of the financial year, therefore the department will only be able to address the audit findings in the 2013-14 financial year.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of the DCS provides some level of assurance.</p>			■
<b>Previous commitments</b>			
Commitment to address qualification on assets during the financial year			■
Commitment to reduce the material losses in state vehicles	■		
Commitment to reduce the material underspending of budget			■
Commitment to ensure that all long-outstanding debts are prioritised and paid timeously			■
Commitment to strengthen internal controls		■	

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## VOTE 21: CORRECTIONAL SERVICES

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### ***New***

Commitment to address internal control deficiencies in IT environment, performance reporting and HR management .

Commitment to enhance the impact on service delivery.

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT IN PORTFOLIO**

# VOTE 21: CORRECTIONAL SERVICES

322

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas	Findings on predetermined objectives				Findings on areas of non-compliance							
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Non-current assets	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Procurement and contract management	Human resource management	Asset and liability management	Expenditure management	Strategic planning and performance management	Revenue management	Unauthorised, irregular, as well as fruitless and wasteful expenditure
	Department of Correctional Services							R	R	R			N	R	N	N	R	R	N	N

Legend (Audit outcomes)	Qualified	Findings
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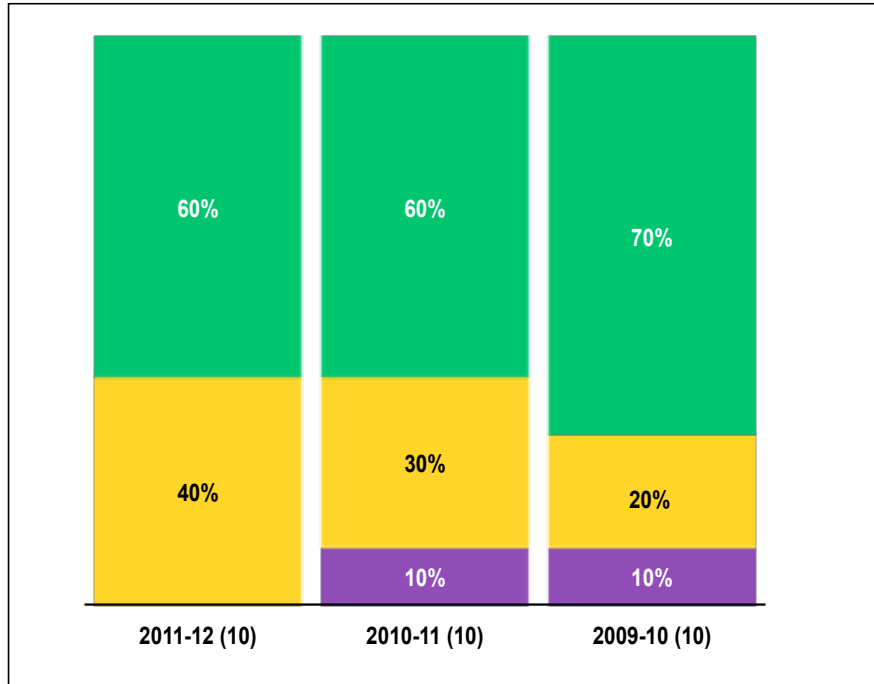
Legend (Findings)	New	Repeat
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# VOTE 22: DEFENCE AND MILITARY VETERANS

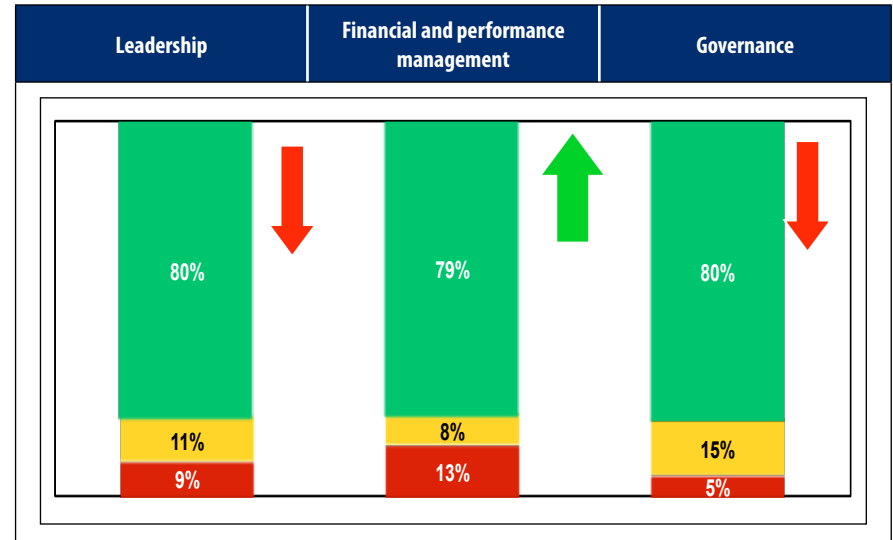
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

**Leadership:** Inadequate oversight responsibility regarding financial reporting over capital assets, compliance and related internal controls

**Financial and performance management:** Inadequate record keeping to support accurate and complete financial reporting

**Governance:** The department is still in the process of capacitating the Internal audit component

## VOTE 22: DEFENCE AND MILITARY VETERANS

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### Audit outcomes and key reasons for movements

During the 2011-12 financial year, the portfolio showed an overall improvement in audit outcomes. After many years, more specifically during the past three years, the Department of Defence and Military Veterans (DOD) made considerable progress towards a clean audit and achieved a financially unqualified opinion with findings on non-compliance.

The South African National Defence Force Fund (SANDF Fund) outcome improved from financially unqualified with findings to financially unqualified with no findings. The Castle Control Board (CCB) remained unchanged at financially unqualified with findings. The Armaments Corporation of South Africa (Armcor) regressed from financially unqualified with no findings to financially unqualified with findings on compliance. The regression related to the shareholders' compact not being concluded. The Armcor Defence Institute (ADI), Erasmusrand, Oospark, Sportrand and IMT remained unchanged at financially unqualified with no findings. The Special Defence Account (SDA) remained unchanged at financially unqualified with findings.

The main reason for the overall improvement in the portfolio is the increased ministerial commitment and involvement, as well as the extensive commitment from the asset management team of the DOD. Frequent interactions and guidance by the AGSA audit team also contributed to the positive outcomes.

#### Risk/focus areas

In respect of tangible and intangible assets the department has to ensure that the positive audit outcomes achieved during 2011-12 are sustained.

In terms of the departure granted by the Accountant General, only immovable, transport and specialised military assets need to be disclosed in the financial statements for the 2011-12 financial year. The departure was also granted subject to the development of an action plan to enable the department to fully disclose all categories of assets for the 2012-13 financial year. As full disclosure of all capital assets will be required as from 2012-13, the above action plans will have to be implemented and monitored to ensure compliance with the departmental reporting framework.

With regard to supply chain management the DOD must ensure compliance with SCM policies and monitoring thereof. The DOD commenced with the roll-out of the revised SCM policies during November 2012. This process as well as compliance with the policy should be closely monitored.

In respect of predetermined objectives, the corporate policy approved during April 2012 must be rolled out to the lowest levels in the department and monitored at all levels to ensure that material changes to the performance report are not required during audit. Targets must be well defined and rolled down to the lowest level to ensure that there is a consistent understanding of the targets and the information to be reported. Quarterly reports must be evaluated by management and Internal audit before submission to the Audit committee and the Minister.

Inadequate monitoring and controls over the compilation of the annual financial statements resulted in material adjustments to capital assets in the annual financial statements submitted for audit.

In respect of compliance, Internal audit was not fully operational and appropriately staffed. There were also compliance findings in respect of human resources.

In the IT environment there were inadequate policies, security management, control over data integrity, change management, as well as contingency plans. The DOD as well as Armcor had outdated legacy systems which need to be replaced.

## VOTE 22: DEFENCE AND MILITARY VETERANS

### Status of key controls and root causes of audit outcomes

In the area of accountability, the department had inadequate controls and a lack of accountability for record keeping. As a result there were material changes to the financial statements and performance report submitted on 31 May. There was inadequate monitoring of controls to ensure full adherence to the treasury regulation requirements for Armscor, SDA and the Castle Control Board.

With regard to sustainability, the department's monthly and quarterly reconciliation of financial and performance information, monitoring controls and standard operating procedures were not adequate to ensure sustainability. For the public entities the root causes mainly relate the non-compliance with policies and procedures, inadequate review and monitoring of financial and performance information, and a lack of credible monthly reporting on financial, performance and compliance.

### Oversight and Governance of PFMA Schedule 2 public entities

Oversight procedures were conducted at the department for Armscor. The department has established a unit which facilitates the oversight and governance function at its public entities. The department did not provide policies and procedures to monitor, detect and mitigate risks affecting the business of the public entity; however, a service level agreement was in place to regulate interactions, procurement and sale of strategic armaments. No other material findings were noted.

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Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<p><b>Impact of quarterly discussions with the executive authority</b></p> <p>The AGSA leadership met with the executive authority eight times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards and the prior year audit outcomes, especially the capital assets. The former minister had honoured all the commitments to monitor action plans developed by the department. Furthermore, the former minister made herself available as and when deemed necessary to meet with the AGSA team during the period July 2011 to June 2012, where possible areas of internal key control concerns, risks and progress were discussed. The former minister also made herself available to engage with senior officials and regularly received feedback from department staff on progress made with action plans.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of the DOD provides the required level of assurance.</p>	■		
<p><b>Previous year commitments</b></p> <p>The former minister undertook to actively monitor the action plan for capital assets. She was actively involved in the monitoring of action plans, resulting in an unqualified audit opinion.</p>	■		



## VOTE 22: DEFENCE AND MILITARY VETERANS

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### ***New commitments***

The current minister undertook to follow up quarterly on the key control assessment and related matters as well as the action plans pertaining to capital assets and predetermined objectives. She also committed to sustain the achievements made on accounting for capital assets (immovable, transport and specialised military assets) and to improve governance within the DOD.

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 22: DEFENCE AND MILITARY VETERANS

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Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas	Findings on predetermined objectives				Findings on areas of non-compliance												
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Non-current assets	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	AFS (Not submitted for auditing within 2 months)	Procurement and contract management	Human resource management	Internal audit	Audit committee	Expenditure management	Budget	Financial misconduct	Asset management	Strategic planning and performance management	Annual financial statements and annual report
	Department of Defence and Military Veterans						A					R	A		R	R	R		A		A	A	N		
<b>Reporting auditees</b>																									
1	Armaments Corporation of SA (SOC) Ltd																								N
2	Armcor Defence Institutes (SOC) Ltd																								
3	Erasmusrand Eiendomme (SOC) Ltd																								
4	Institute for Maritime Technology (SOC) Ltd																								
5	Oospark (SOC) Ltd																								
6	South African National Defence Force Fund																								A
7	Special Defence Account																								N
8	Sportsrand (SOC) Ltd																								
9	Castle Control Board																								A R

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Findings
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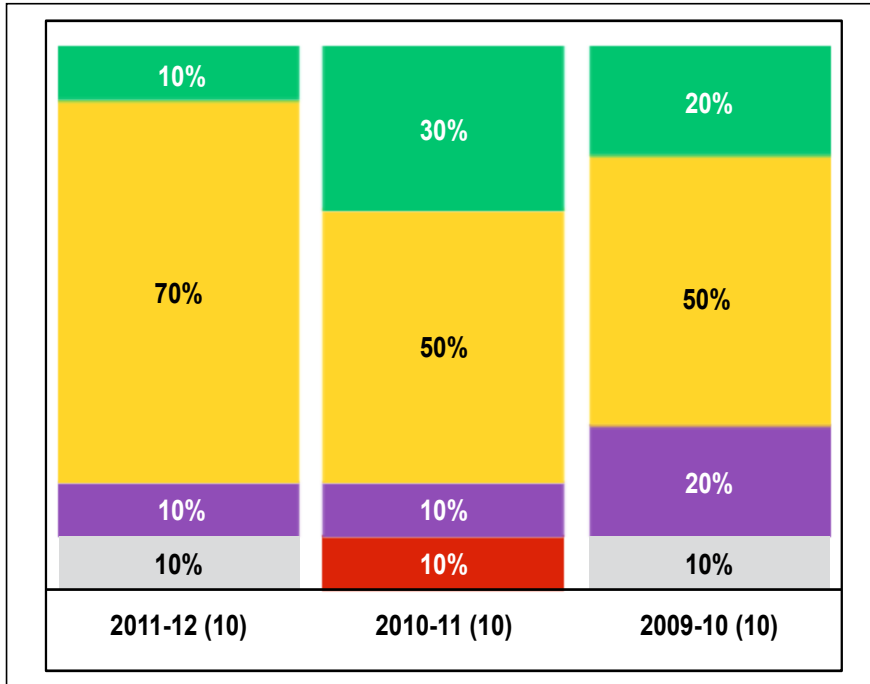
Legend (Findings)	Addressed	New	Repeat
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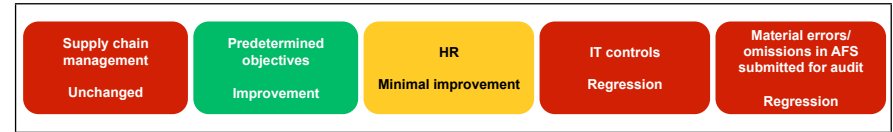


# VOTE 24: JUSTICE AND CONSTITUTIONAL DEVELOPMENT

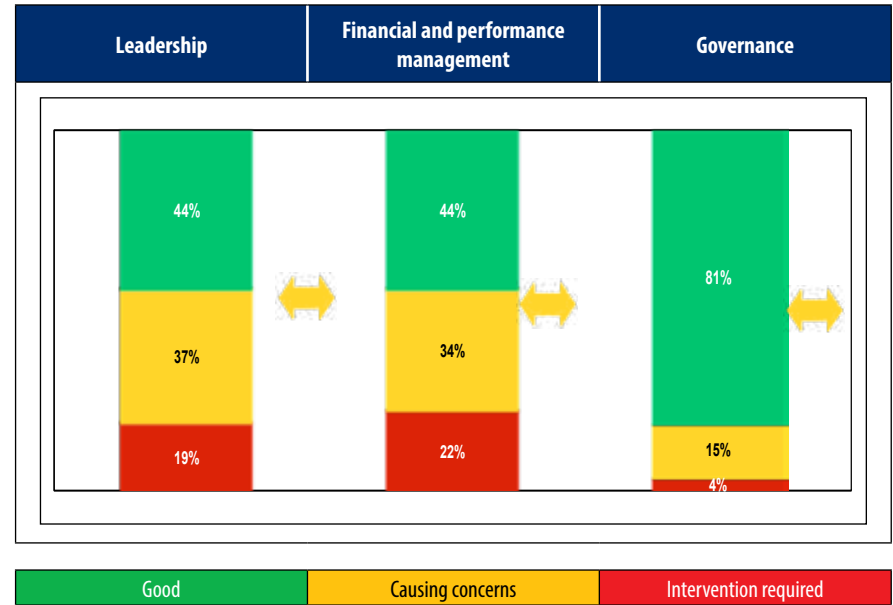
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

In year monitoring of financial and performance reporting as well as compliance with laws and regulations are inadequate and recurring transgressions are not timeously investigated to hold people accountable.

Key messages communicated throughout the audit process are not taken seriously and/or are not actioned immediately or decisively by management .

Inadequate review of financial statements by senior leadership and those charged with governance prior to submission for auditing.

## VOTE 24: JUSTICE AND CONSTITUTIONAL DEVELOPMENT

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### Audit outcomes and key reasons for movements

The audit outcomes for this portfolio have regressed. The majority of reports are in the category of financially unqualified with other findings. Regressions were recorded for Legal Aid South Africa (LASA) and the Guardian's Fund. The only qualified report relates to the Department of Justice and Constitutional Development (DoJ&CD), which recorded only one qualification matter affecting various line items on the financial statements, namely departmental revenue, receivables for departmental revenue, provisions and contingent liabilities. This was mainly due to the inadequacy of internal controls and information technology systems to ensure proper controls and financial reporting with respect to its relationship with the Third Party Funds (TPF). The TPF audit for 2011-12 was not performed as financial statements had not yet been submitted for auditing. Financial statements were received during March 2012 for the 2010-11 financial year and a disclaimed audit opinion was issued.

With respect to the regressions, findings were raised at LASA on non-compliance with SCM prescripts, which led to the identification and disclosure of irregular expenditure. The Guardian's Fund financial statements contained material misstatements which were corrected as a result of the audit process after submission of financial statements for auditing. Previous findings on reporting of performance against predetermined objectives by the DoJ&CD have been addressed.

#### Risk/focus areas

The key challenge for the movement of audit outcomes towards clean administration remains primarily in the areas of submission of financial statements which are free from material misstatements, compliance with sSCM prescripts and regulations and guidance on managing and reporting on performance against predetermined objectives. Minimal improvements in addressing previous Human resource management findings have been noted and the IT controls review revealed a regression in IT controls.

The DoJ&CD and its related entities should continue to focus on implementing monthly controls to avoid material corrections to the financial statements. These controls should include proper record keeping and full monthly financial statements.

The leadership should focus on preventative controls to ensure that non-compliance findings on supply chain management are eliminated, thereby preventing irregular expenditure.

#### Status of key controls and root causes of audit outcomes

The key focus areas in internal controls that should be addressed relate mainly to oversight by leadership of financial and performance management and compliance with laws and regulations, in-year monitoring of action plans, budgets and financial statements, as well as proper records management to ensure documentation requested for auditing is easily retrievable.

The root causes of the lack of improvement in audit outcomes are inadequate review of financial statements by senior leadership and those charged with governance prior to submission for auditing; key messages communicated throughout the audit process which were not taken seriously and/or are not actioned immediately or decisively by management; inadequate in-year monitoring of financial and performance reporting and compliance with laws and regulations; recurring transgressions which are not timeously investigated to hold people accountable; and inadequacies in IT systems to ensure proper financial reporting, specifically with regards to the TPF.

## VOTE 24: JUSTICE AND CONSTITUTIONAL DEVELOPMENT

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership met with the executive authority once during the 2011-12 financial year. The discussions focused on the weaknesses reported as per the key control dashboards as well as the prior year qualification areas.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of the DoJ&amp;CD does not fully meet the required level of assurance.</p>			■
<b>Previous year</b>			
The Minister of the DoJ&CD undertook to support the department in appointing skilled staff in key positions so that the department could function effectively to address areas on concern, including supply chain management .			■
The Minister of the DoJ&CD undertook to ensure that financial statements are submitted for TPF.			■
The Minister of the DoJ&CD undertook to ensure that the accounting system matters of TPF were resolved within the next two years.		■	
<b>New</b>			
<p>The Minister of the DoJ&amp;CD committed to ensure that vacancies at the department are filled within a short space of time after the vacancy arises, especially at senior management level.</p> <p>The Minister of the DoJ&amp;CD undertook to ensure that the CFO of the department takes control of SCM and Asset management reporting functions and reports to the accounting officer on a monthly basis with a view to corrective action. Recurring non-compliance will be investigated and action taken against the relevant officials.</p> <p>The Minister of the DoJ&amp;CD undertook to strengthen reporting on quarterly performance against predetermined objectives, with the involvement of Internal audit, and to ensure credibility of reported information. The Performance management system will be utilised effectively to facilitate collation and consolidation of information from the various line functions and regions.</p> <p>The Minister of the DoJ&amp;CD undertook to prioritise upgrading and/or replacement of ageing and redundant IT systems, e.g. JDAS (Third Party Funds), GFS (Guardian's Fund), etc. in order to ensure proper financial reporting and preparation of credible financial statements.</p>			

## VOTE 24: JUSTICE AND CONSTITUTIONAL DEVELOPMENT

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### **Constitutional institutions**

The audit outcomes with respect to the two constitutional institutions, namely the South African Human Rights Commission and the Public Protector of South Africa, remained financially unqualified with other findings on compliance with laws and regulations. There was improvement in reporting of performance against predetermined objectives by the South African Human Rights Commission. The key challenge for the movement of audit outcomes towards clean administration remains primarily in the areas of submission of financial statements which are free from material misstatements and compliance with SCM prescripts. The executive authorities of these institutions should focus on improving the key controls which impact on these areas, including the requirement to prepare full monthly financial statements that are properly reviewed by management and those charged with governance.

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 24: JUSTICE AND CONSTITUTIONAL DEVELOPMENT

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Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas					Findings on predetermined objectives				Findings on areas of non-compliance						
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Revenue	Other disclosure items	Irregular expenditure	Current assets	Liabilities	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Procurement and contract management	Human resource management	Asset management	Expenditure management	Revenue management	Unauthorised, irregular, as well as fruitless and wasteful expenditure
1	Department of Justice and Constitutional Development						R	R	A	R	R	A	A			R	R	R	R	R	N	R	
<b>Reporting auditees</b>																							
2	Criminal Assets Recovery Account															R							
3	Guardian's Fund															N							
4	Special Investigating Unit											R	N			R	R		N			R	N
5	Third Party Funds																						
6	Legal Aid South Africa																N					N	
7	The Public Protector of South Africa												A			R				R			
8	President's Fund																						
9	South African Human Rights Commission											A				R	R					R	
10	National Prosecuting Authority															R	R	A		R		R	

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Disclaimer	Audit outstanding	Findings
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Legend (Findings)	Addressed	New	Repeat
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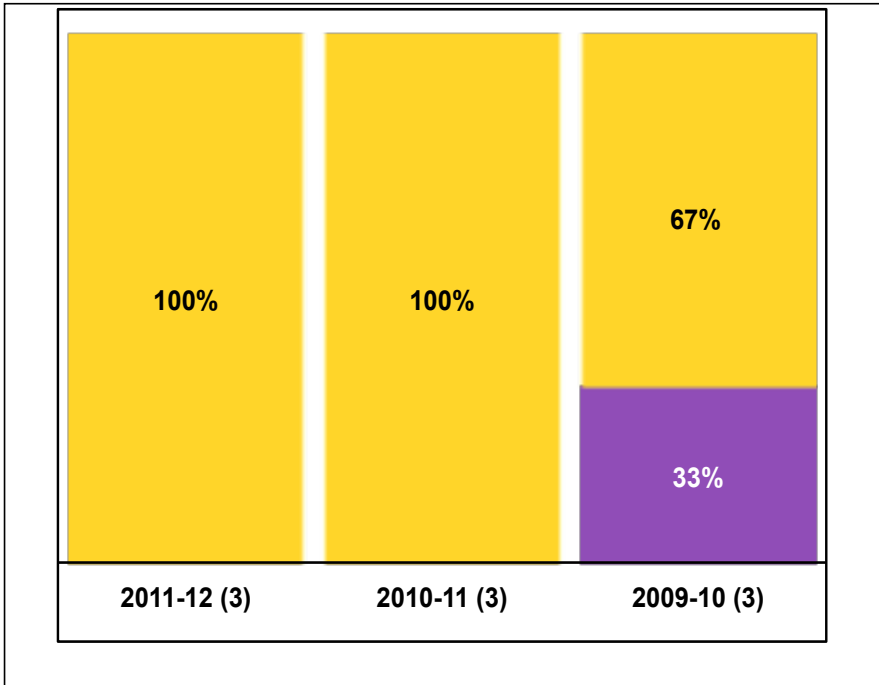






# VOTE 25: POLICE

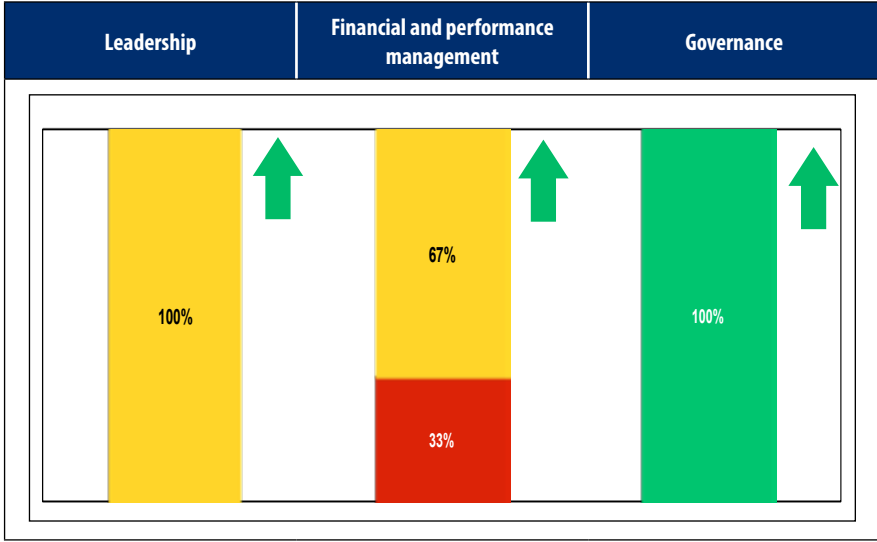
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

- Inability of leaders at provincial/station level to effectively monitor performance information
- Accountability not accepted for actions and outcomes not known to lower levels
- Inadequate discipline to ensure credible monthly performance information

## VOTE 25: POLICE

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### **Audit outcomes and key reasons for movements**

The audit outcomes of the police portfolio remained the same as the previous year for all three auditees, i.e. the Department of Police (SAPS), Independent Complaints Directorate (ICD) and the Public Security Industry Regulatory Authority (PSIRA), all of which were financially unqualified with other findings on both compliance and performance information. The stagnation at SAPS was mainly as a result of inadequate discipline to monitor and review performance information, especially at station and provincial level.

#### **Risk/focus areas**

At all three auditees the leadership inadequately implemented the systems that support accurate and reliable performance information. ICD implemented a new system to track their performance information and the focus should now be on ensuring that all staff are adequately trained on the system, that it is used consistently and that the information is adequately monitored to ensure that information presented in the annual report is reliable.

The PSIRA resolved its HR findings of the previous year but should still pay attention to the effectiveness of its monitoring and review processes to prevent non-compliance and to avoid material corrections to its financial statements. We also found the strategic objectives not to be useful and management must ensure that targets are specific, time bound and measurable.

As in the previous year, we identified inadequate IT governance frameworks at all three auditees. The leadership should implement and enhance the IT control environment.

Notwithstanding an overall decrease in irregular, fruitless and wasteful expenditure, the portfolio should focus on the overall compliance with procurement processes. Three contracts were identified at SAPS which are currently under investigation to determine whether the expenditure should be regarded as irregular.

#### **Status of key controls and root causes**

Quarterly engagements between the AGSA and the executive had some impact as improvements were noted in respect of the effectiveness of internal controls. However, leadership and Performance management still require attention. During the year under review there was instability in the leadership with senior positions being vacant at SAPS and ICD, resulting in oversight being less effective.

## VOTE 25: POLICE

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership met with the executive authority at least four times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of SAPS provides some of the required level of assurance.</p>			■
<b>Previous year</b>			
<p>A commitment was made to a joint effort between SAPS and the AGSA to visit all the provinces. However, only three provinces were visited.</p>			■
<b>New</b>			
<p>The minister undertook to prioritise the joint AGSA and SAPS provincial visits to clarify roles and responsibilities at provincial level before the end of December 2012. These visits aim to enhance the reliability of performance information. It is recommended that performance agreements be aligned in terms of the clarified roles and that staff be held accountable for reporting inaccurate performance information.</p>			

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**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENTS AND PUBLIC ENTITY IN PORTFOLIO**



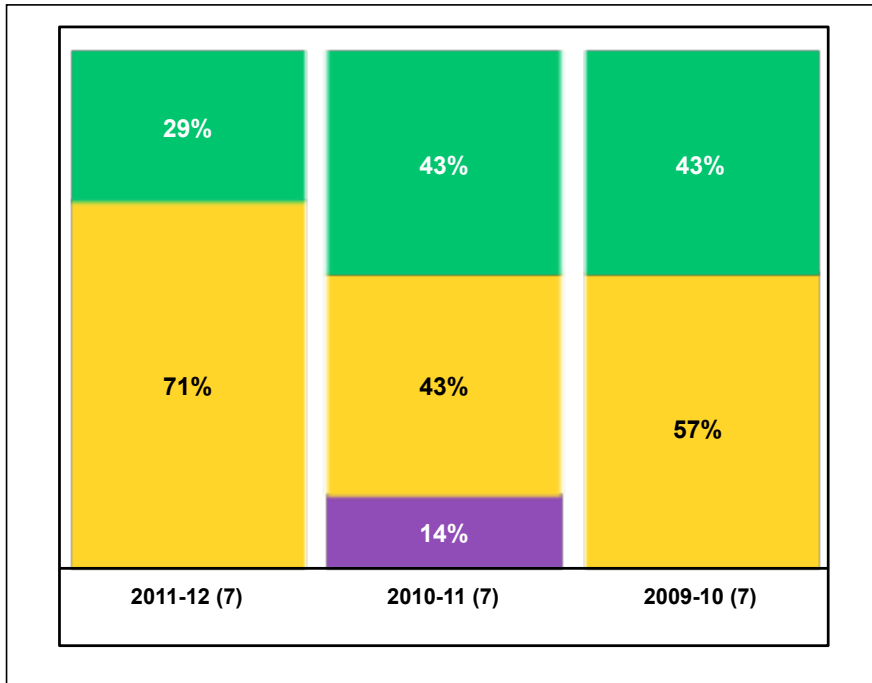


## 2.2.5 ECONOMIC SERVICES AND INFRASTRUCTURE



### VOTE 26: AGRICULTURE, FORESTRY AND FISHERIES

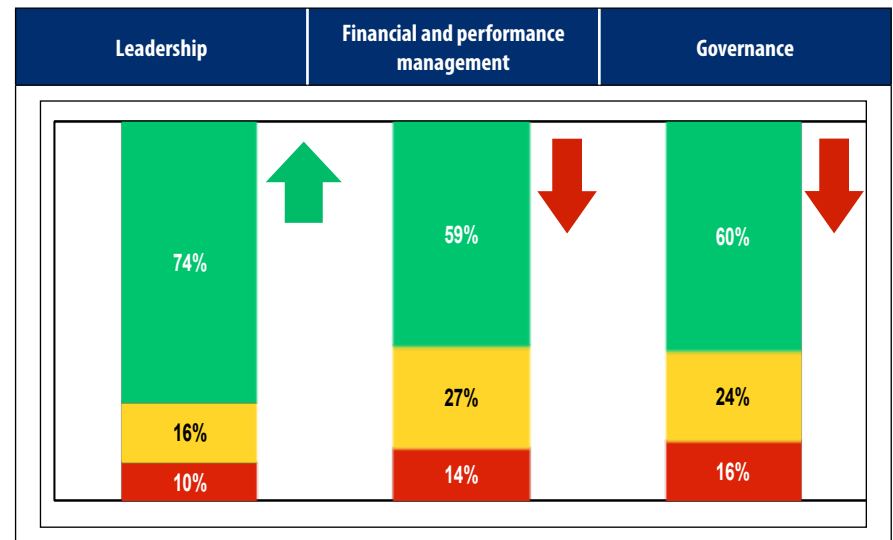
#### Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

- Lack of monitoring of compliance with laws and regulations
- Lack of discipline of credible comprehensive monthly reporting
- Ineffective internal audit function
- Skills and policies for predetermined objectives are lacking



## VOTE 26: AGRICULTURE, FORESTRY AND FISHERIES

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### **Audit outcomes and key reasons for movements**

The Department of Agriculture, Forestry and Fisheries (DAFF) and three entities received a financially unqualified audit opinion with findings on either reporting against predetermined objectives or compliance with laws and regulations.

There was an overall improvement in the portfolio resulting in the portfolio receiving financially unqualified audit opinions; however, predetermined objectives and compliance remain a challenge. The improvement in the audit opinion is due to the entity's leadership implementing the necessary interventions to improve processes based on prior year commitments made.

Two of the entities received clean audit opinion as in the prior year.

The portfolio failed to make overall progress towards clean audit outcomes due to commitments not being specific to address audit findings and shortcomings identified in the previous year. Although detailed actions plan were developed, progress in implementing the action plans was slow.

#### **Risk/focus areas**

Areas of concern include compliance with laws and regulations relating to procurement, as well as lack of capacity and instability in the Internal audit function at the department. Skills, policies and procedures in the department are not adequate to ensure effective reporting on predetermined objectives. A further concern is the repeat findings on material adjustments to disclosure notes. In addition, the instability in the position of the director-general as well as availability of the director-general is a concern.

DAFF and its related entities should continue to focus on implementing monthly controls to avoid material corrections to the financial statements. These controls should include proper record keeping and full monthly financial statements with all relevant disclosure notes.


SCM processes and resources relating to the oversight and monitoring of compliance should be improved.

The department needs to focus on its staff establishment to ensure that there are sufficient staff to carry out the monitoring and evaluating functions.

Poor budgeting processes and failure to set achievable indicators and targets resulted in the department continuously not meeting their targets.

DAFF should ensure that performance agreements of senior management are aligned to the strategic goals of the department, as per the relevant policy requirements, to enhance accountability of the portfolio.

## VOTE 26: AGRICULTURE, FORESTRY AND FISHERIES

<b>Status of key controls and root causes of audit outcomes</b>	Insufficient communication between those charged with governance and the minister contributed to the lack of commitment and accountability by leadership to address repeat findings on reporting on predetermined objectives, governance and compliance.			
	The repeat audit findings are as a result of inadequate training, lack of procedures and monitoring on reporting of predetermined objectives and lack of monitoring of compliance by management and Internal audit. The leadership of the department needs to take ownership of the process of performance reporting and ensure that daily checks and balances are in place that will result in credible reporting on predetermined objectives.			
	Lack of stable and decisive leadership resulted in the Internal audit function not being fully effective and SCM issues not being addressed.			
<b>Commitments and initiatives by minister</b>		<b>Impact on 2011-12 audit outcomes</b>		
		<b>Significant impact</b>	<b>No impact</b>	<b>Limited impact</b>
<b>Impact of quarterly discussions with the executive authority</b>				
Due to the unavailability of the minister, the AGSA leadership could meet only twice with the minister during the financial year, where the portfolio key controls were discussed and commitments were made. Although some progress has been made on the commitments, the impact on audit outcomes has been limited partly because these were not specific enough.				
The executive authority plays a role in providing assurance in the public sector. Our assessment is that more work needs to be done in this area to ensure that the assurance provided to the executive authority is at the appropriate level.				
<b>Previous year</b>				
Development and implementation of action plans to address deficiencies in internal control.				
Projects to be registered for development of the IT governance framework and to address reliability of systems and data integrity.				
Address weaknesses in the accounting and disclosure against predetermined objectives.				
Improvement of the Internal audit and risk management functions.				

## VOTE 26: AGRICULTURE, FORESTRY AND FISHERIES

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### **New**

New commitments have not yet been agreed with the minister; however, the minister undertook to carry over the previous year's commitments. New commitments will be signed off as soon as a meeting has been secured with the minister.

All commitments made in the prior year are carried over to the new year.

Specific commitments to enhance prior year generic commitments are as follows:

- Capacitate Internal audit to be fully effective and functional.
- Align the performance agreements of senior management with the department's strategic goals.
- Revise the staff establishment specifically to ensure that there are sufficient staff to carry out the monitoring and evaluating functions.
- Manage deviation from the procurement process in a transparent manner.

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 26: AGRICULTURE, FORESTRY AND FISHERIES

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Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas				Findings on predetermined objectives				Findings on areas of non-compliance									
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Non-current assets	Current assets	Liabilities	Other	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Internal audit	Procurement management	Asset and liability management	HR management	Audit committees	Strategic planning and performance management	Other	
	Department of Agriculture, Forestry and Fisheries										R	R			R	R	A	N		N		A			
<b>Reporting auditees</b>																									
1	Agricultural Research Council														R	A									
2	National Agricultural Marketing Council																								
3	Onderstepoort Biological Products Ltd						A	A			R	A			R	R	R	N	N		A	N			
4	Marine Living Resources Fund																				N				
<b>Audits not conducted by the AGSA</b>																									
5	Ncera Farms (Pty) Ltd										R	R					A					R	R		
6	Perishable Products Export Control Board																								

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Findings
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Legend (Findings)	Addressed	New	Repeat
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# VOTE 26: AGRICULTURE, FORESTRY AND FISHERIES

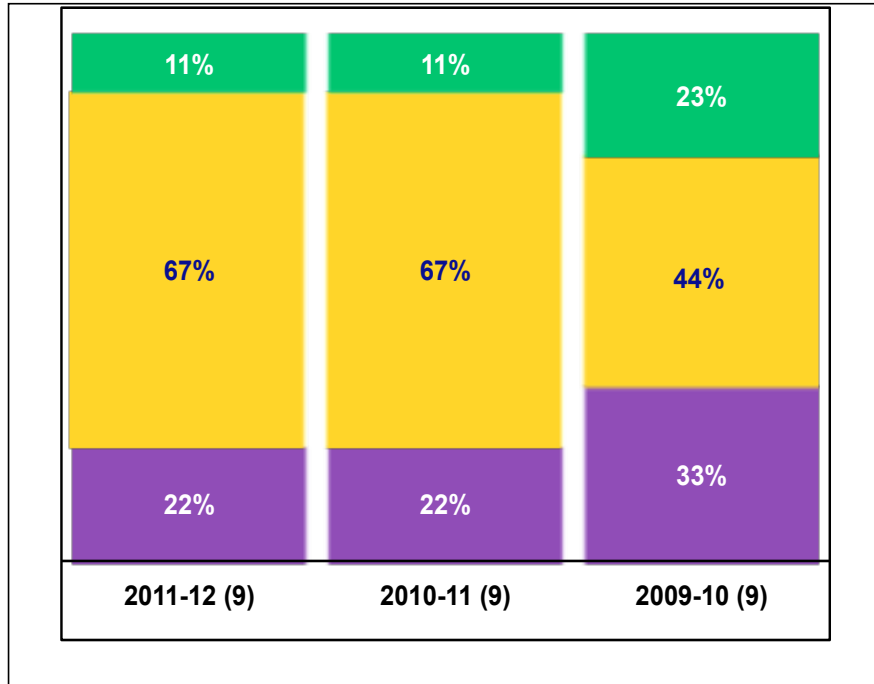
Unauthorised, irregular, as well as fruitless and wasteful expenditure						Procurement and contract management					Drivers of internal control											Human resource management				Information technology management				Root causes					
Unauthorised expenditure		Irregular expenditure		Fruitless and wasteful expenditure		Limitation on planned scope of audit of awards	Awards to employees	Awards to close family members of employees	Uncompetitive or unfair procurement processes	Inadequate contract management	Internal control deficiencies	Leadership					Financial and performance management				Governance		HR planning and organisation	Management of leave, overtime and suspensions	Management of vacancies	Appointment processes	Performance management	IT governance	Security management	User access management	IT service management	HR capacity and productivity	Attention to key controls	Effectiveness of assurance providers	
Movement	Amount R	Movement	Amount R	Movement	Amount R							Effective leadership culture	Oversight responsibility	HR management	Policies and procedures	Action plans	IT governance	Proper record keeping	Processing and reconciling controls	Reporting	Compliance	IT systems controls													Risk management
		↓	34,75m	↓	15k			N	R									S			S		N	A	R		A	R	R	R	R				
		↓	1,02m	↓	9k																		N		N										
		↓	11,96m	↓	474k										S			S						A			R	R	R	R					
				↑	9k																					R	R	R	R						

Legend (Movements)	Reduction	↑	Increase	↓
Legend (Drivers)	Good	Causing concern	Intervention required	S = Significant control deficiency
Legend (Findings)	Addressed	New	Repeat	



# VOTE 27: COMMUNICATIONS

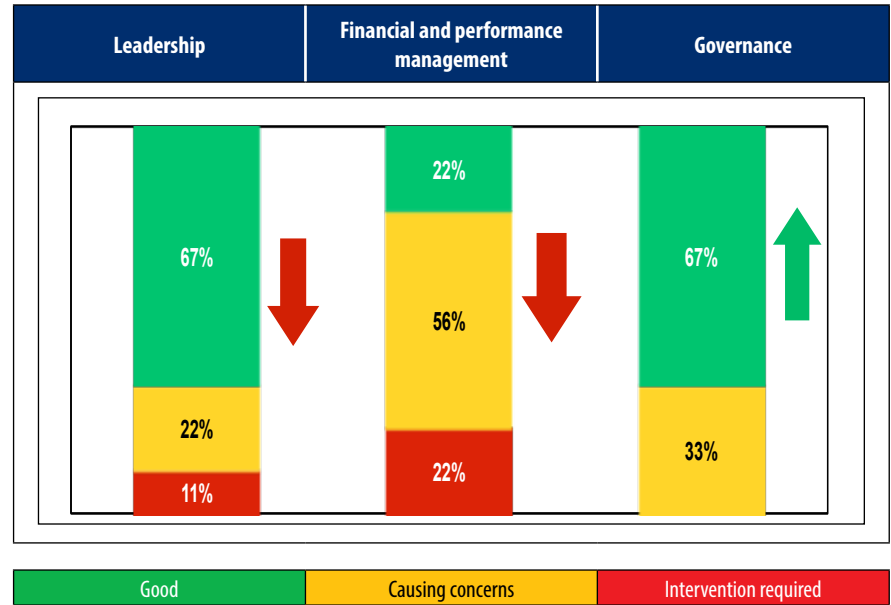
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

**Vacancy and instability in key leadership positions**

Accountability not accepted by senior managers and lack of consequences for transgressions and poor performance.

Inadequate discipline (monitoring) of financial and performance information

## VOTE 27: COMMUNICATIONS

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### Audit outcomes and key reasons for movements

The communication portfolio showed no improvement in its audit outcomes. Telkom successfully maintained a clean audit outcome. The department, National Electronic Media Institute of South Africa (NEMISA), Universal Service and Access Agency of South Africa (USAASA), Universal Service and Access Fund (USAF), Sentech and South African Post Office (SAPO), as in the prior year, were financially unqualified with other matters. The South African Broadcasting Corporation (SABC) and Independent Communications Authority of South Africa (ICASA) recorded qualified audit outcomes as in the previous year.

#### Risk/focus areas

It is of great concern that there was an overall regression in all five focus (risk) areas. The department, SABC and SAPO had repeat SCM findings, while non-compliance with procurement processes was, for the first time, identified at USAF and NEMISA. Material corrections had to be made to the financial statements submitted by the department, Sentech and ICASA, while for SABC it was a repeat finding. Human resources regressed, with the department and SABC having repeat findings, and Sentech a new finding.

Of concern is also the number of leadership vacancies in the Communications portfolio and the length of time it takes to fill vacancies. The leadership vacuum has resulted in an overall regression in key controls which might have a negative impact on audit outcomes in future if not addressed urgently.

IT governance frameworks were identified as a concern at four auditees, with the department and ICASA having repeat findings and USAASA and NEMISA having IT findings for the first time. SABC managed to clear all its previous findings on predetermined objectives; however, findings were raised at USAF, NEMISA and SAPO in 2011-12, while USAASA and ICASA had repeat PDO findings.

Except for Telkom, non-compliance findings were reported for the department and all the entities (eight out of nine), with the main areas of concern being strategic planning (reported at six auditees) and non-compliance with procurement policies and procedures identified at six auditees. Overall there was a decrease in the irregular expenditure that was identified and disclosed. The completeness of the irregular expenditure disclosed by SABC could not be confirmed, resulting in SABC receiving a qualification on irregular expenditure. Possible irregular expenditure was disclosed by SAPO, which is to be investigated by the National Treasury.

#### Status of key controls and root causes of audit outcomes

The inability to show improvement can be mainly attributed to leadership vacancies at the department, USAASA, USAF, NEMISA, SABC and SAPO. The CEO and CFO positions at ICASA had been filled during the year. As a result of the vacancies in this portfolio there was a lack of discipline to monitor and review daily financial and performance information and staff were not held accountable for poor performance. It is recommended that critical vacancies be filled, Performance management be enhanced and a discipline be instilled to supervise and monitor daily tasks.

## VOTE 27: COMMUNICATIONS

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership met with the executive authority three times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of the DOC provides the required level of assurance.</p>			■
<b>Previous year</b>			
No commitments were recorded for the current minister in the previous year as she was only appointed to the position in December 2011.		■	
<b>New</b>			
The minister committed the portfolio to a clean audit in 2013, which resulted in several engagements with the AGSA. Checks and balances need to be identified and implemented to enhance the effectiveness of the overall control environment. Critical vacant positions were identified and the minister undertook to fill those vacancies within the current year.			



**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 27: COMMUNICATIONS

352

Number	Auditee	2011-12 Audit outcomes		2010-11 Audit outcomes		Financial statement qualification areas			Findings on predetermined objectives				Findings on areas of non-compliance															
		Audit opinion	Predetermined objectives	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Non-current assets	Current assets	Liabilities	Irregular expenditure	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Asset and liability management	AFS Not submitted in time for audit.	Budgets	Expenditure management	Internal control	Audit committees	Internal audit	Revenue management	Strategic planning and performance management	Financial management and performance	Procurement management	HR management
1	Department of Communications													R	R				R		A	A		A		R	R	
<b>Reporting auditees</b>																												
1	NEMISA										N														R		N	
2	ICASA					A	R	R		R	R			R	R						A	A		R		A		
3	USAASA									R				A	R	A	A		R					R		N		
4	USAF												N		N		A							N		N		
<b>Audits not conducted by the AGSA</b>																												
6	SABC					R			N	A	A			R		R	R		R	R	R	R	A	R		R	R	
7	SENTECH													N	R						N	N		N		A	N	
8	SAPO										N															R		
9	TELKOM																											

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Findings
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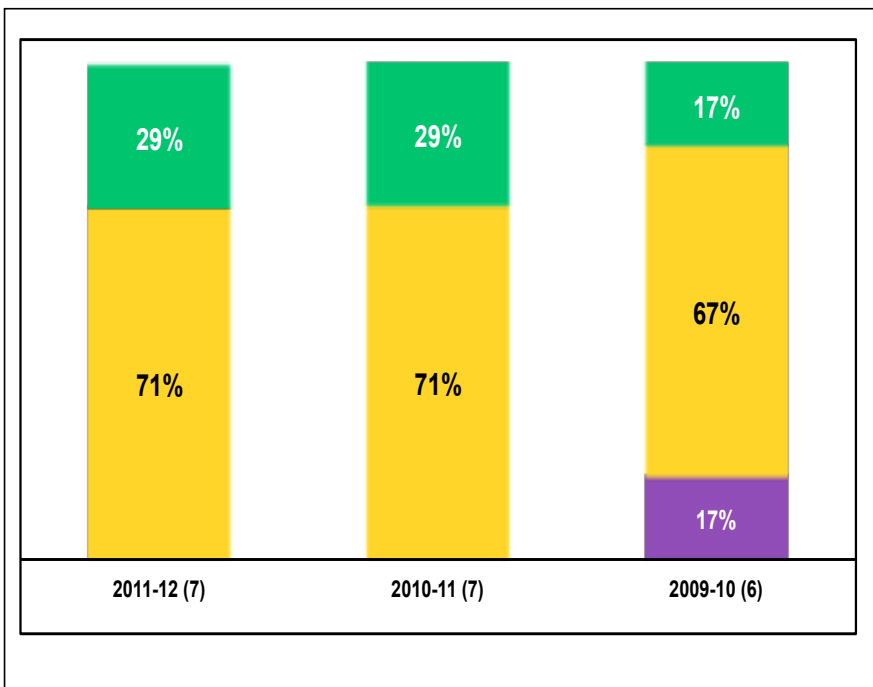
Legend (Findings)	Addressed	New	Repeat
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# VOTE 28: ECONOMIC DEVELOPMENT

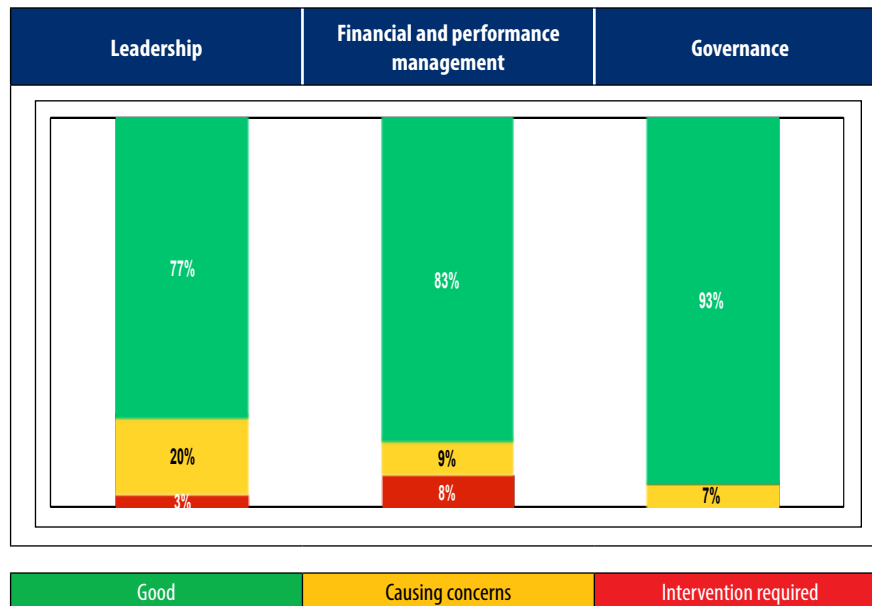
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

- A lack of review of the submitted financial statements by management .
- Action plans not sufficient in addressing real root causes and were not monitored by assurance providers.
- Lack of understanding of the framework for managing performance information and supply chain management regulations.

## VOTE 28: ECONOMIC DEVELOPMENT

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### Audit outcomes and key reasons for movements

No overall change in the audit outcomes of the portfolio. The department has reduced the number of non-compliance findings and although there were material adjustments to the financial statements, these had decreased compared to the prior year. The Industrial Development Corporation of South Africa (**IDC**) and Khula Finance Enterprise Limited (**KHULA**) both remained financially unqualified without findings on predetermined objectives and compliance with laws and regulations (clean audit outcomes). The Competition Commission, Competition Tribunal, International Trade and Administration Commission of South Africa (**ITAC**) and the South African Micro Finance Apex Fund (**SAMAF**) remained financially unqualified with findings on predetermined objectives and compliance with laws and regulations.

The key reason for the reduction in the number of non-compliance findings at the department is that the acting accounting officer had accepted full accountability for dealing with the identified control deficiencies by implementing appropriate action plans to address the issues, as well as interventions from the minister. Although the Competition Commission remained in the same category, there was a significant decrease in the amount of irregular expenditure incurred as effective steps were taken by the accounting authority to address the issue.

#### Risk/focus areas

The department should continue to focus on implementing monthly controls to eliminate material corrections to the financial statements. These controls should include proper record keeping and full monthly financial statements.

The main area of concern in the rest of portfolio involves compliance with laws and regulations relating to procurement and predetermined objectives. Leadership should focus on taking action against transgressors and implementing action plans.

#### Status of key controls and root causes of audit outcomes

A lack of monitoring and review of controls over monthly processing led to the material misstatements in the financial statements submitted for auditing at the **EDD**, which in turn, resulted in material adjustments.

The main reasons for most of the entities remaining unqualified with findings category are that management had developed action plans which did not address the root causes of the findings, that the action plans were not specific and/or no responsibility was assigned for the tasks, and/or timelines were not determined for ultimate resolution of internal and external audit findings. The non-compliance findings at the Competition Tribunal were due to incorrect interpretations and a lack of understanding of the SCM requirements. The PDO issues at **ITAC** and **SAMAF** were a result of staff still not being trained to gain a better understanding of reporting and compliance requirements.

## VOTE 28: ECONOMIC DEVELOPMENT

### Oversight and Governance of PFMA Schedule 2 public entities

Oversight procedures were conducted at the department. The department has established a directorate which facilitates the oversight and governance function at its public entities. No material findings were noted.

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership met with the executive authority twice during the 2011-12 financial year. The discussions focused on the weaknesses reported as per the key control dashboards.</p> <p>The executive authority has a role in providing the first level of assurance in the public sector in terms of the combined assurance model. Based on our interactions, we have assessed that the executive authority of the EDD provides the required level of assurance.</p>	■		
<b>Previous year</b>			
<p>The minister had committed to the development and implementation of an HR plan with a view to meeting the department's HR needs, the improvement of the payment process to ensure that payments are made within 30 days and the improvement of processes regarding the declarations of interest.</p>	■		
<b>New</b>			
<p>The minister undertook to ensure greater focus on the risk assessment and risk management , and to improve effectiveness of Internal audit and engage with all entities to address internal control deficiencies. Progress will be monitored by means of quarterly reports provided to the minister.</p>			

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 28: ECONOMIC DEVELOPMENT

358

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas				Findings on predetermined objectives				Findings on areas of non-compliance						
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Current assets	Capital and reserves	Revenue	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Procurement and contract management	Human resource management	Asset management	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Strategic planning and performance management	Revenue management
	Economic Development Department														R	A	A				A	
<b>Reporting auditees</b>																						
1	Competition Commission															A	R				R	
2	Competition Tribunal																R				R	
3	International Trade and Administration Commission (ITAS)										R					A	R				R	
4	South African Micro Finance Apex Fund										R	R				A	A	N			R	N
<b>Audits not conducted by the AGSA</b>																						
5	Khula Enterprise Finance Limited																					
6	Industrial Development Corporation of South Africa(IDC)																					

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Findings
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Legend (Findings)	Addressed	New	Repeat
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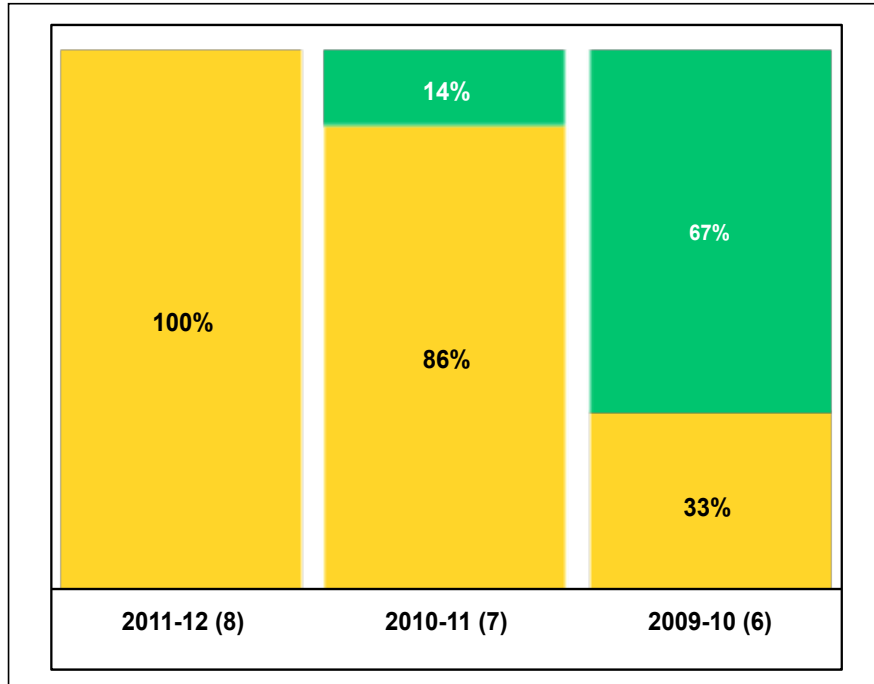






# VOTE 29: ENERGY

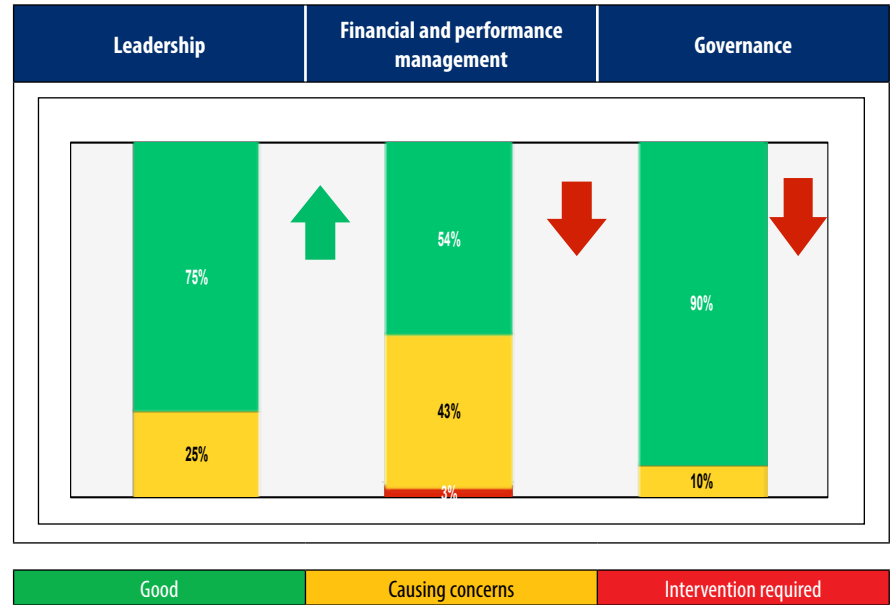
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

- Vacancies in senior management positions within the portfolio
- Lack of monitoring and review of controls over monthly processing
- Auditees still have poorly designed IT controls

## VOTE 29: ENERGY

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### Audit outcomes and key reasons for movements

The Department of Energy (DOE) and the significant entities in the energy portfolio all received a financially unqualified audit opinion with findings on either reporting against predetermined objectives or compliance with laws and regulations. The DOE significantly improved with regard to its reported predetermined objectives.

The National Energy Regulator of South Africa (NERSA) regressed from a clean audit opinion to being financially unqualified with findings on compliance with laws and regulations relating to material misstatements that were corrected.

The improvement in the reported predetermined objectives is due to the DOE's leadership implementing the necessary interventions, such as filling key vacancies and focusing on improving the internal control environment, driven by detailed discussions on the key control dashboard between the AGSA and the leadership. The reason for the regression at NERSA was that almost all the staff in the finance department had changed (including the CFO and the director of finance).

#### Risk and focus areas

The main area of concern involves compliance with laws and regulations relating to procurement and transfer payments at the DOE. Another concern relates to discharging the provision for the environmental rehabilitation liability with regard to the decommissioning and decontamination of past strategic nuclear facilities disclosed in the financial statements of the DOE. The current funding transferred to the Nuclear Energy Corporation of South Africa (NECSA) to discharge the liability is lower than the amount budgeted by NECSA. This could potentially extend the period needed to decommission and decontaminate these facilities and as a result increase the liability.

The DOE and its related entities should continue to focus on implementing monthly controls to avoid material corrections to the financial statements. These controls should include proper record keeping and full monthly financial statements with all relevant disclosure notes.

The executive authority should intervene at leadership level to assist the DOE in obtaining additional funding to create capacity in terms of both human resources and systems to ensure oversight of the energy infrastructure programmes scheduled to take place over the next five years. The filling of vacant positions within the entities in the energy portfolio should be prioritised.

SCM processes should also be improved and resources allocated for the oversight, monitoring and compliance of infrastructure programmes over the next five years, including major project partnerships with other countries and international companies.

## VOTE 29: ENERGY

### Status of key controls and root causes of audit outcomes

The vacancies within the energy portfolio are mainly due to funding restrictions, while the split of the Department of Minerals and Energy (DME) into the Department of Energy and the Department of Mineral Resources meant that limited skilled human resources have to be shared between the two departments.

A lack of monitoring and review of controls over monthly processing led to the material misstatements in the financial statements submitted for auditing which, in turn, led to material adjustments.

### Oversight and Governance of PFMA Schedule 2 public entities

Oversight procedures were conducted at the department. The department has established a directorate which facilitates the oversight and governance function of its public entities. Even though the department has adopted policies to facilitate its function of oversight and governance, the department did not provide feedback to its public entities on measures to mitigate indentified risks that could influence the operations of the public entities. No other material findings were noted.

#### Commitments and initiatives by minister

#### Impact on 2011-12 audit outcomes

Significant impact

No impact

Limited impact

#### Impact of quarterly discussions with the executive authority

The AGSA leadership met with the executive authority four times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.

The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of the DOE provides the required level of assurance.



#### Previous year

The Minister of Energy undertook to address weaknesses reported on the reported predetermined objectives and non-compliance with laws and regulations. This was achieved in the 2011-12 financial year for reported predetermined objectives; however, non-compliance remains a focus point.



#### New

The Minister of Energy committed to improve on the quality of the quarterly financial reporting through proper reviews of financial information by the governance structures through Internal audit.

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 29: ENERGY

364

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas				Findings on predetermined objectives				Findings on areas of non-compliance						
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Non-current assets	Current assets	Revenue	Expenditure	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Annual financial statements and annual report	Transfer and conditional grants	Asset and liability management	Procurement and contract management	Other
	Department of Energy										A				R	R	R	R			N	
<b>Reporting auditees</b>																						
1	National Energy Regulator of South Africa (NERSA)															N						
2	Central Energy Fund (CEF)														R	R						
3	PetroSA														R	R					N	R
4	Nuclear Energy Corporation of South Africa (NECSA)															R						
5	South African National Energy Research and Development Institute (SANEDI)										N	N			N							
6	EDI Holdings										A	A			R							
7	National Nuclear Regulator (NNR)										R	N			R	A				N		

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	New	Findings
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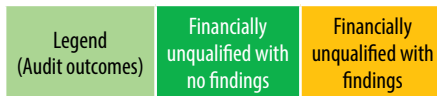
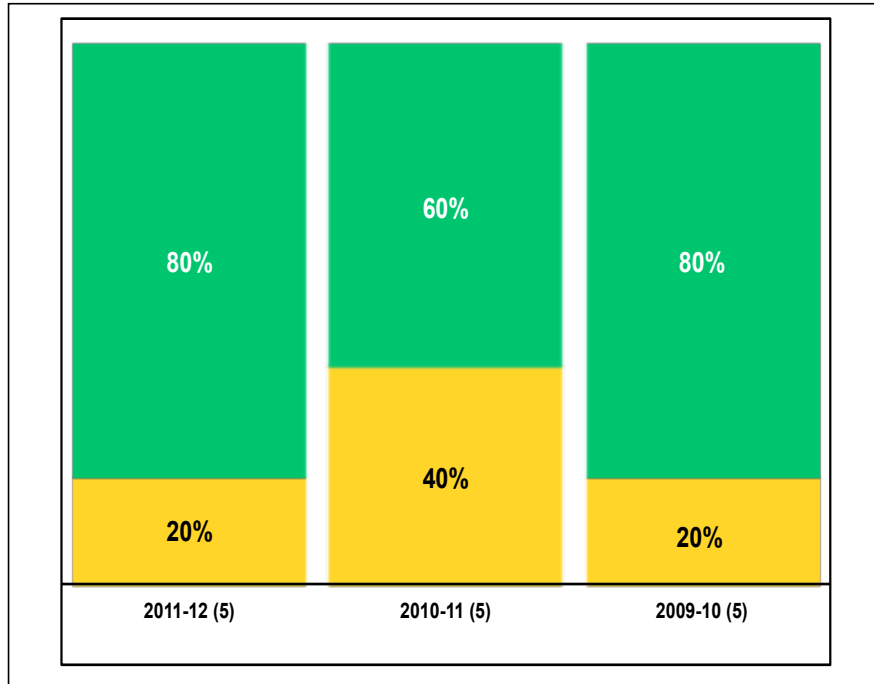
Legend (Findings)	Addressed	New	Repeat
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# VOTE 30: ENVIRONMENTAL AFFAIRS

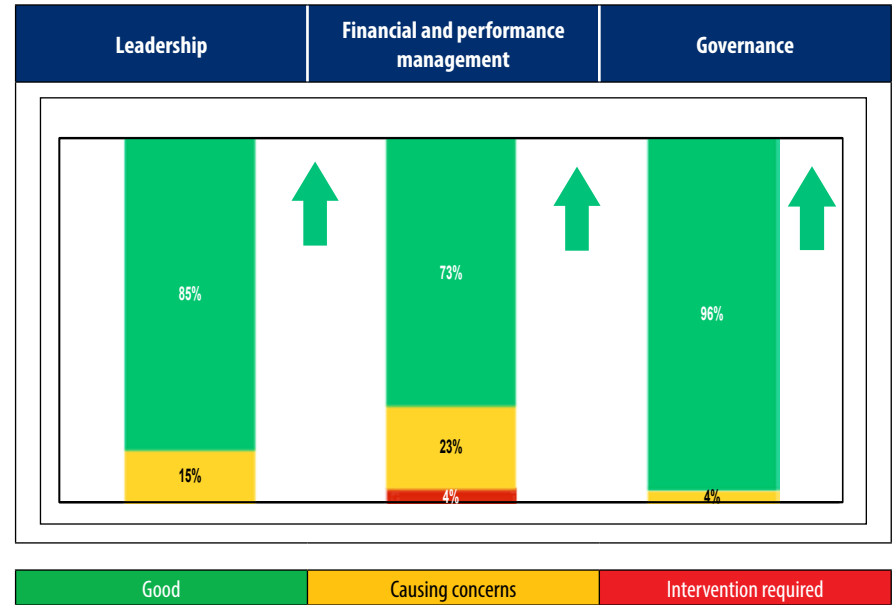
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

**Responsibility for commitments not taken seriously**  
**Inadequate discipline of credible monthly reporting on financial, performance and compliance**



## VOTE 30: ENVIRONMENTAL AFFAIRS

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### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### **Audit outcomes and key reasons for movements**

The environmental affairs portfolio showed improvement in its audit outcomes as 80% (four out of five) of the auditees managed to get clean audit outcomes. It is only the South African National Biodiversity Institute (SANBI) which, similar to last year, had to make material adjustments to its financial statements due to the inadequate attention to key controls.

Material misstatements were identified during the audit at SANBI which, if not corrected, would have resulted in qualifications. The CFO position was filled in April 2012 and the effectiveness of the control environment should be reviewed and enhanced by instilling a discipline of capturing and reviewing financial information daily. The leadership should also improve the document management system to allow easy access to information. It is further recommended that the CFO prepare monthly financial information to prevent year-end efforts.

#### **Risk/focus areas**

It is commendable that for two consecutive years there have been no audit findings in the entire portfolio relating to predetermined objectives.

For the portfolio to maintain its clean audits, leadership should strengthen the monitoring and review procedures to prevent and detect non-compliance with procurement policies and procedures resulting in instances of irregular, fruitless and wasteful expenditure that were identified during the audit.

The leadership should also focus on governance frameworks to control and maintain the IT environment.

#### **Status of key controls and root causes of audit outcomes**

The SANBI HR plan was only approved on 13 June 2012. Quarterly engagements with the executive authority had a significant impact and management undertook to strengthen their daily and monthly monitoring and review controls to enable them to prepare accurate financial information.

## VOTE 30: ENVIRONMENTAL AFFAIRS

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership met with the executive authority at least four times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of the DEA provides the required level of assurance.</p>	■		
<b>Previous year</b>			
A commitment was made to sustain the outcome on performance against predetermined objectives.	■		
<b>New</b>			
A commitment was made to have the IT governance frameworks approved before 31 December 2012.			

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 30: ENVIRONMENTAL AFFAIRS

370

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Findings on predetermined objectives				Findings on areas of non-compliance					
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Procurement	Expenditure management	Human resources	Other
	Department of Environmental Affairs																
<b>Reporting auditees</b>																	
1	South African National Parks																
2	South African Weather Service																
3	iSimangaliso Wetland Park																
4	South African National Biodiversity Institute																

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Findings
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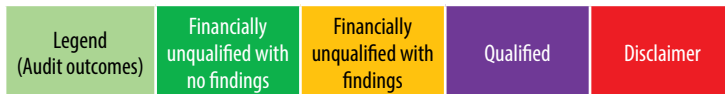
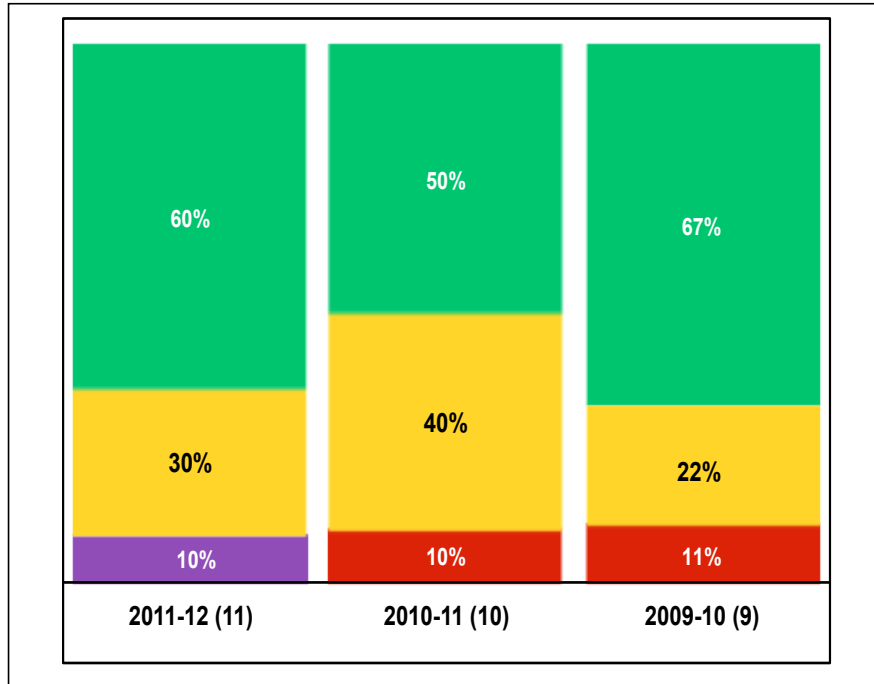
Legend (Findings)	Addressed	Repeat
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# VOTE 31: HUMAN SETTLEMENTS

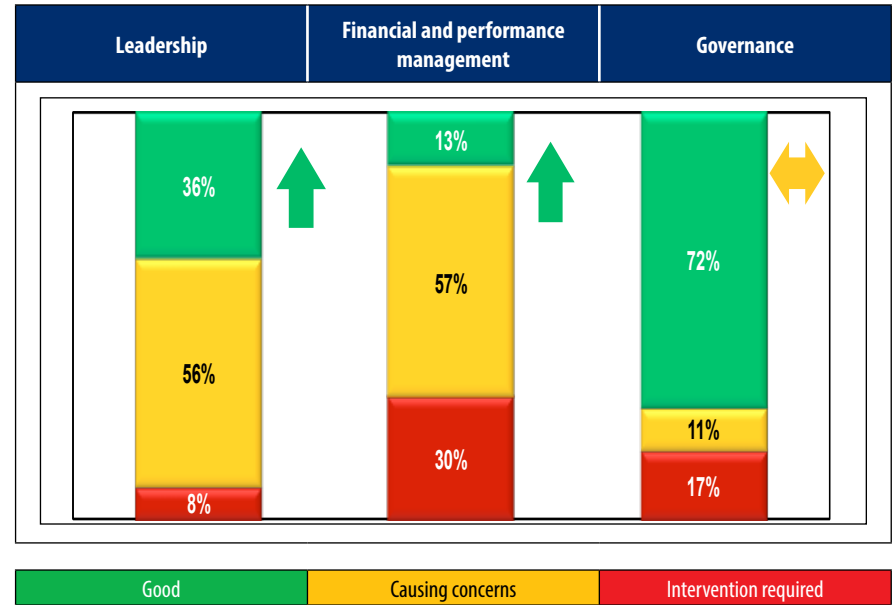
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

Action plans to address prior period audit findings were not appropriately designed and implemented. Oversight responsibility regarding financial and performance reporting and compliance and related internal controls was not adequately exercised.

Lack of necessary knowledge and skills in senior management positions as a result of delays in the filling of vacancies.

Insufficient attention paid to key controls with regard to daily processing and monthly controls including the preparation and review of financial and performance reports .

## VOTE 31: HUMAN SETTLEMENTS

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### Audit outcomes and key reasons for movements

The audit outcomes of the portfolio show two improvements and two regressions in audit opinions, while the majority of reports remained in the categories of either a clean audit report or a financially unqualified report with findings. The National Home Builders' Registration Council (**NHBRC**) regressed to a qualified opinion because it did not have adequate controls in place to ensure that irregular expenditure incurred as a result of non-compliance with procurement regulations is detected and fully disclosed in the financial misstatements. The Social Housing are regulatory Authority (**SHRA**) regressed to financially unqualified with findings on non-compliance with laws and regulations and predetermined objectives because it did not have adequate controls in place to ensure that irregular expenditure is prevented. The audit outcomes for the Housing Development Agency (**HDA**) improved to financially unqualified with no findings due to management developing action plans to adequately address prior year findings, especially on compliance.

The audit outcome for the National Department of Human Settlements (**NDHS**) has remained unchanged. The financial statements of **NDHS** and **NHBRC** which were submitted for auditing contained material misstatements which were corrected as a result of the audit process.

#### Risk/focus areas

The key challenge for the movement of audit outcomes towards clean administration remains in the areas of submission of financial statements which are free from material misstatements, compliance with SCM prescripts and regulations, and guidance on managing and reporting on performance against predetermined objectives. No improvements in information technology (IT) controls and Human resource management have been noted and these are also contributory factors hampering the progress towards clean administration.

The **NDHS** and **NHBRC** should continue to focus on implementing monthly controls to avoid material corrections to the financial statements. These controls should include proper record keeping and full monthly financial statements with all relevant disclosure notes. Monthly key controls assessments should also be performed on the control environment. The control environment within the sanitation unit at **NDHS** also poses a significant risk to progress towards clean administration. The leadership should therefore also focus on monthly reconciliation controls in ensuring that the entity can accurately account for all project related costs.

Proper controls regarding the adequate review and monitoring of compliance with SCM laws and regulations need to be implemented to prevent incurring irregular expenditure, while at the **NHBRC** controls must be put in place to completely detect all irregular expenditure incurred as a result of the non-compliance with SCM laws and regulations.

## VOTE 31: HUMAN SETTLEMENTS

### Status of key controls and root causes of audit outcomes

The status of key controls overall has not improved significantly, especially in the areas of leadership and financial and performance management, resulting in the entities' lack of progression towards clean administration. Management is also developing action plans which are not addressing the real root causes of the findings reported. Action lists are not specific and responsibility is not assigned for the tasks, nor are timelines determined to ensure timely resolution of internal and external audit findings. Concern still remains with regard to compliance with SCM laws and regulations and predetermined objectives. Financial statements submitted are also not adequately reviewed by the leadership and those charged with governance.

Vacancies at NDHS were not filled timeously due to the turnaround strategy which was implemented during the past year.

The PDO findings at the department were mainly as a result of a lack of understanding of the FMPPI requirements, resulting in indicators not being well defined and targets not conforming to the SMART principle at the **NDHS** and **NHBC**.

### Commitments and initiatives by minister

#### Impact on 2011-12 audit outcomes

Significant impact

No impact

Limited impact

### Impact of quarterly discussions with the executive authority

The AGSA leadership only met once with the executive authority of the NDHS. On occasions where the AGSA leadership was unable to secure meetings with the executive authority key control assessments were communicated via letters during the 2011-12 financial year. The discussion and letters focused on the weaknesses reported in the key control dashboards and other matters of concern brought to the attention of the executive authority, including sanitation.

The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our limited interactions, we assessed that the executive authority of the NDHS does not yet provide the required level of assurance.

### Previous year

None

### New

The Minister of **NDHS** undertook to implement an action plan to address the findings of the prior year, especially regarding capital expenditure, preparation of proper monthly financial statements with all relevant disclosure notes and full implementation of monthly key controls. This plan will be monitored by the Audit committee and the accounting officer. Progress will be monitored by means of quarterly reports which must be provided to the minister.

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**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 31: HUMAN SETTLEMENTS

376

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas			Findings on predetermined objectives				Findings on areas of non-compliance									
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Irregular expenditure	N/A	N/A	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Procurement and contract management	Human resource management	Asset management	Expenditure management	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Revenue management	Financial misconduct	Transfers and conditional grants	Internal audit
	National Department of Human Settlements									R	A			R	R	N	N	R	R			A		
<b>Reporting auditees</b>																								
1	National Home Builders Registration Council (NHBC)						N			R				R	N					N	R	N	R	
<b>Audits not conducted AGSA</b>																								
2	Tubelisha Homes (*)																							
3	Social Housing regulatory Authority (SHRA)									N	N				N	N			N					
4	Servcon Housing Solutions													N	R					N				
5	Social Housing Foundation (SHF)																							
6	Housing Development Agency (HDA)																							
7	National Urban Reconstruction and Housing Agency (NURCHA)																							
8	National Housing Finance Corporation (NHFC)																							
9	Rural Housing Loan Fund (RHLF)																							

(\*) In liquidation

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Disclaimer	Findings
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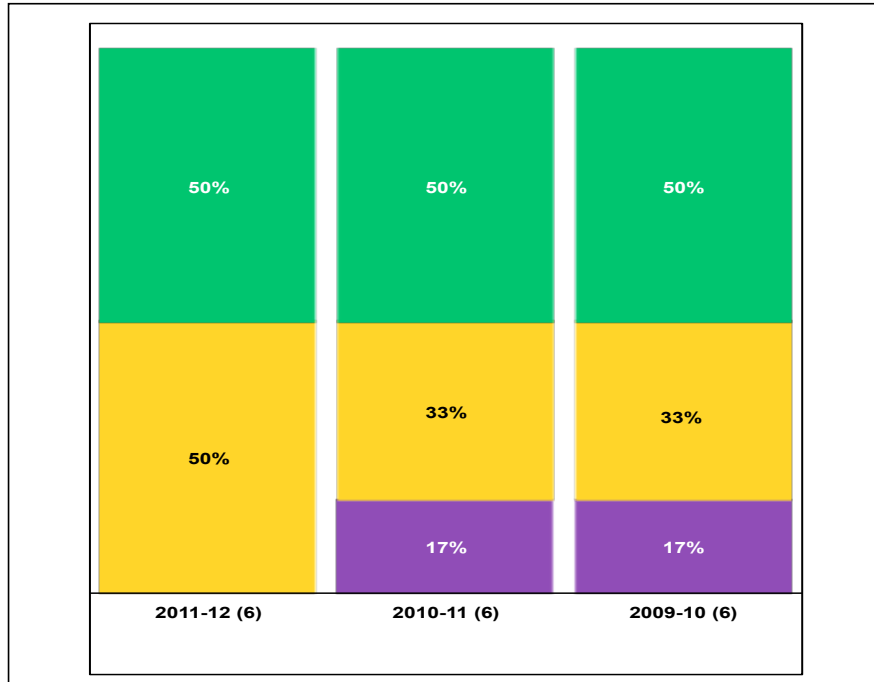
Legend (Findings)	Addressed	New	Repeat
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# VOTE 32: MINERAL RESOURCES

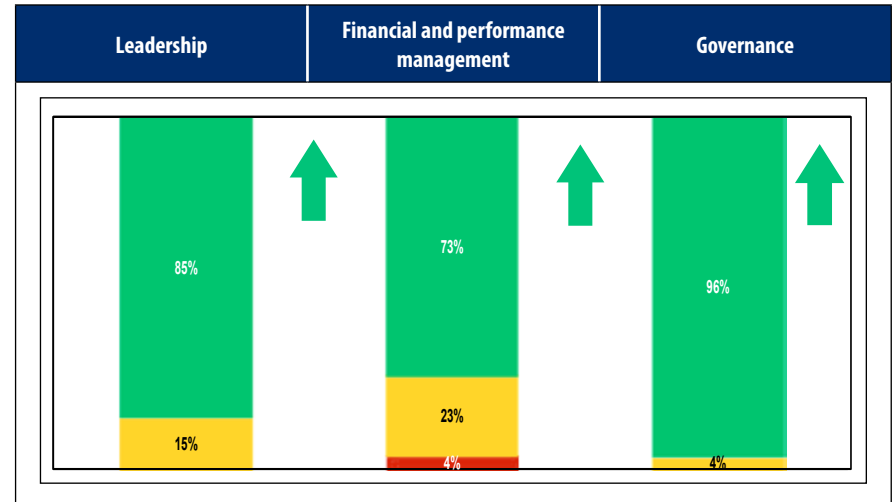
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

- Lack of monitoring and review of controls over monthly processing
- Compliance with laws and regulations regarding procurement and contract management not adequately monitored and reviewed.
- Auditees still have poorly designed IT controls

## VOTE 32: MINERAL RESOURCES

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### **Audit outcomes and key reasons for movements**

There were two notable improvements in the mineral resources portfolio, namely the Department of Mineral Resources, which moved from financially qualified to financially unqualified with findings on compliance with laws and regulations, and the South African Diamond and Precious Metal Regulator which moved to a clean audit compared to the prior year's financially unqualified opinion with findings on compliance with laws and regulations.

The Council of Geoscience regressed from a clean audit to financially unqualified with findings on compliance with laws and regulations, relating to material misstatements corrected as a result of the audit, and Expenditure management .

The improvements were due to the drafting of action plans to address the findings raised in the previous year, the continuous monitoring of progress against action plans by the Internal audit unit, and communicating thereon to those charged with governance.

#### **Risks and focus areas**

Although the department received a financially unqualified audit opinion, processes and procedures to ensure reliable and accurate accounting records throughout the year have to be put in place and monitored throughout with the assistance of Internal audit. The department needs to develop, document and implement policies and procedures, setting out the process to be followed on a monthly basis for capturing the receivables information as well as for following up and collecting outstanding debt. The department needs to seek additional funding to increase its capacity to continue its research into the rehabilitation of the asbestos mines and increase the number of inspections of the sites to be rehabilitated. This should be done to identify the conditions specific to those sites and mines to ensure that the quantification of the provision and contingent liability can be refined and calculated as accurately and reasonably as possible.

#### **Status of key controls and root causes of audit outcomes**

The material adjustments to the financial statements submitted for auditing were due to a lack of monitoring and review of controls over monthly processing. There was also a lack of appropriate oversight responsibility regarding compliance with laws and regulations. This non-compliance could have been prevented if the compliance with laws and regulations relating to procurement and contract management had been adequately monitored and reviewed.

## VOTE 32: MINERAL RESOURCES

Commitments and initiatives made by the Minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership met with the executive authority four times during the 2011-12 financial year. The discussions focused on the weaknesses reported as per the key control dashboards.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of the DMR provides the required level of assurance.</p>	■		
<b>Previous year</b>			
<p>The Minister of Mineral Resources committed to the development and implementation of a system to account for the rehabilitation provision and revenue in the previous year. Even though this is still in progress, it had a significant impact on the audit outcome.</p>	■		
<b>New</b>			
<p>The filling of key vacancies to facilitate effective monthly reporting.</p> <p>The governance structures (Internal audit units) to review all financial information produced.</p> <p>Timeous review of the rehabilitation provision for mines through the use of specialists.</p>			

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 32: MINERAL RESOURCES

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Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas				Findings on predetermined objectives				Findings on areas of non-compliance					
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Payables	Departmental revenue	Receivables for departmental revenue	Provisions	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Expenditure management	Revenue management	Procurement and contract management	HR management
	Department of Mineral Resources							A	A	A	A					R	R	R	R		N
<b>Reporting auditees</b>																					
1	Mine Health and Safety Council (MHSC)															R	R			N	
2	Council for Mineral Technology (MINTEK)																				
3	South African Diamond and Precious Metal Regulator (SADPMR)														A	A		A	A		
4	State Diamond Trader (SDT)																				
5	Council of Geoscience														N	N				N	

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Findings
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Legend (Findings)	Addressed	New	Repeat
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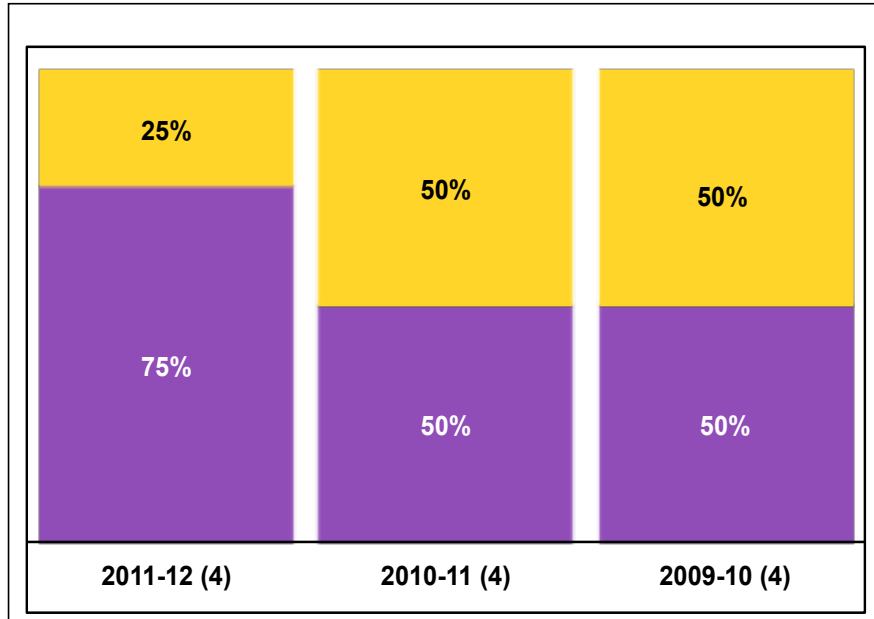






# VOTE 33: RURAL DEVELOPMENT AND LAND REFORM

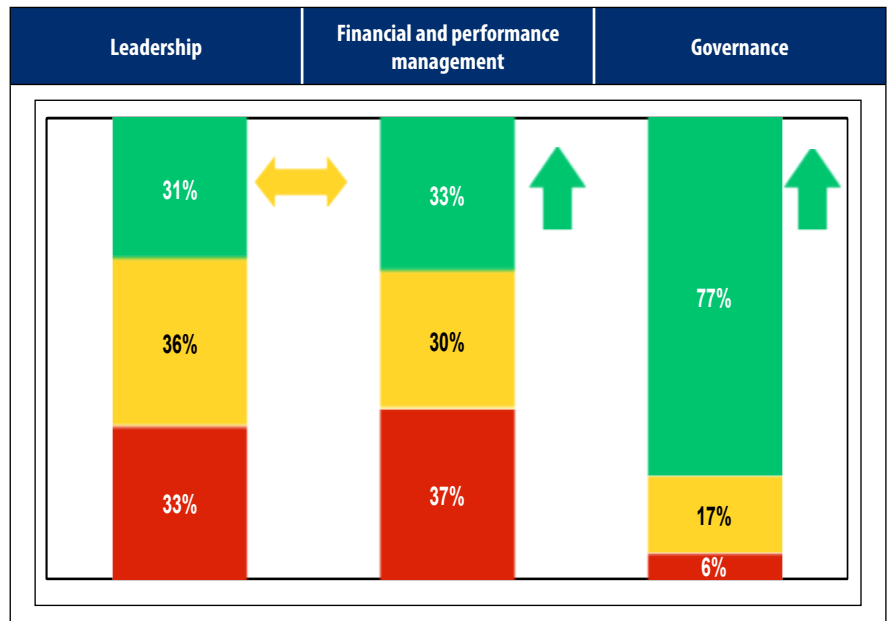
## Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

- Vacancies in key positions and inadequate skills
- Management not held accountable for implementation of action plans and commitments
- Specific accounting and operational policies not developed to address internal control deficiencies and complex accounting issues

## VOTE 33: RURAL DEVELOPMENT AND LAND REFORM

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### Audit outcomes and key reasons for movements

There has been a regression in audit outcomes since the prior year for the Department of Rural Development and Land Reform (DRDLR), portfolio. The Deeds Registration Trading Account saw a regression from unqualified with findings on predetermined objectives in the prior year to qualified with findings on predetermined objectives and compliance with laws and regulations.

The lack of improvement in the audit outcomes of DRDLR and ITB is as a result of the inadequate preparation, implementation and monitoring of the action plans. The regression at the portfolio was caused by lack of capacity and poor financial management in the recording of transactions by the finance department.

#### Risk/focus areas

Recurring issues relating to completeness and accuracy of immovable assets indicate that not all state-owned land has been accounted for. The department needs to develop and implement a process to verify and account for all state-owned land and enhance the link between the departmental immovable register, the deeds register and surveyor-general information.

Commitment to regular meetings by several stakeholders (Rural Development and Land Reform, Public Works, National Treasury, provincial departments and municipalities that are custodians of state land) is urgently required to resolve the issue of completeness and accuracy of the immovable asset register.

It is critical that the department secure funding for fair value valuation of immovable assets owned by the Ingonyama Trust Board (ITB) as required in terms of the GRAP.

The portfolio needs to focus on preparing complete and credible monthly financial and performance reporting (including disclosure items). Emphasis should also be placed on implementing appropriate checks and balances to ensure timely submission of reliable and credible information to those charged with governance, including the oversight committees to which the department reports.

The DRDLR and its related entities need to develop, document, update and implement policies and procedures that are relevant to the current business addressing operational procedures and complex accounting issues.

Monitoring and evaluation responsibilities relating to performance information and compliance with rules and regulations are still areas of concern.

The department undertook to ensure that senior management performance contracts are aligned to the strategic plan of the department. This will be followed by an alignment at middle management and for staff at lower levels to enhance effective individual Performance management process.

## VOTE 33: RURAL DEVELOPMENT AND LAND REFORM

### Status of key controls and root causes of audit outcomes

There has been little progress on key controls since the prior year and the status of most key controls remains in progress or under implementation. This is mainly due to lack of specific timelines in the action plans developed to address audit findings, slow implementation and lack of an effective monitoring and evaluation process.

Effective HR management processes need to be implemented to ensure that vacancies are filled and that skills are retained to enable the department to develop a strong and effective control environment.

A lack of monitoring and review of controls over monthly processing and reporting led to the material misstatements in the financial statements and annual performance report submitted for auditing, resulting in material adjustments. This is an indication of inadequate discipline of credible monthly reporting on financial, Performance management and compliance with laws and regulations.

### Commitments and initiatives by minister

#### Impact on 2011-12 audit outcomes

Significant impact

No impact

Limited impact

### Impact of quarterly discussions with the executive authority

There were four interactions with the minister during the year.

The quarterly interactions with the minister and accounting officer have been positive, with firm commitments being obtained. The modifications to the audit report require more leadership involvement from the department in its assessment of the root causes that led to the ongoing modifications. In addition, the department needs to be proactive in correcting the root causes that led to the findings reported and not only the findings reported during the prior years.

Implementation of these commitments has not been fully achieved to date, with a number of commitments that remain outstanding becoming a cause for concern. Some of the commitments were implemented in the 2012-13 financial year.

The executive authority plays a role in providing assurance in the public sector. Our assessment is that more work needs to be done in this area to ensure that the assurance provided is at the appropriate level.



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## VOTE 33: RURAL DEVELOPMENT AND LAND REFORM

### **Previous year**

New operational and financial policies are to be drafted and implemented to help the department to mitigate risks, detect and prevent irregularities and safeguard assets and records.

Separate unit to be created, with a focus on management information systems support.

Development of action plans to address weakness in the system of internal controls and to issue progress reports quarterly..

Enhance communication and management of information to enable better decision-making and performance reporting and to meet strategic objectives efficiently and effectively

The strategic plans for the 2011-2015 financial years to be developed using the new planning framework to ensure that the department-wide objectives are clearly defined and that risks associated with each objective are spelled out and controlled throughout the financial year.

To ensure that Internal audit function is functioning adequately and is fully staffed.



### **New**

No new commitments. The minister reiterated the commitments previously made.

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 33: RURAL DEVELOPMENT AND LAND REFORM

388

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas				Findings on predetermined objectives				Findings on areas of non-compliance							
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Non-current assets	Liabilities	Revenue	Expenditure	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Procurement management	Expenditure management	Asset and liability management	Revenue management	Strategic planning and performance management	HR management
	Department of Rural Development and Land Reform						R				R	R			R	R			N		R		
<b>Reporting auditees</b>																							
1	Agricultural Land Holding Account														N	R			N	N			
2	Deeds Registration Trading Account							N		N	A	R			N		N						
3	Ingonyama Trust Board						R	N	R						R	A	N	N	N	N			N

Legend (Audit outcomes)	Financially unqualified with findings	Qualified	Findings
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Legend (Findings)	Addressed	New	Repeat
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# VOTE 33: RURAL DEVELOPMENT AND LAND REFORM

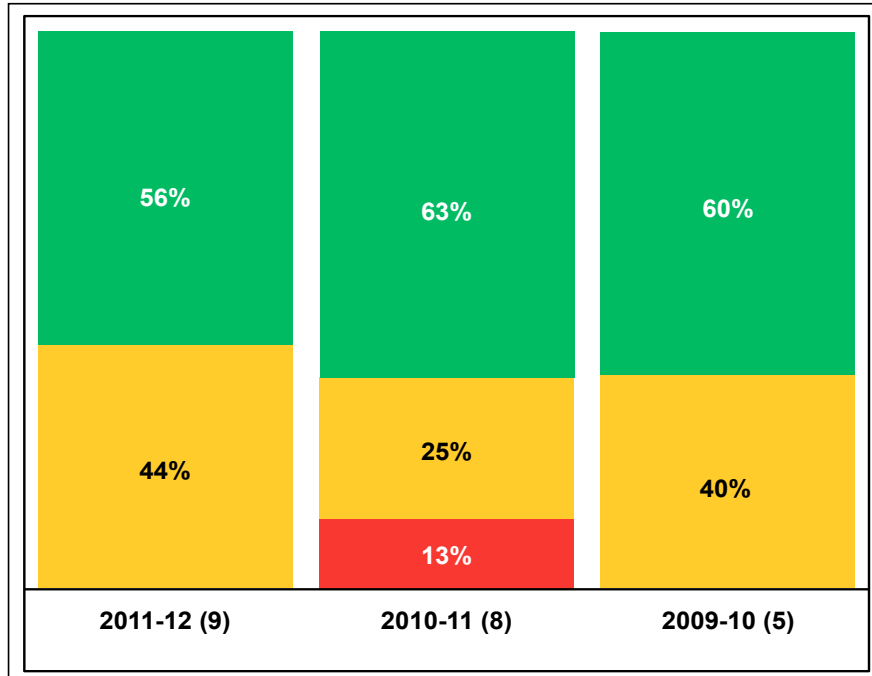
Unauthorised, irregular, as well as fruitless and wasteful expenditure						Procurement and contract management					Drivers of internal control										Human resource management				Information technology management				Root causes							
Unauthorised expenditure		Irregular expenditure		Fruitless and wasteful expenditure		Limitation on planned scope of audit of awards	Awards to employees	Awards to close family members of employees	Uncompetitive or unfair procurement processes	Inadequate contract management	Internal control deficiencies	Leadership					Financial and performance management					Governance			Management of vacancies	Appointment processes	HR planning and organisation	Performance management	Management of leave, overtime and suspensions	IT governance	Security management	User access management	IT service management	HR capacity and productivity	Attention to key controls	Effectiveness of assurance providers
Movement	Amount R	Movement	Amount R	Movement	Amount R							Effective leadership culture	Oversight responsibility	HR management	Policies and procedures	Action plans	IT governance	Proper record keeping	Processing and reconciling controls	Reporting	Compliance	IT systems controls	Risk management	Internal audit												
		↓	7,84m	↑	6,72m				A			S	S	S			S	S						R	R		A	A	R	R	R	R				
				↓	478k					A			S	S		S				S										N	R	R				
		↓	1,93m	↓	43k				N	N													R			R	R	R	R							
				↑	-				N	N	S	S					S	S																		

Legend (Movements)	Reduction	↑	Increase	↓
Legend (Drivers)	Good	Causing concern	Intervention required	S = Significant control deficiency
Legend (Findings)	Addressed	New	Repeat	



# VOTE 34: SCIENCE AND TECHNOLOGY

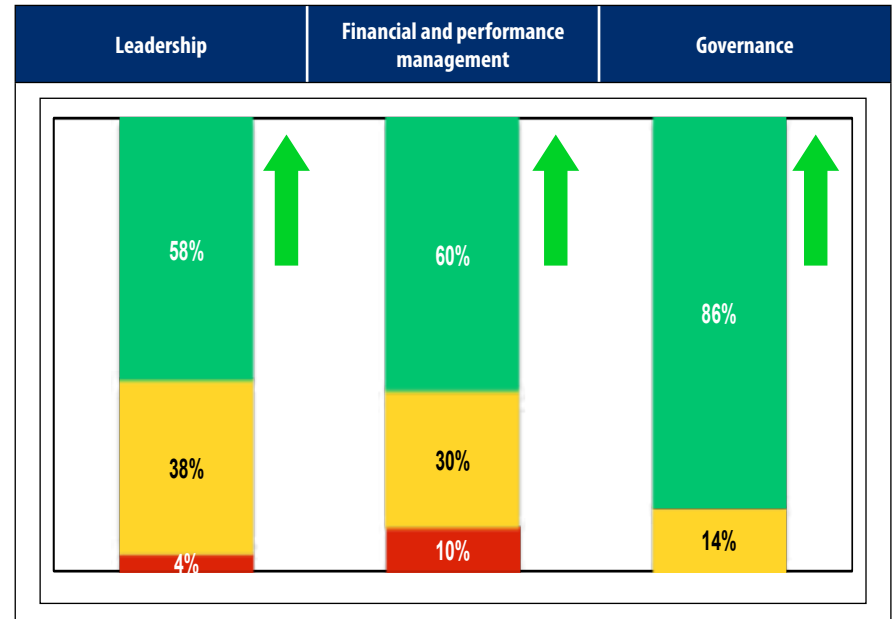
## Three-year progress towards clean audits



5 risk areas



Key controls



390



Root causes





## VOTE 34: SCIENCE AND TECHNOLOGY

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### **Audit outcomes and key reasons for movements**

The outcomes for the portfolio have generally remained unchanged. ASSAF, NRF, CSIR and HSRC have unqualified opinions with no findings on predetermined objectives and compliance. SANSA, DST and AISA have unqualified opinion with findings on either compliance or predetermined objectives. TIA is unqualified with other findings.

The audit outcome for HSRC improved since the previous year as HSRC had established a risk section responsible for monitoring adherence to predetermined objectives and compliance with laws and regulations. The audit outcomes for DST and AISA regressed since the previous year. DST regressed as a result of findings relating to predetermined objectives where the targets were not monitored to ensure that they are specific, measurable, achievable, realistic and time bound. AISA recorded instances of non-compliance with procurement and contract management policies and procedures, while material adjustments were required to the financial statements. TIA's audit outcome improved from an adverse opinion to unqualified with findings on predetermined objectives. This improvement is due to management's commitment and the fact that the finance department was staffed with qualified personnel. For SANSA and TIA [section 4(3) entities] there were findings on both compliance with laws and regulations and predetermined objectives.

#### **Risk/focus areas**

The main areas of concern for DST and its entities are findings related to the IT environment, predetermined objectives and compliance with SCM regulations. The root causes of the findings in the portfolio include the fact that the chief information officer had only been appointed in June 2012. The staff at the lower levels in the department did not have a proper understanding regarding the information required for the annual performance report. In respect of supply chain management, even though approved policies and procedures were in place at AISA, these were not always adhered to and there was inadequate review of the SCM process at the entity. The department and entities should focus on these areas in the next financial year.

#### **Status of key controls and root causes of audit outcomes**

With regard to predetermined objectives there was a lack of oversight of performance reporting, insufficient monitoring during the planning cycle to ensure that the programmes adhere to the development guidelines. and insufficient monitoring and evaluation of predetermined objectives on a timely basis. In the IT environment there was a lack of policies and procedures and inadequate monitoring of controls.

## VOTE 34: SCIENCE AND TECHNOLOGY

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership met with the executive authority four times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of the DST provides the required level of assurance.</p>	■		
<b>New</b>			
The minister has committed to follow up on the predetermined objectives findings of the department on a quarterly basis.			

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 34: SCIENCE AND TECHNOLOGY

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Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas		Findings on predetermined objectives		Findings on areas of non-compliance						
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Current assets	Other disclosure items	Reported information not useful	Reported information not reliable	Procurement and contract management	Expenditure management	Material misstatement/limitations in submitted annual financial statements	Strategic planning and performance management	Internal audit	Annual financial statements and annual report	Unauthorised, irregular, as well as fruitless and wasteful expenditure
	Department of Science and Technology									N								
<b>Reporting auditees</b>																		
1	Human Sciences Research Council									A	A	A						A
2	Africa institute for South Africa											N		N				N
3	National Research Foundation																	
4	Council for Scientific and industrial research																	
<b>Audits not conducted by the AGSA</b>																		
5	South Africa National Space Agency									N	N	N			N			A
6	Technology innovation Agency						A	A	R		R	A	R	R	A	A		R
7	Academy of Science of South Africa																	
8	Technology and human resources for industry programme																	

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Disclaimer	Findings
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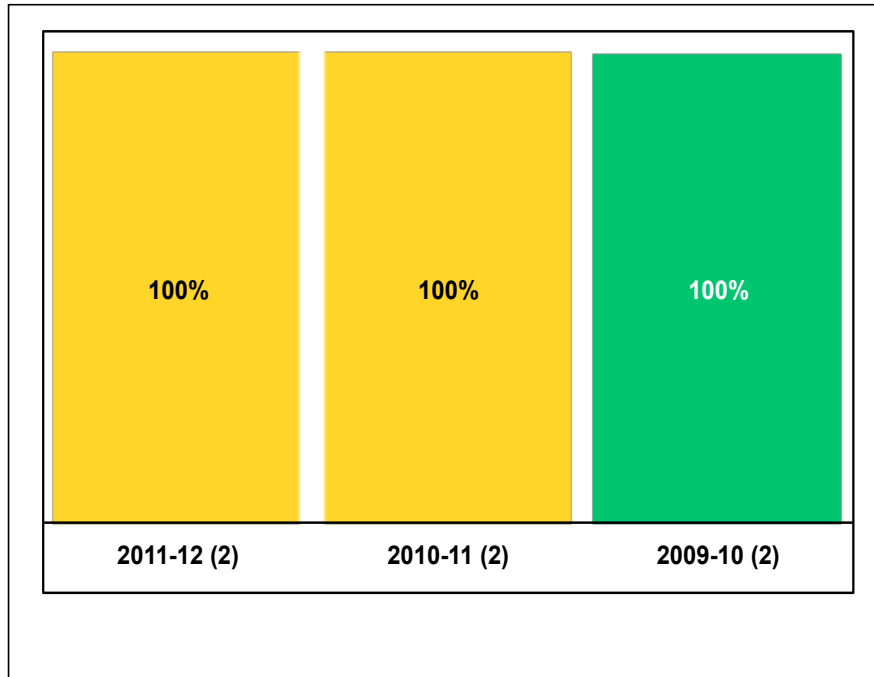
Legend (Findings)	Addressed	New	Repeat
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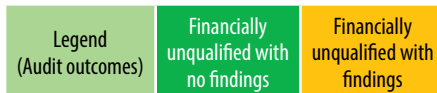


# VOTE 35: TOURISM

## Three-year progress towards clean audits



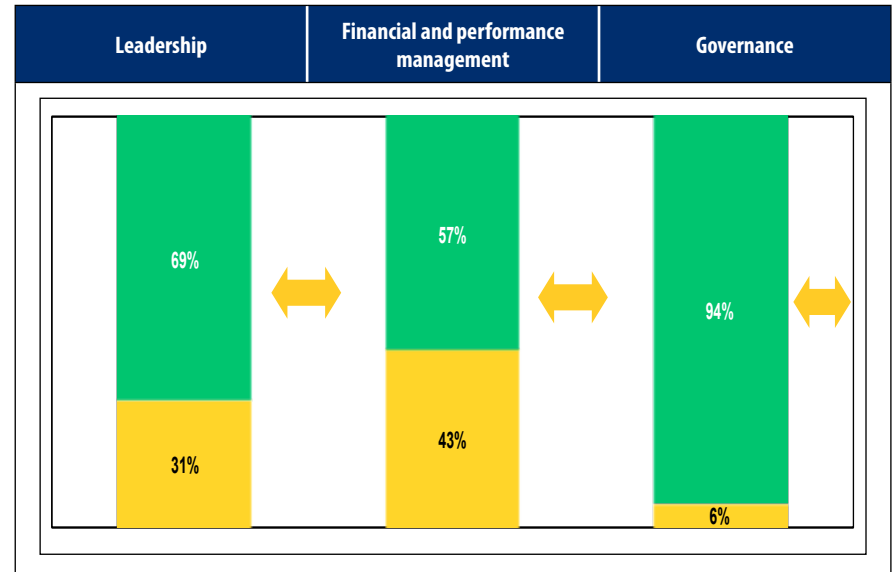
396



5 risk areas



Key controls



Root causes

- Inadequate review of financial statements by management and audit committee
- Compliance with laws and regulations not always being enforced by management to avoid deviations and material adjustments.
- Non-compliance with DoRA requirements in transfers to EPWP

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### **Audit outcomes and key reasons for movements**

In 2009-10 the National Department of Tourism (NDT) and South African Tourism (SAT) were unqualified with no findings. Their outcomes have remained unchanged for the last two years at unqualified with findings on compliance with laws and regulations.

The cause of non-compliance with laws and regulations relates to the Expanded Public Works Programme (EPWP). As for the material adjustments to the financial statements, this was due to lack of the monthly discipline of preparing the financial information/reports.

The accounting officer is committed to achieving clean administration, which is why he is conducting investigations into compliance with laws and regulations.

#### **Risk/focus areas**

The accounting officer identified the EPWP as a risk for the department and had already raised this with the AGSA when he was appointed. He requested the AGSA to focus on the programme during the last two audits. He has also initiated his own investigations and has put new controls in place to address the previous weaknesses. He has personally driven this process and the improvement should be seen in future audit outcomes.

The main area of concern at SAT is their procurement through deviations from the SCM laws and regulations, some of which resulted in irregular expenditure. Oversight and monitoring of and compliance with the SCM process should be improved.

The additional matter in the SAT audit report relating to predetermined objectives was as a result of non-achievement of certain targets.

IT policies and controls at SAT relating to security management and user access control are being reviewed by management to ensure that they are aligned with best practices.

SAT incurred a net deficit which was funded from accumulated surpluses. This was due to foreign exchange losses for which the entity cannot hedge.

#### **Status of key controls and root causes of audit outcomes**

NDT's non-compliance was due to the fact that the impact of the corrective actions taken by the accounting officer to address weaknesses in controls will only be evident in the next financial year. The action plans to address prior year findings have been implemented and are being tracked by both management and Internal audit on a continuous basis. The minister is also regularly updated by management on the progress being made.

The SCM findings at SAT were as a result of the SCM laws and regulations not always being enforced by management to avoid deviations.

The material adjustments to the financial statements of SAT were as a result of ineffective review of the financial statements by both management and Audit committee.

SAT's accounting authority and management have indicated that action plans will be updated and implemented to address the findings.

The additional matter reported in the NDT audit report relating to predetermined objectives resulted from material misstatements due to the unreliability of supporting evidence. These misstatements relate directly to EPWP information.

## VOTE 35: TOURISM

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership has met with the executive authority three times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we have assessed that the executive authority of the DT meets the required level of assurance.</p>			■
<b>Previous year</b>			
<p>Will maintain proper records supporting predetermined objective reports and will be available for audit purposes. This will contribute to improved audit outcomes from the 2010-11.</p>			■
<b>New</b>			
<p>Regular engagements have taken place with the executive to discuss the key control assessments as well as the audit outcomes. At the last meeting held on 20 September 2012, the tourism portfolio audit outcomes were shared with the executive authority and the root causes and recommendations were discussed.</p> <p>The executive authority confirmed that the engagements were invaluable and that they were given high priority.</p> <p>The minister will focus more closely on setting performance targets and indicators for both the department and SAT.</p> <p>The EPWP projects are an area of concern to the minister and the department's management and will continue to be an area of focus.</p>			

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**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITY IN PORTFOLIO**

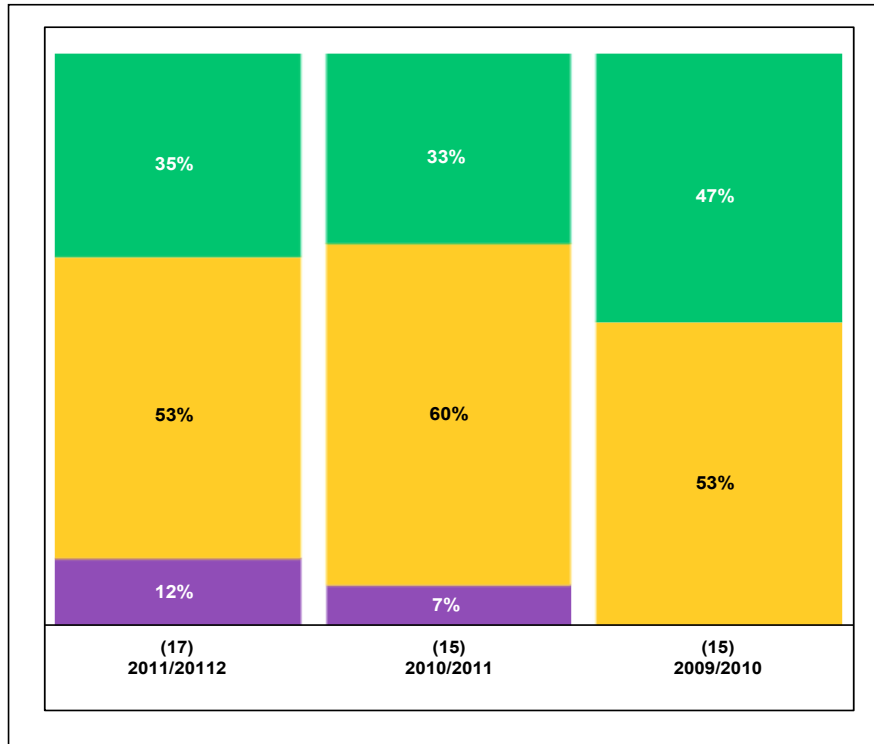






# VOTE 36: TRADE AND INDUSTRY

## Three-year progress towards clean audits



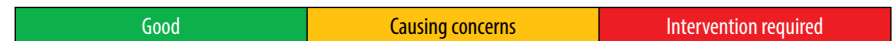
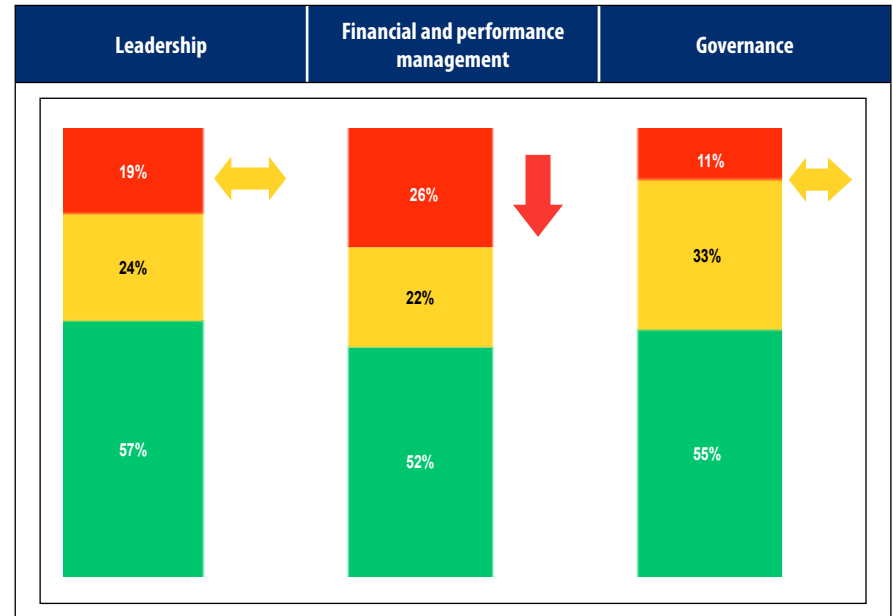
402



5 risk areas



Key controls



Root causes

Insufficient oversight by leadership on financial and performance management and compliance with laws and regulations and in year monitoring of action plans

Ineffective monitoring of key controls and inadequate IT systems

Action plans were not properly developed and effectively implemented to address the prior year audit outcomes

## VOTE 36: TRADE AND INDUSTRY

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### Audit outcomes and key reasons for movements

The audit outcomes for this portfolio have regressed, with the majority of reports being in the category of financially unqualified with findings (9 entities) and financially unqualified with no findings (6 entities). There were two entities that received qualified audit opinions, namely Companies and Intellectual Property Commission (CIPC) and the National Regulator for Compulsory Specifications (NRCS). CIPC received repeat qualifications on annual return revenue and receivables as well as a new qualification on payables from non-exchange transactions. This was mainly as a result of inadequate information systems being in place to provide for reliable and accurate financial reporting. There was a regression in the audit outcomes of NRCS, which moved from financially unqualified with findings to a qualified audit opinion. The qualification was on the completeness of revenue from services rendered from exchange transactions due to inadequate systems being in place for the identification and recognition of all revenue from services rendered. Furthermore, there was a qualification on property, plant and equipment due to the useful lives not being evaluated for each reporting period as required by the accounting standards, as well as the asset register not agreeing to the financial statements. The material misstatements that led to the qualifications were mainly due to lack of adequate review of the financial statements because of vacancies in key leadership positions.

There were four entities that had findings on predetermined objectives, namely National Gambling Board (NGB), National Consumer Tribunal (NCT), CIPC and NRCS. The findings on predetermined objectives were mainly as a result of a lack of understanding of the FMPPI requirements due to indicators not being well defined and verifiable, targets not conforming to the SMART principles and reported indicators and targets not being consistent with planned indicators and targets. The findings on compliance were mainly as a result of non-adherence to SCM prescripts. Eight entities also had non-compliance findings due to material adjustments to their financial statements.

The six entities that were financially unqualified with no findings are the South African Bureau of Standards (SABS), Small Enterprise Development Agency (SEDA), the Companies Tribunal, South African National Accreditation System, National Empowerment Fund and Export Credit Insurance Corporation of South Africa.

#### Risk/focus areas

The key challenge for the movement of audit outcomes towards clean administration remains primarily in the areas of submission of financial statements which are free from material misstatements, compliance with SCM prescripts and compliance with the FMPPI regulations on performance against predetermined objectives. There are also inadequate information systems in place to provide for reliable and accurate financial reporting at CIPC.

The Department of Trade and Industry and its related entities should continue to focus on implementing monthly controls to avoid material corrections to the financial statements. These controls should include proper record keeping and full monthly financial statements with all relevant disclosure notes. SCM processes should also be improved to prevent and detect irregular expenditure.

The vacancies in key leadership positions at NRCS should be prioritised, i.e. accounting authority, CEO and the CFO. At CIPC, the focus should also be on implementing adequate information systems, including a revenue and debtor management system.

## VOTE 36: TRADE AND INDUSTRY

### Status of key controls and root causes of audit outcomes

The key focus areas in internal control that should be addressed relate mainly to oversight by leadership of Financial and performance management , compliance with laws and regulations and in-year monitoring of action plans.

The root causes of non-improvement in audit outcomes are insufficient oversight by leadership of Financial and performance management and compliance with laws and regulations; ineffective monitoring of key controls; messages communicated throughout the audit process not being taken seriously and/or not actioned immediately or decisively by management ; and inadequate information systems to provide for reliable and accurate financial reporting, specifically with regards to CIPC.

#### Commitments and initiatives by minister

#### Impact on 2011-12 audit outcomes

Significant impact

No impact

Limited impact

#### Impact of quarterly discussions with the executive authority

The AGSA leadership met with the executive authority twice during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.

The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of Trade and Industry provides the required level of assurance.

#### Previous year

None

#### New

The executive authority committed to improving the quality of the annual financial statements. This will be done through the development and implementation of an action plan to address all audit findings, which will be monitored by the accounting officer, Internal audit and Audit committee on a quarterly basis. The accounting officer will submit the assessment for review to the Audit committee and the executive authority for follow-up on all areas where the controls were found not to be implemented.

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 36: TRADE AND INDUSTRY

406

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas					Findings on predetermined objectives				Findings on areas of non-compliance										
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Revenue	Receivables	Other: Interest income, impairments, bad debts recovered	Liabilities	Property, plant and equipment	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Asset management	Expenditure management	Internal audit	Revenue management	Procurement management	HR management	Strategic planning and performance management	Audit committee	Enabling legislation	
1	Department of Trade and Industry											A	A			R	R	R				R	N				
<b>Reporting auditees</b>																											
2	Companies and Intellectual Property Commission						R	R	R	N		R	R			R			N	R	A						
3	Companies Tribunal																										
4	National Gambling Board											R				A											
5	National Consumer Commission															N	N	N	N			N			N		
6	National Consumer Tribunal											R										A					
7	National Credit Regulator															N											
8	National Regulator for Compulsory Specifications						N				N	N	N			N	N	R				R					
9	South African Bureau Of Standards																										
10	Small Enterprise Development Agency (SEDA)																										

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	New	Findings
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Legend (Findings)	Addressed	New	Repeat
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# VOTE 36: TRADE AND INDUSTRY

408

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas					Findings on predetermined objectives				Findings on areas of non-compliance										
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Revenue	Receivables	Other: Interest income, impairments, bad debts recovered	Liabilities	Property, plant and equipment	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Asset management	Expenditure management	Internal audit	Revenue management	Procurement management	HR management	Strategic planning and performance management	Audit committee	Enabling legislation	
11	National Lotteries Board															N		R	A		R						
12	National Lottery Distribution Trust Fund															R		R								R	
<b>Audits not conducted by the AGSA</b>																											
13	Estate Agency Affairs Board															N		R		N	R		R	A	R		
14	South African National Accreditation System																										
15	National Empowerment Fund																										
16	Export Credit Insurance Corporation of South Africa											A	A														
17	National Metrology Institute of SA															A					N						

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	New	Findings
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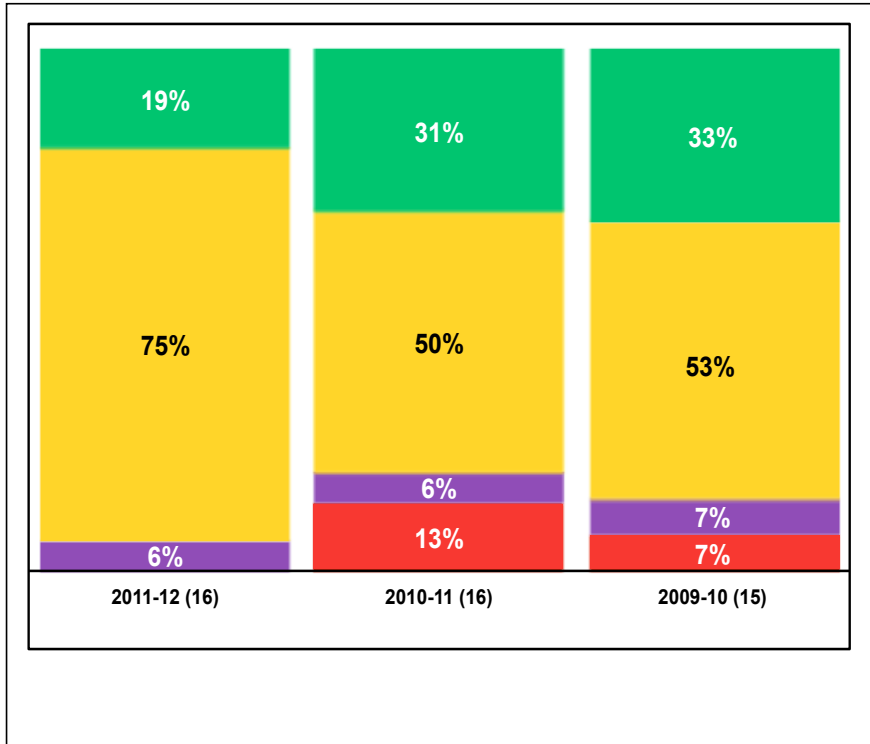
Legend (Findings)	Addressed	New	Repeat
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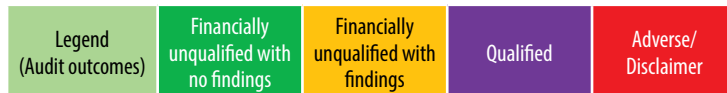


# VOTE 37: TRANSPORT

## Three-year progress towards clean audits



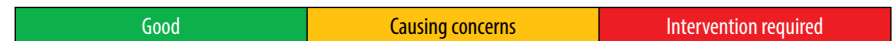
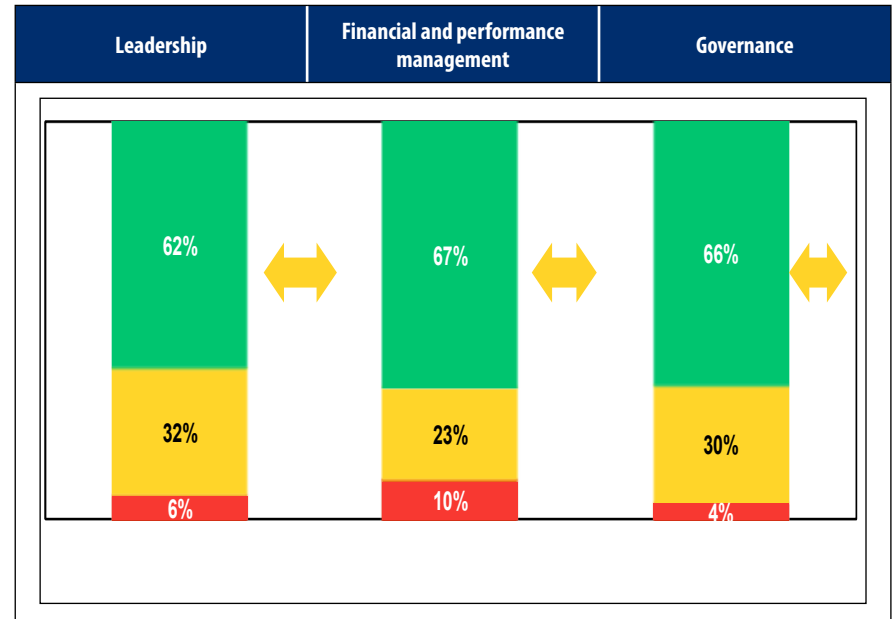
410



5 risk areas



Key controls



Root causes

**Key vacant posts in both the department and the entities.**

**Ineffective oversight by the department over the public entities and inadequate reviews of the financial statements prior to these being submitted for audit.**

**Ineffective Internal audit section and audit committees to provide oversight and assurance functions within the department and certain entities.**

## VOTE 37: TRANSPORT

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### **Audit outcomes and key reasons for movements**

The Department of Transport (DOT) and the significant entities in the transport portfolio achieved a financially unqualified audit opinion with findings on either reporting against predetermined objectives or compliance with laws and regulations, with the exception of one entity (CBRTA) which was qualified. Despite this, the portfolio has regressed in that it had 33% clean audits in 2009-10 and currently has 19%. It has also improved from two entities with a disclaimed/adverse opinion (RTMC and RTIA) to none reported in the current year. These two entities received unqualified audit opinion with findings on compliance and predetermined objectives.

The movement in the adverse/disclaimer category was due to the entities changing their accounting policies, developing action plans to address the modified areas and more involvement by the delegated officials. In certain instances, vacant positions were filled.

The portfolio is regressing in the area of compliance with laws and regulations, especially the SCM-related regulations.

#### **Risk/focus areas**

Supply chain management – deviations from SCM practices; written price quotations not obtained; procurement above R500 000 not being subject to competitive bidding; tax clearance certificates not obtained; and preference point system not applied correctly, which resulted in irregular expenditure being incurred.

Predetermined objectives reporting – Compliance matters, changes to performance targets and indicators not approved, strategic plan not submitted on time. Information to support reported performance was not accurate for two entities. At two entities it was found that the reported objectives, indicators and targets were not consistent with the planned objectives, indicators and targets. At three entities it was found that the objectives, indicators and targets did not meet the SMART principles.

HR management – The department had an overall vacancy rate of 33% , 20% of which was at senior management level. There was ineffective management of leave, overtime and suspensions. At two entities there was a concern over HR planning and organisation.

Information technology - Disaster recovery, back up and user access controls were identified as the common findings within the portfolio.

Material misstatements in financial statements - Eight entities had material misstatements in the financial statements submitted for audit which were subsequently corrected. One entity partially corrected the misstatement in the financial statements.

## VOTE 37: TRANSPORT

### Status of key controls

Weaknesses were identified in the systems for reporting non-compliance as well as irregular and fruitless and wasteful expenditure at state-owned entities. This is also due to the parent department incurring such expenditure.

**Leadership** – ineffective oversight by the department of the public entities due to lack of capacity in the oversight units within the department. Key vacant posts in both the department and the entities. Lack of policies and procedures to guide PDO reporting and the SCM processes. Action not being taken against staff who do not comply with laws and regulations, which caused the department and the entities to incur irregular and fruitless and wasteful expenditure.

**Financial and performance management** – inadequate document and records management which result in delays in finalising audits. Lack of skilled and experienced staff in the finance sections. Inadequate review of the financial statements prior to these being submitted for audit. Culture of preparing monthly financial statements with disclosure notes and the discipline of regular checks and balances are not in place in the portfolio.

**Governance** – Ineffective Internal audit section and Audit committees to provide oversight and assurance functions within the department and certain entities.

Leadership not setting the correct tone at the top and deviations from SCM practices not properly considered.

Lack of action being taken against officials who do not comply with laws and regulations.

Key vacant posts and staff acting in key posts for extended periods.

Lack of training of staff in procurement sections on the latest practice notes and regulations governing supply chain management .

Lack of skilled and experienced staff in the finance sections.

Leadership not monitoring the implementation of action plans to address prior year audit findings.

Lack of capacity in the department to perform effective oversight of all the public entities in the portfolio.

### Oversight and governance of PFMA schedule 2 public entities

Oversight procedures were conducted at the department. The department has established a directorate that facilitates the oversight and governance function at its public entities. The directorate was not capacitated to deal with the monitoring of entities. The following were raised in the performance audit procedures:

Late submission of quarterly reports; lack of review of such reports and guidance to the entities; and lack of analysis of the entities in terms of their reporting on PDOs.

## VOTE 37: TRANSPORT

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the executive authority</b>			
<p>The AGSA leadership met with the executive authority four times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards and the previous year's audit outcomes.</p> <p>The impact of the meetings was minimal and reflected in RTIA and RTMC which moved from a disclaimer/adverse to unqualified audit opinion with findings. CBRTA addressed the qualification areas raised in 2010-11 financial year and the impact will reflect in 2012-13 financial year. Going concern status of PRASA group has improved.</p>			■
<b>Previous year</b>			
No documented commitments were received			
<b>New</b>			
<p>Through the quarterly interactions the minister has committed to:</p> <ul style="list-style-type: none"> <li>• ensure that the DOT leads by example for the entities under its control by attaining a clean audit report.</li> <li>• engage all the entities in the portfolio to drive the progress towards clean administration.</li> <li>• meet regularly with the chairpersons of the boards and the Audit committees to track the progress of the entities.</li> <li>• instructing the accounting officer to ensure that the CEO Forum meets regularly to track progress made with implementation of action plans to address prior year audit findings.</li> </ul>			

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 37: TRANSPORT

414

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas				Findings on predetermined objectives				Findings on areas of non-compliance								
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Current asset	Capital and reserves	Revenue	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Internal audit	Budgets	Audit committee	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Expenditure management	Financial misconduct	Procurement management	Strategic planning and performance management
1	Transport										A	A								R			R	
<b>Reporting auditees</b>																								
2	Autopax (Pty) Ltd															N	N			N	N		N	
3	Cross-Border Road Transport Agency						R	N	A		R	R			R				R		N	R		
4	Driving Licence Card Account										A				A	R				R				
5	Intersite Property Management Services (Pty) Ltd										N	N			N									
6	Passenger Rail Agency of South Africa														R					N			R	
7	Railway Safety Regulator																			A			R	
8	Road Accident Fund																			R				
9	Road Traffic Infringement Agency						A		A	A	R	A			R					N			R	

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Adverse	Disclaimer	Findings
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Legend (Findings)	Addressed	New	Repeat
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# VOTE 37: TRANSPORT

416

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas				Findings on predetermined objectives				Findings on areas of non-compliance								
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Current asset	Capital and reserves	Revenue	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Internal audit	Budgets	Audit committee	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Expenditure management	Financial misconduct	Procurement management	Strategic planning and performance management
10	Road Traffic Management Corporation						A				R	A			R									
11	South African Civil Aviation Authority											A			A								R	
12	South African Maritime Safety Authority										R				R		A	N	A			A	N	
13	Ports Regulator of South Africa														N	R		R					R	
14	The South African National Roads Agency Limited																							
<b>Audits not conducted by the AGSA</b>																								
15	Air Traffic Navigation Services																							
16	Airports Company of SA Limited																	N						

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Adverse	Disclaimer	Findings
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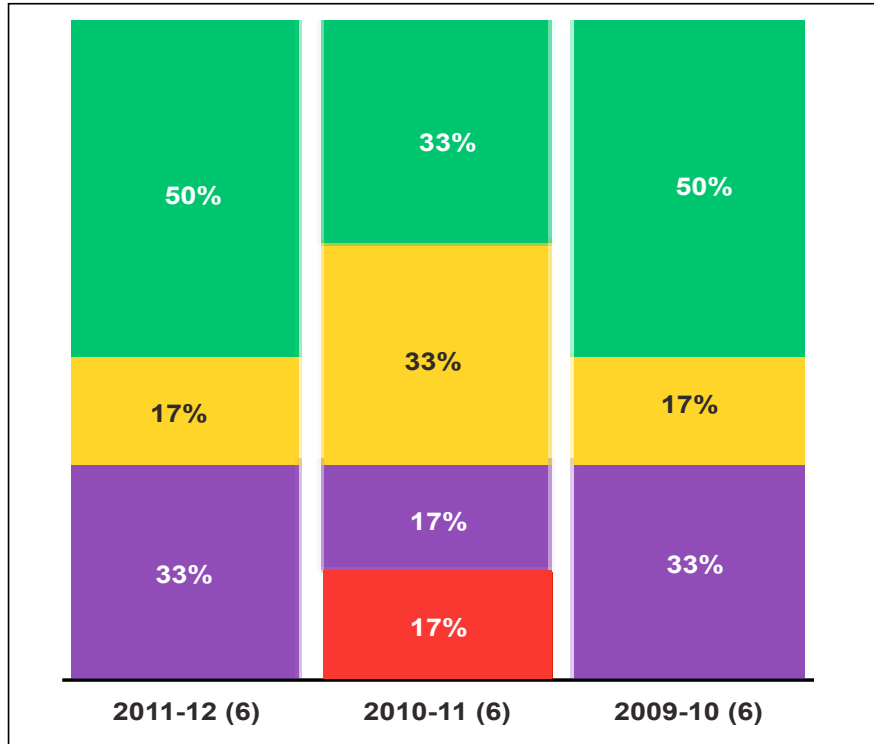
Legend (Findings)	Addressed	New	Repeat
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# VOTE 38: WATER AFFAIRS

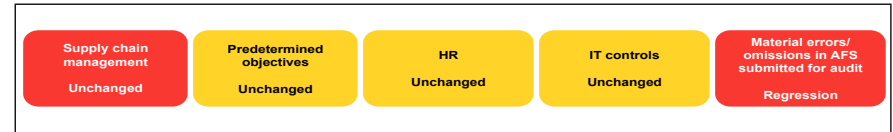
## Three-year progress towards clean audits



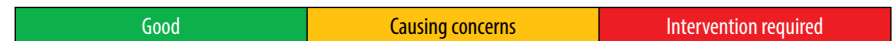
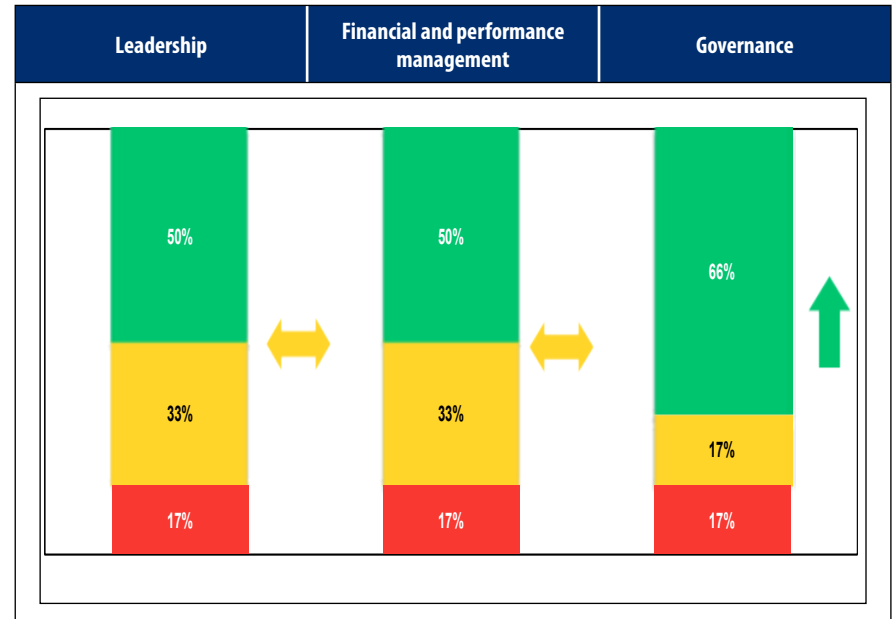
418



5 risk areas



Key controls



Root causes

- Inability of leadership to provide effective leadership due to the current structure. Leadership instability due to vacancies
- Accountability not accepted for outcomes and actions
- Inadequate discipline (monitoring) to ensure credible monthly financial and performance reporting

## VOTE 38: WATER AFFAIRS

### SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

#### **Audit outcomes and key reasons for movements**

The water affairs portfolio showed some improvement in its audit outcomes as the BCMA improved from financially unqualified with findings to financially unqualified with no findings (clean audit outcome), while the WTE improved from a disclaimer to a qualification. Two entities, namely TCTA and ICMA, remained clean and the department remained unchanged with qualifications. Although the WRC's outcomes remained unchanged at financially unqualified with findings, it managed to clear the prior year non-compliance finding on the strategic plan but regressed after non-compliance with SCM policies and procedures was identified. As a result of the irregular expenditure identified during the audit, WRC had to make material corrections to its financial statements. WRC would have to improve its current policies and procedures to ensure alignment to and compliance with treasury regulations.

#### **Risk/focus areas**

Irregular expenditure remains a cause of concern, mainly as a result of poor project management in the provinces and inadequate discipline to monitor and review transactions to prevent non-compliance.

Various areas of non-compliance were reported. Such non-compliance included procurement and contract management, material corrections required to the annual financial statements, and other Expenditure management findings. It is recommended that the department enhance its Performance management system so that staff are clear about their roles and responsibilities and can be held accountable for poor performance.

Repeat findings were raised at both the department and the WTE on the presentation, usefulness and reliability of performance information. The AGSA held workshops with the department and entity to assist them in understanding the requirements when preparing a strategic plan as well as the importance of having a system of collecting and reviewing information to ensure the accuracy thereof. There was no impact on the outcomes as a result of the workshops and it is anticipated that once the structure has been finalised and the positions filled, the department will be in a position to improve in the area of predetermined objectives.

#### **Status of key controls and root causes of audit outcomes**

The current outcomes at the department were mainly as a result of leadership instability, inadequate discipline (monitoring) to ensure credible financial and performance information and a lack of consequences for transgression and poor performance. The department is in the process of enhancing its staff establishment and critical positions are still vacant. The appointment of the CFO at the department resulted in some improvement in the department's daily activities. There are, however, challenges as the persons responsible for finances in the provinces do not report directly to the CFO and it is recommended that the department implement a change management process to successfully implement a revised reporting line for financial staff in the provinces so that they report directly to the CFO.

## VOTE 38: WATER AFFAIRS

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<b>Impact of quarterly discussions with the Minister</b>			
<p>The AGSA leadership met with the minister at least four times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.</p> <p>The minister has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the Minister of the DWA provides the required level of assurance.</p>	■		
<b>Previous year</b>			
<p>The minister was actively involved in addressing the challenges at the department and the WTE and had appointed a business process review (BPR) team in 2011. The BPR team performed a comprehensive diagnosis and recommendations should now be implemented and monitored in order to progress to financially unqualified audit outcomes by 2014.</p>			■
<b>New</b>			
<p>The commitments of 2011 are still in progress.</p>			

**NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO**

# VOTE 38: WATER AFFAIRS

422

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas						Findings on predetermined objectives				Findings on areas of non-compliance											
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Revenue	Current assets	Non-current assets	Expenditure	Liabilities	Other disclosure items	Capital and reserves	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Strategic planning and performance management	Annual financial statements and annual report	Internal audit	Procurement and contract management	HR management and compensation	Expenditure management	Revenue management	Audit committees	Material misstatement/limitations in submitted annual financial statements
	Department of Water Affairs						A	N	R	R	N	R		R	R	N			R				R	R	R			R	
<b>Reporting auditees</b>																													
1	Water Trading Entity						R	R	R	R	A	R	A	R	R	R			R	R	N	R	R	R	R	R	R	R	R
2	Water Research Commission																		N	A			N					R	
<b>Audits not conducted by the AGSA</b>																													
1	Trans-Caledon Tunnel Authority (TCTA)																												
2	Inkomati CMA																												
3	Breede CMA																				A						A		

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Disclaimer	Findings
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Legend (Findings)	Addressed	New	Repeat
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