



AUDITOR - GENERAL
SOUTH AFRICA



PFMA 2011-12

Audit outcomes of the Social Services

Arts and Culture • Basic Education • Health • Higher Education and Training • Labour • Social Development
• Sport and Recreation South Africa

CONSOLIDATED GENERAL REPORT
on NATIONAL and PROVINCIAL audit outcomes



Our reputation promise/mission

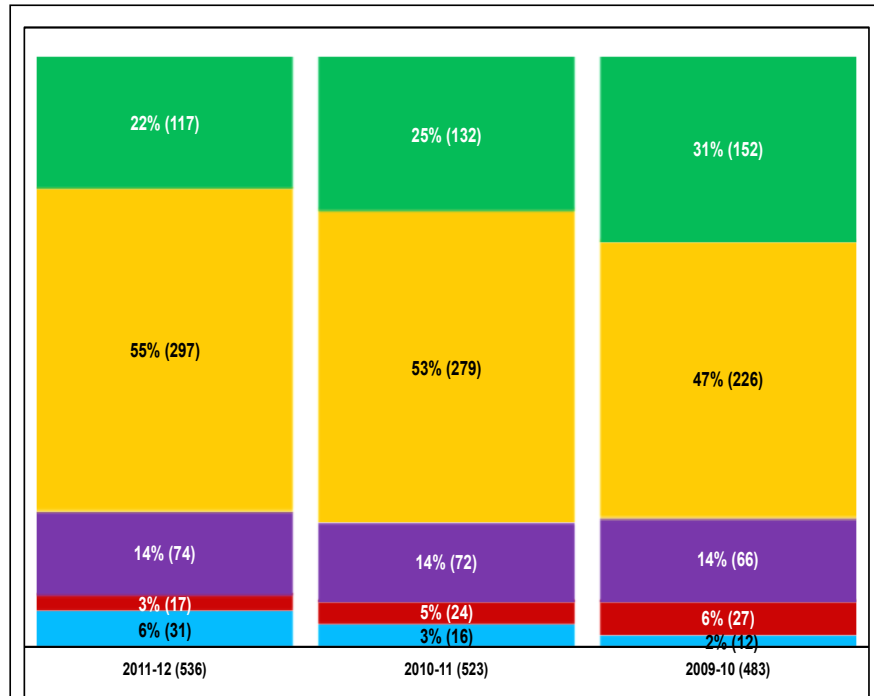
The Auditor-General of South Africa (AGSA) has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.



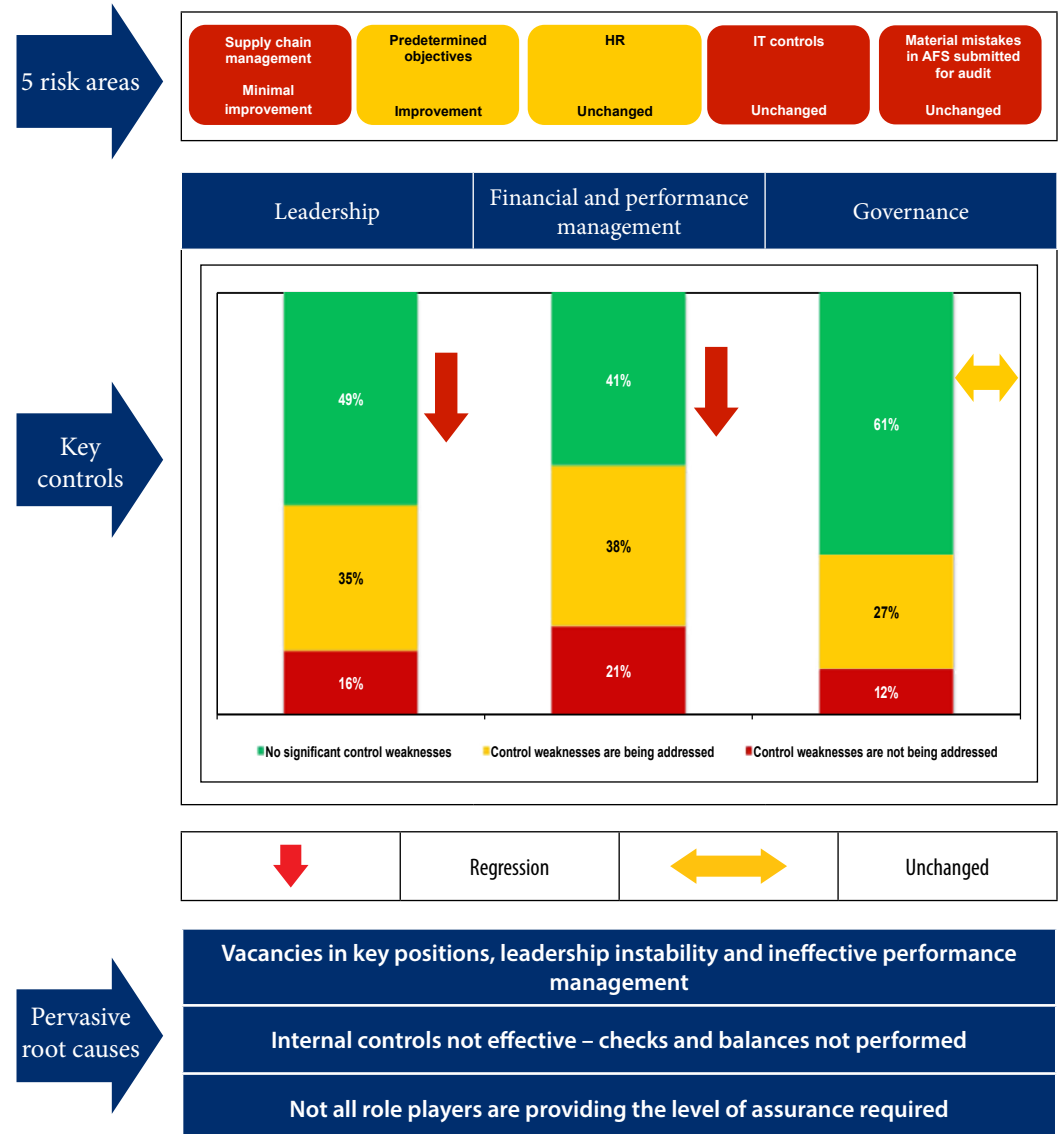


FOREWORD

Slow progress towards clean audits with slightly more regressions than improvements



Limited progress made in addressing five key risk areas and regression in overall status of key controls



FOREWORD

It is a pleasure to present to Parliament my 2011-12 general report on audit outcomes of departments, legislatures, public entities and other entities in the national and provincial spheres of government.

In response to the 2010-11 audit outcomes, commitments were made by the executive and oversight bodies to intensify their efforts in bringing positive change within the administration.

Despite my expectation that these commitments would drive improvements towards clean audits, the audit outcomes for the year show a general stagnant trend, with less than a quarter of auditees obtaining clean audit opinions and 52 not able to sustain their prior year clean audit opinion. My report shows that many leaders did not own and drive these commitments, so the commitments are left to flounder until the next audit starts. In this regard, I single out two significant commitments made a year ago:

- The executive committed to meet with my office quarterly for at least an hour. About 78% of them have made time at least three times in the past year to meet and share the results of our assessment of the risks and controls and to consider the status of commitments made and make new commitments. Although the engagements were well received, only small movements in audit outcomes can be seen. This was due to frequent leadership changes resulting in disruption in the implementation of commitments, our message being ignored, or our conversation not being compelling and persuasive enough. We therefore undertake to continue with the quarterly engagements, but with greater emphasis on quality conversations leading to increased impact.



- Parliament and legislatures committed to improve the collaboration between their respective public accounts committees and portfolio committees. We have yet to see more concentrated efforts in this regard as an uncoordinated approach will continue to weaken the effectiveness of oversight.

Of special concern is the increase in auditees with material findings on non-compliance with legislation, bringing it to 74%. Even though I have stressed for the past three years the urgent need to address the quality of the financial statements submitted for audit and weaknesses in supply chain management, human resource management and information technology controls, there has been minimal improvement.

The usefulness and reliability of the annual performance reports continue to improve, which is gratifying. I am now able to make a clearer assessment of service delivery risks but not to the full extent necessary (as some key departments responsible for national outcomes, such as those in the health, education and human settlement sectors, continue to have material shortcomings). Based on the annual performance reports, about 42% of auditees achieved 80% or fewer of their planned service delivery targets, while some departments had significantly underspent their conditional grants and capital budgets. My report further highlights risks to the financial health of national and provincial government flowing from poor budget management, cash and debtors management of departments and the financial management of some public entities. These indicators reflect that the fiscus could be placed under further pressure if such risks are not addressed.

In this general report, I raise three areas that require corrective steps by those charged with governance to achieve improvements in the audit outcomes:

- **Vacancies in key positions** and **instability in leadership** positions affect the pace of sustainable improvements. **Ineffective performance management** is evident at some auditees, which means that officials who perform poorly are not dealt with decisively. A concerted effort is required to address the challenges in human resource capacity and productivity.

- **Effective internal controls** to prevent, detect and correct non-compliance with legislation and mistakes in the financial and performance reports are lacking. Overall the effectiveness of key controls has regressed, as they were not designed and implemented in a sustainable manner. Checks and balances for all key processes, monthly reporting and validation processes to ensure the credibility of all management information are basic controls which skilled professional should be able to implement.
- Government should be monitored in a thorough, diligent and collaborative manner. My office only provides independent assurance on the credibility of financial and performance information and compliance with selected legislation. We are not the only **provider of assurance** to the citizens that government is delivering services in a responsible and accountable manner. The monitoring functions vested in **senior management, accounting officers, internal audit, audit committees and executive authorities** should be better exercised so that audit outcomes and service delivery issues are dealt with through self-monitoring, while audit provides an external validation. The **treasuries, offices of the premiers, public service administration and other coordinating/monitoring institutions** should fulfil their role envisaged in legislation to guide, support, coordinate and monitor government. The **legislatures and Parliament** should be scrupulous and courageous in performing their oversight function in order to make an impact on clean administration. My assessment (detailed in this report) is that not all of these role players are providing the level of assurance required to create the momentum towards improve audit outcomes.

A common reaction to the audit outcomes is the question posed by many about the need for officials to be accountable, and for there to be consequences for poor performance, misappropriation of state resources and fraud. In response, we have highlighted in a separate booklet, the range of legislation at the government's disposal that enables remedies to be applied where there has been transgression. These must be used where necessary to reverse the culture of "business-as-usual". It is my assessment that the full power of the law is yet to be activated, leading to commentators asking "What can be done?" or saying "There are no consequences". Highlighting these remedies provides a starting point for our responsible leaders

and the relevant legislatures and departments to take action. All parties have to play their part.

Although progress towards clean audits is slow, I am encouraged by examples of commitments by leaders and officials which translated into improved audit outcomes and I am confident similar results can be achieved by all auditees. In conjunction with various key role players, my office has provided input towards the development of solutions to the challenges highlighted in this report, and will in future share assessments of progress in joint sessions with the Head of Government Business and Parliament and through similar engagements in the provinces.

It is through all our efforts and the work of auditors that we will contribute towards strengthening our democracy through auditing.

Auditor-General

Auditor-General

Pretoria

March 2013

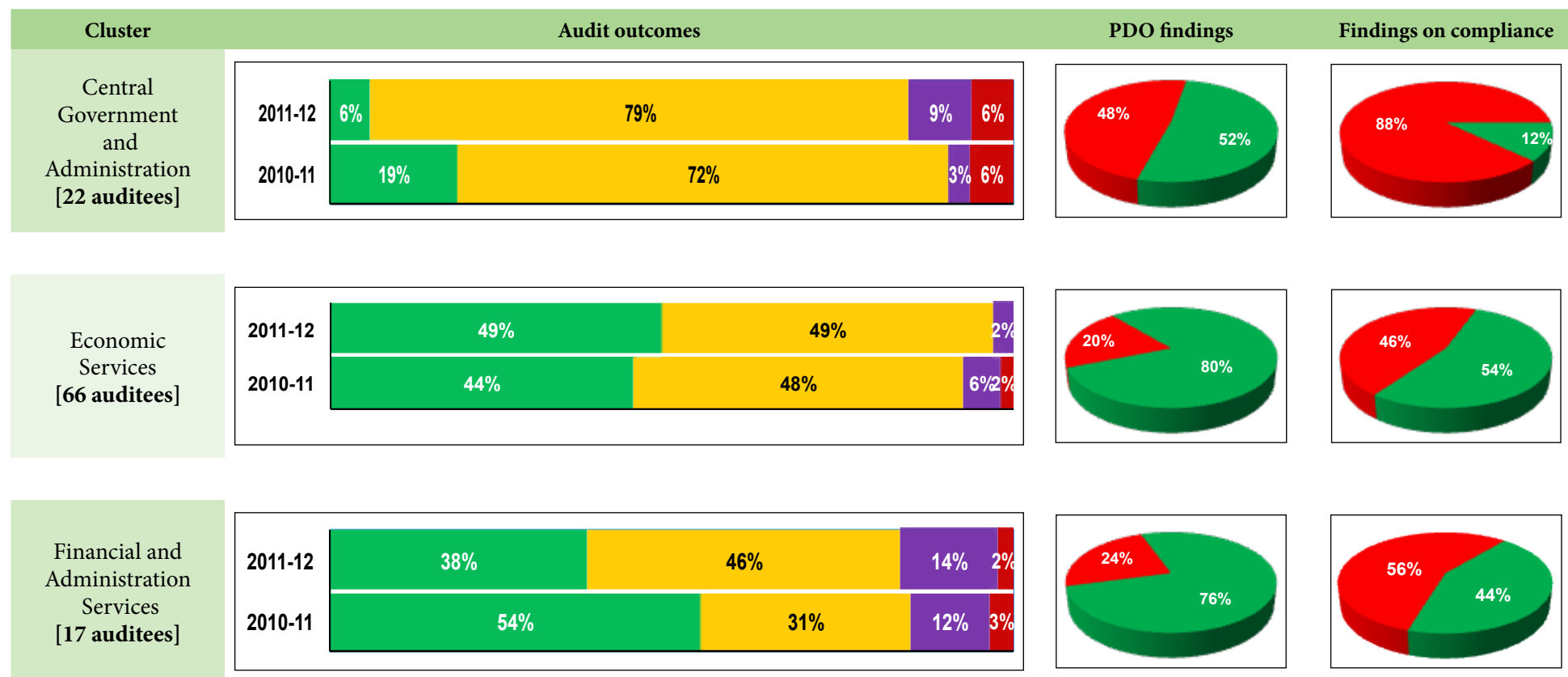


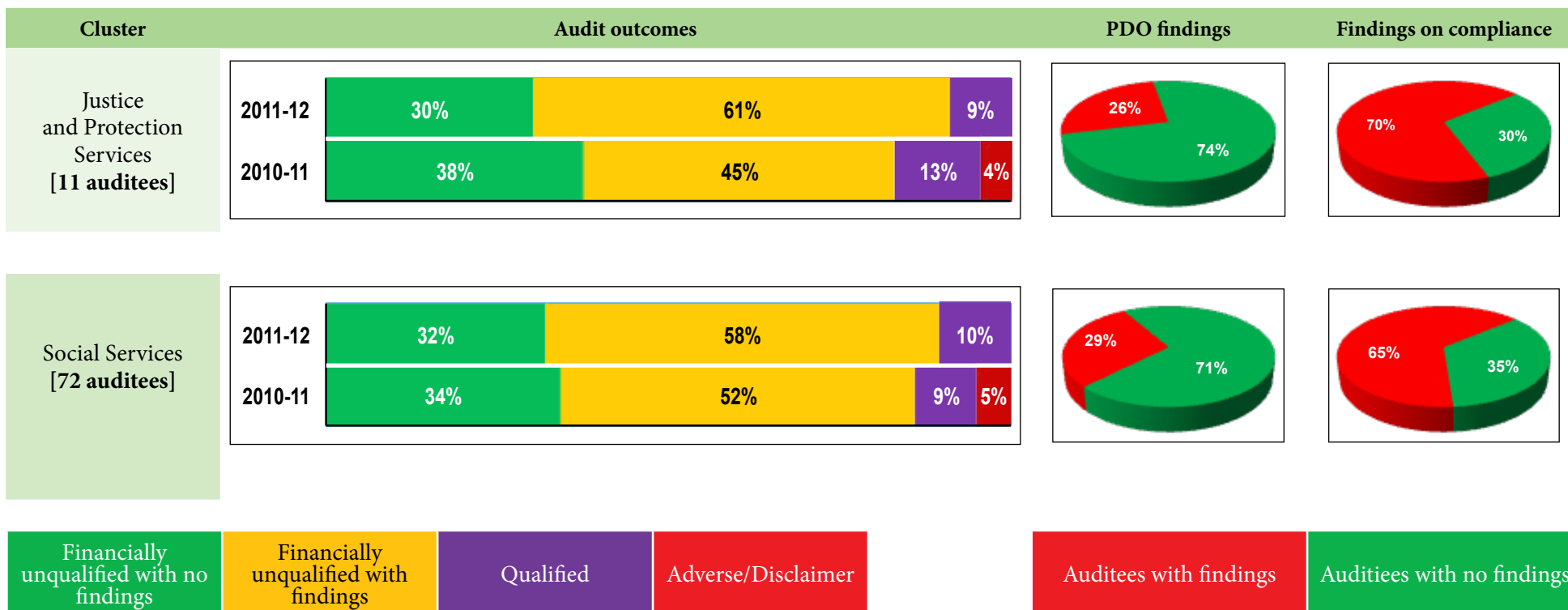
KEY ASPECTS OF AUDIT OUTCOMES OF GOVERNMENT CLUSTERS AND MINISTERIAL PORTFOLIOS

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		Supply chain management Some improvement	IT controls No improvement	HR Regressed
Central Government Administration [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	•	•	•	•	•
Financial and Administrative Services [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		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		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

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



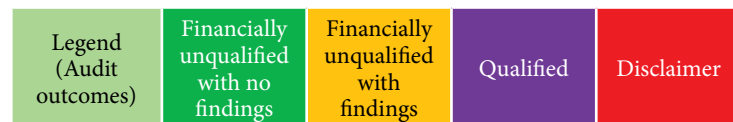
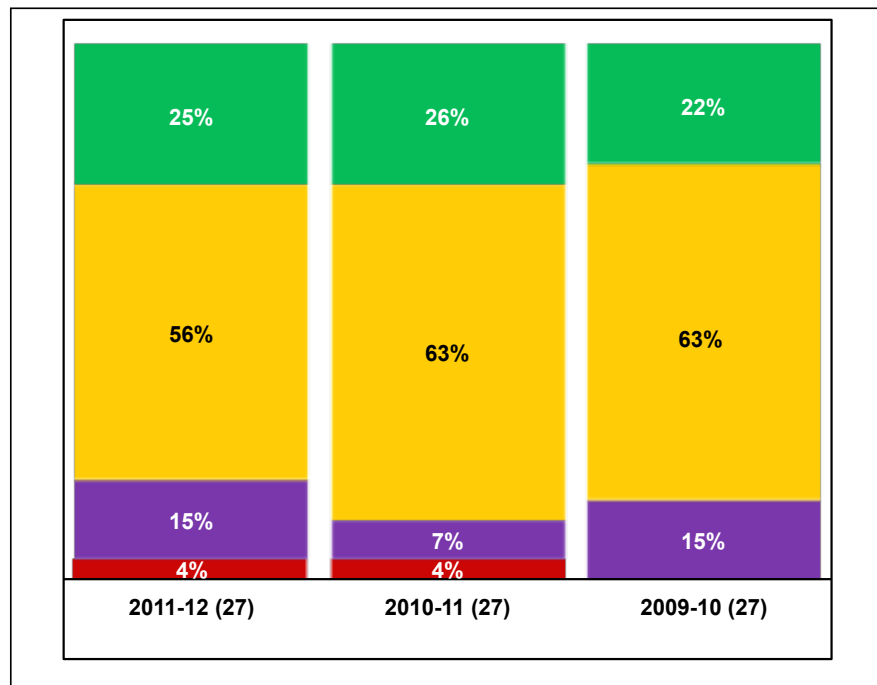
AUDIT OUTCOMES OF THE SOCIAL SERVICES

2.2.3 SOCIAL SERVICES

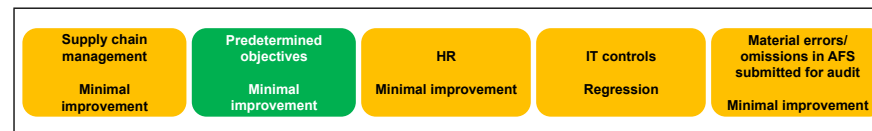


VOTE 14: ARTS AND CULTURE

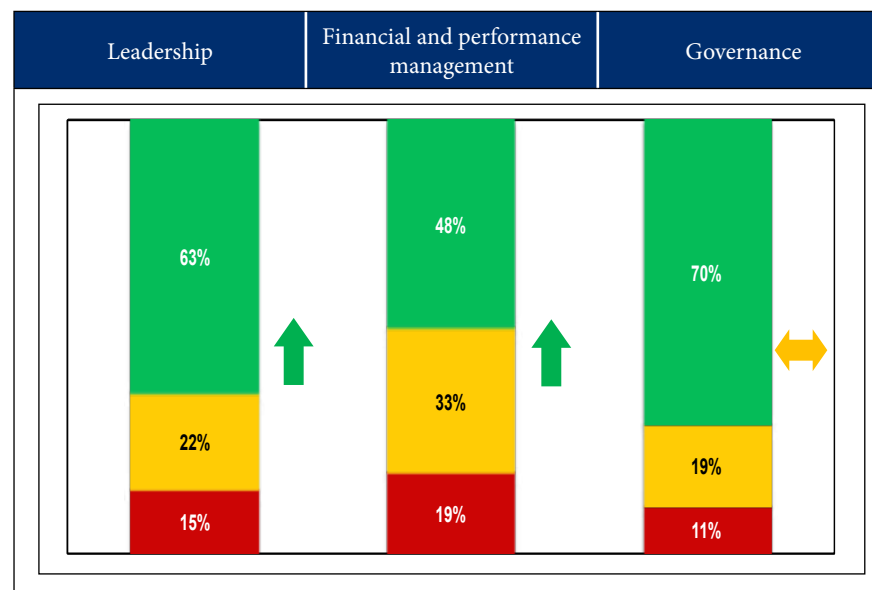
Three-year progress towards clean audits



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
<p>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.</p> <p>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.</p> <p>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.</p>
Risk/focus areas
<p>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.</p>
Status of key controls and root causes of audit outcomes
<p>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.</p>

VOTE 14: ARTS AND CULTURE

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			
<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>			
Previous year			
The minister undertook to resolve PDO matters and internal control deficiencies.			
New			
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.			

VOTE 14: ARTS AND CULTURE

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

VOTE 14: ARTS AND CULTURE

18

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 mistatements	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												
Reporting auditees																																			
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 14: ARTS AND CULTURE

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	Expenditure management	Uncompetitive or unfair procurement processes	Inadequate contract management	Internal control deficiencies	Leadership						Financial and performance management				Governance			Management of vacancies	HR planning & organisation	Performance management	Acting positios	Management of leave, overtime & suspensions	Competencies of key personnel	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													
↑	–	↓	8,85m	↓	1,30m		A		N	N													R		A		A		R	R	R	R					
		↑	2,22m				N		R																												
				↓	4,45k																																
									A		A												A														
		↓	94,33k	↓	281,81k																																
		↑	521,12k	↓	5,99k				A																			A		A	A						
									A																												
		↓	173k																																		
		↑	210,24k						R																												
									A																												
		↑	4,22m	↑	–				R																												

Legend	Reduction	↑	Unchanged	↔	Increase	↓
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Legend (Drivers)	Good	Causing concern		S = Significant control deficiency
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Legend (Findings)		New	Repeat
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VOTE 14: ARTS AND CULTURE

20

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
12	National Film and Video Foundation of South Africa																N				N	N			N					A			
13	National Heritage Council of South Africa (NHC)																A				A	R			R								
14	National Library of South Africa (Pretoria/Cape Town)																A	N			A												
15	National Museum																																N
16	Nelson Mandela National Museum (Umtata)																R	N				A	A		A					R			
17	Pan South African Language Board							N				N			N	N	R		N		N	N	R	N	R								
18	Performing Arts Centre of the Free State									N											A	R			R	R	A	N	R	A	N		A
19	Robben Island Museum, Cape Town																R	N			A	A		R	A						N		
20	South Africa Library for the Blind (Grahamstown)																				R	A		N					R				
21	South Africa Heritage Resources Agency							N	N	N		R		N	N	R	R	R			R	R		N	R		N		N	R	N	A	
22	The South African State Theatre							N								N	R	R			R	R		N	R						N		
23	National English Literary Museum (Grahamstown)																				R	R	R			A					A		

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 14: ARTS AND CULTURE

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	Expenditure management	Uncompetitive or unfair procurement processes	Inadequate contract management	Internal control deficiencies	Leadership					Financial and performance management				Governance			Management of vacancies	HR planning & organisation	Performance management	Acting positios	Management of leave, overtime & suspensions	Competencies of key personnel	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													
		↓	7,63m						N																											
		↑	3k	↑	2k				R	A																					N	N				
									A																A	R		N								
		↓	2,86k																																	
		↑	2,74m						N																											
		↓	8,29m	↓	25,02k				R																		N	R	R	R	R		S			
		↓	6,76m	↓	1,29m				R	R	R												R				N		N	N	N	N		S		
		↑	2,24m	↑	–				R	A														A	A		A									
				↑	3k																															
		↓	15,55m	↑	42,86k				R		A												R			A	N		R	R	R	R		S		
		↑	1,56m	↓	614,78k				R		A																	N	N	N	N		S			
				↔	10k																															

Legend	Reduction	↑	Unchanged	↔	Increase	↓
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Legend (Drivers)	Good	Causing concern		S = Significant control deficiency
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Legend (Findings)		New	Repeat
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VOTE 14: ARTS AND CULTURE

22

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas							Findings on predetermined objectives				Findings on areas of non-compliance														
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24	War Museum of the Boer Republics																				A	A			A								N
25	William Humphreys Art Gallery																				N	N			N				N	N			
26	Windybrow Theatre																A	A			A	N			R						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 14: ARTS AND CULTURE

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	Expenditure management	Uncompetitive or unfair procurement processes	Inadequate contract management	Internal control deficiencies	Leadership					Financial and performance management					Governance			Management of vacancies	HR planning & organisation	Performance management	Acting positios	Management of leave, overtime & suspensions	Competencies of key personnel	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																
		↓	40,99k												A																																							
		↓	19,39m	↓	2,72m				R	N																																												

Legend	Reduction	↑	Unchanged	↔	Increase	↓
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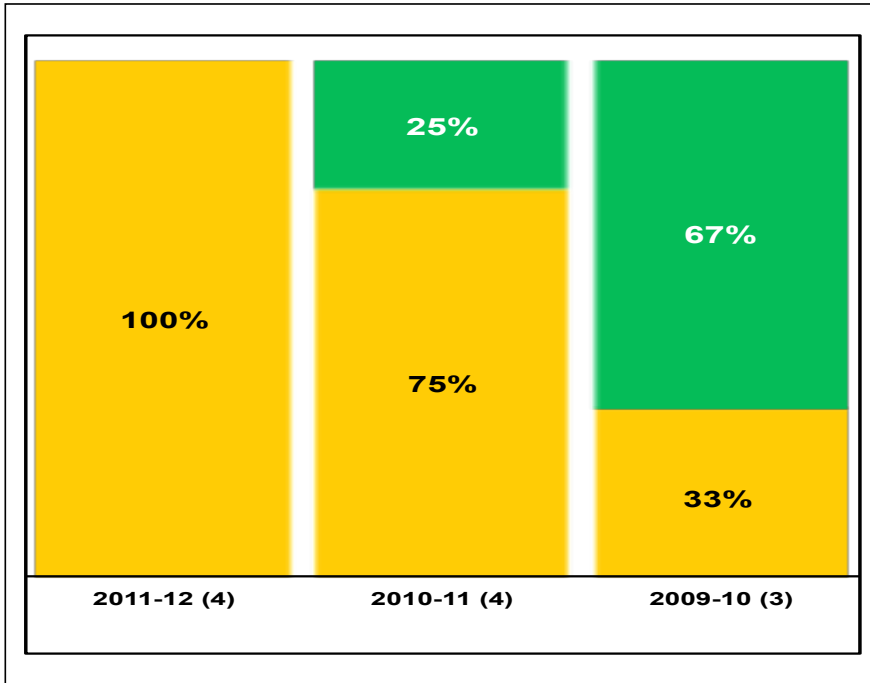
Legend (Drivers)	Good	Causing concern		S = Significant control deficiency
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Legend (Findings)		New	Repeat
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VOTE 15: BASIC EDUCATION

Three-year progress towards clean audits

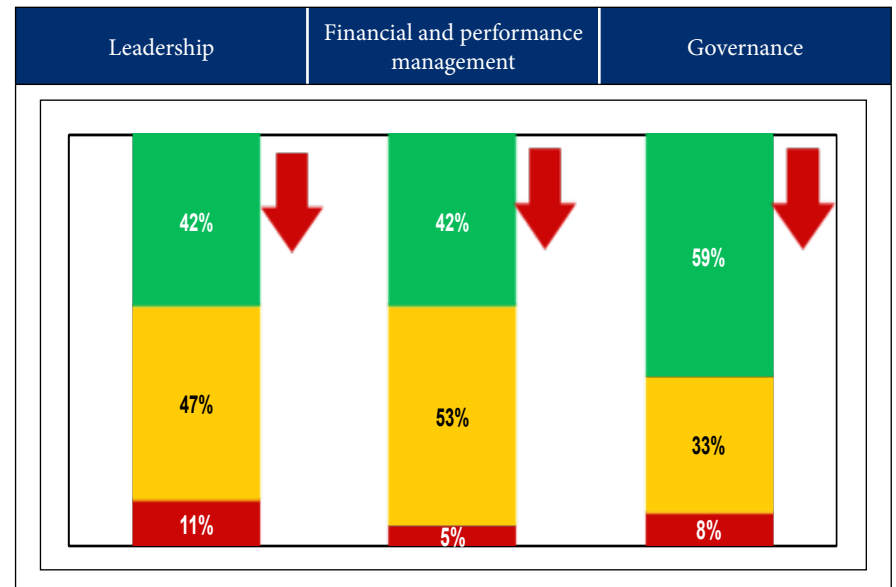


Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings
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5 risk areas

Supply chain management Regression	Predetermined objectives Regression	HR Unchanged	IT controls Some improvement	Material errors/ omissions in AFS submitted for audit Unchanged
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Key controls



Good	Causing concerns	Intervention required
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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

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

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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).

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 minister four times during the 2011-12 financial year.

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.

The impact of these interactions on audit outcomes was limited due to the late implementation of action plans.



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
Reporting auditees																							
1	Education Labour Relations Council																R	N		N	N	N	
Audits not conducted by the AGSA																							
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 15: BASIC EDUCATION

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 leave, overtime and suspensions	Appointment processes	Finding 3	Other	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												Audit committee	
		↑	74.82m	↓	12k		N		R				S									S					R	R			A	R	R	R			
		↑	1.27m	↓	204k				R																						A	A	A				
						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.																															

Legend	Reduction	↑	Increase	↓
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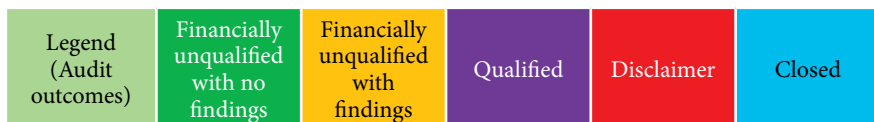
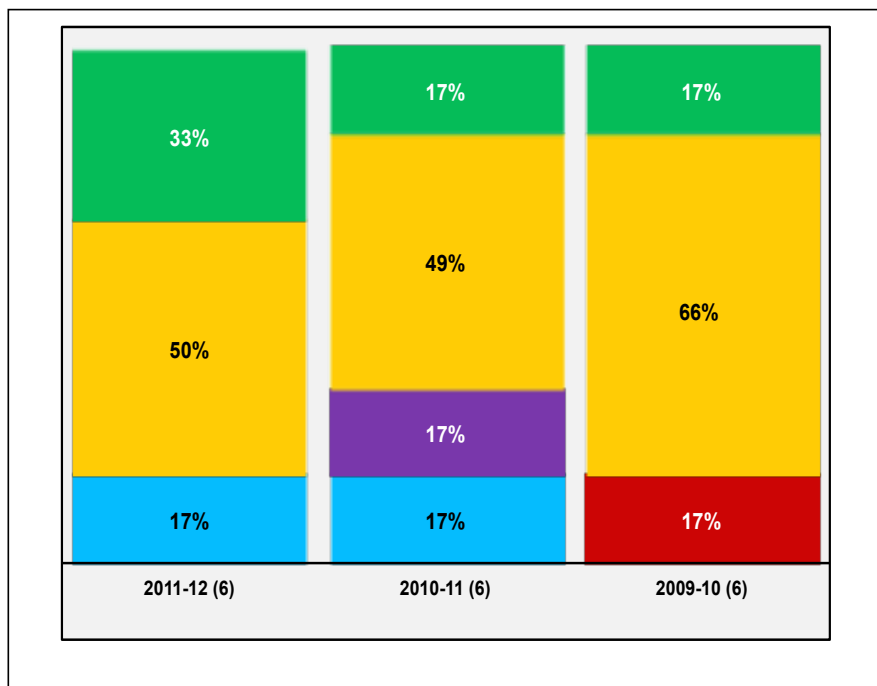
Legend (Drivers)	Good	Causing concern		S = Significant control deficiency
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Legend (Findings)		New	Repeat
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VOTE 16: HEALTH

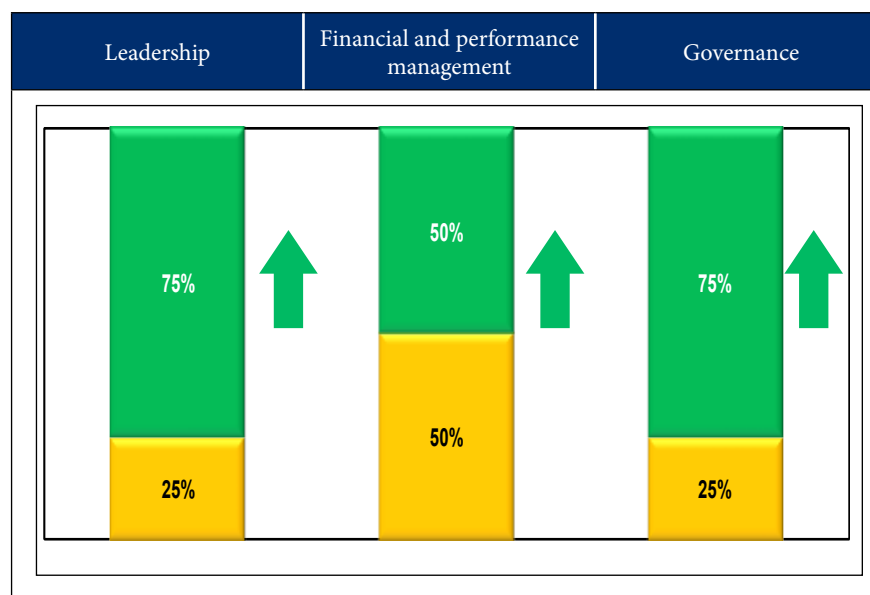
Three-year progress towards clean audits



5 risk areas



Key controls



Root causes



VOTE 16: HEALTH

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
<i>Impact of quarterly discussions with the executive authority</i>			
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 NDoH provides the required level of assurance.			
<i>Previous year</i>			
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.			
<i>New</i>			
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.			

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			
Reporting auditees																												
1	Compensation Commissioner for Occupational Diseases												A	A			A		A					A				
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																											
Audits not conducted by the AGSA																												
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 16: HEALTH

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			Performance management	Acting positions	Management of vacancies	Appointment process	HR planning and organisation	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												
		↔	28,73m	↓	4,55m		N		R	R	R												N	A		R	R	R	R	R	R					
		↑	–								A																									
		↓	58,80m	↓	44,82k				R														N	N												
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.																																				

Legend	Reduction	↑	Unchanged	↔	Increase	↓
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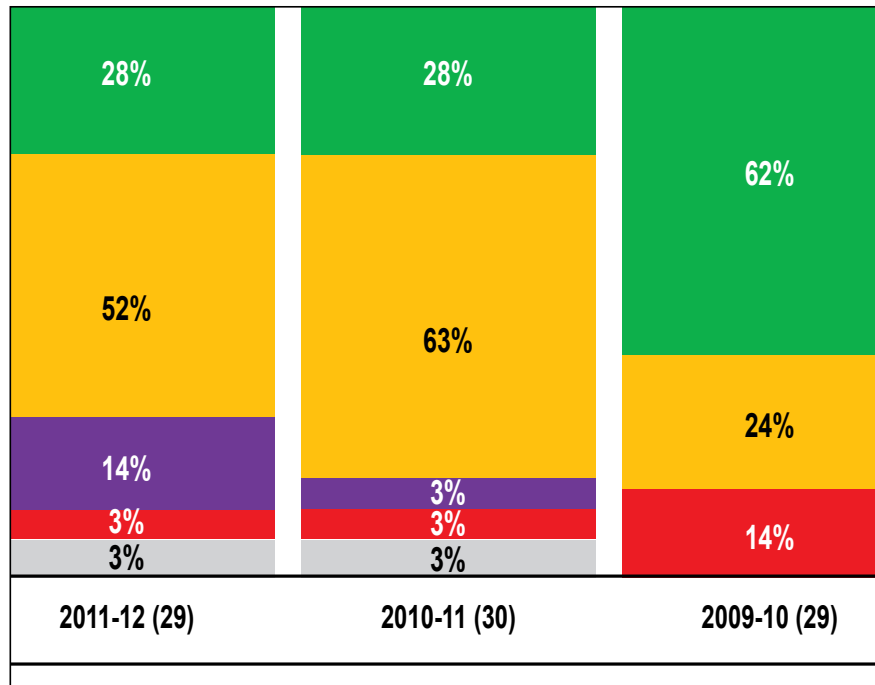
Legend (Drivers)	Good	Causing concern	
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Legend (Findings)		New	Repeat
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VOTE 17: HIGHER EDUCATION AND TRAINING

Three-year progress towards clean audits

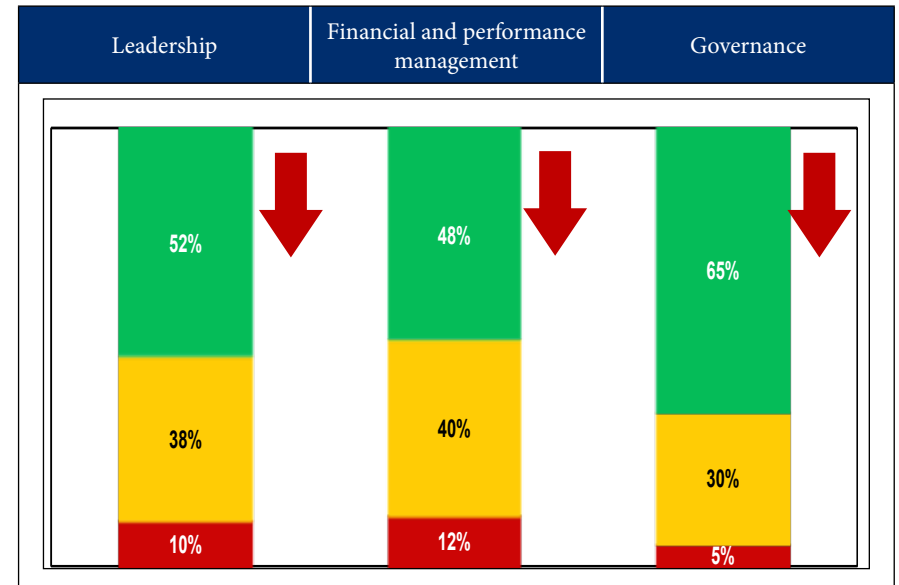


Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Disclaimer	Audit outstanding
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5 risk areas

Supply chain management Regression	Predetermined objectives Regression	HR Regression	IT controls Regression	Material errors/ omissions in AFS submitted for audit Regression
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Key
controls



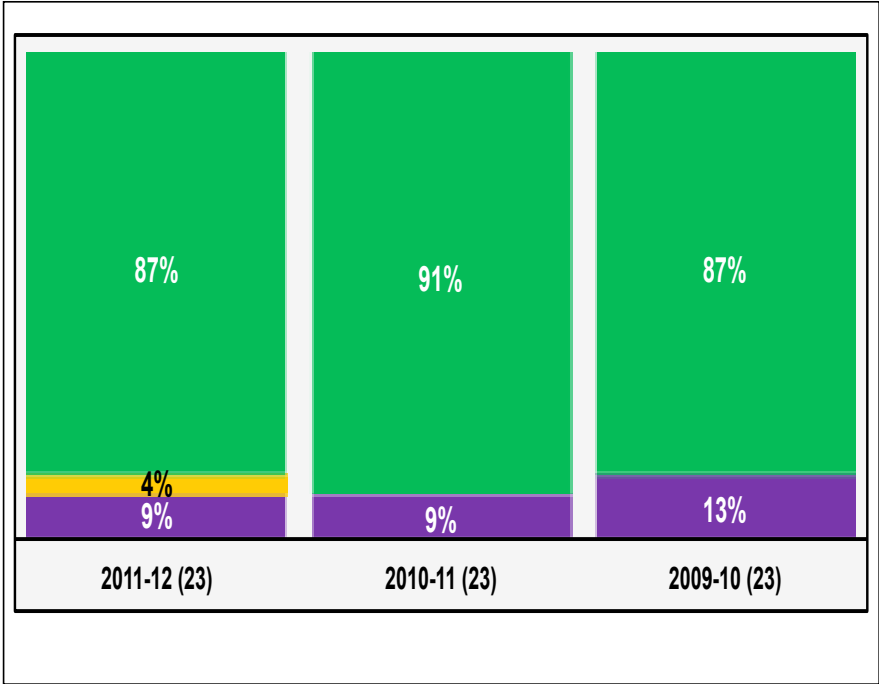
Good	Causing concerns	Intervention required
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Root
causes

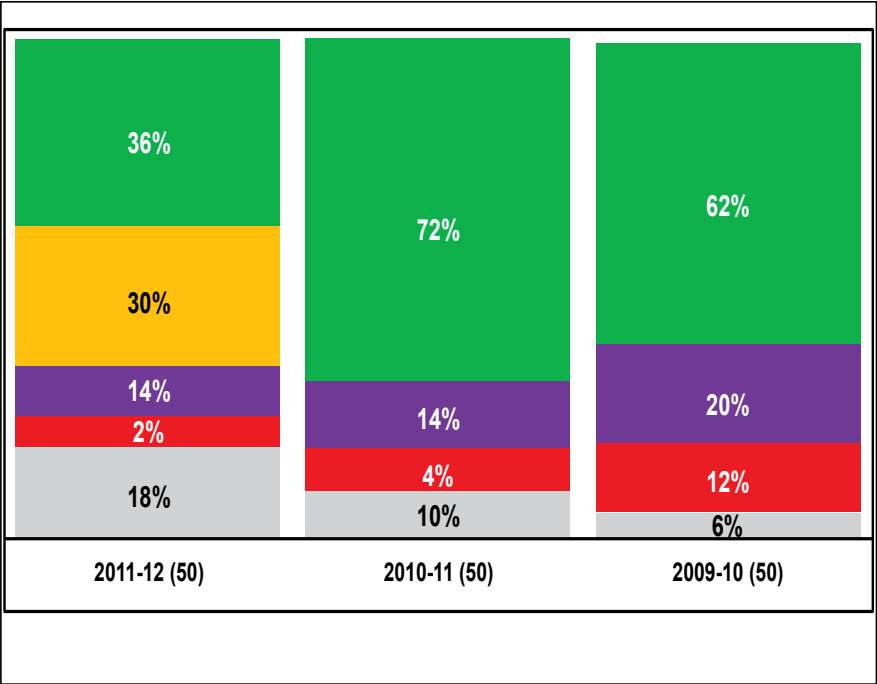
Vacancies at critical positions
Inadequate culture of credible comprehensive monthly reporting
Ineffective internal audit function

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.

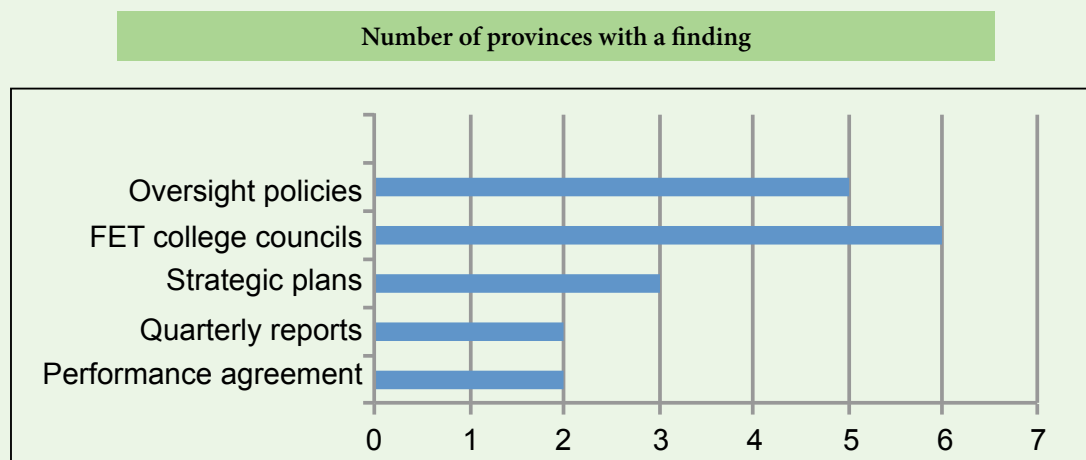
A delay in filling critical vacancies resulted in the department not being able to achieve its targets.

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.



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
Impact of quarterly discussions with the executive authority			
<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>			
Previous year			
<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>			
New			
<p>In addition to carrying over prior year commitments not met, the minister committed to hold the accounting officer accountable for the following:</p> <p>Amend grant regulations to the Skills Development Act with the focus on discretionary funding</p> <p>Develop regulations for FETs to report on performance information and supply chain management processes</p> <p>Urgently issue the revised regulations on reporting requirements of universities and SCM processes</p> <p>Amend relevant legislation to phase in the audit of the FETs by the AGSA.</p>			

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

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
	Department of Higher Education and Training																R				R	A			N	N		N				N		A	N
Reporting auditees																																			
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	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	Compliance	IT systems controls	Risk management														
		↑	2,09m						R	N	R											R	N	R					A	R	R	R					
		↓	97k	↑	3k					N																											
		↑	–	↑	–				A														N	N			N	N	R	R	R	R					
		↓	11,71m	↓	138k	N			N													N			A	A	A	N	N	N	N						
		↑	–	↑	–																	N								A	A	A					
		↑	–	↓	38k				A															N			A										
									A																		A		R	R	R	R					
		↓	28,31m	↓	45k				R				S	S			S						N			A	R		R	R	R	R					

Legend	Reduction	↑	Increase	↓
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Legend (Drivers)	Good	Causing concern		S = Significant control deficiency
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Legend (Findings)		New	Repeat
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VOTE 17: HIGHER EDUCATION AND TRAINING

44

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	
9	Fibre Processing Manufacturing Sector Education and Training Authority								N																				N							
10	Finance and Accounting Services Sector Education Training Authority																																			
11	Food and Beverages Manufacturing Industry Sector Education Training Authority																					R		N					N	R		N				A
12	Health and Welfare Sector Education and Training Authority																N																			
13	Insurance Sector Education and Training Authority (INSETA)																				N															
14	Local Government Education and Training Authority						N		N				N		N		N					R		N					N							
15	Manufacturing Engineering & Related Services Education and Training Authority																	A			R	R		N												
16	Media, Information and Communication Technologies Sector Education and Training Authority																																			
17	Mining Qualifications SETA																																			

Legend (Audit outcomes)	Financially unqualified with no	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	Compliance	IT systems controls	Risk management														
				↓	27k																			N		N			N								
																														N	N	N					
		↑	1,45m						R	A																			R	R	R	R					
		↓	73k	↑	9k				R																						N	N					
		↓	53,48m						R				S			S	S		S	S						N			R	R	R	R					
		↓	4,64m	↓	321k	N			R																				N	N	N	N					
									N																												
				↓	15k																								N	N	N	N					

Legend	Reduction	↑	Increase	↓
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Legend (Drivers)	Good	Causing concern		S = Significant control deficiency
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Legend (Findings)		New	Repeat
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VOTE 17: HIGHER EDUCATION AND TRAINING

46

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	N	N		A						A
19	Public Service Sector Education and Training Authority						R	A				N					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					N	R			R	R		N				A								
22	Services Sector Education and Training Authority (Services SETA)												A				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		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	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																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
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Legend	Reduction	↑	Unchanged	↔	Increase	↓
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Legend (Drivers)	Good	Causing concern		S = Significant control deficiency
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Legend (Findings)		New	Repeat
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VOTE 17: HIGHER EDUCATION AND TRAINING

48

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																																				
Audits not conducted by the AGSA																																					
32	National Institute for Higher Education - Mpumalanga																A						A			A							R				
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	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

[illegible]

VOTE 17: HIGHER EDUCATION AND TRAINING

50

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes		Financial statement qualification areas							Findings on predetermined objectives				Findings on areas of non-compliance																	
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39	Rhodes University																																		
40	Tshwane University of Technology																																		
41	University of Cape Town																																		
42	University of Fort Hare																																		
43	University of Johannesburg																																		
44	University of Kwa-Zulu Natal																																		
45	University of Limpopo																																		
46	University of Pretoria																																		
47	University of South Africa																																		
48	University of Stellenbosch																																		
49	University of the Free State																																		
50	University of the Western Cape																																		
51	University of the Witwatersrand																																		
52	University of Venda																																		
53	University of Zululand																																		

Legend (Audit outcomes)	Financially unqualified with no	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		
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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.																																							

VOTE 17: HIGHER EDUCATION AND TRAINING

52

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes		Financial statement qualification areas							Findings on predetermined objectives				Findings on areas of non-compliance																	
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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											A																							
61	College of Cape Town																											N							
62	East Cape Midlands FET College									N																		N							
63	Ehlanzeni FET College																																		
64	Ekurhuleni East FET College																											N							
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	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								
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VOTE 17: HIGHER EDUCATION AND TRAINING

54

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69	Flavius Mareka FET College																																		
70	Gert Sibande FET College																																		
71	Goldfields FET College																				N														
72	Ikhala FET College						N			N																		N					N		
73	Ingwe FET College																											N							
74	King Hintsa FET College																																		
75	King Sabatha Dalindyebo FET College																																		
76	Lephalale FET College																																		
77	Letaba FET College									A																		N							
78	Lovedale FET College																											N							
79	Majuba FET College																																		N
80	Maluti FET College																																		
81	Mnambithi FET College																																		
82	Mopani South East FET College																											N							
83	Motheo FET College						R			R		A	A	R								N						N	N						
84	Mthashana FET College																																		

Legend (Audit outcomes)	Financially unqualified with no	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								
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VOTE 17: HIGHER EDUCATION AND TRAINING

56

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85	Nkangala FET College																												N						
86	Northern Cape Rural FET College									N				N															N						
87	Northern Cape Urban FET College									N																			N						
88	Northlink FET College																																		
89	Orbit FET College																																		
90	Port Elizabeth FET College																						N						N	N					
91	Sedibeng FET College																												N	N					
92	Sekhukhune FET College						R			R				N							N								N						
93	South Cape FET College																												N						
94	South West Gauteng FET College									R																			N	N					
95	Taletso FET College																																		
96	Thekwini FET College																																		
97	Tshwane North FET College																																		
98	Tshwane South FET College																						N						N						
99	Umfolozi FET College													A																					
100	Umgungundlovu FET College																																		

Legend (Audit outcomes)	Financially unqualified with no	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								
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VOTE 17: HIGHER EDUCATION AND TRAINING

58

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101	Vhembe FET College																								N											
102	Vuselela FET College																											N								
103	Waterberg FET College							N		N					N																					
104	West Coast FET College																																			
105	Western College for FET																																			

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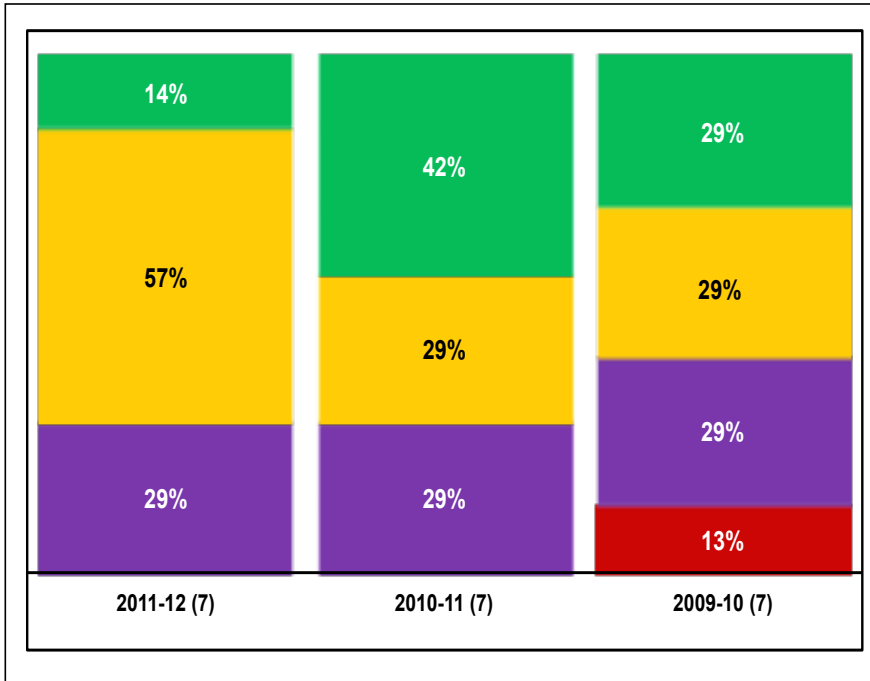
VOTE 17: HIGHER EDUCATION AND TRAINING

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								
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VOTE 18: LABOUR

Three-year progress towards clean audits

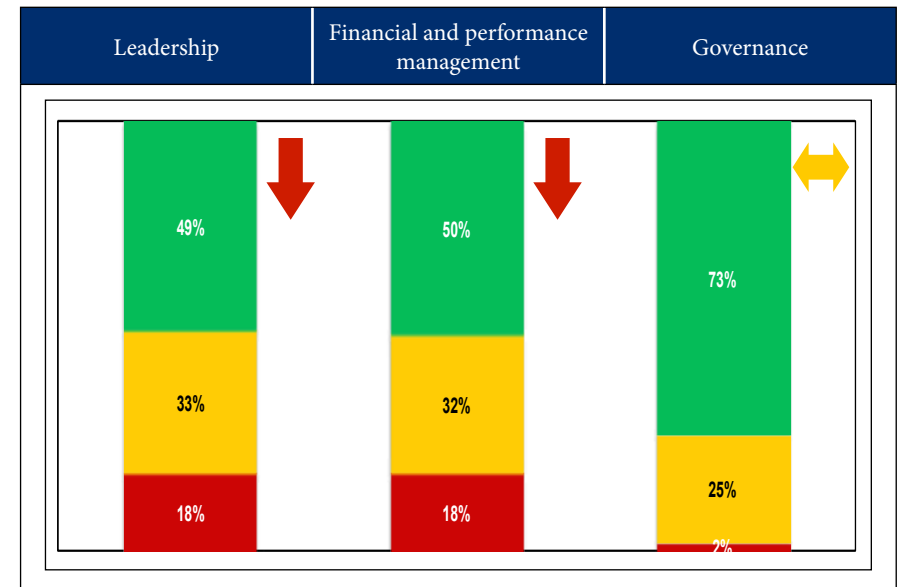


Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Disclaimer
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5 risk areas

Supply chain management No improvement	Predetermined objectives No improvement	HR No improvement	IT controls No improvement	Material errors/ omissions in AFS submitted for audit No improvement
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Key
controls



Good	Causing concerns	Intervention required
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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 timeous 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.

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<i>Impact of quarterly discussions with the executive authority</i>			
<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>			
<i>Previous year</i>			
<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>			

VOTE 18: LABOUR

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

64

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																										
Reporting auditees																											
1	Commission for Conciliation, Mediation and Arbitration																										
2	Compensation Fund																										
3	Sheltered Employment Factories																										
4	Unemployment Insurance Fund																										
Audits not conducted by the AGSA																											
5	National Economic Development and Labour Council																										
6	Productivity SA																										

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 18: LABOUR

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	Management of leave, overtime and suspensions	Competencies of key personnel	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	Internal audit													Audit committee
		↓	15,85m						R	A	R						S									R				A	R	R	R	R			
		↓	2,81m						N																												
		↑	6,50m	↓	12,10m	A			R	R	A		S	S		S	S	S		S	S					A	R	A		R	R	R	R				
		↓	30,36m	↓	253k				R		N		S				S			S					R	N	N			R	R	R	R				
																														A	A	A					
		↓	867k			N			N				S		S		S	S	S	S			S	S													
															S																						

Legend	Reduction	↑	Increase	↓
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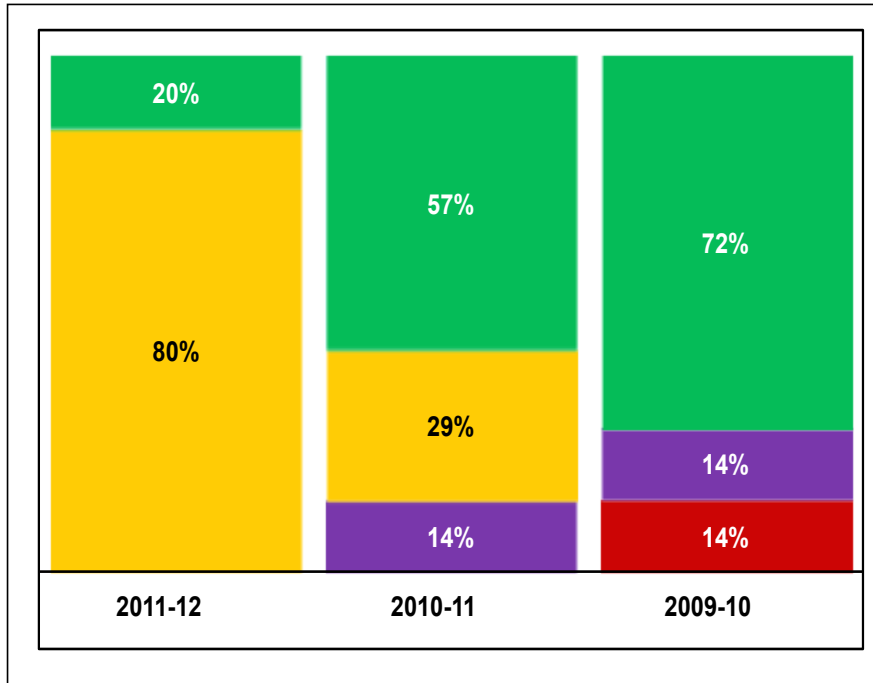
Legend (Drivers)	Good	Causing concern		S = Significant control deficiency
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Legend (Findings)		New	Repeat
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VOTE 19: SOCIAL DEVELOPMENT

Three-year progress towards clean audits

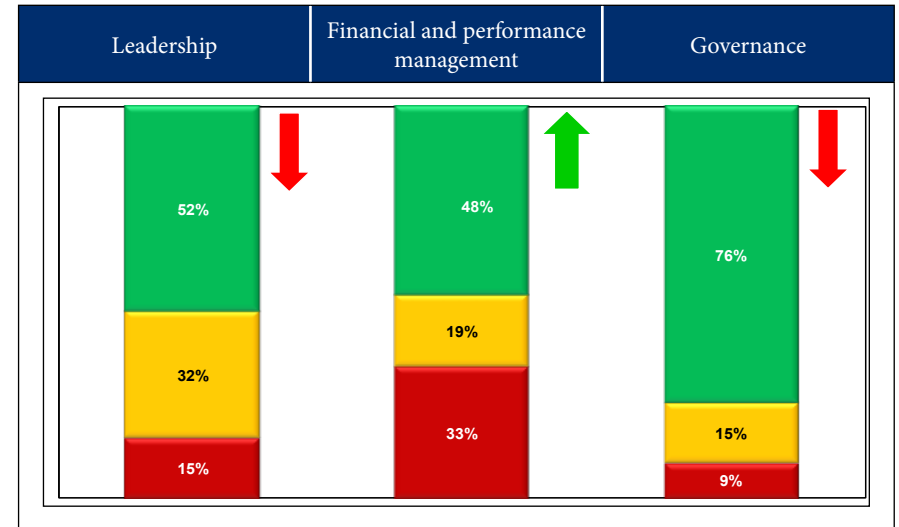


Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Disclaimer
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5 risk areas



Key
controls



Good	Causing concerns	Intervention required
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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 and adequate risk assessment in accordance with legislated requirements

Root
causes

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.		<div></div>		
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	<div></div>		
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			<div></div>
Commitments were made to improve oversight in order to ensure compliance with procurement policies and procedures.	Procurement and contract management			<div></div>
Actions taken by management were in progress to repeal the Fund-raising Act and to deregister the dormant funds.	Dormant funds			<div></div>

VOTE 19: SOCIAL DEVELOPMENT

Commitments and initiatives by minister		Impact on 2011-12 audit outcomes		
		Significant impact	No impact	Limited impact
South African Social Security Agency				
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			
National Development Agency				
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.			
New				
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

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
Reporting auditees																			
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 19: SOCIAL DEVELOPMENT

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			Performance management	Acting positions	HR planning and organisation	Management of vacancies	Competencies of key personnel	Competencies of key personnel	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													
		↓	19,8m	↑	–				R	A													R	A				R		R	R					
		↓	17,4m	↓	209k				N																N	N	N		R	R	R					
		↓	9,45m	↓	373k				N		N				S				S									N		N	N					
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Legend	Reduction	↑	Increase	↓
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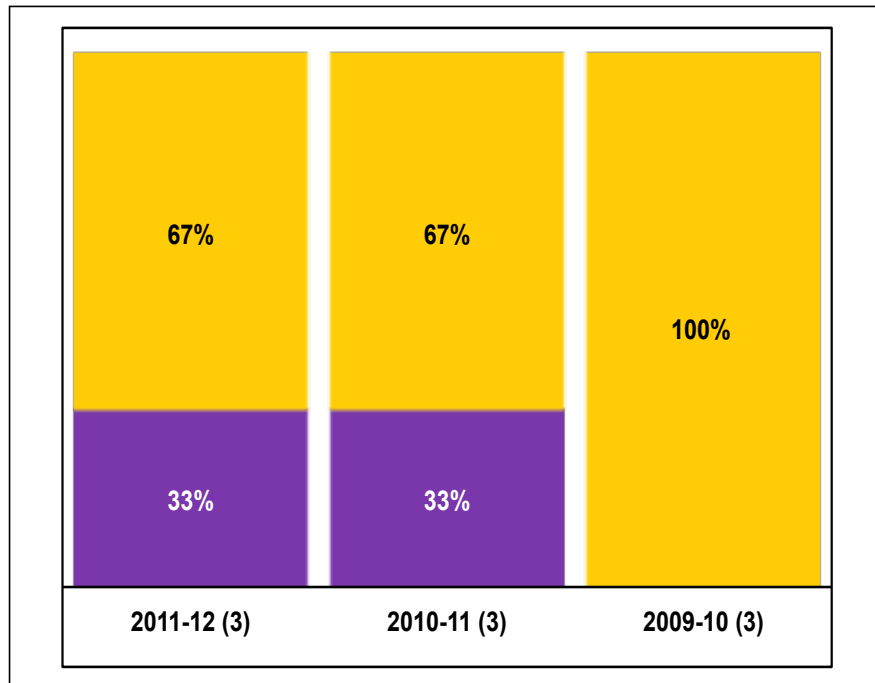
Legend (Drivers)	Good	Causing concern		S = Significant control deficiency
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Legend (Findings)		New	Repeat
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VOTE 20: SPORT AND RECREATION SOUTH AFRICA

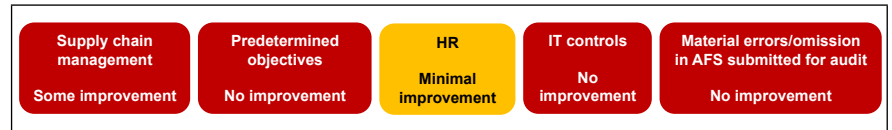
Three-year progress towards clean audits



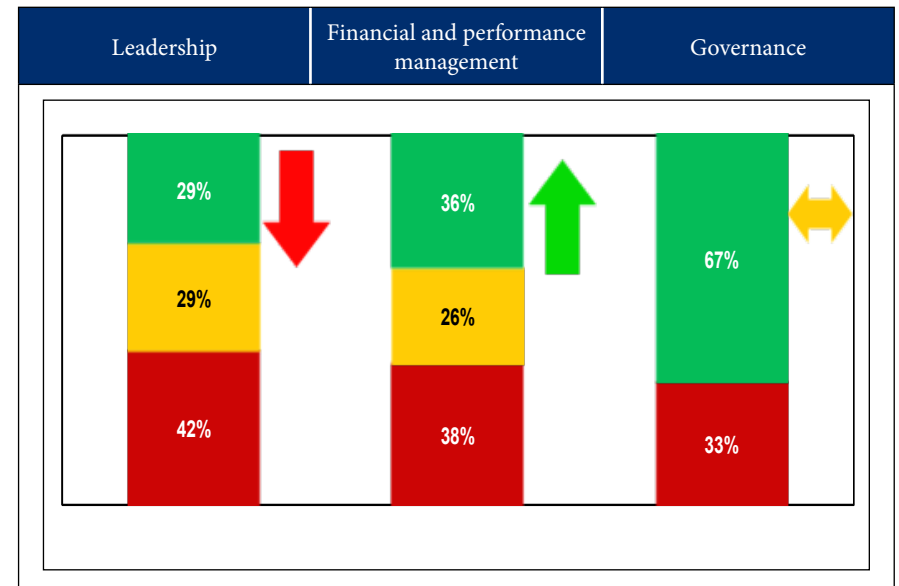
Legend (Audit outcomes)

Financially unqualified with findings	Qualified
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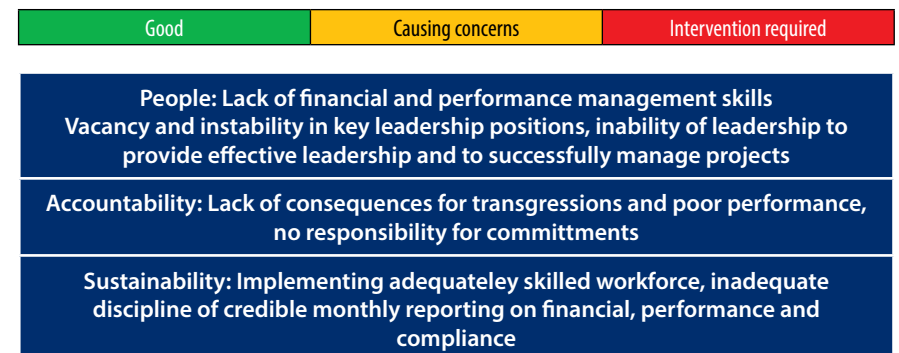
5 risk areas



Key controls



Root causes



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
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 the SRSA provides some level of assurance.			
Previous year commitments			
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.			
New			
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.			

VOTE 20: SPORT AND RECREATION SOUTH AFRICA

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

VOTE 20: SPORT AND RECREATION 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	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	
Reporting auditees																											
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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VOTE 20: SPORT AND RECREATION SOUTH AFRICA

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 process	Acting positions	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
		↑	298k	↑	3k		A	N	R		A		S		S					S				R	R		A	A	R	R	R	R	R				
		↑	714k	↑	114k				R		A		S				S	S					S	S	R	R		R		A	R	R	R	R			
		↓	3m						R																	N			A								

Legend	Reduction	↑	Increase	↓
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Legend (Drivers)	Good	Causing concern		S = Significant control deficiency
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Legend (Findings)		New	Repeat
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overview of full report



**Message from
the
Auditor-Gen-
eral**

12

**Slow progress towards clean audits
with more regressions than im-
provements
(Part 1)**

38



**117 auditees achieved clean audits
(Part 1)**

39



**Some progress
made towards
improving the reli-
ability and useful-
ness of service
delivery reporting
(Part 1)**

69



**Continuing
high level of
non-compli-
ance with laws
and regula-
tions
(Part 1)**

79



**High levels of unauthorised, irreg-
ular as well as fruitless and waste-
ful expenditure
(Part 1)**

91

Auditees' internal control systems are not improving

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106



HR and IT management
needs further attention

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Executive leadership, coordinating institutions and legislative oversight should strengthen their contributions

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Audit outcomes and weaknesses in implementation of key national programmes in Health, Human Settlements, Education, Social Development and Public Works sectors

428



The audit outcomes of 3 provinces regress

(Part 4)

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