



AUDITOR - GENERAL
SOUTH AFRICA



PFMA 2011-12

Audit outcomes of of Economic Services and Infrastructure

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

CONSOLIDATED GENERAL REPORT
on NATIONAL and PROVINCIAL audit outcomes



Our reputation promise/mission

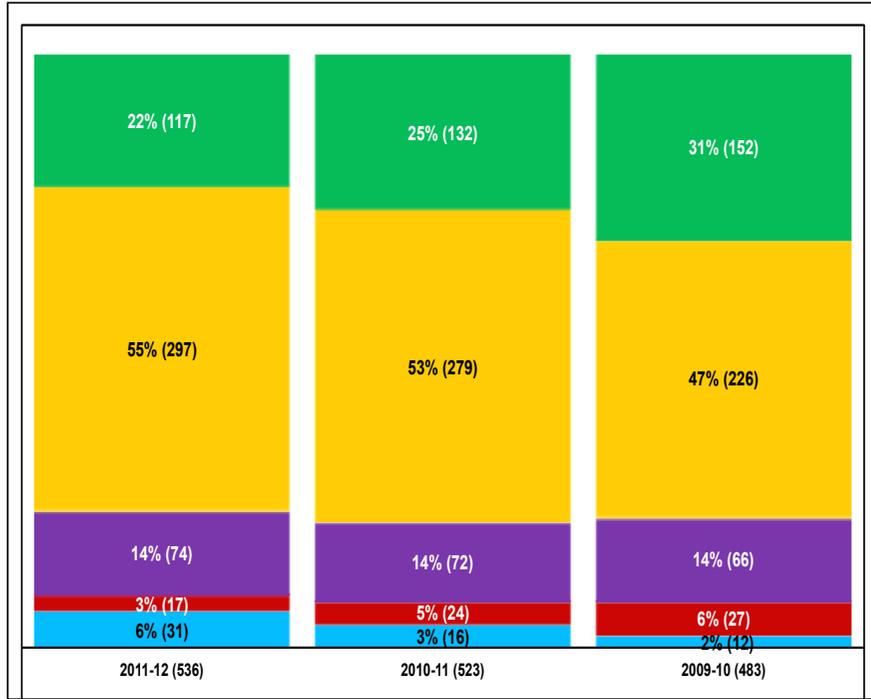
The Auditor-General of South Africa (AGSA) has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.





FOREWORD

Slow progress towards clean audits with slightly more regressions than improvements

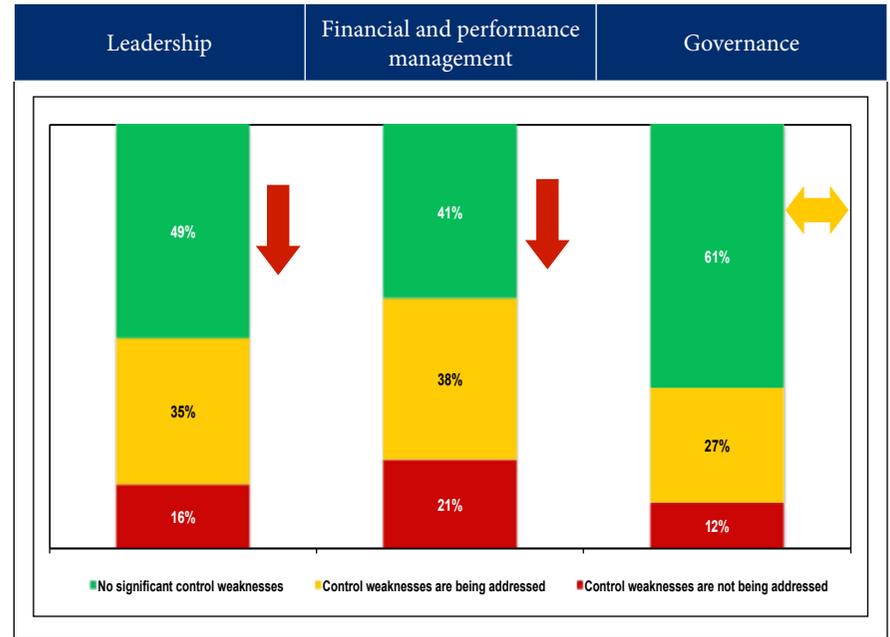


Limited progress made in addressing five key risk areas and regression in overall status of key controls

5 risk areas



Key controls



Pervasive root causes

- Vacancies in key positions, leadership instability and ineffective performance management
- Internal controls not effective – checks and balances not performed
- Not all role players are providing the level of assurance required

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

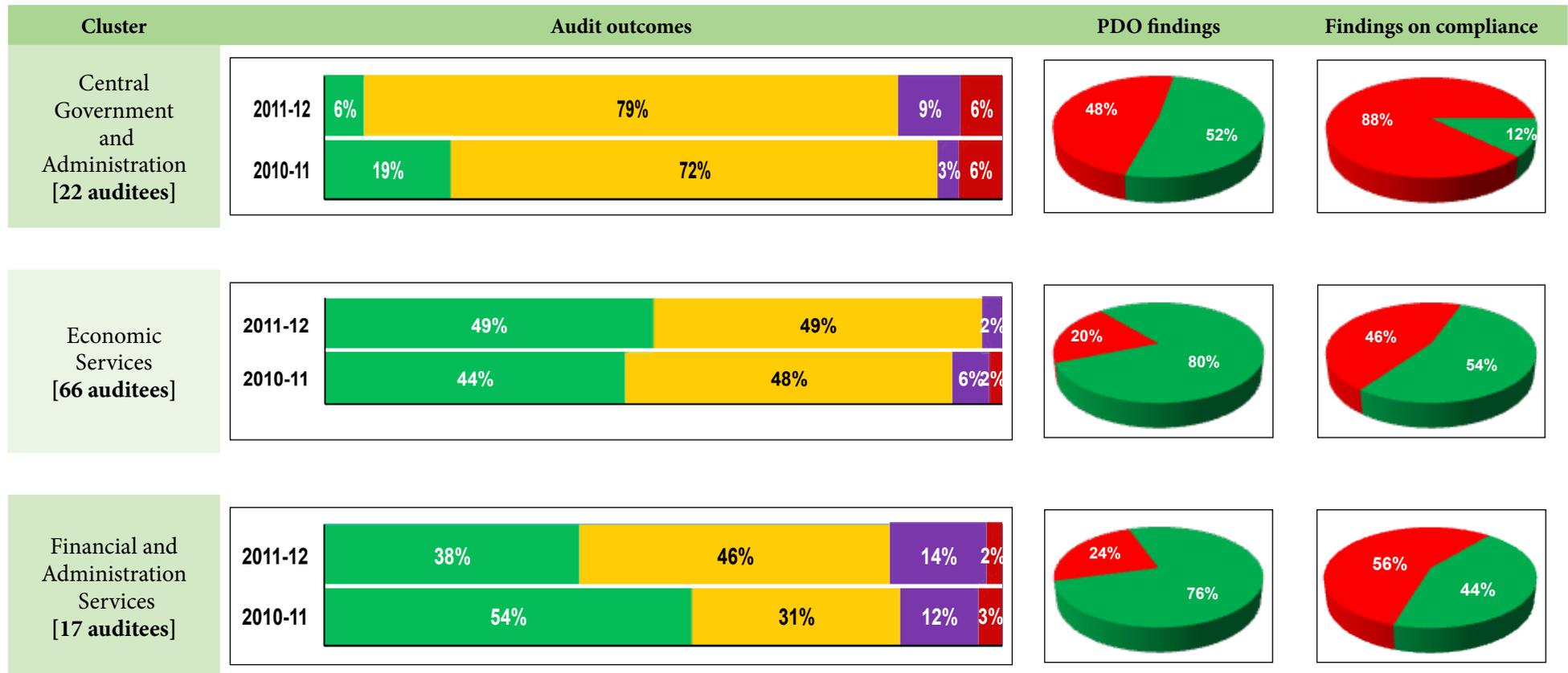


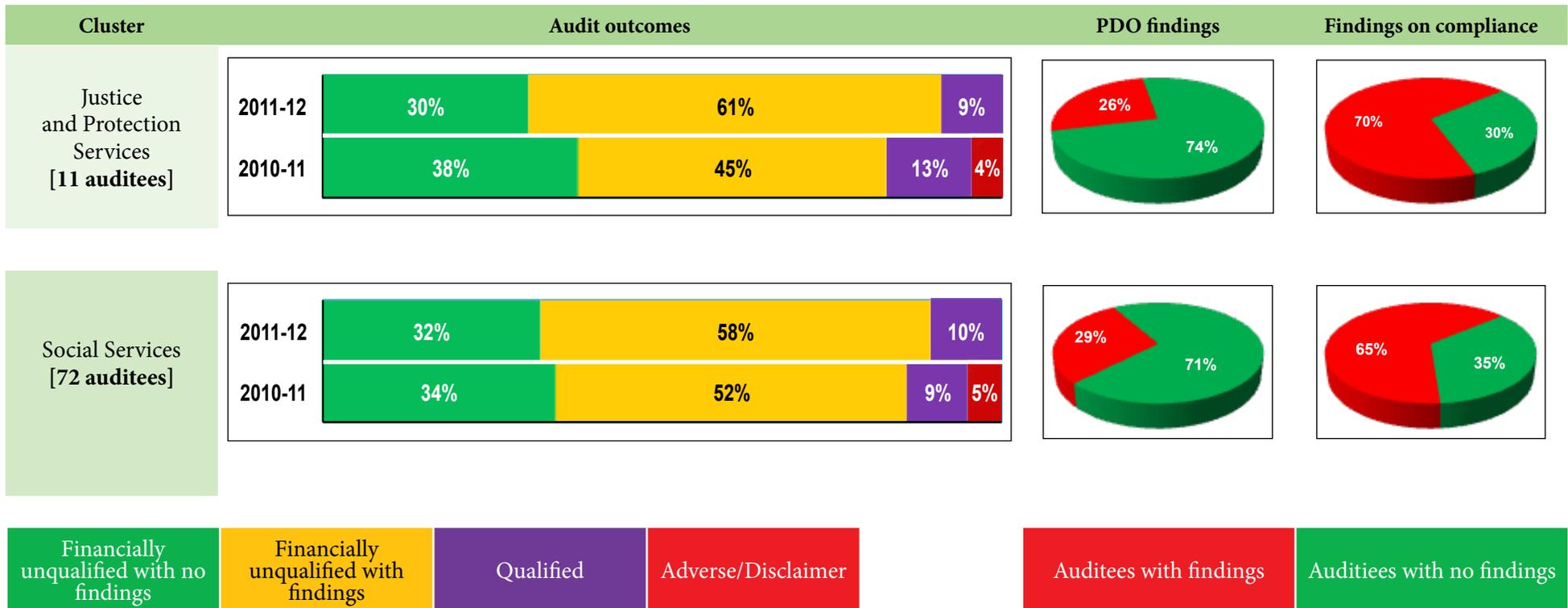
KEY ASPECTS OF AUDIT OUTCOMES OF GOVERNMENT CLUSTERS AND MINISTERIAL PORTFOLIOS

PART 2: AUDIT OUTCOMES OF MINISTERIAL PORTFOLIOS

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

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





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

Cluster	Audit opinions on national departments' financial statements	Focus area findings				
		Material errors in AFS submitted for audit No		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
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The audit outcomes of individual ministerial portfolios, the impact of the AGSA's quarterly discussions with the executive authorities and key commitments received from ministers are presented in the remainder of this section.

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



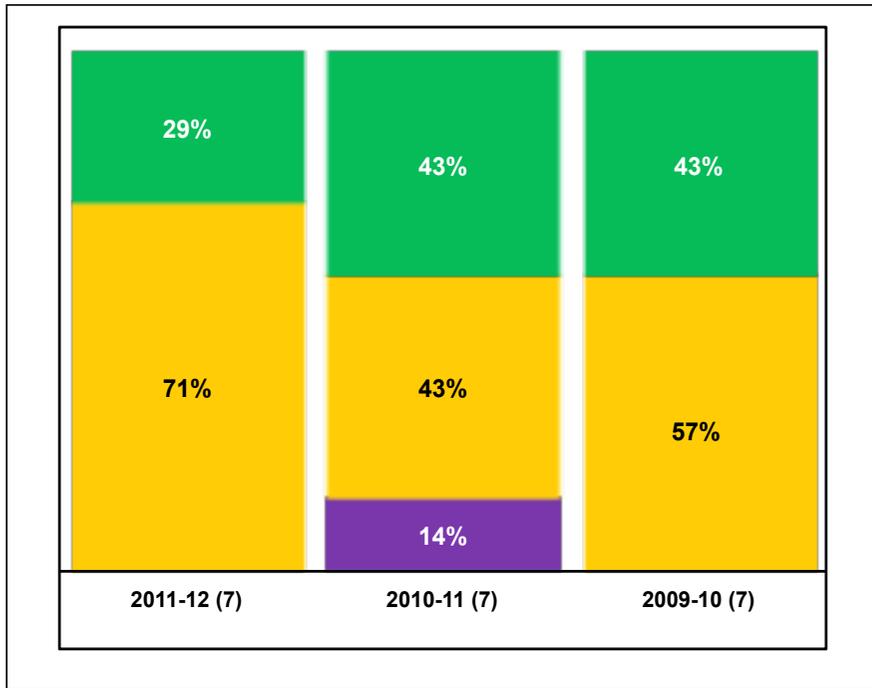
AUDIT OUTCOMES OF ECONOMIC SERVICES AND INFRASTRUCTURE

2.2.5 ECONOMIC SERVICES AND INFRASTRUCTURE



VOTE 26: AGRICULTURE, FORESTRY AND FISHERIES

Three-year progress towards clean audits



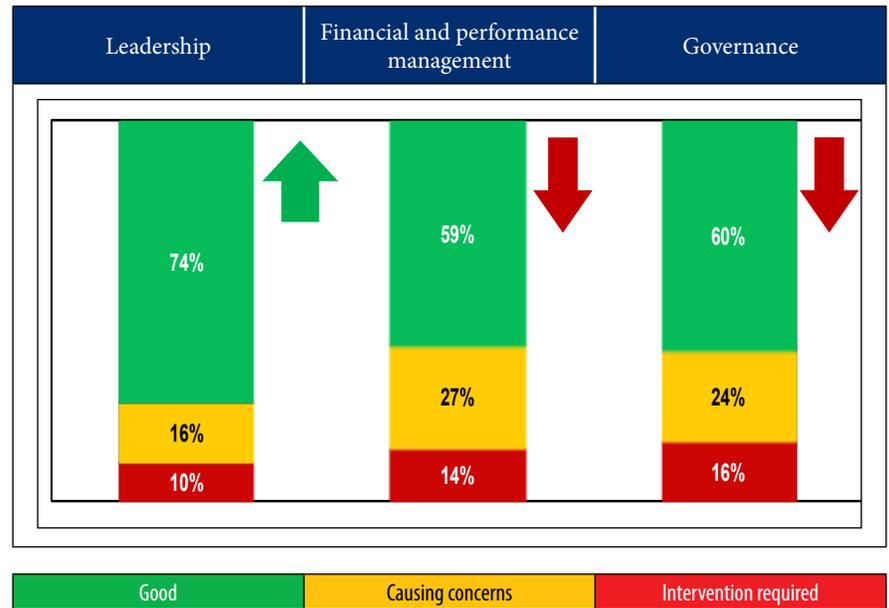
14



5 risk areas



Key controls



Root causes



VOTE 26: AGRICULTURE, FORESTRY AND FISHERIES

SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

Audit outcomes and key reasons for movements

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

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

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

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

Risk/focus areas

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

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

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

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

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

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

VOTE 26: AGRICULTURE, FORESTRY AND FISHERIES

Status of key controls and root causes of audit outcomes	<p>Insufficient communication between those charged with governance and the minister contributed to the lack of commitment and accountability by leadership to address repeat findings on reporting on predetermined objectives, governance and compliance.</p> <p>The repeat audit findings are as a result of inadequate training, lack of procedures and monitoring on reporting of predetermined objectives and lack of monitoring of compliance by management and Internal audit. The leadership of the department needs to take ownership of the process of performance reporting and ensure that daily checks and balances are in place that will result in credible reporting on predetermined objectives.</p> <p>Lack of stable and decisive leadership resulted in the Internal audit function not being fully effective and SCM issues not being addressed.</p>			
	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>Due to the unavailability of the minister, the AGSA leadership could meet only twice with the minister during the financial year, where the portfolio key controls were discussed and commitments were made. Although some progress has been made on the commitments, the impact on audit outcomes has been limited partly because these were not specific enough.</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 to the executive authority is at the appropriate level.</p>				
<i>Previous year</i>				
<p>Development and implementation of action plans to address deficiencies in internal control.</p> <p>Projects to be registered for development of the IT governance framework and to address reliability of systems and data integrity.</p> <p>Address weaknesses in the accounting and disclosure against predetermined objectives.</p> <p>Improvement of the Internal audit and risk management functions.</p>				

VOTE 26: AGRICULTURE, FORESTRY AND FISHERIES

New

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

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

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

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

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

VOTE 26: AGRICULTURE, FORESTRY AND FISHERIES

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

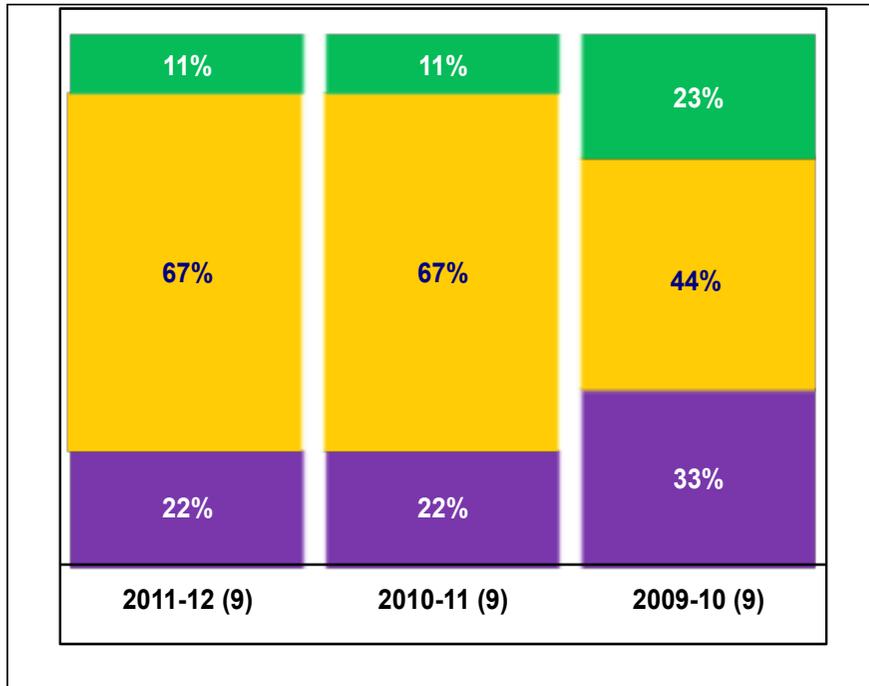
Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Findings
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Legend (Findings)	Addressed	New	Repeat
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VOTE 27: COMMUNICATIONS

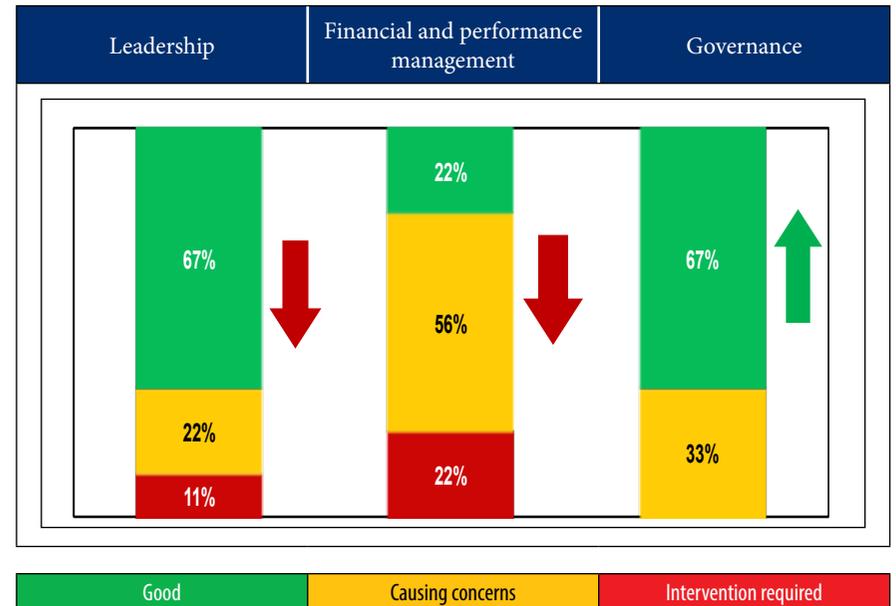
Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

Vacancy and instability in key leadership positions

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

Inadequate discipline (monitoring) of financial and performance information

VOTE 27: COMMUNICATIONS

SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

Audit outcomes and key reasons for movements

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

Risk/focus areas

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

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

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

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

Status of key controls and root causes of audit outcomes

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

VOTE 27: COMMUNICATIONS

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

VOTE 27: COMMUNICATIONS

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

VOTE 27: COMMUNICATIONS

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	Irregular expenditure	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Asset and liability management	AFS Not submitted in time for audit.	Budgets	Expenditure management	Internal control	Audit committees	Internal audit	Revenue management	Strategic planning and performance management	Financial management and performance	Procurement management	HR management	Other				
1	Department of Communications														R	R				R		A	A		A		R	R						
Reporting auditees																																		
1	NEMISA										N															R		N						
2	ICASA						A	R	R		R	R			R	R						A	A		R		A							
3	USAASA										R				A	R	A	A		R					R		N							
4	USAF												N			N		A							N		N							
Audits not conducted by the AGSA																																		
6	SABC						R			N	A	A			R		R	R		R	R	R	R	A	R		R	R						
7	SENTECH														N	R						N	N		N		A	N						
8	SAPO											N															R							
9	TELKOM																																	

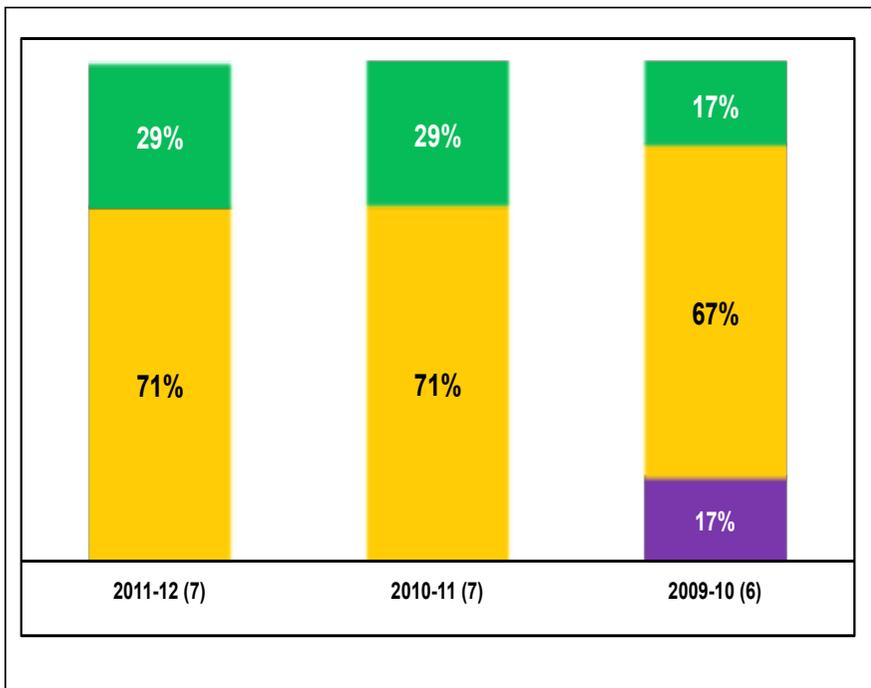
Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Findings
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Legend (Findings)	Addressed	New	Repeat
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VOTE 28: ECONOMIC DEVELOPMENT

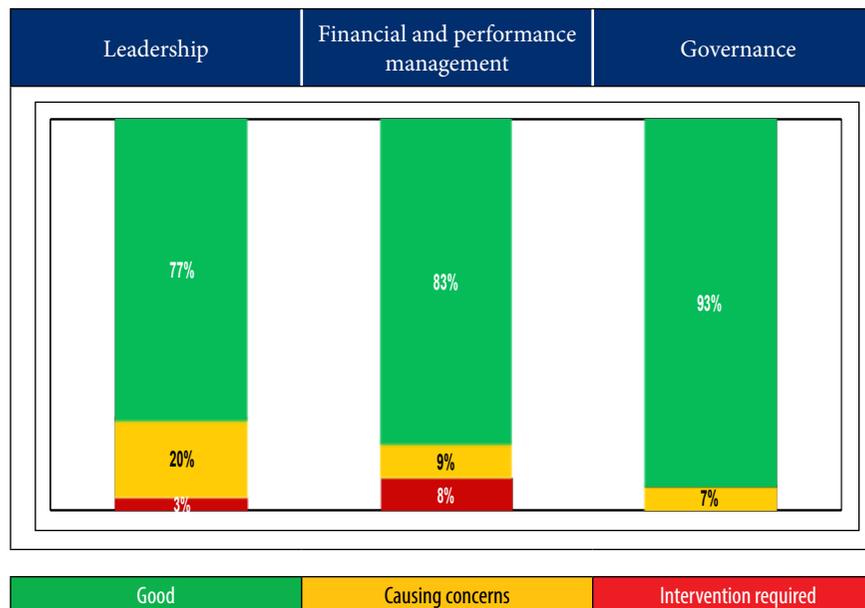
Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

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

VOTE 28: ECONOMIC DEVELOPMENT

SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

Audit outcomes and key reasons for movements

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

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

Risk/focus areas

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

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

Status of key controls and root causes of audit outcomes

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

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

VOTE 28: ECONOMIC DEVELOPMENT

Oversight and Governance of PFMA Schedule 2 public entities

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

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

VOTE 28: ECONOMIC DEVELOPMENT

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

VOTE 28: ECONOMIC 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	Current assets	Capital and reserves	Revenue	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Procurement and contract management	Human resource management	Asset management	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Strategic planning and performance management	Revenue management
	Economic Development Department														R	A	A				A	
Reporting auditees																						
1	Competition Commission															A	R				R	
2	Competition Tribunal																R				R	
3	International Trade and Administration Commission (ITAS)													R		A	R				R	
4	South African Micro Finance Apex Fund													R	R	A	A	N			R	N
Audits not conducted by the AGSA																						
5	Khula Enterprise Finance Limited																					
6	Industrial Development Corporation of South Africa (IDC)																					

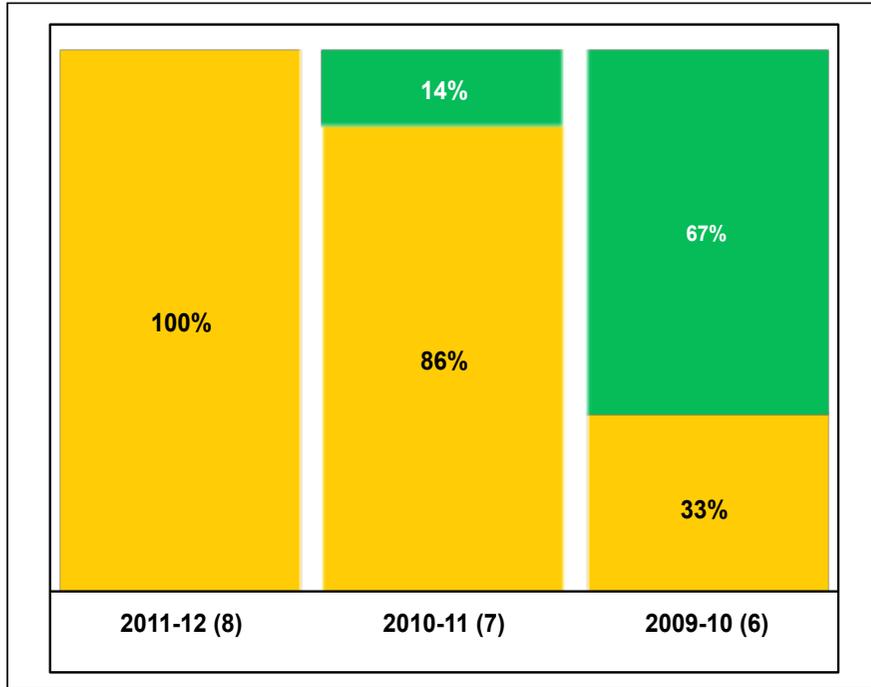
Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Findings
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Legend (Findings)	Addressed	New	Repeat
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VOTE 29: ENERGY

Three-year progress towards clean audits

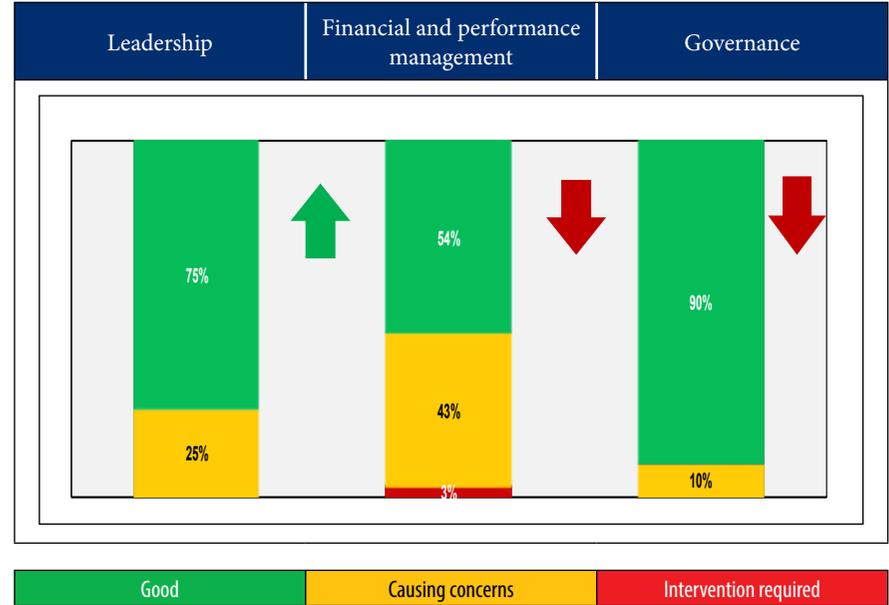


Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings

5 risk areas



Key controls



Root causes

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

VOTE 29: ENERGY

SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

Audit outcomes and key reasons for movements

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

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

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

Risk and focus areas

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

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

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

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

VOTE 29: ENERGY

Status of key controls and root causes of audit outcomes

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

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

Oversight and Governance of PFMA Schedule 2 public entities

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

Commitments and initiatives by minister

Impact on 2011-12 audit outcomes

Significant impact

No impact

Limited impact

Impact of quarterly discussions with the executive authority

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

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



Previous year

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



New

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

VOTE 29: ENERGY

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

VOTE 29: ENERGY

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

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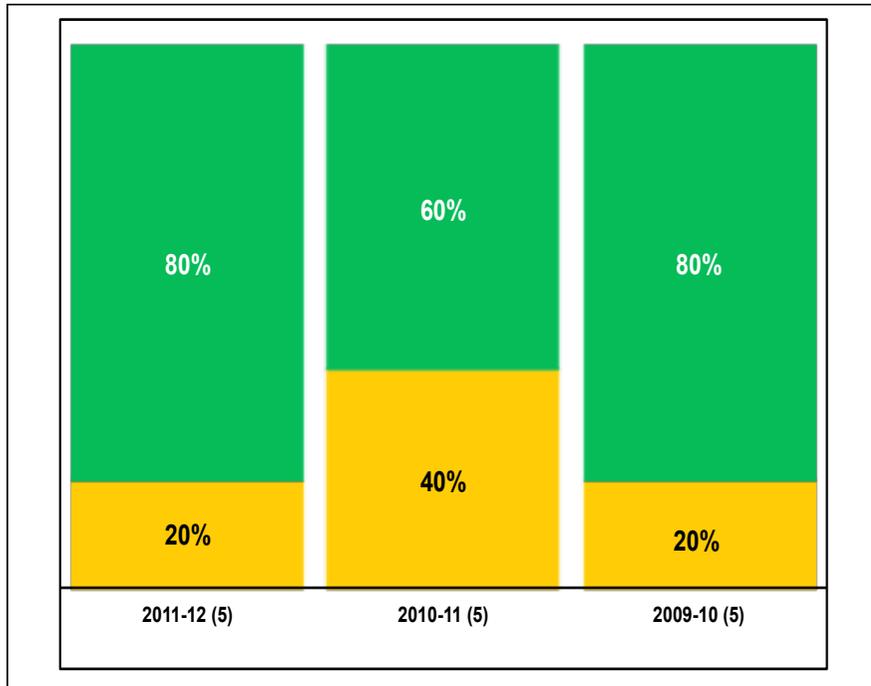
Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	New	Findings
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Legend (Findings)	Addressed	New	Repeat
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VOTE 30: ENVIRONMENTAL AFFAIRS

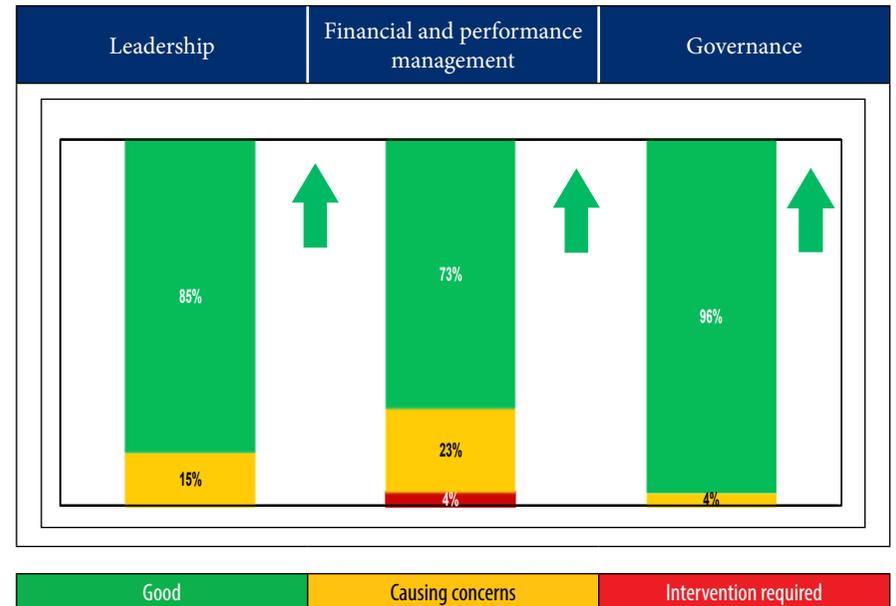
Three-year progress towards clean audits



5 risk areas



Key controls



Root causes



VOTE 30: ENVIRONMENTAL AFFAIRS

SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

Audit outcomes and key reasons for movements

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

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

Risk/focus areas

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

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

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

Status of key controls and root causes of audit outcomes

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

VOTE 30: ENVIRONMENTAL AFFAIRS

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

VOTE 30: ENVIRONMENTAL AFFAIRS

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

VOTE 30: ENVIRONMENTAL AFFAIRS

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

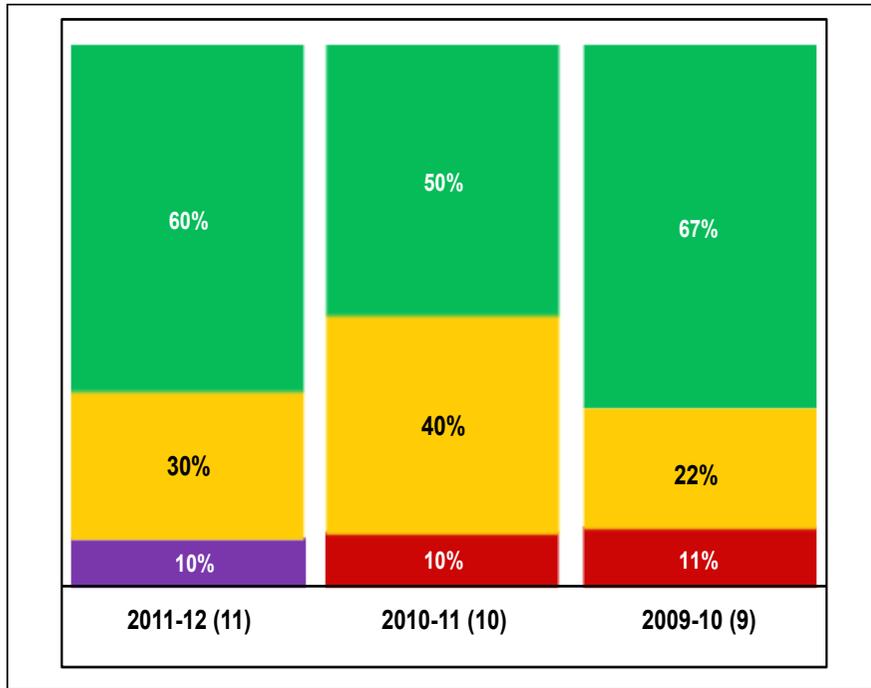
Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Findings
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Legend (Findings)	Addressed	Repeat
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VOTE 31: HUMAN SETTLEMENTS

Three-year progress towards clean audits



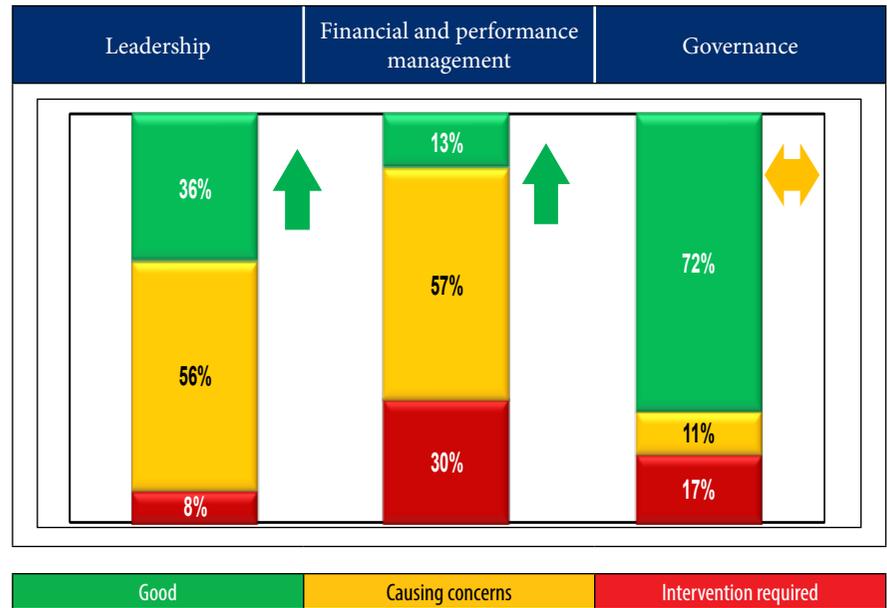
44



5 risk areas



Key controls



Root causes

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

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

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

VOTE 31: HUMAN SETTLEMENTS

SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

Audit outcomes and key reasons for movements

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

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

Risk/focus areas

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

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

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

VOTE 31: HUMAN SETTLEMENTS

Status of key controls and root causes of audit outcomes

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

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

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

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 only met once with the executive authority of the NDHS. On occasions where the AGSA leadership was unable to secure meetings with the executive authority key control assessments were communicated via letters during the 2011-12 financial year. The discussion and letters focused on the weaknesses reported in the key control dashboards and other matters of concern brought to the attention of the executive authority, including sanitation.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our limited interactions, we assessed that the executive authority of the NDHS does not yet provide the required level of assurance.</p>			■
Previous year			
None		■	
New			
<p>The Minister of NDHS undertook to implement an action plan to address the findings of the prior year, especially regarding capital expenditure, preparation of proper monthly financial statements with all relevant disclosure notes and full implementation of monthly key controls. This plan will be monitored by the Audit committee and the accounting officer. Progress will be monitored by means of quarterly reports which must be provided to the minister.</p>			

VOTE 31: HUMAN SETTLEMENTS

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

VOTE 31: HUMAN SETTLEMENTS

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

(*) In liquidation

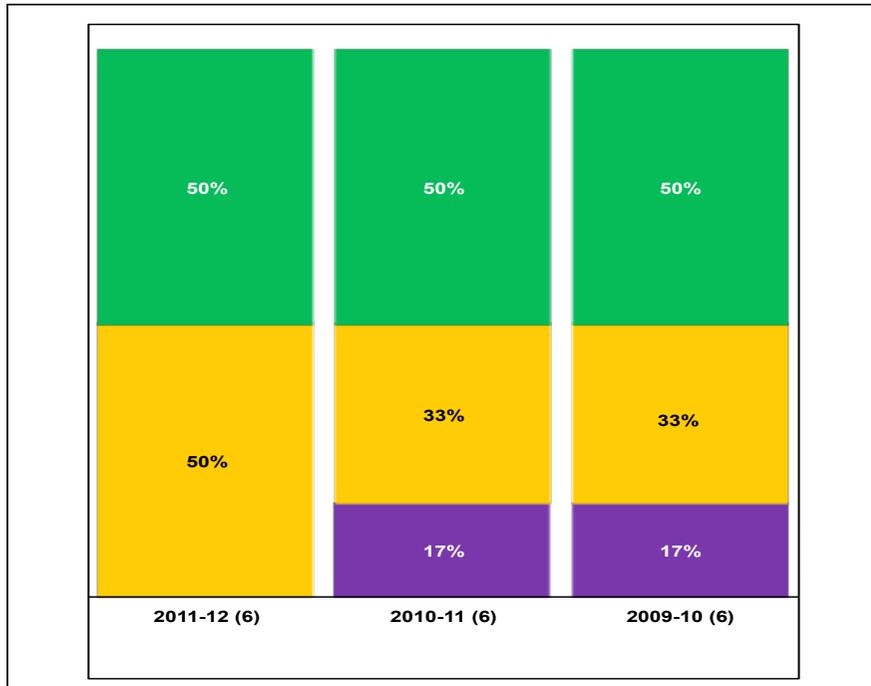
Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Disclaimer	Findings
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Legend (Findings)	Addressed	New	Repeat
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VOTE 32: MINERAL RESOURCES

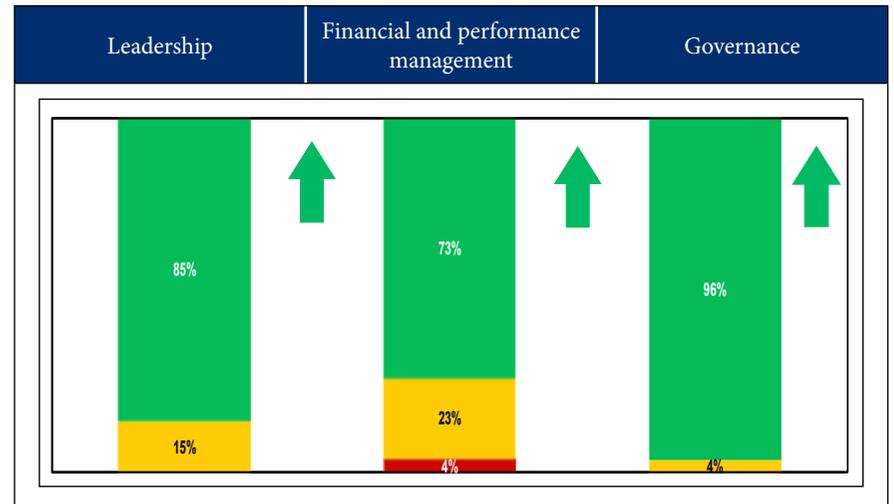
Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

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

VOTE 32: MINERAL RESOURCES

SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

Audit outcomes and key reasons for movements

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

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

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

Risks and focus areas

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

Status of key controls and root causes of audit outcomes

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

VOTE 32: MINERAL RESOURCES

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

VOTE 32: MINERAL RESOURCES

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

VOTE 32: MINERAL RESOURCES

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

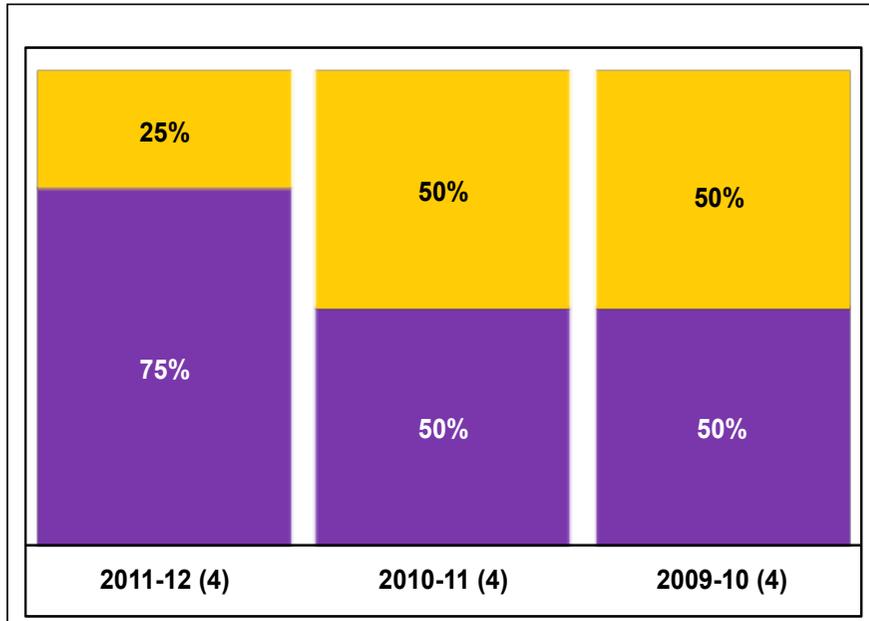
Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Findings
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Legend (Findings)	Addressed	New	Repeat
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VOTE 33: RURAL DEVELOPMENT AND LAND REFORM

Three-year progress towards clean audits



Legend
(Audit
outcomes)

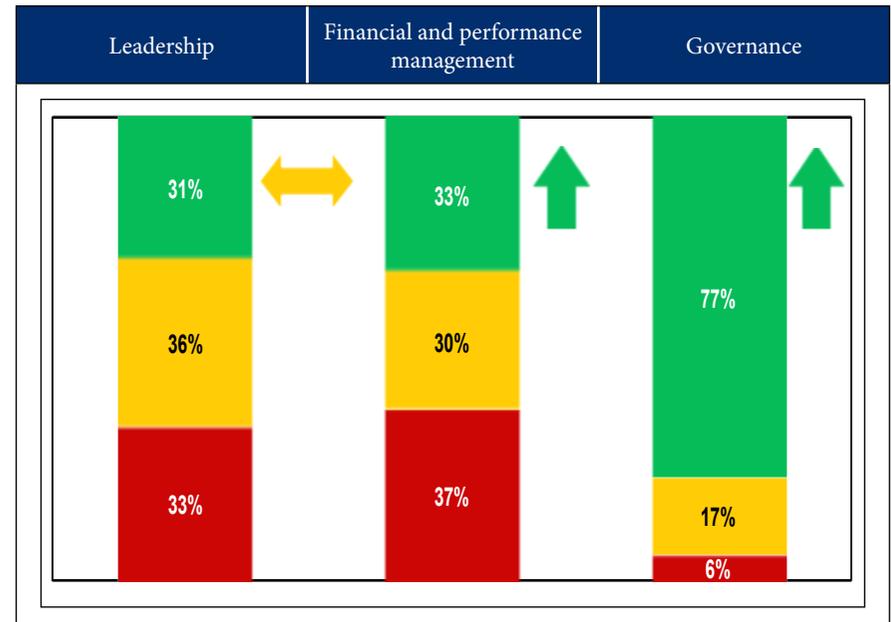
Financially
unqualified with
findings

Qualified

5 risk areas



Key
controls



Good

Causing concerns

Intervention required

Root
causes

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

VOTE 33: RURAL DEVELOPMENT AND LAND REFORM

SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

Audit outcomes and key reasons for movements

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

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

Risk/focus areas

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

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

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

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

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

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

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

VOTE 33: RURAL DEVELOPMENT AND LAND REFORM

Status of key controls and root causes of audit outcomes

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

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

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

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
<p>Impact of quarterly discussions with the executive authority</p> <p>There were four interactions with the minister during the year.</p> <p>The quarterly interactions with the minister and accounting officer have been positive, with firm commitments being obtained. The modifications to the audit report require more leadership involvement from the department in its assessment of the root causes that led to the ongoing modifications. In addition, the department needs to be proactive in correcting the root causes that led to the findings reported and not only the findings reported during the prior years.</p> <p>Implementation of these commitments has not been fully achieved to date, with a number of commitments that remain outstanding becoming a cause for concern. Some of the commitments were implemented in the 2012-13 financial year.</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 appropriate level.</p>			■

VOTE 33: RURAL DEVELOPMENT AND LAND REFORM

Previous year

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

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

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

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

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

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

New

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



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

VOTE 33: RURAL DEVELOPMENT AND LAND REFORM

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

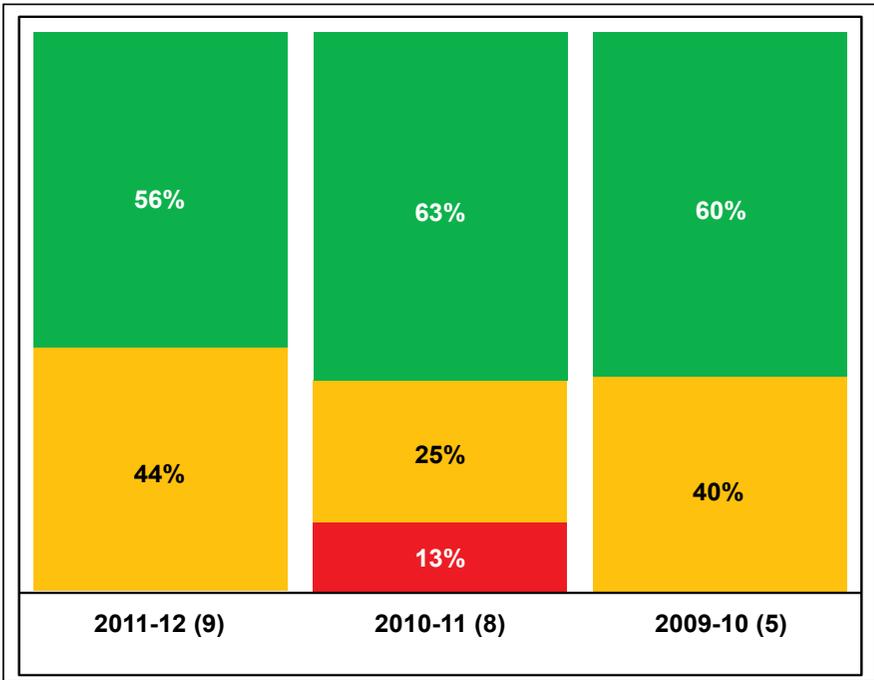
Legend (Audit outcomes)	Financially unqualified with findings	Qualified	Findings
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Legend (Findings)	Addressed	New	Repeat
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VOTE 34: SCIENCE AND TECHNOLOGY

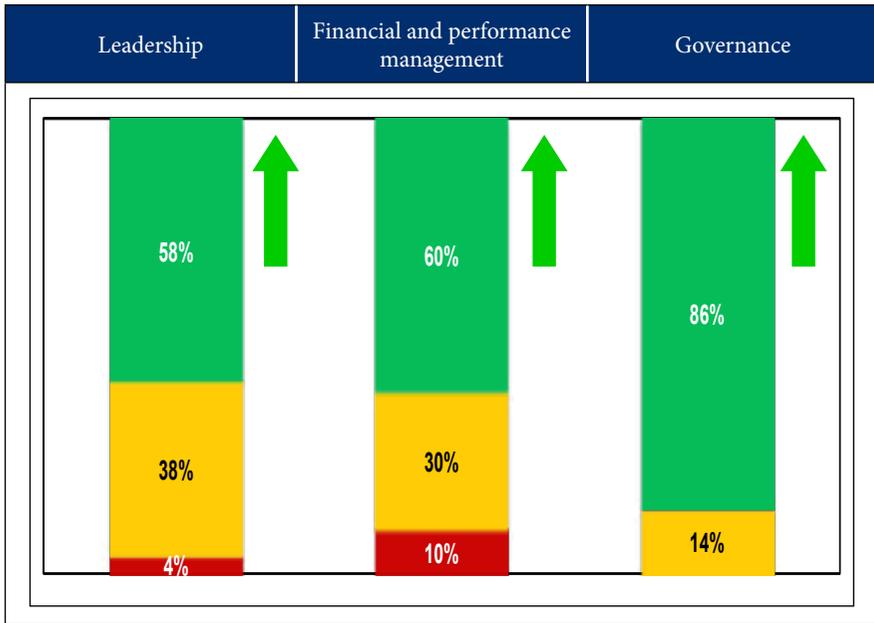
Three-year progress towards clean audits



5 risk areas



Key controls



Root causes



VOTE 34: SCIENCE AND TECHNOLOGY

SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

Audit outcomes and key reasons for movements

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

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

Risk/focus areas

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

Status of key controls and root causes of audit outcomes

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

VOTE 34: SCIENCE AND TECHNOLOGY

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

VOTE 34: SCIENCE AND TECHNOLOGY

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

VOTE 34: SCIENCE AND TECHNOLOGY

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

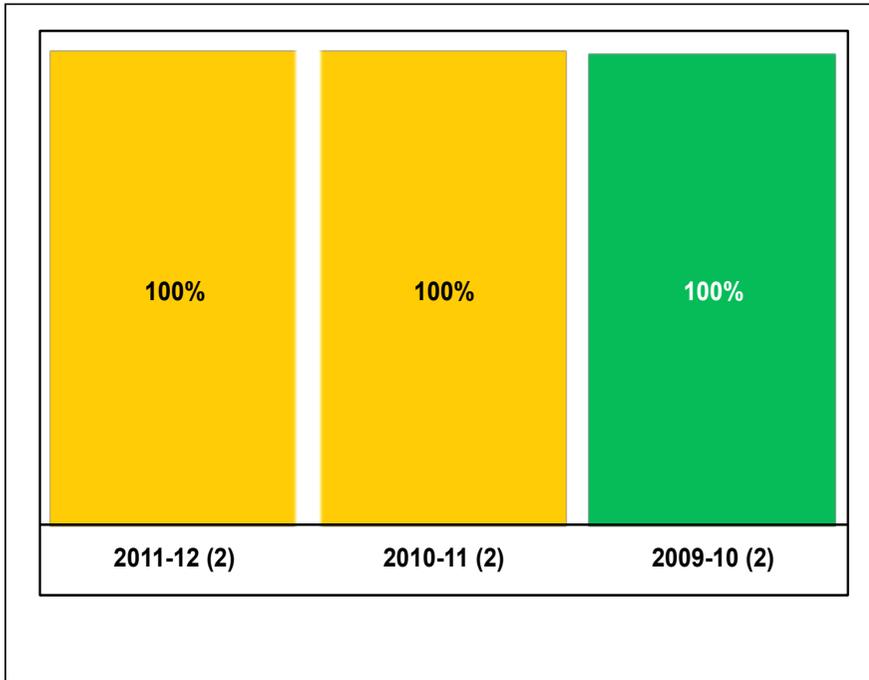
Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Disclaimer	Findings
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Legend (Findings)	Addressed	New	Repeat
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VOTE 35: TOURISM

Three-year progress towards clean audits

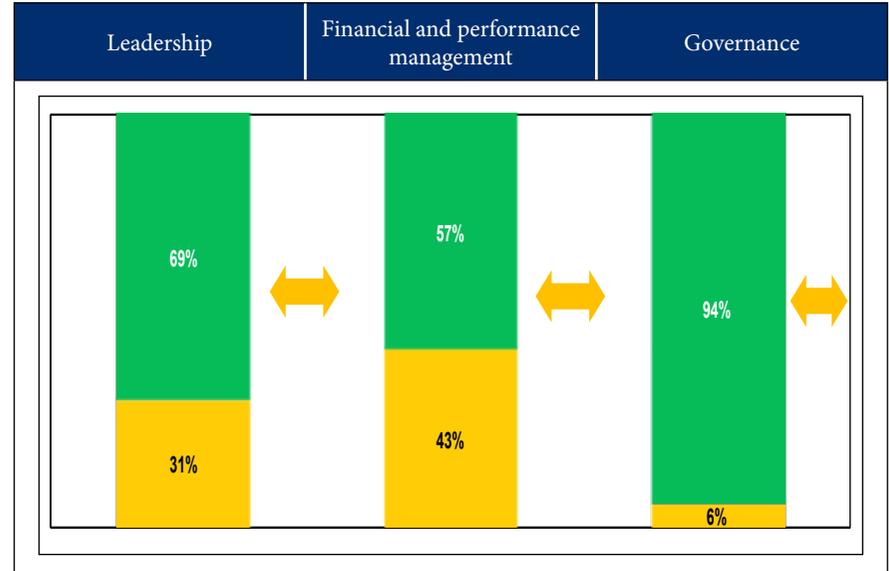


Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings
	Green	Yellow

5 risk areas



Key controls



Root causes

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

VOTE 35: TOURISM

SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

Audit outcomes and key reasons for movements

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

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

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

Risk/focus areas

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

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

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

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

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

Status of key controls and root causes of audit outcomes

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

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

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

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

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

VOTE 35: TOURISM

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

VOTE 35: TOURISM

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

VOTE 35: TOURISM

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

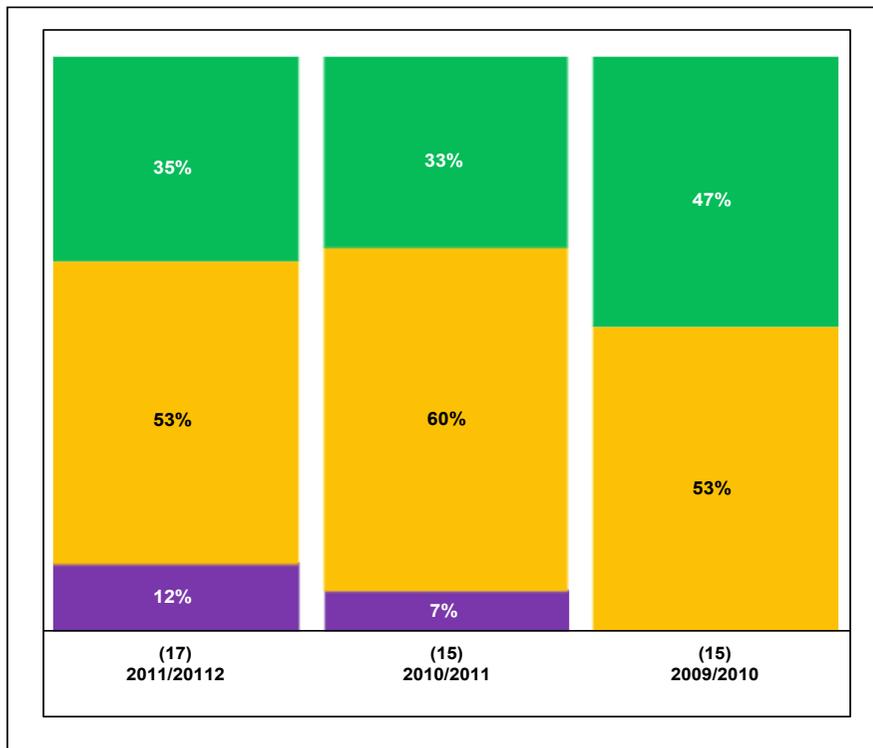
Legend (Audit outcomes)	Financially unqualified with findings	Findings
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Legend (Findings)	New	Repeat
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VOTE 36: TRADE AND INDUSTRY

Three-year progress towards clean audits



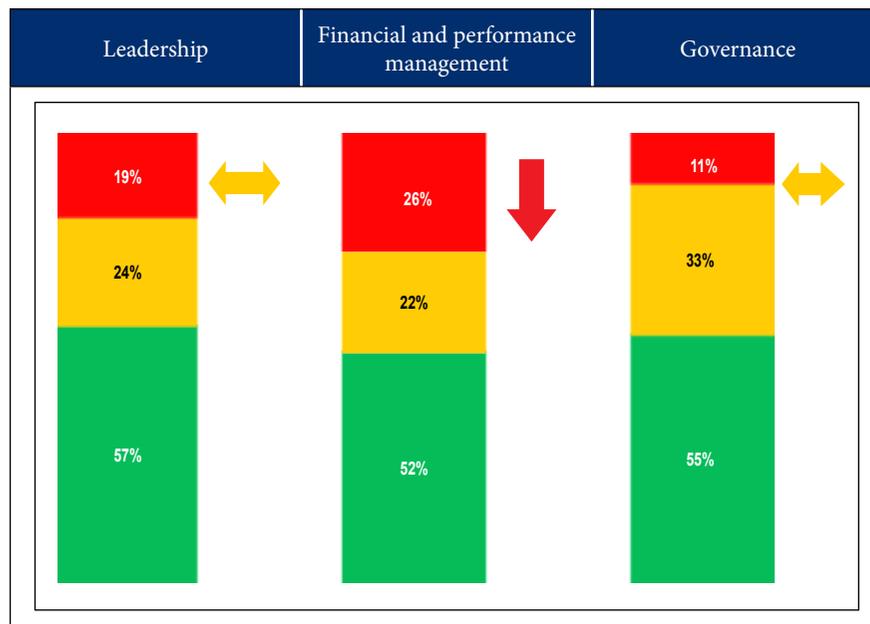
74



5 risk areas



Key controls



Root causes

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

Ineffective monitoring of key controls and inadequate IT systems

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

VOTE 36: TRADE AND INDUSTRY

SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

Audit outcomes and key reasons for movements

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

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

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

Risk/focus areas

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

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

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

VOTE 36: TRADE AND INDUSTRY

Status of key controls and root causes of audit outcomes

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

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

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
Impact of quarterly discussions with the executive authority			
<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 Trade and Industry provides the required level of assurance.</p>			■
Previous year			
None		■	
New			
<p>The executive authority committed to improving the quality of the annual financial statements. This will be done through the development and implementation of an action plan to address all audit findings, which will be monitored by the accounting officer, Internal audit and Audit committee on a quarterly basis. The accounting officer will submit the assessment for review to the Audit committee and the executive authority for follow-up on all areas where the controls were found not to be implemented.</p>			

VOTE 36: TRADE AND INDUSTRY

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

VOTE 36: TRADE AND INDUSTRY

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

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

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

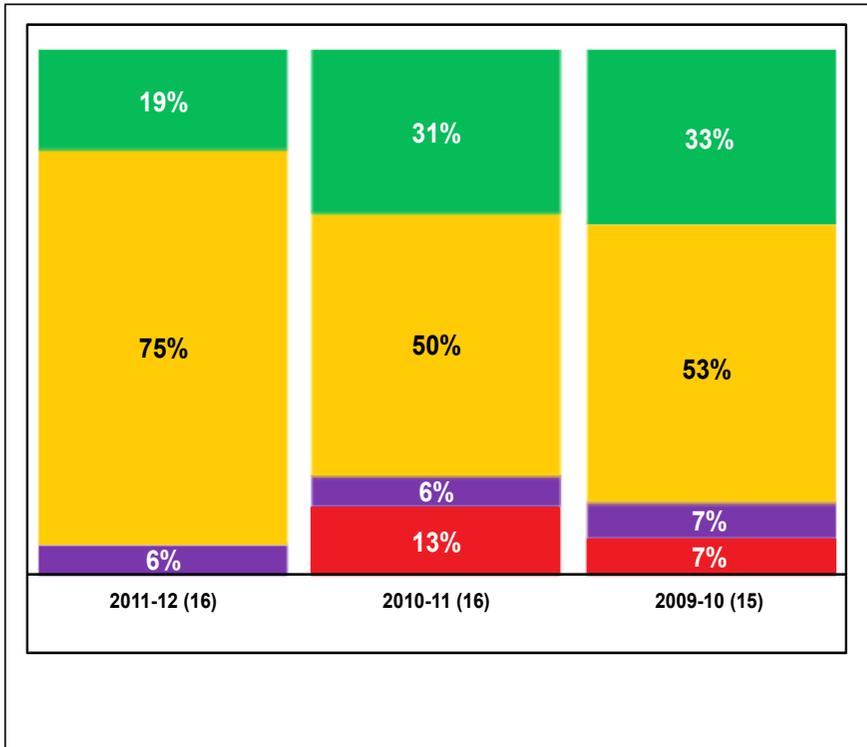
Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	New	Findings
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Legend (Findings)	Addressed	New	Repeat
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VOTE 37: TRANSPORT

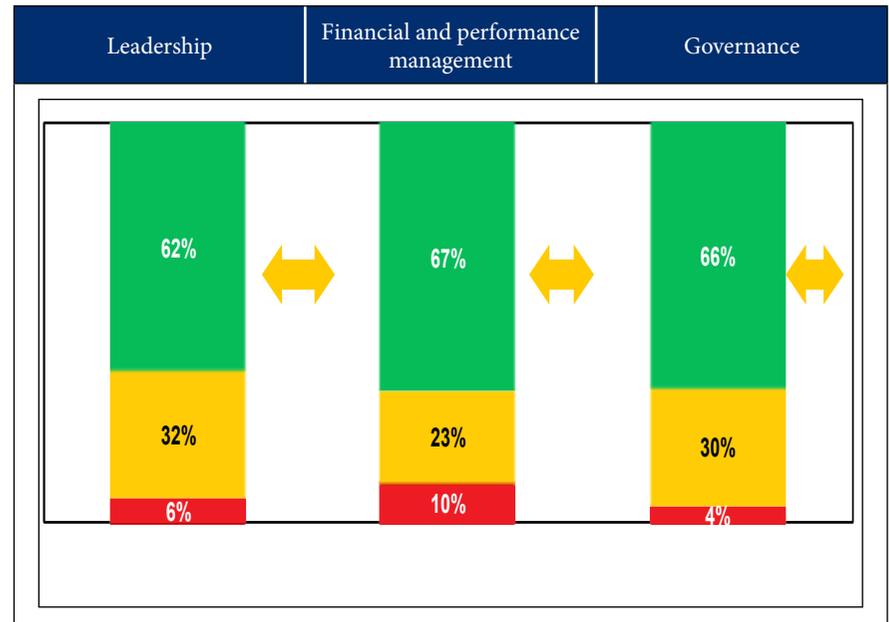
Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

- Key vacant posts in both the department and the entities.
- Ineffective oversight by the department over the public entities and inadequate reviews of the financial statements prior to these being submitted for audit.
- Ineffective Internal audit section and audit committees to provide oversight and assurance functions within the department and certain entities.

VOTE 37: TRANSPORT

SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

Audit outcomes and key reasons for movements

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

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

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

Risk/focus areas

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

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

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

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

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

Status of key controls

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

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

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

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

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

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

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

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

Lack of skilled and experienced staff in the finance sections.

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

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

Oversight and governance of PFMA schedule 2 public entities

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

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

VOTE 37: TRANSPORT

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

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

VOTE 37: TRANSPORT

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

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

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

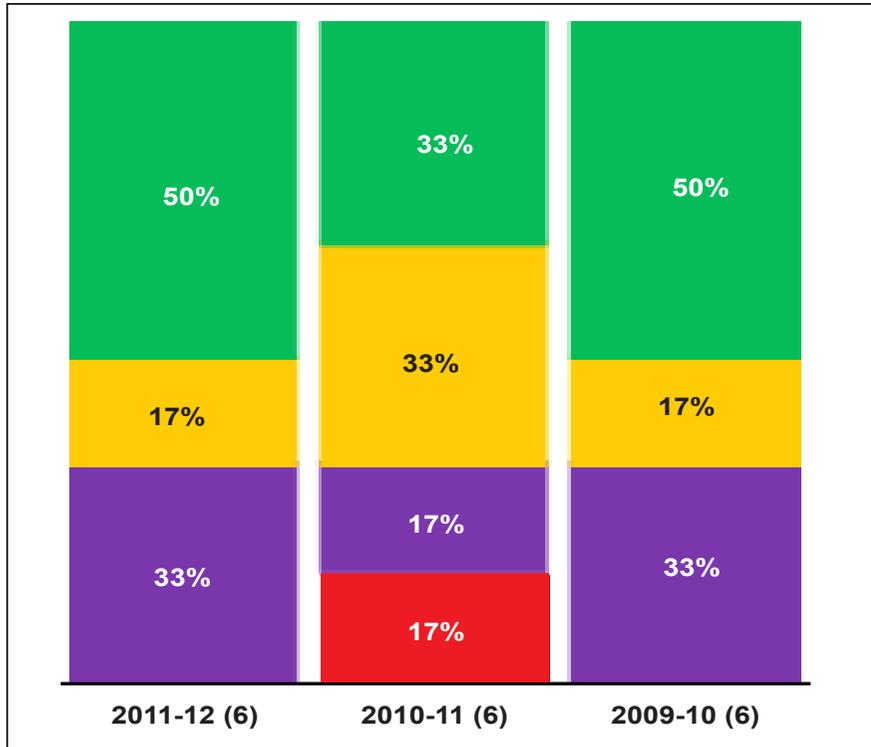
Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Adverse	Disclaimer	Findings
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Legend (Findings)	Addressed	New	Repeat
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VOTE 38: WATER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

Three-year progress towards clean audits



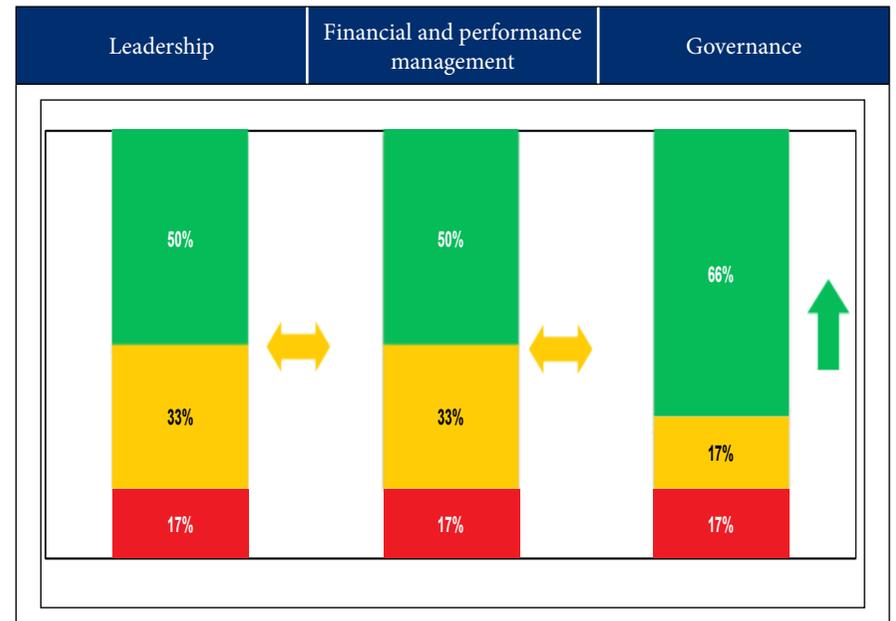
90



5 risk areas



Key controls



Root causes

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

VOTE 38: WATER AFFAIRS

SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

Audit outcomes and key reasons for movements

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

Risk/focus areas

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

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

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

Status of key controls and root causes of audit outcomes

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

VOTE 38: WATER AFFAIRS

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

VOTE 38: WATER AFFAIRS

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

VOTE 38: WATER AFFAIRS

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

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



Message from
the
Auditor-Gen-
eral

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

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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

(Part 1)

106



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(Part 1)

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Consolidated general report on the 2011-12 national and provincial audit outcomes.

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