



AUDITOR - GENERAL

SECTION 6: AUDIT OUTCOMES – NATIONAL GOVERNMENT BY MINISTERIAL PORTFOLIO

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Issues to be considered when examining the portfolio summaries

The portfolio summaries are a mechanism for identifying all entities under the responsibility of each ministerial portfolio. When examining information in the portfolio summary, it is important to take note of the factors below that explain some of the conventions and interpretations of information.

Issue	Explanation
Cut-off date	<p>For analysing purposes entities were included if audits were finalised before 30 September 2004.</p> <p>However, in the portfolio summaries available information was included up to the finalisation of the report.</p>
Entities listed within each summary	<p>The entities listed should represent all the entities related to the ministerial portfolio.</p> <p>The entities are divided into the following categories:</p> <ul style="list-style-type: none"> Departments Constitutional institutions Public entities Other entities (including trading accounts and unlisted public entities) <p>No provincial entities are included in this section.</p>
Insignificant amounts – matter(s) emphasised	<p>Values deemed to be insignificant in the context of the general report were excluded from the portfolio summaries, particularly regarding the detailed explanations.</p>
Information paragraphs	<p>Paragraphs that are included for information purposes and do not contain audit findings were excluded from the portfolio summaries.</p>
Asset figures	<p>The figures for assets of national departments are not measured on the same basis as for public entities. This is due to the cash accounting basis for certain types of assets in government.</p> <p>Therefore the figures for expenditure may include elements that would be classified as assets for public entities. This situation will be remedied through the introduction of full accrual accounting under the PFMA.</p>
Audits not conducted by the Auditor-General	<p>The portfolio summary includes a table showing the audit opinions on the entities not audited by the Office of the Auditor-General. However, no further detail is provided in the detailed descriptions following the tables.</p>
Consolidated information	<p>Where a holding entity-subsidary relationship exists, only the information for the consolidated holding entity is provided.</p> <p>If no consolidation had been performed by the cut-off date of this report, separate information on all unconsolidated entities is included.</p>
Audits not finalised	<p>Audits not finalised, amongst others because the audited entity either did not submit or resubmitted its annual financial statements.</p>
Entities with year-end other than 31 March 2004	<p>All public entities with a year-end other than 31 March are included in the portfolio summary. The latest audit opinions on these entities are included.</p>



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Portfolio: Minister of Agriculture and Land Affairs

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Department								
Agriculture		Emphasis of matter	<i>Emphasis of matter</i>	1 250,1	43,6	109,1	1 177,8	917,3
Land Affairs		Emphasis of matter	<i>Emphasis of matter</i>	1 655,0	102,9	66,5	1 613,3	1 096,9
Public entities								
Agricultural Research Council		Emphasis of matter Audit of performance information: Disclaimer	<i>Emphasis of matter Audit of performance information: Disclaimer</i>		546,7	542,0	501,4	479,7
Bala Farms (Pty) Ltd		Emphasis of matter	<i>Emphasis of matter</i>		17,8	17,0	0,7	0,8
Ingonyama Trust Board		Disclaimer Emphasis of matter	<i>Disclaimer Emphasis of matter</i>		921,1	875,9	1,0	0,4
Land and Agricultural Bank of South Africa		Qualified Emphasis of matter	<i>Emphasis of matter</i>		19 007,9	17 591,0	305,2	348,8
National Agricultural Marketing Council		Qualified	<i>Clean Report</i>		2,9	1,8	9,7	8,9
Other entities								
Agricultural Debt Account (administered by the Department of Agriculture)	Note 1	Emphasis of matter	<i>Qualified Emphasis of matter</i>		1 645,0	1 621,9	41,2	57,7
Citrus Board		Audit not finalised	<i>Audit not finalised</i>					
Citrus Levies		Audit not finalised	<i>Audit not finalised</i>					
Cotton Statutory Levy		Audit not finalised	<i>Emphasis of matter</i>					
Deciduous Fruit Levies		Audit not finalised	<i>Audit not finalised</i>					
Dried Fruit Levies		Audit not finalised	<i>Audit not finalised</i>					
Maize Board		Audit not finalised	<i>Audit not finalised</i>					
Meat Board		Audit not finalised	<i>Audit not finalised</i>					
Oil Seeds Board		Audit not finalised	<i>Audit not finalised</i>					
Registration of Deeds Trading Account		Emphasis of matter	<i>Emphasis of matter</i>		245,7	141,2	182,0	164,5
SAWIS Levies	Note 2	Audit not finalised	<i>Clean report</i>					
Sorghum Levies		Audit not finalised	<i>Audit not finalised</i>					
Wheat Board		Audit not finalised	<i>Audit not finalised</i>					
Winetech Levies	Note 3	Audit not finalised	<i>Clean report</i>					
Winter Cereal Levies		Audit not finalised	<i>Audit not finalised</i>					
WOSA Levies		Audit not finalised	<i>Audit not finalised</i>					



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Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Public Entities								
Inala Farms (Pty) Ltd		Audit not finalised	Information not available					
Ncera Farms (Pty) Ltd		Qualified	Qualified		1,3	1,7	2,9	2,8
Onderstepoort Biological Products		Clean report	Clean report		120,1	99,3	50,0	47,4
Perishable Products Export Control Board		Emphasis of matter	Information not available		49,8	48,6	81,2	79,9

Note 1: Agricultural Credit Account in 2002-03

Note 2: Year-end 30 June

Note 3: Year-end 31 December

Department: Agriculture

Matters emphasised

Matters reported for the first time

- Fixed asset additions of R14,5 million differed from capital expenditure as per income statement due to non-asset purchases included in the income statement.
- Assets could not be physically verified or traced to asset registers in regional offices.
- Certain tariffs for services rendered were not published in the Government Gazette and implemented timeously.
- Casual workers were employed for terms longer than per the Public Service Regulations.

Department: Land Affairs

Matters emphasised

Matters reported in current and previous year(s)

- The asset register was still not complete and management of assets was ineffective due to the following:
 - Discrepancies of R15,8 million between the asset register and the financial records.



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- Information on the asset management system was incomplete and therefore physical verification of the assets was not possible.
- Certain assets did not appear in the asset register.
- The internal audit section did not function effectively.

Matters reported for the first time

- Irregular expenditure of R12,9 million as a result of non-compliance with State Tender Board Regulations and procurement policies and procedures.
- Payment of R4 million was made without an approved contract or supporting documentation.
- Various payments were made on copies of invoices, which resulted in double payments of R2,1 million.
- The computer system in the Western Cape allowed changes to be made to invoices and allowed the same invoice number to be issued to different invoices.
- The department did not submit monthly information on the Registration of Deeds Trading Account as required.
- It was not possible to determine the effectiveness of controls over the collection of rental income at the provincial Departments of Agriculture.

Public entity: **Agricultural Research Council**

Audit of performance information

Disclaimer of audit opinion

Matters reported in current and previous year(s)

- The council's processes and systems to report on performance information were not adequate. Targets, key performance indicators and predetermined financial, non-financial and related objectives were not always quantified. Key performance indicators and inputs could therefore not always be linked to the measurement of performance against predetermined objectives.

Matters emphasised

Matters reported in current and previous year(s)

- The fraud prevention plan was not approved and adopted by the council.



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Matters reported for the first time

- The internal audit plan was not approved and adopted by the council and internal audit was not operational for the period 1 July 2003 to 30 September 2003. Internal audit performed only *ad hoc* work from 1 October 2003 to 31 March 2004 and as a result no reliance could be placed on the work of internal audit.
- Approval was not obtained for the retention of the surplus funds for the current and previous years.
- The materiality and significance framework was not implemented and not approved by the executive authority.
- Surplus funds were not invested with the Corporation for Public Deposits, and exemptions were not obtained from the National Treasury.

Public entity: Bala Farms (Pty) Ltd

Matters emphasised

Matters reported in current and previous year(s)

- The company would continue as a going concern until all properties had been disposed of. The latest date set for deregistration of the company was 31 March 2005.

Public entity: Ingonyama Trust Board

Disclaimer of audit opinion

Matters reported in current and previous year(s)

- Serious problems in the system of internal controls indicated a lack of effective and efficient management policy and control, which did not contribute to a sound financial environment. The following problems placed a severe limitation on the audit scope:
 - The debtors system did not provide sufficient information regarding debtors in arrears, debtors paid in advance or the rolling forward of debtors balances from the previous year.
 - No monthly or quarterly returns were available on royalty files and the auditor could not verify that all royalties had been paid or raised as debtors.
 - Debtors reconciliations were not prepared.
 - Payments received for permission to occupy were not credited against the debtor's account but were recorded as income during the current year.



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- Supporting documentation for an increase in land holdings of R30,5 million was not submitted for audit purposes.

Matters reported for the first time

- Supporting documentation to substantiate surface restoration deposits could not be submitted.
- No provision was created in the financial statements for expenditure in terms of section 2(2) of the KwaZulu-Natal Ingonyama Trust Act, 1994 (Act No. 3KZ of 1994).
- The land holdings register did not agree with the financial statements (unexplained difference of R188 million).
- Title deeds for land of R177,1 million were not submitted for audit purposes.
- Title deeds for land of R398,1 million were verified on uncertified copies of title deeds.

Matters emphasised

Matters reported in current and previous year(s)

- The board had been invoiced over a number of years for rates due to municipalities for land owned within the board's demarcation areas. The exact amount of the potential liability could not be ascertained as no provision had been made in the financial statements. The board refuted the extent of liability as municipalities could not substantiate their claims and this amount could be substantially reduced.
- No audit committee had been established and no internal audit function existed.
- There was a lack of segregation of duties in the accounting function as the accountant performed incompatible functions due to a limited staff complement.
- Some documentation could not be submitted for audit purposes in respect of permission to occupy.
- Control measures were lacking in respect of the renewal of expired contracts or contracts nearing expiry date. The effect was that in certain instances illegal mining was in operation, and the board was not receiving any money, nor were debtors being raised for royalty income payable.

Matters reported for the first time

- There was no credit control policy.
- The employment contracts for the employees/service providers of the board could not be submitted.
- The budget was not prepared and submitted to the executive authority.



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Public entity: Land and Agricultural Development Bank

Qualified audit opinion

Matters reported for the first time

- System shortcomings and data availability prevented the Land Bank from complying with the impairment requirements. The impact on non-compliance could not be determined. Specific areas included the following:
 - The expected recoverable amounts of individual loans could not be determined.
 - Security values could not be determined.
 - Interest income was not determined.
 - Criteria used to estimate loan impairment were not fully aligned with criteria as prescribed.

Matters emphasised

Matters reported in current and previous year(s)

- There were control weaknesses in the PeopleSoft banking loan system, which remained unresolved. These included, amongst others, insufficient password security and lack of logging and monitoring.
- Attention was drawn to R1 001 million of bad debts written off.

Matters reported for the first time

- Late submission of financial statements.
- No materiality framework.

Public entity: National Agricultural Marketing Council

Qualified audit opinion

Matters reported for the first time

- No provision for liability had been made in the financial statements for post-retirement benefits.



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Other entity: Agricultural Debt Account (administered by the Department of Agriculture)

Matters emphasised

Matters reported for the first time

- The debtors system had the following shortcomings:
 - The system was purely a debt recovery system and did not maintain a general ledger or a trial balance, which were prepared manually.
 - The debtors age analysis by the system did not provide sufficient management information to manage and monitor.

Other entity: Registration of Deeds Trading Account

Matters emphasised

Matters reported in current and previous year(s)

- Asset management
 - Assets could not be physically verified or traced to the asset register.
 - Asset verifications were not performed as required by policies and procedures.

Portfolio: Minister of Arts and Culture

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Department								
Arts and Culture		Emphasis of matter	Emphasis of matter	957,2	9,5	208,0	933,4	429,3
Constitutional institutions								
Pan South African Language Board		Emphasis of matter	Clean report		10,0	15,7	22,1	19,3
Public entities								
Afrikaanse Taalmuseum, Paarl		Qualified Emphasis of matter	Emphasis of matter		2,4	2,4	2,1	1,6



AUDITOR - GENERAL

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Public entities								
Artscape		Emphasis of matter	<i>Emphasis of matter</i>		22,7	13,6	33,8	25,7
Freedom Park Trust		Emphasis of matter	<i>Emphasis of matter</i>		89,5	19,3	51,0	11,2
Iziko Museums of Cape Town		Emphasis of matter	<i>Qualified Emphasis of matter</i>		27,2	16,3	39,6	39,0
Natal Museum, Pietermaritzburg		Audit not finalised	<i>Qualified Emphasis of matter</i>			3,4		5,9
National Arts Council		Audit not finalised	<i>Clean report</i>			25,6		44,6
National Film and Video Foundation		Clean report	<i>Clean report</i>		20,2	5,4	44,0	21,3
National Library of South Africa		Qualified Emphasis of matter	<i>Qualified Emphasis of matter</i>		6,8	8,7	27,2	25,7
National Museum, Bloemfontein		Emphasis of matter	<i>Emphasis of matter</i>		3,0	2,0	14,1	12,4
National Zoological Gardens of South Africa, Pretoria	Note 1	Emphasis of matter	<i>Emphasis of matter</i>		35,8	16,3	36,0	32,8
Nelson Mandela Museum, Umtata		Clean report	<i>Emphasis of matter</i>		2,1	0,9	4,7	4,1
Northern Flagship Institute, Pretoria		Emphasis of matter	<i>Qualified</i>		11,0	8,9	38,8	32,4
Performing Arts Council of Free State		Qualified Emphasis of matter	<i>Qualified Emphasis of matter</i>		5,9	9,7	20,5	18,5
Robben Island Museum, Cape Town		Audit not finalised	<i>Emphasis of matter</i>			52,2		55,3
South African Heritage Resources Agency		Qualified Emphasis of matter	<i>Emphasis of matter</i>		45,9	45,5	24,1	16,5
South African Library for the Blind, Grahamstown		Audit not finalised	<i>Emphasis of matter</i>			2,5		5,3
The National English Literary Museum		Clean report	<i>Emphasis of matter</i>		1,9	1,3	2,9	2,7
The Playhouse Company, Durban		Qualified Emphasis of matter	<i>Qualified Emphasis of matter</i>		29,9	21,7	27,6	24,4
Voortrekker Museum, Pietermaritzburg		Adverse Emphasis of matter	<i>Qualified Emphasis of matter</i>		1,8	1,9	5,2	4,2
War Museum of the Boer Republics, Bloemfontein		Qualified Emphasis of matter	<i>Emphasis of matter</i>		2,4	1,4	3,1	2,8
William Humphreys Art Gallery		Clean report	<i>Emphasis of matter</i>		2,2	1,8	1,8	1,5
Other entities								
Engelenburg House Art Collection, Pretoria		Clean report	<i>Emphasis of matter</i>		0,03	0,1	0,2	0,1



A U D I T O R - G E N E R A L

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Public entities								
Business Arts of South Africa, Johannesburg		Clean report	<i>Clean report</i>		1,3	1,2	3,9	3,4
Market Theatre Foundation		Qualified	<i>Adverse</i>		11,5	5,3	15,8	17,1
South African Blind Workers Organisation, Johannesburg		Qualified	<i>Qualified</i>		1,3	1,3	5,1	4,9
State Theatre, Pretoria		Qualified Emphasis of matter	<i>Qualified Emphasis of matter</i>		0,8	1,5	1,0	2,2
The Renaissance Theatre t/a The Spoornt State Theatre		Emphasis of matter	<i>Qualified</i>		9,4	8,6	31,7	29,6
Windybrow Centre		Clean report	<i>Adverse</i>		3,1	0,1	5,7	4,9

Note 1: The National Zoological Gardens of South Africa was de-listed as a public entity and incorporated in the National Research Foundation as from 1 April 2004.

Department: Arts and Culture

Matters emphasised

Matters reported in current and previous year(s)

- Grant-in-aid (*ad hoc* transfer payments): The following stipulations of the Treasury Regulations were not always adhered to:
 - The regular monitoring of projects.
 - Scheduled or unscheduled inspection visits or reviews of performance.

Matters reported for the first time

- The internal audit failed to execute the approved audit plan as a result of capacity constraints.
- Transfer payments: Quarterly reports
As at 31 March 2004, seven of the 24 public entities had not submitted quarterly reports.
- Assets could not be verified as the items were not properly bar-coded and the serial numbers were not stated in the asset register.



A U D I T O R - G E N E R A L

Constitutional institution: Pan South African Language Board (PANSALB)

Matters emphasised

Matters reported for the first time

- The accounting authority did not ensure that a risk management strategy was implemented, which included a fraud prevention plan.
- The requirements for the transfer of funds for the National Lexicography Units were not met in all cases with regard to the submission of their financial information.

Public entity: Afrikaanse Taalmuseum, Paarl

Qualified audit opinion

Matters reported for the first time

- Incorrect opening balances which resulted in over/understatements in the balance sheet.
- Insurance claim was incorrectly allocated against the expenditure account.
- The completeness of debtors could not be adequately verified.
- An asset register could not be presented for audit purposes. Assets acquired for exhibition purposes were capitalised but expensed via the income statement. Assets were therefore understated.
- The incorrect adjustments of provisions had the result that accounts payable and expenditure were overstated at 31 March 2004.

Matters emphasised

Matters reported in current and previous year(s)

- Internal control and checking: Various internal checking and control weaknesses and deficiencies.

Matters reported for the first time

- The method and substantiation for the calculation of the provision for leave pay amounting to R67 185 could not be presented for audit purposes.
- The budget was exceeded by R290 362 and appropriate authority for the excess could not be submitted for audit purposes.



A U D I T O R - G E N E R A L

Public entity: Artscape

Matters emphasised

Matters reported for the first time

- Artscape did not have a legal accounting authority that was accountable for the purposes of the PFMA.
- Non-compliance with the PFMA:
 - A fraud prevention plan had not been developed.
 - An internal audit charter and a rolling three-year strategic internal audit plan had not been implemented.
 - A framework for acceptable levels of materiality and significance had not been developed.
 - A supply chain management system had not been developed.
- Weaknesses in debt management.

Public entity: Freedom Park Trust

Matters emphasised

Matters reported for the first time

- Financial misconduct: Hotel accommodation used for private purposes.
- Lack of adequate controls over fixed assets:
 - Reconciliation revealed an unexplained difference.
 - No evidence of performing checks on the existence of assets as well as the completeness of the register.
 - Asset register was updated after 31 March 2004.
- Non-adherence to the prescribed procurement policy.
 - Approval not obtained from the tender committee.
 - Purchases were made without obtaining the required three quotations.



A U D I T O R - G E N E R A L

Public entity: Iziko Museums of Cape Town

Matters emphasised

Matters reported in current and previous year(s)

- A system of internal audit was not functional.

Matters reported for the first time

- Non-recognition of post-retirement medical benefit.
- No risk management strategy and fraud prevention plan had been developed.
- A supply chain management system had not been developed.

Public entity: National Library of South Africa

Qualified audit opinion

Matters reported in current and previous year(s)

- Book collections: No accounting policy addressing the classification, disclosure and valuations of the book collections had been approved by the board.

Matters reported for the first time

- No fixed asset register was maintained.
- No supporting documentation could be provided for certain income.
- Material breakdown in internal control systems and procedures:
 - National Library:
 - Various payments were made based on copies of invoices.
 - Debtor's terms were not adhered to and controls were not in place to ensure the timely recovery of debts. Credit amounts were included in the amounts receivable.
 - Payments were made without obtaining the necessary authorisation prior to processing.
 - The required number of quotations was not obtained.



A U D I T O R - G E N E R A L

- Discounts allowed were higher than stipulated in the Financial Regulations whilst no discount allowed had been recorded in the financial statements.
- The Sentri System indicated that employees were absent from work for longer periods than indicated on the payday report or leave forms.
- Centre for the Book:
 - Expenses were processed for payment without the necessary authorisation being obtained prior to payment.
 - No independent review was performed for the donation income received on behalf of the Book Development Fund.
- Income generated from hiring of venues:
 - Income generated from the hiring of venues and the renting of parking was accumulated in a separate bank account without the necessary approval and was only available at the Centre for the Book.
 - The head authorised payments of expenditure, which was not according to the National Library of South Africa's delegation policy.

Matters emphasised

Matters reported in current and previous year(s)

- No framework of acceptable levels of materiality and significance.

Matters reported for the first time

- Non-compliance with the PFMA and Treasury Regulations:
 - No effectively functioning internal audit.
 - No effectively functioning audit committee.
 - No report by the accounting authority was included.

Public entity: National Museum Bloemfontein

Matters emphasised

Matters reported for the first time

- No effective internal audit component.



A U D I T O R - G E N E R A L

- The audit committee did not comply with par. 3 of the Audit Committee Charter and terms of reference stating that meetings should be held at least quarterly.
- The validity of invoices for VAT purposes and completion of VAT returns were in certain instances not complied with.
- No proof could be obtained that council implemented management control measures.

Public entity: National Zoological Gardens of South Africa

Matters emphasised

Matters reported in current and previous year(s)

- The internal audit component was not fully operational and did not function effectively.
- The accounting authority did not develop and agree on a framework of acceptable levels of materiality and significance.

Matters reported for the first time

- Ineffective audit committee.
- The financial statements did not include the disclosure of the emoluments of the director.

Public entity: Northern Flagship Institution (NFI)

Matters emphasised

Matters reported for the first time

- Non-compliance with Treasury Regulations:
 - Ineffective internal audit.
 - The report by the accounting authority (director's report) was not submitted together with the financial statements.
 - The emoluments of all directors and executive members were not disclosed.
 - No materiality and significance framework.
 - A quarterly report was not submitted for the last quarter of 2003-04.



A U D I T O R - G E N E R A L

Public entity: Performing Arts Centre of Free State (PACOFS)

Qualified audit opinion

Matters reported in current and previous year(s)

- The entity had not accounted for the movements in the medical aid and pension fund obligations since its last valuation.

Matters emphasised

Matters reported for the first time

- Inadequate policies and procedures to monitor financial results in the catering department.
- Budgetary controls were insufficient to prevent unauthorised expenditure.
- Receivables for tickets booked out to an employee for resale on behalf of the entity were not returned and timeously followed up.
- Due to the lack of a proper system of internal controls and documented procedures, various deviations from laws and regulations were observed:
 - Procurement policy: No such policy was in place at the entity and several instances were found where these principles were also not applied.
 - PFMA compliance and reporting system: Numerous instances of non-compliance including: budget and cash flow reconciliations, cash management, submission of strategic plans and the implementation of a materiality and significance framework.
 - No evidence could be found of the implementation of a system of control to ensure the adherence to and timeous submission of all reports, returns, notices and other information to the relevant authorities.
 - No effective internal audit.
 - No effective audit committee.

Public entity: South African Heritage Resources Agency (SAHRA)

Qualified audit opinion

Matters reported in current and previous year(s)

- A liability in respect of medical aid post-employment benefits to retired employees was not accounted for and disclosed in the annual financial statements.



A U D I T O R - G E N E R A L

Matters reported for the first time

- The recoverability of a debtor balance that had been outstanding for a period in excess of three years, was uncertain. No provision for doubtful debts had been made in the financial year.
- Reconciliation between the salary expenditure (VIP payroll system) and the financial system (AccPac) could not be presented for audit purposes, resulting in unresolved differences.

Matters emphasised

Matters reported for the first time

- The asset register did not contain sufficient information regarding assets.
- Contracts had not been established between SAHRA and the recipient of transfer payments, to regulate the utilisation of funds by the recipients thereof.
- Non-compliance with laws and regulations:
 - The financial statements did not include an accounting authority report as well as the disclosure of officers' emoluments.
 - No framework of supply chain management as required.

Public entity: National English Literary Museum

Matters emphasised

Matters reported in current and previous year(s)

- An internal audit department had not been established.
- The ability of the museum to continue as a going concern was dependent on financial support from the national government.
- It was not feasible for the museum to institute accounting controls over cash collections from donations prior to the entry thereof in the accounting records.

Matters reported for the first time

- Late submission of financial statements.



A U D I T O R - G E N E R A L

Public entity: Playhouse Company Durban

Qualified audit opinion

Matters reported for the first time

- It was not feasible for the entity to institute accounting controls over collections from donations prior to initial entry of collections in the accounting records.

Matters emphasised

Matters reported for the first time

- Grant including value-added tax (VAT): VAT was paid to SARS on a grant received due to uncertainty of interpretation of the legislation while grant funding is expressly excluded from the definition of goods.
- Excessive leave accrual:
 - Leave days were considered excessive when compared with industry norms.
 - Staff had accumulated vacation leave in excess of 200 days.
- Internal control weaknesses:
 - Reconciliations were not reviewed.
 - Payroll reconciliations were inadequate.
 - Asset count not performed and incomplete records in asset register.
 - Lack of segregation of duties.
 - Inadequacy of the accounting system.
- Matters in the public interest: In May 2004 the council resolved to suspend the managing director, chief financial officer, operations director and human resource manager for the failure to perform their duties with due care and diligence, with full pay.
- Late submission of financial statements.

Public entity: Voortrekker and Ncome Museums

Adverse audit opinion

Matters reported in current and previous year(s)



A U D I T O R - G E N E R A L

- No provision for leave pay.
- The fixed asset register was not updated with the result that the completeness could not be verified.
- Incorrect accounting policy regarding fixed assets.
- No policy or other evidence existed, indicating the purpose of reserve funds.

Matters reported for the first time

- Non-compliance with generally accepted accounting practice regarding government grants.

Matters emphasised

Matters reported in current and previous year(s)

- The method of accounting for the financial operations of the museum did not comply with statements of Generally Accepted Accounting Practice as purchases were written off in the period in which the sale took place.
- Various inadequate financial controls were identified:
 - Serious lack of segregation of duties.
 - No evidence of management review and supervision.
 - No proper audit trail for reconciliations performed.
 - No continuity plan in the event that the chief administrative officer was not able to perform his functions.
 - Audit committee not operational.
 - No internal audit function.

Matters reported for the first time

- Inventory of the Museum Shop was not valued at the end of the year.
- Stock records were not maintained at Ncome Museum curio shop.
- Material departures from Generally Accepted Accounting Practice.
- No materiality and significance framework.
- Director's remuneration not disclosed.



A U D I T O R - G E N E R A L

- No exemption obtained from investing surplus funds with the Corporation for Public Deposits (CPD).
- Budgeting for a deficit.

Public entity: War Museum of the Boer Republics

Qualified audit opinion

Matters reported for the first time

- Understatement of income and expenditure.
- Inadequate supporting documentation in respect of expenditure incurred.

Matters emphasised

Matters reported for the first time

- Insufficient control measures:
 - Quantities of stock on hand as per stock register and reflected in the financial statements differed from the stock lists of an internally conducted stocktaking.
 - Unit prices of stock on hand were incorrectly calculated, which resulted in misstatement of the stock on hand as reflected in the financial statements.
- Non-compliance with management policies and procedures:
 - Provision for purchasing of a director's vehicle was disclosed as a current liability in the financial statements, which cannot be regarded as a provision in terms of Generally Accepted Accounting Practice (GAAP). It should have been recorded as a reserve to finance future expenditure.
- Non-compliance with laws and regulations:
 - The museum did not have and maintain an appropriate procurement and provisioning system, which resulted in payments that were made without obtaining quotations.
 - No proof could be obtained that the internal auditors fulfilled their functions.
 - An audit committee was not operational during the year under review.
 - No materiality and significance framework.
 - Travelling expenses and subsistence paid to personnel and directors were not recorded in the personnel system and included in the IRP5/IT3 certificates.



A U D I T O R - G E N E R A L

- Approval by the council and a utilisation framework for the use of the official garage card for official as well as private transactions of the director could not be provided.
- Official accommodation on the museum premises was rented by the officials' spouses.
- An annual stocktaking was not executed and there were inadequate managerial control measures over specimens, collections and other movable property.
- Inadequate control procedures regarding inventory.
- No policy: The correctness and completeness of rental income could not be verified due to the absence of a tariff policy.
- Irregular expenditure: Contravention of the approved work procedure and not in accordance with applicable legislation.

Portfolio: Minister of Communications

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Department								
Communications		Emphasis of matter	<i>Emphasis of matter</i>	1 645,2	2 359,2	2 437,1	1 591,1	890,4
Constitutional institutions								
Independent Communications Authority of South Africa		Emphasis of matter	<i>Clean report</i>		114,9	73,1	112,3	128,2
Public entities								
Universal Service Agency		Audit not finalised	<i>Emphasis of matter</i>			4,6		13,1
Universal Service Fund		Audit not finalised	<i>Emphasis of matter</i>			107,0		2,3



A U D I T O R - G E N E R A L

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Public entities								
National Electronic Media Institute of South Africa		Clean report	Information not available		23,3		22,9	
South African Broadcasting Corporation Limited		Clean report	Clean report		1 686,6	1 566,1	2 777,3	2 536,2
South African Post Office Limited		Information not available	Information not available					
Sentech		Emphasis of matter	Clean report		836,1	688,9	569,4	391,2
Telkom South Africa Limited		Information not available	Clean report			53 154,0		31 320,0

Department: Communications

Matters emphasised

Matters reported in current and previous year(s)

- No proper policies and procedures in place in respect of assets.
- The internal audit charter, 3-year strategic plan and annual internal plan had not been approved by the audit committee.
- No risk management strategy.

Constitutional institution: Independent Communications Authority of South Africa (ICASA)

Matters emphasised

Matters reported for the first time

- Payments to the National Revenue Fund: Revenue was not always paid within 30 days.
- Collection of licence fees: Licences were granted but no fees were collected.
- Other weaknesses in the collection of and control over licence fees.



A U D I T O R - G E N E R A L

Portfolio: Minister of Correctional Services

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
				2004 (current year)	2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Department								
Correctional Services		Qualified Emphasis of matter	Qualified Emphasis of matter	7 520,4	149,2	125,8	7 387,1	7 115,1

Department: Correctional Services (DCS)

Qualified audit opinion

Matters reported in current and previous year(s)

- Payments of R630 million (in previous year R681 million) made to Medcor could not be verified by relevant supporting documentation.

Matters emphasised

Matters reported in current and previous year(s)

- A lack of independent reviews by management to enforce policies, and inadequate/untimely training, resulted in the following:
 - Differences when comparing leave taken according to the attendance register, leave register, leave form and PERSAL.
 - Leave credits on PERSAL did not always correspond with leave records.
 - Leave taken was not always supported by approved leave forms.
 - Control accounts (receivables) not followed up on a regular basis.
 - Inaccurate/incomplete asset registers.
 - Various assets on the asset register not physically verified.
 - Various differences were detected between the Provisional Administration System and the actual stock.
 - Insufficient control over the access to computer equipment and data backups.



A U D I T O R - G E N E R A L

- Non-compliance with laws and regulations:
 - Insufficient control over the safeguarding and authorised use of vehicles.
 - Lack of reviews by management and inadequacies in documented controls.
 - Judge White Commission: Lack of sufficient controls in the recovery of debts.
- Information systems audit – a follow-up information systems audit revealed the following:
 - The management of the network software licences was inadequate and could lead to duplication of maintenance costs and lack of support for the products.
 - The department did not have a service level agreement (SLA) for the maintenance and support of the network software. Services could thus not be measured against defined expectations.
 - Although the SLA for hardware maintenance between the department and the supplier was subject to the stipulations in the contract between SITA and the supplier, the department was not able to obtain a signed copy of the SITA contract and might therefore not be aware of all the stipulations and services to be rendered in terms of the agreement.
 - The department should review licensing arrangements with its suppliers.
- Implementation of a database together with a new version of an application development tool in Gauteng was stopped before it could be implemented countrywide. This had a severe impact on departmental activities, i.e. two systems needed to be maintained, which resulted in the following:
 - The data of Gauteng and the other regions were incompatible.
 - Support and maintenance fees amounting to R1 million were paid for countrywide usage although it was only used in Gauteng.
 - The majority of new servers acquired at a total cost of R12,4 million had not yet been distributed to the regions as the rollout of these servers was planned to coincide with the countrywide implementation of the application development tool.

Matters reported for the first time

- Non-compliance with laws and regulations:
 - Non-compliance with the Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997) relating to overtime.



AUDITOR - GENERAL

Portfolio: Minister of Defence

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Department								
Defence		Qualified Emphasis of matter	Qualified Emphasis of matter	19 800,0	787,9	724,8	19 826,0	18 835,8
Public entities								
Castle Control Baord		Qualified Emphasis of matter	Qualified Emphasis of matter		3,4	2,5	0,9	0,8
Other entities								
Special Defence Account		Clean report	Emphasis of matter		1 964,9	1 626,1	7 274,4	6 391,8

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Public entities								
Armaments Corporation of South Africa		Clean report	Clean report		667,0	535,9	1 073,8	876,0

Department: Defence (DOD)

Qualified audit opinion

Matters reported in current and previous year(s)

- Conclusion could not be reached on the validity and completeness of the contingent liabilities regarding leave and therefore the accuracy of the amount as disclosed.
 - No amounts were disclosed in the physical and intangible asset movement schedules as prescribed by the National Treasury. Owing to the nature of the computerised logistic system of the DOD, we could not obtain information and explanations for non-compliance and disclosure discrepancies.
 - Completeness of departmental income amounting to R266,3 million could not be verified.
 - The department did not have a system to record accruals (where goods and services had been delivered but no invoices had been received).
- The inconsistent application of policies and procedures resulted in the following:
- Not all losses and damages were reported to the finance division.



A U D I T O R - G E N E R A L

- The damage and loss registers at unit level were not updated regularly and numerous instances were found where cases had not been captured in the registers.
- Various loss files could not be submitted for audit purposes.
- A board of inquiry was not always instituted as required in terms of the policy.
- Various cases were not finalised on time.

We were unable to verify the accuracy and completeness of the amount of R18,5 million for irregularities and losses, as disclosed in the financial statements.

Matters emphasised

Matters reported in current and previous year(s)

- Weaknesses in the management of inventories, machinery and equipment included the following:
 - Registers for receipt and issue vouchers were not properly maintained. Consequently, not all issue and receipt vouchers could be submitted for auditing.
 - Inventory and equipment were not recorded completely and accurately, resulting in discrepancies between physical stock on hand and the asset register.
 - The storage facilities were found to be inadequate in that inventory and assets were not stored under prescribed and ideal conditions, which could result in the state suffering material losses.
 - In certain instances no handing and taking over certificates were completed during the changing of responsibilities.
 - In numerous instances no segregation of duties existed.
 - Buildings and houses were deteriorating rapidly. This could mainly be attributed to a lack of funds and controls over maintenance, and repairs not functioning effectively.
 - Buildings and houses considered uninhabitable were occupied. This posed a major health and safety risk, which could result in the DOD becoming liable to third parties.
 - There was still no system for the recording and allocation of foreign aid assistance received in kind. Consequently, the completeness and accuracy could not be confirmed.

Matters reported for the first time

- Management of inventories, machinery and equipment:
 - There was a lack of enforcement of existing policies and procedures, mainly due to the fact that personnel responsible for the management of stock and equipment were not accountable to management.



A U D I T O R - G E N E R A L



A U D I T O R - G E N E R A L

- An evaluation of the stocktaking certificates revealed that a number of units had failed to submit stocktaking certificates.
 - Numerous discrepancy vouchers were still awaiting approval for the 2003-04 financial year. Staffing or vacancy problems seemed to be the major contributing factor in this delay in investigating the discrepancy vouchers.
 - A comparison between the live database per unit and the Logistical Executive Information System (LOGEIS) revealed material differences in every instance that was tested. This was the result of the lack of a proper management framework to perform reconciliations between the systems.
- The general internal controls with regard to asset management during three foreign military operations were evaluated and the following control weaknesses were identified:
- No controls existed over the raising of demands (goods and services).
 - Registers for receipt and issue vouchers were not maintained properly.
 - Inventory and equipment were not recorded completely and accurately. At the time of the audit there was a huge backlog of receipt and issue vouchers that had not yet been captured, resulting in major discrepancies between the physical stock transferred and the asset records. Inventory and assets were sent to the operations without formal accompanying documentation, resulting in poor control over the assets.
 - As a result of the lack of controls and proper documentation, certain inventory and assets were shipped to wrong destinations or operations.
- These shortcomings can mainly be ascribed to the lack of an appropriately documented and/or approved policy and procedure framework for asset management relating to foreign military operations.
- The security and general administration over vehicles were found to be lacking. This could mainly be ascribed to the fact that policies and procedures were not adequately applied and/or adhered to, resulting in the following:
- Unauthorised trips were undertaken.
 - Material differences existed between the physical number of vehicles on hand and those reflected in the stock ledger.
 - Vehicles were allowed to deteriorate to such an extent that they were beyond economical repair, mainly as a result of irregular servicing.
 - In certain cases vehicles that were sent for repairs, were not serviced on time and vehicles were stripped of their parts, causing further delays due to budget constraints.



A U D I T O R - G E N E R A L

- There was uncertainty over the completeness and accuracy of the DOD's facility register (FR) system.
- No reconciliation with the asset register of the Department of Public Works (DPW) could be performed due to the incompatibility of the two systems.
- At certain of the units, the following insufficiencies with regard to supporting documentation were found:
 - Occupational agreements were incomplete or not available.
 - Documentation for structural changes to buildings could not be submitted.
 - Contracts for subleases to third parties could not be submitted.
 - Inventory checklists were not completed and/or filed.
 - Unutilised space schedules were not completed.
 - Lists of facilities at audit locations could not be provided. In certain instances the FR system contained references to buildings that did not physically exist.
 - Buildings were disposed of without handing over certificates being completed.
 - No DPW authorisations were available for newly constructed buildings.
- The validity, accuracy and completeness of gifts received, donations and sponsorships made and received in kind could not be verified. This could mainly be attributed to the fact that the policies and procedures pertaining to these items were not followed adequately.
- The audit of commuted overtime revealed certain weaknesses in that the internal controls, as prescribed by management policies and procedures, were not followed. In certain cases, the policies and procedures did not seem to be adequate to address all weaknesses in the system. The following matters need to be mentioned:
 - Supporting documentation, such as attendance registers, was not always completed properly or was not completed at all. In the case of dentists, no time sheets were submitted to substantiate commuted overtime.
 - Agreements between medical practitioners and the DOD had not been reviewed since 1996 (in some instances the number of overtime hours worked was not the same as that documented in the signed agreements).
 - Dentists were remunerated for commuted overtime on the minimum/first salary notch of a specific salary level and not against their actual salary notch, as was the case with medical practitioners. No prescripts in this regard could be found and consequently the correctness of payments to dentists could not be verified.



A U D I T O R - G E N E R A L

- Various over- and underpayments were identified during the manual recalculation of commuted overtime paid to members.
- An information systems audit conducted on the general controls surrounding the Computer Aided Logistic Management Information System (CALMIS) and the Operational Support Information System (OSIS) revealed that the activities of the database administrators were not logged and monitored.
- A number of accounts on the CALMIS Unix servers did not have passwords.

Public entity: Castle Control Board

Qualified audit opinion

Matters reported in current and previous year(s)

- In common with similar organisations, it is not feasible for the board to institute accounting controls over cash collections from donations prior to initial entry of the collections in the accounting records. Accordingly, it was impractical for the audit to be extended beyond the receipts actually recorded.

Matters emphasised

Matters reported in current and previous year(s)

- Inadequate audit trail from the physical asset to the asset register.
- A physical stocktaking of assets for the year under review was not performed.
- The asset register did not provide the date on which the asset was purchased.

Matters reported for the first time

- Non-compliance with PFMA requirements and Treasury Regulations:
 - No audit committee for the financial year under review as required.
 - No internal audit function for the financial year under review.
 - No chief financial officer for the financial year under review.
 - Non-compliance with the Castle Management Act, No. 207 of 1993.
 - An executive director had not been appointed as required.
 - No vice-chairperson as required.



A U D I T O R - G E N E R A L

Portfolio: Minister of Education

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Department								
Education		Emphasis of matter	<i>Emphasis of matter</i>	9 894,6	162,3	152,9	9 864,3	8 937,8
Public entities								
Council for Higher Education		Emphasis of matter	<i>Clean report</i>		23,9	15,8	19,1	16,5
Education and Labour Relations Council		Qualified	<i>Clean report</i>		84,4	156,7	19,6	25,7
National Student Financial Aid Scheme		Emphasis of matter	<i>Emphasis of matter</i>		2 362,8	2 539,1	49,3	13,8
South African Qualifications Authority		Emphasis of matter	<i>Emphasis of matter</i>		45,9	67,3	40,8	38,4

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Public entities								
South African Council for Educators		Clean report	<i>Clean report</i>		6,0	5,7	10,3	13,3
Umalusi (General and Further Education and Training Quality Assurance Council)		Clean report	<i>Clean report</i>		13,1	11,9	15,7	14,4

Department: Education

Matters emphasised

Matters reported in current and previous year(s)

- Conditional grants: In terms of section 38(l) of the PFMA the accounting officer of the department must ensure that the provisions of the Division of Revenue Act, 2003 (Act No. 7 of 2003) (DORA) are complied with when the transfer of funds takes place. The department therefore put a framework in place to monitor that conditional grants were transferred to the provinces in accordance with the DORA. There were, however, certain limitations to this monitoring framework.



A U D I T O R - G E N E R A L

Matters reported for the first time

- Follow-up information systems audit of the logical access controls and security parameter settings within the information technology environment at the Department of Education. The most significant weaknesses in the security environment were the following:
 - The Windows 2000 system accounting policy settings and the security auditing features were not appropriately utilised to prevent and detect unauthorised access to the applications operated by the department.
 - There were uncertainties regarding general controls operated by SITA in respect of the department's information.

Public entity: Council on Higher Education

Matters emphasised

Matters reported for the first time

- There was uncertainty with regard to the recurrent funding from the Department of Education. This indicated the existence of an uncertainty that might cast doubt on the council's ability to continue as a going concern in the long term.

Public entity: Education Labour Relations Council

Qualified audit opinion

Matters reported for the first time

- Revenue could not be tested for completeness. It was not feasible for the council to institute accounting controls over levies received prior to initial entry of the collections and therefore it was impractical for us to extend our examination beyond the levies actually recorded.

Public entity: National Student Financial Aid Scheme

Matters emphasised

Matters reported in current and previous year(s)

- In the current year a review of the general controls in the computer environment was conducted. A separate management report was issued in this regard.

Matters reported for the first time

- Departures from the requirements of generally accepted accounting practice.



AUDITOR - GENERAL

Public entity: South African Qualifications Authority (SAQA)

Matters emphasised

Matters reported in current and previous year(s)

- In evaluating the entity's ability to continue its operations in the near future, it was established that the donor funding available would sustain the entity until the end of March 2005. The entity had sufficient funding and reserves to fund its operations for the twelve months ending 31 March 2004. The conditions indicated the existence of an uncertainty, which might cast doubt on SAQA's ability to continue as a going concern in the long run.

Portfolio: Minister of Environmental Affairs and Tourism

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2004 (current year)	2003 (previous year)	2004 (current year)
Department								
Environmental Affairs and Tourism		Clean report	<i>Emphasis of matter</i>	1 469,5	42,4	81,7	1 491,6	1 420,5
Public entities								
Greater St Lucia Wetland Park Authority		<i>Emphasis of matter</i>	<i>Emphasis of matter</i>			169,0		20,9
Marine Living Resources Fund		Audit not finalised	<i>Audit not finalised</i>					
National Botanical Institute		Clean report	<i>Emphasis of matter</i>		149,2	102,6	74,0	63,7
South African National Parks		Clean report	<i>Clean report</i>		892,0	684,9	506,7	472,7
South African Tourism Board		Clean report	<i>Clean report</i>		160,2	105,4	429,2	299,0
South African Weather Service		<i>Emphasis of matter</i>	<i>Emphasis of matter</i>		108,6	82,8	123,3	110,9

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2004 (current year)	2003 (previous year)	2004 (current year)
Public entities								
Johannesburg World Summit		Information not available	<i>Information not available</i>					



AUDITOR - GENERAL

Public entity: South African Weather Service

Matters emphasised

Matters reported in current and previous year(s)

- The entity entered into a finance lease agreement (R7 million) without the prior approval of the Minister of Finance.
- Internal control weaknesses included:
 - S&T advances not reconciled to claims submitted.
 - A number of policy documents were still waiting for formal approval.
 - Not all employees transferred from the Weather Bureau had transfer documents.

Matters reported for the first time

- The investment policy and surplus accumulation were in contravention of the Treasury Regulations.
- Inappropriate accounting for post-retirement medical aid contributions.
- The fraud prevention plan was not incorporated in the risk management strategy.
- Quarterly statements were submitted late.

Portfolio: Minister of Finance

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Department								
National Treasury		Emphasis of matter	<i>Emphasis of matter</i>	12 593,3	301,5	556,8	12 099,8	9 956,9
Statistics South Africa		Qualified Emphasis of matter	<i>Qualified Emphasis of matter</i>	293,9	179,6	167,2	303,7	391,7
Constitutional institutions								
Financial and Fiscal Commission		Emphasis of matter	<i>Emphasis of matter</i>		2,2	4,0	15,0	11,2
Public entities								
Financial Intelligence Centre		Clean report	<i>Clean report</i>		66,9	33,3	7,4	2,9



AUDITOR - GENERAL

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Public entities								
Financial Services Board		Emphasis of matter	<i>Emphasis of matter</i>		79,0	64,2	112,9	98,0
Public Investment Commissioners		Emphasis of matter	<i>Qualified Emphasis of matter</i>		105,6	92,4	32,1	24,2
SA Revenue Service (Administered Revenue)		Emphasis of matter	<i>Qualified Emphasis of matter</i>		18,1	349,0	9 722,7	8 259,4
SA Revenue Service (Own Accounts)		Emphasis of matter	<i>Emphasis of matter</i>		1 498,2	1 391,1	3 562,8	2 878,5
Other entities								
Dissemination and Marketing Trading Entity	Note 1	Emphasis of matter	<i>Qualified</i>		0	2,8	0	0,5
Project Development Facility	Note 2	Clean report			6,1		0,2	
Pension Fund for Associated Institutions		Audit not finalised	<i>Audit not finalised</i>					
Provident Fund for Associated Institutions		Audit not finalised	<i>Audit not finalised</i>					
Reconstruction and Development Programme Fund		Qualified Emphasis of matter	<i>Qualified Emphasis of matter</i>		919,9	889,4	1145,7	1 384,5
Special Pensions Board		Emphasis of matter	<i>Emphasis of matter</i>		0	0	9,4	6,8
Temporary Employment Pension Fund		Audit not finalised	<i>Audit not finalised</i>					

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Public entities								
Accounting Standards Board		Clean report	<i>Clean report</i>		4,5	3,6	3,3	0,5
Development Bank of Southern Africa		Clean report	<i>Unqualified</i>		23 684,5	20 919,1	1 483,1	1 253,8
Public Accountants' and Auditors' Board		Information not available	<i>Clean report</i>			10,6		8,8
Sasria		Clean report	<i>Clean report</i>		1 544,5	1 306,0	296,7	184,3
Other entities								
Development Bank of Southern Africa Development Fund		Clean report	<i>Information not available</i>		388,1	138,7	4,8	2,9

Note 1: The operations of the Dissemination and Marketing Trading Account were discontinued on 30 June 2003

Note 2: 2003-04 was the entity's first year of operations



A U D I T O R - G E N E R A L

Department: National Treasury

Matters emphasised

Matters reported in current and previous year(s)

- Weaknesses in the controls over "Contribution to medical schemes" included in the financial statements: Service level agreements were not entered into with major service providers, approved policy and procedure manuals were not in place and system information was not always supported by appropriate documentation. Total medical expenditure amounted to R1 259,1 million. Alternative audit procedures were performed to verify the figures in the financial statements.

Department: Statistics South Africa

Qualified audit opinion

Matters reported in current and previous year(s)

- Procurement expenditure in contravention of tender procedures:
 - As reported previously State Tender Board (STB) regulations were not complied with in the procurement of services amounting to R16,1 million, mainly supplied by one contractor. During the current year further payments amounting to R3,3 million were made to the same supplier.
 - STB regulations and the regulations in respect of the framework for supply chain management were not complied with in the procurement of services amounting to R9 million.
 - An amount of R1,3 million, which was unaccounted for, was disclosed in the 2002-03 financial statements. Evidence was not found of steps taken to recover the R1,3 million before it was written off. The reasons for the unaccounted amount or why recovery would be uneconomical were also not indicated.

Matters reported for the first time

- Separate asset registers were kept for office equipment and computers and related equipment. Computer assets and related equipment of R13,1 million could not be verified.

Matters emphasised

Matters reported in current and previous year(s)

- The validity and accuracy of deductions and tax payments could not be verified due to late submission of these reconciliations and supporting documents.

**A U D I T O R - G E N E R A L**

- Implementation of the recommendations made by the internal audit (IA) function was delayed for various reasons, the most notable of these being the difficulties in obtaining a common understanding between IA and management.
- Various internal control weaknesses included the following:
 - Delegations of authority were inadequate, as the delegations to budget managers were very broad. There were no specific delegations to staff in the finance and provisioning sections. For example, a person without the necessary authority requested funds amounting to R290 million.
 - Proof of written authority to approve warrant vouchers, cheques or electronic payments could not be submitted to audit.
- Information systems audit of the general controls surrounding the IT environment. The most significant weaknesses identified were the following:
 - A formally approved IT strategy plan, IT security policy and disaster recovery plan for the IT environment as a whole did not exist.
 - Comprehensive approved program change control procedures, account management procedures and backup and recovery procedures had not been compiled. The backup tapes were furthermore not being tested and restored on a regular basis.
 - Adequate password controls had not been implemented and the operating security parameter settings were not optimally utilised to prevent unauthorised access to the network.
 - Programmers had access to the live environment and the activity log files were not reviewed on a regular basis. User identifications and passwords were shared and the lack of proper segregation of duties made it impossible to determine responsibility for actions on the system.
- Mainframe activity logs were not obtained by management to follow up on instances of, for example, attempts to gain unauthorised access to the transversal systems data.
- A risk management strategy could not be submitted for the year under review.
- All payments due to creditors should be settled within 30 days from receipt of the invoices. Invoices amounting to R4 million included in the audit sample were not paid within the prescribed period.
- No information had been received on the progress made with the investigation of ghost employees as reported previously.



A U D I T O R - G E N E R A L

Constitutional institution: Financial and Fiscal Commission

Matters emphasised

Matters reported in current and previous year(s)

- Non-compliance with the PFMA in respect of entering into finance lease agreements for use of office and computer equipment.

Public entity: Public Service Commission

Matters emphasised

Matters reported in current and previous year(s)

- A large number of errors and omissions as a result of excessive manual processing of transactions.
- Strategic plan and quarterly reports were not submitted to the executive authority.
- No internal audit function.
- Late submission of financial statements.
- Delayed tabling of the previous year's annual report.

Public entity: South African Revenue Service (SARS) – Administered Revenue

Matters emphasised

Matters reported in current and previous year(s)

- There was non-compliance with the VAT Act.
- Incidents of tax evasion and other breaches of taxation laws affected their fiduciary responsibilities.

Matters reported for the first time

- Removals in bond/Removals in transit/Ex-warehouse in bond: There were serious shortcomings in the controls relating to RIBs/RITs/XIBs and other relevant documentation, which were not acquitted in good time. A large backlog of these documents (both imports and exports) awaiting acquittal was observed. At times a record of the outstanding entries was not generated and the



A U D I T O R - G E N E R A L

removal documents accepted at the branch offices were not followed up to ensure timely acquittal.

As a consequence of the above, a total of 49 471 documents were not acquitted nationally for SARS as at 31 March 2004. The potential revenue in the form of duties that may have been levied on non-acquittals and penalties that were not always issued on late acquittals for the 2003-04 financial year could be material. However, the amount was not readily determinable.

- Risk management: As part of the risk management policy for SARS, the enforcement and customs divisions annually set targets for monetary values, number of cases to be inspected/audited and success (hit) rates. Due cognisance was taken of the fact that SARS was still working towards refining its risk management policy with the aim to, in future, compare favourably with international benchmark targets, especially as far as the number of cases to be inspected/audited and success (hit) rates were concerned.

However, as the risk-based approach, in particular the SARS Automated Risk Assessment Process (SARAP) and the Integrated Customs Risk Analysis Solution (ICRAS), is regarded as an important control tool during the audits of the different control environments, it is important that internally set performance targets are achieved. This will enhance the reliance that can be placed on it as a compensating control measure during the performance of control-based audits. The national performance (targets) for the 2003-04 financial year indicated that there was potential for improvement in this area.

Public entity: South African Revenue Service – Own Accounts

Matters emphasised

Matters reported in current and previous year(s)

- Weakness in internal control relating to property, plant and equipment.
- Suspension of head of internal audit pending the outcome of the SARS internal disciplinary process.

Other entity: Dissemination and Marketing Trading Entity

Matters emphasised

Matters reported for the first time

- The operations were discontinued on 30 June 2003.



A U D I T O R - G E N E R A L

Other entity: Reconstruction and Development Programme Fund

Qualified audit opinion

Matters reported in current and previous year(s)

- In common with similar organisations, it was not feasible for the fund to institute accounting controls over funds received from donors before the initial entry of the receipts in the accounting records. Consequently, the completeness and accuracy of the accounting records relating to the donations received could not be determined.
- The completeness of unspent money that was refunded to the fund could not be determined.

Matters emphasised

Matters reported in current and previous year(s)

- The accumulated funds remained at a significant amount. It increased from R889,4 million in 2003 to R919,9 million in 2004. The balance of accumulated funds was an indication of delays in the requesting of funds by spending agents.

Other entity: Special Pensions Board

Matters emphasised

Matters reported in current and previous year(s)

- The operating structure of the board had not yet been resolved in that:
 - The operating expenditure of the board was accounted for in the annual financial statements of both the National Treasury and the board.
 - The agency agreement was entered into in August 2000 and had not been reviewed since then. This was contrary to the clause in the agreement that it should be reviewed annually.
 - The interpretation that the board was seen as part of the National Treasury resulted in contradictions in the application of the PFMA. These contradictions included whether the responsibility of the accounting officer of the board lay with the director-general of the National Treasury or the chief executive officer of the board.
 - The special pension benefits were only accounted for in the financial statements of the National Treasury and not in those of the board.
- The approved budget was underspent by approximately 29 per cent. This was due to, amongst others, budgeting for the procurement of items that were leased from the pension administration in terms of the agency arrangement. Projects that had been envisaged in the board's strategic plan were also not implemented.



A U D I T O R - G E N E R A L

- The transactions of the board were recognised when the National Treasury reimbursed the accounting agent for the expenses incurred on behalf of the board. The basis of preparation of annual financial statements between the board and the accounting agent had the result that the yearly figures presented did not reflect the actual financial operations of the board during a given period. The effect of this was disclosed in note 9 to the annual financial statements.

Portfolio: Minister of Foreign Affairs

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Department								
Foreign Affairs		Qualified Emphasis of matter	<i>Emphasis of matter</i>	2 328,6	605,3	406,0	2 128,7	2 383,8
Public entities								
African Renaissance and International Co-operation Fund		Emphasis of matter	<i>Emphasis of matter</i>		378,6	336,4	62,2	56,9

Department: Foreign Affairs

Qualified audit opinion

Matters reported for the first time

- An unreconciled difference of R11,6 million existed between the balance in the department's records and the cash at the missions. These accounts were not reconciled on a periodical basis for several years mainly due to a shortage of staff.

Matters emphasised

Matters reported in current and previous year(s)

- Interdepartmental receivables balances: Debtors confirmations received from some departments revealed differences that might be in excess of R157 million.
- General control weaknesses included the following:
 - No risk assessment.
 - No IT security policy in place.
 - Outdated change control procedures.



A U D I T O R - G E N E R A L

- Inadequate user account management procedures.
- No approved network and internet usage policies in place.
- No authorised disaster recovery and business continuity plans.
- Inadequate access controls.
- Inadequate segregation of duties within the IT environment.

Matters reported for the first time

- Backlogs of up to three months in the capturing of expenditure incurred at the missions.
- Key reconciliations were not performed regularly mainly due to the shortage of staff.
- Long outstanding receivables were not followed up.
- Inadequate maintenance of fixed asset register.
- Late submission of financial statements.

Public entity: African Renaissance and International Cooperation Fund

Matters emphasised

Matters reported in current and previous year(s)

- It was not likely that instalments of R44,1 million on a long-term loan would be recovered. The department had not taken a decision on this matter.

Matters reported for the first time

- Transfer payments of R5,2 million were made without the required approval of the Minister of Finance.

Portfolio: Minister of Health

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Department								
Health		Qualified Emphasis of matter	Emphasis of matter	8 556,7	182,1	93,8	8 456,6	7 634,7



A U D I T O R - G E N E R A L

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Public entities								
Council for Medical Schemes		Emphasis of matter	Clean report		13,3	13,8	34,3	33,1
South African Medical Research Council		Emphasis of matter	Emphasis of matter		286,0	234,1	286,5	252,3
Other entities								
King George V Silver Jubilee Fund for Tuberculosis	Note 1	Audit not finalised	Clean report			0,5		0
Mines and Works Compensation Fund		Disclaimer Emphasis of matter	Disclaimer Emphasis of matter		1 038,8	934,1	102,8	73,3
South African National Aids Trust		Qualified	Emphasis of matter		32,8	30,7	0,7	0

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Public entities								
National Health Laboratory Service		Information not available	Information not available					

Note 1: Entity has a 30 June year-end

Department: Health

Qualified audit opinion

Matters reported for the first time

- The department effected transfer payments of R7 billion to various provincial departments. This constituted 91,4% of the department's expenditure. The following fundamental areas of non-compliance with the provisions of the Division of Revenue Act, 2003 (Act No. 7 of 2003) (DORA) were observed:
 - Section 21(1)(c) of the DORA requires funds to be withheld when significant underspending and the non-achievement of objectives occur. In spite of the grants being underspent, transfers were still made. Eighteen instances of underspending of conditional grants for various programmes, amounting to R279 million, occurred in the provinces.



A U D I T O R - G E N E R A L

- Financial and operational monitoring of compliance with conditions of conditional grants was not adequately performed by the department. On-site monitoring of the Health Professions Training and Development conditional grant of R1,8 billion was inadequate in Gauteng, Free State, Eastern Cape, North West and Limpopo.

Matters emphasised

Matters reported in current and previous year(s)

- Inadequate monitoring of conditional grants:
 - No guideline with regard to an effective reporting framework was provided by the department to the benefiting provinces.
 - No distinction was made between equitable share funding and conditional grant funding in the financial system of the benefiting provinces. For example, the provinces that were visited allocated expenditure according to budget availability rather than on criteria set by the conditions of payment.
 - Inadequate in-year monitoring to identify non-compliance with the DORA framework, conditional grants and business plan conditions and objectives.
- Lack of control over fixed assets: A fixed asset register is maintained on the LOG-TEK/LOGIS system but it is not integrated with the Basic Accounting System. Systems to control the movement of assets and ensure custody and safeguarding thereof were inadequate.
- The department effected transfer payments of R110 million to non-governmental organisations constituting 1,5% of the department's expenditure. The following instances of non-compliance were observed:
 - The organisations funded did not provide the department with audited financial statements and quarterly reports as required by the funding agreements.
 - Funds were transferred by the department without obtaining assurance that the beneficiary had implemented effective, efficient and transparent financial management and internal control systems.

A complaint was received in respect of the National Association of People Living with HIV and Aids (NAPWA) to which the department had transferred R5 192 million (over the past two years) and a forensic investigation was being scoped by the office.
- Internal audit:
 - A risk management strategy had not been fully developed to direct the effort and priorities of the internal audit function.
 - The ratio of audits completed against audits planned was inadequate when measured against the annual operational plan.



A U D I T O R - G E N E R A L

This was mainly due to lack of capacity within the department. The function had been co-sourced with a private audit firm since March 2004.

Public entity: Council for Medical Schemes

Matters emphasised

Matters reported for the first time

- The accounting authority did not timeously develop and agree on a framework of acceptable levels of materiality and significance with the relevant executive authority as required.
- No procedures were established by the accounting authority for quarterly reporting to the executive authority as required.
- The minimum of weekly bank reconciliations required was not performed.

Public entity: South African Medical Research Council

Matters emphasised

Matters reported for the first time

- No procedures for quarterly reporting to ensure the management of performance.

Other entity: Mines and Work Compensation Fund

Disclaimer of audit opinion

Matters reported for the first time

- The financial control system for the compensation (OSB) payments was inadequate to ensure that all compensation payments were valid, accurate and authorised. These payments constituted 82% of expenditure. The following shortcomings in the internal control system were identified for the financial year under review:
 - Incomplete and inaccurate supporting documentation on beneficiary files.
 - Evidence of duplicate payments to beneficiaries.
 - Duplicate files issued to beneficiaries for the same diagnosis.
- A major part of revenue comprised levies that were payable by owners of controlled mines or works. There was no adequate system of control over such revenue on which could be relied for the purpose of the audit.



AUDITOR - GENERAL

- The financial control system was not adequate to ensure accurate and complete recording of trade debtors.
- Source documents requested for audit purposes could not be presented. This was due to the financial system being ineffective and the Commissioner was unable to locate the audit evidence requested.

Matters emphasised

Matters reported for the first time

- Late submission of financial statements.

Other entity: South African National AIDS Trust

Qualified audit opinion

Matters reported for the first time

- Budget not submitted to the board of trustees.
- Monthly and quarterly reports on revenue not provided.
- Limited operational activities and lack of monitoring by trustees.

Matters reported for the first time

- Fruitless and wasteful expenditure with respect to unutilised rented premises.

Portfolio: Minister of Home Affairs

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Department								
Home Affairs		Qualified Emphasis of matter	Qualified Emphasis of matter	2 132,7	281,8	199,7	1 951,8	1 388,6
Constitutional institutions								
Independent Electoral Commission		Clean report	Clean report		240,9	137,3	612,9	246,3
Public entities								
Film & Publication Board		Adverse Emphasis of matter	Emphasis of matter		6,7	4,4	6,8	4,7
Other entities								
Government Printing Works		Disclaimer Emphasis of matter	Adverse Emphasis of matter		336,9	249,4	447,4	475,6



A U D I T O R - G E N E R A L

Department: Home Affairs

Qualified audit opinion

Matters reported in current and previous year(s)

- The financial management controls at Lindela detention centre were still inadequate for the period under review. The accuracy and validity of expenditure amounting to R95,9 million could not be determined.

Matters reported for the first time

- The department experienced significant backlogs in capturing the receipts onto BAS. Unallocated deposits from various Home Affairs regional offices relating to revenue collected amounted to R32 million. With regard to the deposit account, unallocated deposits amounting to approximately R6,8 million were also revealed. Amounts could not be allocated to the relevant revenue items as carbon copies of deposit slips were often altered to agree to the deposits accounted for on BAS, which did not agree to actual deposits made by the regional offices.

Matters emphasised

Matters reported for the first time

- No reliance could be placed on the work of internal audit as only 19 per cent of the unit's approved annual work plan was executed and the internal audit reports relating thereto were only made available for review on 9 July 2004, of which only one report had been formally finalised.

Public entity: Film and Publication Board (FPB)

Adverse audit opinion

Matters reported for the first time

- Material departures from Statements of Generally Accepted Accounting Practice including, amongst others:
 - operating leases
 - employees' post-retirement benefits
 - executive committees' emoluments
 - financial instruments
 - investments
 - property, plant and equipment
 - incomplete principal accounting policies adopted in the preparation of the financial statements
 - various disclosable items not disclosed



A U D I T O R - G E N E R A L

- Documentation relating to the details of the lease agreement between the FPB and the lessor, for additional space that was beyond the rental agreement entered into between the Department of Public Works and the landlord on behalf of the FPB, had not been submitted for audit purposes.

Matters emphasised

Matters reported for the first time

- Non-compliance with the PFMA:
 - Non-existence of a materiality/significance framework applied during the financial year.
 - Lack of appropriate procurement policy.
 - Lack of an investment policy.
- Irregular expenditure: Leased property was furnished for approximately R1,5 million without evidence that the entity had issued a tender in this regard as required by its procurement policy and the framework for supply chain management.

Public entity: Government Printing Works

Disclaimer of audit opinion

Matters reported in current and previous year(s)

- Management of debtors: Lack of effective and efficient steps to collect all money timeously, compounded by a lack of skilled and competent staff as well as insufficient management reviews, resulted in the poor management of debtors. The following are examples:
 - For debtors amounting to R137 million management did not charge interest, as they could not reliably determine the ageing of debtors.
 - Payments from debtors amounting to R44,5 million had not been allocated to the relevant debtors accounts.
 - Reconciliations of debtors accounts were not prepared.
- Stock valuation: Due to the large number of ongoing manual computations involved to calculate the weighted average cost of stock, the risk of error was high. Due to control weaknesses reported the accuracy, completeness and validity of this balance of R109,9 million could not be verified.



A U D I T O R - G E N E R A L

Matters reported for the first time

- Program change control: Procedures and controls had not been implemented to ensure that new programs being developed and changes to existing programs would be formally authorised, tested, approved by officials at the appropriate management level, properly implemented and documented.

Matters emphasised

Matters reported in current and previous year(s)

- Management of creditors: Inadequate internal control policies and procedures for the processing and approval of creditors payments and poor financial management resulted in approximately R1,2 million of contract printing invoices remaining in other payables for a long period.
- Instances of non-compliance included the following:
 - Due to capacity problems the internal audit did not execute all the internal audit projects as planned. Consequently, no reliance could be placed on the work of internal audit.
 - A risk management strategy and a fraud prevention plan had not been formally developed and implemented.

Matters reported for the first time

- No implemented framework for supply chain management.

Portfolio: Minister of Housing

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Department								
Housing		Emphasis of matter	<i>Emphasis of matter</i>	4 571,1	950,5	976,3	4 563,6	4 258,3
Public entities								
National Home Builders Registration Council (NHBRC)		Emphasis of matter	<i>Emphasis of matter</i>		651,3	383,1	88,3	62,8
South African Housing Fund	Note 1 Note 2	Emphasis of matter	<i>Emphasis of matter</i>		32,6	32,6	4 246,2	10 074,0



A U D I T O R - G E N E R A L

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
				2004 (current year)	2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Public entities								
National Housing Finance Corporation		Clean report	Clean report		2 447,4	2 406,2	76,0	152,8
National Urban Reconstruction and Housing Agency (NURCHA)		Clean report	Clean report		235,9	241,0	26,3	29,1
Rural Housing Loan Fund		Clean report	Clean report		134,7	144,1	29,7	36,2
Servcon Housing Solution (Pty) Ltd		Clean report	Clean report		23,1	24,9	30,4	29,4
Social Housing Foundation		Clean report	Clean report		25,0	27,3	23,9	16,1
Thubelisha Homes		Clean report	Clean report		94,0	70,9	80,5	45,5
Other entities								
People's Housing Partnership Trust		Clean report	Information not available		5,7	2,8	2,8	2,6

Note 1: The audit reports have been finalised for the past 10 years. The previous reports were as follows:

- 1 April 1994 - 31 March 1998: Adverse opinion
- 1 April 1998 - 31 March 2000: Qualified opinion
- 1 April 2000 - 31 March 2003: Unqualified opinion

Note 2: The disestablishment of the fund has been approved. The department is currently in the process of amending the Housing Act, 1997 (Act No. 107 of 1997).

Department: Housing

Matters emphasised

Matters reported in current and previous year(s)

- No internal audit division due to it being inadequately staffed.

Matters reported for the first time

- Audit committee not effective, due to only one meeting.
- Risk assessment was not carried out – non-compliance with the PFMA.

Public entity: National Home Builders Registration Council (NHBRC)

Matters emphasised

Matters reported for the first time

- No formal guide and policy for the recognition of premium income and insurance/warranty liabilities.



A U D I T O R - G E N E R A L

- New council was not yet appointed by the minister as required.

Public entity: South African Housing Fund

Matters emphasised

Matters reported in current and previous year(s)

- Non-compliance with the PFMA due to the decision taken to disestablish the fund, including:
 - No strategic plan.
 - No materiality and significance framework.

Portfolio: Minister of Justice and Constitutional Development

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2004 (current year)	2003 (previous year)	2004 (current year)
Department								
Justice and Constitutional Development		Emphasis of matter	Qualified Emphasis of matter	3 509,3	611,2	697,1	3 771,4	3 904,1
Constitutional institutions								
Commission on Gender Equality		Emphasis of matter	Emphasis of matter		4,9	4,0	19,1	16,1
Human Rights Commission		Audit not finalised	Information not available			7,3		28,2
Office of the Public Protector		Emphasis of matter	Emphasis of matter		17,1	13,6	42,0	36,9
Public entities								
Legal Aid Board		Emphasis of matter	Emphasis of matter		228,5	346,3	399,0	324,3
Special Investigating Unit		Emphasis of matter	Emphasis of matter		7,0	7,3	41,5	27,2
Other entities								
Criminal Asset Recovery Account		Audit not finalised	Audit not finalised					
Guardians' Fund		Audit not finalised	Disclaimer Emphasis of matter					
Monies in Trust		Audit not finalised	Disclaimer Emphasis of matter					
National Prosecuting Authority		Emphasis of matter	Emphasis of matter		33,8	32,6	1 055,6	925,0
President's Fund		Audit not finalised	Emphasis of matter			931,5		0,8
Represented Political Parties Fund		Emphasis of matter	Emphasis of matter		0,7	0,8	67,1	67,8



A U D I T O R - G E N E R A L

Department: Justice and Constitutional Development

Matters emphasised

Matters reported in current and previous year(s)

- The evaluation of the department's asset management identified shortcomings in the control over assets due to non-compliance with policies and procedures. This was due to the following:
 - Asset and inventory registers were not always updated.
 - Asset counts were not always performed regularly.
 - Assets were not always uniquely marked, resulting in an inability to identify specific assets for verification purposes.
- Transactions totalling R244 million (2003: R403 million) had been uncleared for more than a year in suspense accounts, resulting in non-compliance. Uncertainty existed with regard to the recoverability of these long outstanding amounts. Of the above, transactions totalling R96 million were unsupported transactions that would have to be written off when surplus funding was realised.
- The department had written off unsupported agency transactions of R101 million, as the transactions were not supported by source documentation.
- The department had not entered into service level agreements with the client departments (for whom the department provided various agency services) to ensure that all obligations and responsibilities relating to cost implications, repayment period and limitations on the extent of the service were confirmed prior to the service being rendered. The outstanding balance to be recovered as at year-end amounted to R254 million.
- Due to non-compliance with policies and procedures, leave taken was not captured on PERSAL, or leave forms were not available for audit review, which might have an impact on the completeness and accuracy of leave balances as disclosed.
- The department had not obtained confirmations from financial institutions to ensure that all financial guarantees issued had been identified and completely recorded.
- There was a lack of defined policies and procedures in respect of donor funding that had contributed to various weaknesses in the donor project management relating to the E-Justice Programme, which represented 91% of donor-funded expenditure that was incurred during the year.
- Non-compliance where invoices totalling R7,5 million were paid after 30 days.
- Inadequate document control, with the result that documentation amounting to R7,8 million was not submitted for audit purposes.



A U D I T O R - G E N E R A L

Constitutional institution: Commission for Gender Equality

Matters emphasised

Matters reported for the first time

- No framework for supply chain management.
- No fraud prevention plan in place as required.
- Current liabilities exceeded the current assets by R1 million and the balance sheet reflected an accumulated deficit.

Constitutional institution: Office of the Public Protector

Matters emphasised

Matters reported for the first time

- Approved and formalised policies were not implemented for effective financial management relating to the following areas:
 - Asset management
 - Bank and cash management
 - Human resource management

Public entity: Legal Aid Board

Matters emphasised

Matters reported in current and previous year(s)

- The procedures in place to monitor outstanding orders and reconcile completed orders to transactions captured in the general ledger were not operating effectively.
- On the reconciliation between the accounts payable age analysis and general ledger as well as on bank reconciliations, numerous reconciling items were carried forward from previous accounting periods. This was the result of reconciling items not being cleared on a monthly basis, but being allowed to accumulate from month to month.
- Controls to manage and monitor the safeguarding of assets were not adhered to, nor was the asset register adequately maintained.



A U D I T O R - G E N E R A L

Public entity: Special Investigating Unit

Matters emphasised

Matters reported in current and previous year(s)

- Although approval had been requested from the National Treasury to retain the surplus funds, it was uncertain whether approval would be granted.

Matters reported for the first time

- The following significant control weaknesses were identified:
 - No procedure manual was developed for electronic data-processing control even though the policy was established.
 - There was no formal disaster recovery plan in place.
 - No approved or documented framework existed to govern the paying over of trust monies by the unit. This, together with difficulties in tracing beneficiaries, sometimes resulted in monies received not being paid over timeously.
- No materiality and significance framework as required.

Other entity: National Prosecuting Authority (NPA)

Matters emphasised

Matters reported in current and previous year(s)

- Value-added tax (VAT) returns to recover taxes incurred utilising foreign donor monies had not been submitted to the South African Revenue Service for the 2003 and 2004 financial years, which was in contravention of the VAT Act.

Matters reported for the first time

- Approved and formalised policies were not implemented for effective financial management relating to the following:
 - Debtors management
 - Debt write-offs
 - A risk management strategy including a fraud prevention plan
 - Delegation of authority
 - Transactions totalling R1,3 million (2003: R0,7 million) had been uncleared for more than a year. Uncertainty existed with regard to the recoverability of these long outstanding amounts.
 - Control weaknesses were identified with regard to financial housing guarantees including confirmation from financial institutions not being obtained.



A U D I T O R - G E N E R A L

- Interim approval had been granted by the Accountant-General for the NPA to prepare their own set of financial statements since the 2002 financial year. However, no finality had been reached on the following critical matters, affecting the accountability and governance status of the NPA:
 - A clear definition of the accounting officer of the NPA.
 - The listing of the NPA as an entity in terms of the Public Finance Management Act.
 - The mechanism of funding for the NPA.
- No reliance was placed on the work of the internal audit unit due to the delay experienced in finalising the unit's assignments.

Other entity: Represented Political Parties' Fund

Matters emphasised

Matters reported in current and previous year(s)

- The fund had not yet been listed as a public entity as required.

Portfolio: Minister of Labour

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Department								
Labour		Emphasis of matter	<i>Qualified Emphasis of matter</i>	4 831,1	131,9	182,5	4 789,3	4 587,1
Public entities								
Banking Sector Education and Training Authority (Bankseta)		Clean report	<i>Clean report</i>		177,7	187,1	173,3	136,5
Chemical Industries Education and Training Authority (CHIETA)		Clean report	<i>Clean report</i>		212,3	159,4	139,6	89,8
Clothing, Textiles, Footwear and Leather Sector Education and Training Authority (CTFL SETA)		Clean report	<i>Clean report</i>		48,3	30,2	56,2	50,8
Commission for Conciliation, Mediation and Arbitration		Clean report	<i>Clean report</i>		30,9	19,4	158,4	151,6
Compensation Fund		Emphasis of matter	<i>Emphasis of matter</i>		13 085,1	11 456,3	2 154,4	2 671,4
Construction Education and Training Authority (CETA)		Emphasis of matter	<i>Emphasis of matter</i>		267,9	168,9	82,6	60,4



AUDITOR - GENERAL

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Public entities								
Diplomacy, Intelligence, Defence and Trade & Industry Sector Education and Training Authority (DIDTETA)		Emphasis of matter	<i>Emphasis of matter</i>		6,1	8,3	9,1	8,6
Education, Training and Development Practices Sector Education and Training Authority (ETDP SETA)		Emphasis of matter	<i>Emphasis of matter</i>		233,3	197,4	221,4	88,0
Energy Sector Education and Training Authority (ESETA)		Emphasis of matter	<i>Emphasis of matter</i>		77,4	54,7	51,4	34,9
Financial and Accounting Services Training Authority (FASSET)		Clean report	<i>Clean report</i>		112,4	124,4	103,7	69,2
Food and Beverages Manufacturing Industry Sector Education and Training Authority (FOODBEV)		Emphasis of matter	<i>Clean report</i>		113,8	101,1	97,7	68,4
Forest Industries Sector Education and Training Authority (FIETA)		Emphasis of matter	<i>Emphasis of matter</i>		77,0	50,8	48,4	32,8
Health and Welfare Sector Education and Training Authority (HWSETA)		Clean report	<i>Clean report</i>		178,3	146,3	92,5	66,0
Information Systems, Electronics and Telecommunications Technologies Training Authority (ISETT SETA)		Clean report	<i>Emphasis of matter</i>		194,4	190,2	198,9	133,6
Insurance Sector Education and Training Authority (INSETA)		Clean report	<i>Clean report</i>		104,4	81,6	110,3	72,9
Local Government, Water and related Services Sector Education and Training Authority (LGWSETA)		Emphasis of matter	<i>Emphasis of matter</i>		206,5	195,4	262,1	102,3
Manufacturing, Engineering and Related Services Education and Training Authority (MERSETA)		Emphasis of matter	<i>Emphasis of matter</i>		573,5	420,5	306,1	377,6
Media, Advertising, Publishing, Printing and Packaging Training Authority (MAPPP SETA)		Emphasis of matter	<i>Emphasis of matter</i>		169,6	81,2	103,6	71,7



A U D I T O R - G E N E R A L

Entities in portfolio audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Public entities								
Mining Qualifications Authority (MQA)		Emphasis of matter	<i>Emphasis of matter</i>		344,6	289,0	215,5	139,1
Police, Private Security, Legal and Correctional Services and Training Authority (POSLEC SETA)		Clean report	<i>Qualified Emphasis of matter</i>		120,2	78,7	39,3	24,6
Primary Agricultural Education and Training Authority (PAETA)		Emphasis of matter	<i>Emphasis of matter</i>		93,3	57,7	28,4	12,8
Secondary Agricultural Sector Education and Training Authority (SETASA)		Emphasis of matter	<i>Qualified Emphasis of matter</i>		99,9	73,4	52,9	47,5
Services Sector Education and Training Authority		Clean report	<i>Clean report</i>		228,8	268,6	359,5	174,8
Tourism and Hospitality Education and Training Authority (THETA)		Emphasis of matter	<i>Qualified Emphasis of matter</i>		195,6	121,6	88,2	73,2
Transport Education and Training Authority (TETA)		Emphasis of matter	<i>Clean report</i>		258,1	200,2	147,2	159,7
Unemployment Insurance Fund		Disclaimer Emphasis of matter	<i>Disclaimer Emphasis of matter</i>		7 031,5	3 355,0	5 973,0	4 324,4
Wholesale and Retail Sector Education and Training Authority (W&R SETA)		Clean report	<i>Clean report</i>		394,9	285,8	174,1	130,7
Other entities								
National Skills Fund		Emphasis of matter	<i>Emphasis of matter</i>		1 301,3	1 102,4	707,2	530,1
Sheltered Employment Factories	Note 2	Emphasis of matter	<i>Emphasis of matter</i>		55,8	63,9	93,0	96,5

Entities in portfolio not audited by the Auditor-General								
Entities in portfolio	Comments	Audit opinion		R million				
		2004 (current year)	2003 (previous year)	Budgeted expenditure	Assets		Total expenditure	
					2004 (current year)	2003 (previous year)	2004 (current year)	2003 (previous year)
Public entities								
Compensation Board	Note 1							
Employment's Condition Commission	Note 1							
National, Economic, Development and Labour council (NEDLAC)		Clean report	<i>Clean report</i>		5,8	5,2	6,3	8,1
National Productivity Institute		Clean report	<i>Clean report</i>		22,7	27,5	44,6	46,1
Umsombomvu Youth Fund		Info. not avail.	<i>Clean report</i>			1 066,6		58,7
Wage Board	Note 1							