



GENERAL REPORT
ON NATIONAL
AUDIT OUTCOMES
2010-11

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Our reputation promise/mission

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



This flagship publication of my office is a tool that gives simple and handy insights. These insights empower users to focus on those issues that will lead to improved audit outcomes. This publication also captures the commitments that leaders have made to address audit outcomes.

Auditor-General: Terence Nombembe



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SECTION 1: FOREWORD

It is a great pleasure to present to Parliament the 2010-11 AGSA's general report which summarises the results of the audit outcomes of the national departments, including Parliament, the national consolidation (containing the national revenue fund), national public entities and trading entities, constitutional institutions, as well as the public entities where the audits were not conducted by the Auditor-General of South Africa (AGSA), for the financial year ended 31 March 2011. The purpose of this general report is to provide an overview of the audit outcomes of the national government and to guide those charged with governance and oversight, including the executive and parliamentary committees, to work towards achieving clean audit outcomes.

The audit results reflected that the national public entities are performing generally better than the national departments. Only 8% of national departments received clean audit outcomes while 39% of the national public entities managed to receive this. Whilst this is commendable, I am concerned about the continuous decreasing trend of departments and public entities receiving clean audits. Unqualified audit opinions were issued to 67% of the national departments and 53% of the public entities. Unfortunately, 26% of the national departments and only 8% of the public entities received qualified audit opinions. Of concern is the Department of Public Works that received a disclaimer of opinion this year, while six public entities received either an adverse audit outcome or a disclaimer of opinion. Overall, 74% of the departments and 92% of the public entities received unqualified audit opinions. The 26% of the departments that received qualified audit opinions account for 53% of the total voted funds.

The results reflect 34 improvements (four departments and 30 public entities) while there were 61 regressions (six departments and 55 public entities), which means that the administration as a whole is not making progress

towards the desired audit outcomes. The audit outcomes for public entities are generally better than those of departments and having adequate systems and adequately financially skilled staff is contributing to this situation whilst the improvements are mainly driven by leadership interventions. The regressions as well as the lack of adequate progress towards clean audits is as a result of the high vacancy rate and staff acting in senior management positions, including that of accounting officers. This proved to be a stumbling block in successfully implementing commitments made in the prior year. The lack of monitoring of action plans, basic reporting disciplines, such as proper record keeping, monthly asset counts, reconciliations, preparation of monthly reporting, controls over compliance with laws and regulations and inadequate service delivery reporting also contributed to the regressions and the lack of improvements at departments. The weak internal control environments to prevent irregular expenditure have resulted in an escalating trend in irregular expenditure. From the evaluation performed it is evident that the potential benefits to be derived from regular interactions between the audit committees, the executive authorities and legislatures have not been exploited up to now as improved relationship between the role players will ensure that the executive authorities and legislatures are provided with additional assurance on the accuracy of information.

The executive authorities agreed to stabilise the departments and entities by ensuring that all key positions are filled with appropriate and adequately skilled staff, including the leadership positions. Monthly key controls, especially controls to eliminate material corrections to financial statements and to address prior year findings, will be implemented by installing a discipline of compiling monthly financial reports. These reports will be verified by the internal audit units and the audit committees will validate this information in order to confirm the credibility of information to the executive authorities. The National Treasury will need to play a coordinating role with enabling national role players, with emphasis on SCM and service delivery reporting. With regard to the integrated financial management system

(IFMS) project run by the National Treasury, the implementation process remains a serious challenge and requires prioritisation by the leadership and executive authority responsible for this joint project. The Department of Public Service and Administration (DPSA) still needs to formalise initiatives in the areas of monitoring the successful implementation of HR requirements and an IT governance framework.

The executive authorities and oversight structures have committed to quarterly monitoring and evaluation of the status of the key controls and commitments in order to achieve sustainable clean audit outcomes. At a minimum, this will require the commitment of an hour once every 90 days of the executive authority, followed by a briefing to the portfolio committees. Establishing formal channels of communication and forums for communication between audit committees, executive authorities and Parliament, together with more effective coordination between the Standing Committee on Public Accounts (SCOPA), and portfolio committees, will make monitoring and governance more effective. APAC could, as is the case at provincial level, also play a constructive role in facilitating such coordination. If these governance and oversight structures work collectively in monitoring internal controls on a quarterly basis, this will place the national governance on a higher level and it will contribute greatly to sustainable, positive outcomes.

The leadership of the AGSA will continue, as part of its contribution towards clean administration, to enhance its visibility and thereby provide proactive insights on the root causes on the status of internal controls. These engagements will also include timely feedback and inputs into the adequacy of the guidance provided by coordinating role players, such as the National Treasury.

In this centenary year of the AGSA, I wish to thank the audit teams from my office and the audit firms that assisted for their diligent efforts towards fulfilling our constitutional mandate and the manner in which they continue to strengthen cooperation with the leadership of the national portfolio. It is particularly

pleasing to note that both audit groups have understood that, in addition to producing audit opinions and findings, our purpose is to provide useful and relevant information and insights that promote oversight and accountability in government, thereby strengthening public confidence in our democracy.

Auditor-General

Auditor-General
Pretoria
December 2011



SECTION 2: AUDIT OUTCOMES

The national government comprises 40 departments (including the National Treasury Consolidation) and 276 public entities. This report presents the 2010-11 audit outcomes of audits performed by the AGSA as well as those performed by auditors from the private sector. The audits performed by auditors from the private sector are those the AGSA had opted not to perform but that still had oversight processes in place in order to include the audit outcomes in this report.

2.1 Audit opinions on financial statements

The audits of 39 departments and 272 public entities were finalised by 15 September 2011, which represents the cut-off date for inclusion of the audit outcomes in this general report. The audits of the National Treasury Consolidation and four public entities had not been finalised by this date, as depicted in table 5 below. The audit outcomes for the 2010-11 financial year and those of the previous year are presented in table 1 below. Annexure 1 to this report lists the departments and public entities together with their 2010-11 audit outcomes and those of the previous financial year. Further analysis of the movements and trends is also included in this section.¹

¹ The audit outcomes of those audits not conducted by the AGSA are only included in tables 1, 3, 4, 5, 6, 8 and 9. Furthermore, figures 2, 4, 5, 7, 11, 12 and 14 include an analysis of the audits not conducted by the AGSA.

Table 1: Summary of audit outcomes

Audit outcomes	Audits conducted by the AGSA				Audits not conducted by the AGSA	
	Departments*		Public entities**		Public entities	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Financially unqualified with no findings on predetermined objectives or compliance with laws and regulations	3	5	88	110	25	30
Financially unqualified with findings on predetermined objectives and/or compliance with laws and regulations	26	18	119	90	18	11
Financially unqualified financial statements	74%	66%	92%	89%	91%	98%
Qualified opinion	9	12	12	17	3	1
Adverse opinion	0	0	2	3	1	0
Disclaimer of opinion	1	0	4	4	0	0
Financially qualified financial statements	26%	34%	8%	11%	9%	2%
Total number of audits reported on	39	35	225	224	47	42
Number of audit reports not issued by 25 August 2011	1	0	3	1	1	1
Total number of audits	40	35	228	225	48	43
Total number of auditees in which findings arose from the AGSA's other legal reporting responsibilities:						
Predetermined objectives findings only	0	7	7	33	6	2
Compliance with laws and regulations findings only	8	4	54	19	10	3
Findings on both predetermined objectives and compliance with laws and regulations	28	19	76	62	6	7

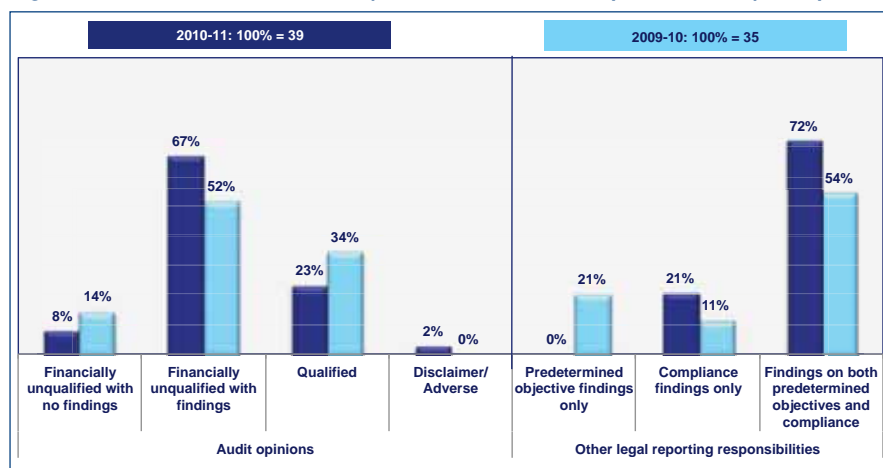
* Including Parliament and National Treasury Consolidation ** Including trading and other types of entities

Financial statements of departments and public entities that were financially qualified contained material misstatements that caused the financial statements not to fairly present the financial position as at 31 March 2011 or the financial performance for the year then ended in respect of one or more areas. An adverse opinion was issued where the materially misstated

areas impact a large part of the financial statements. Financial statements were disclaimed when the information or documentation required by the auditors was not provided to enable the auditor to reach an opinion on the financial statements submitted for auditing.

Figures 1 to 4 provide additional statistics relating to the three facets of audit outcomes, namely (i) audit opinions on financial statements; (ii) findings on predetermined objectives; and (iii) departments and public entities' compliance with laws and regulations.

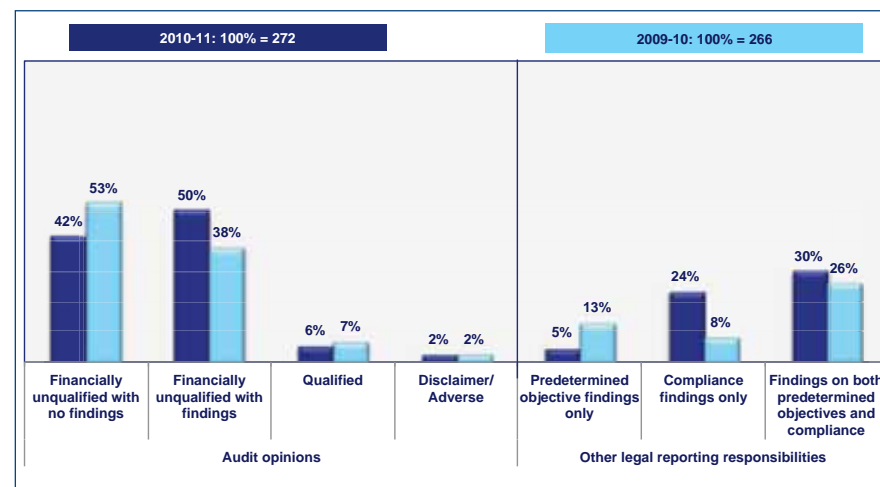
Figure 1: Audit outcomes of departments – Current year versus prior year



* In this report, 'with findings' or 'with no findings' refers to findings on predetermined objectives and/or compliance with laws and regulations

The extent to which the audit outcomes of public entities have changed compared to the previous financial year is depicted in figure 2 below.

Figure 2: Audit outcomes of public entities – Current year versus prior year



Figures 3 and 4 depict findings arising from the audit of reporting on predetermined objectives and compliance with laws and regulations for departments and entities, respectively.



Figure 3: Departments with findings on predetermined objectives and/or compliance with laws and regulations

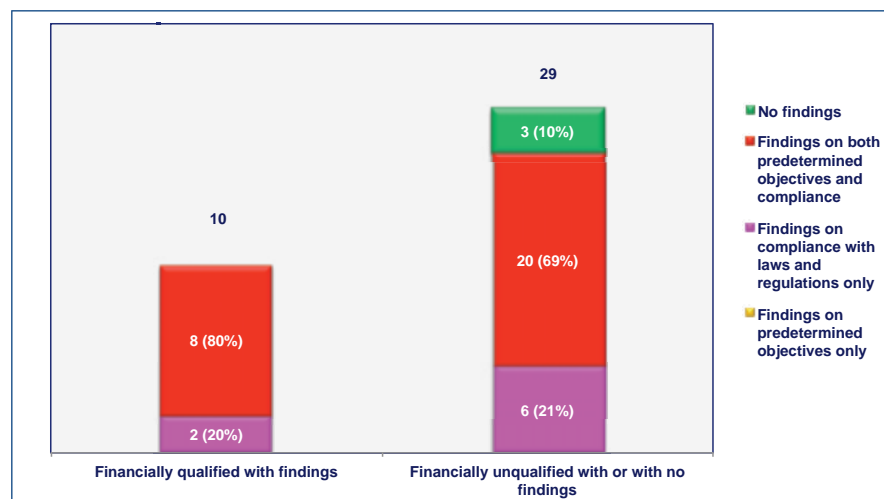
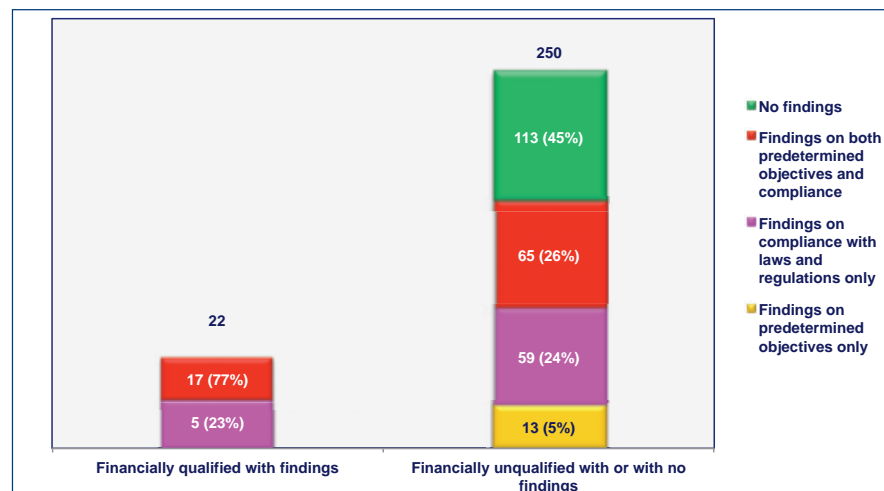


Figure 4: Public entities with findings on predetermined objectives and/or compliance with laws and regulations

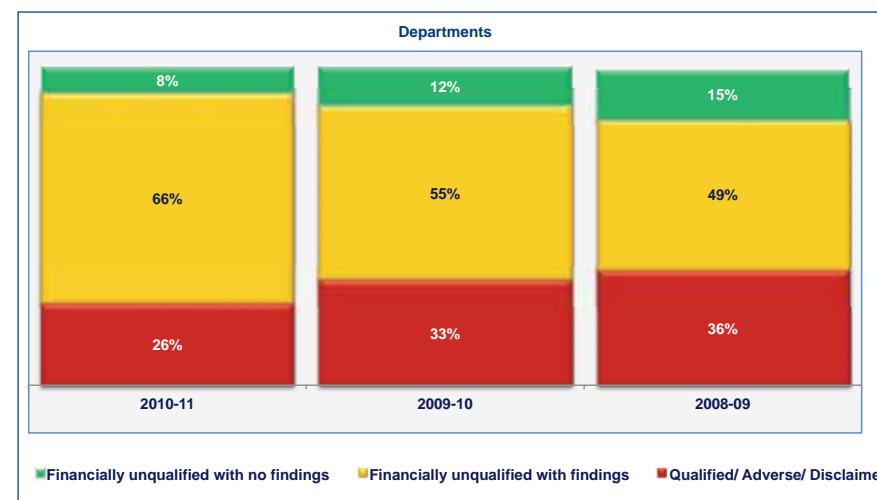


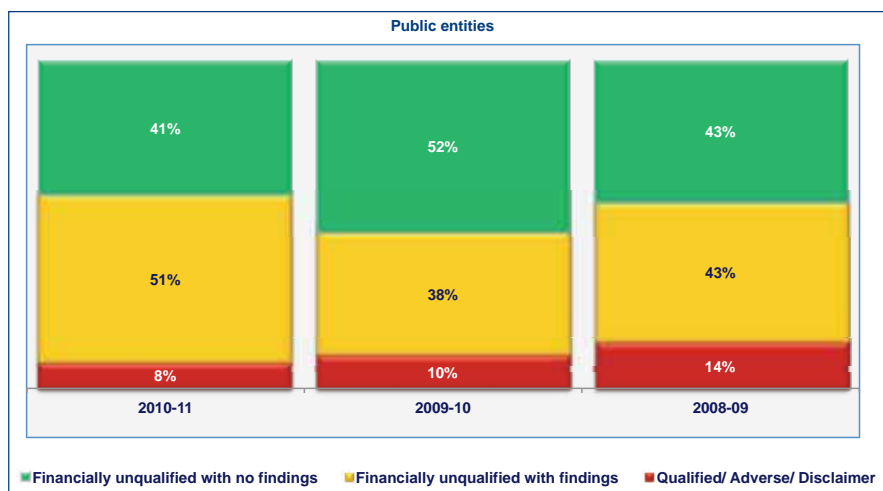
Findings on predetermined objectives are broadly analysed in section 2.3, while an overview of auditees' compliance with laws and regulations is presented in section 2.4 of this report.

2.1.1 Three-year history of audit outcomes for the departments and public entities

The audit outcomes for the departments and public entities over the past three years are depicted below.

Figure 5: Three-year audit outcomes for the departments and public entities





2.1.2 Improvements and regressions in audit opinions on financial statements for the year under review

Tables 2 and 3 depict the movements in audit opinions for departments and public entities, respectively. Highlights of audit outcomes for the year under review are presented thereafter.

Table 2: Movements in audit outcomes of departments

Movement in audit outcome over 2009-10 – Departments						
Audit opinion	Improvement	Unchanged	Regressed	New departments	Total reported on	Prior year opinion on audits outstanding 2010-11
Financially unqualified with no findings	1	1		1	3	0
Financially unqualified with findings	3	14	3	6	26	0

Movement in audit outcome over 2009-10 – Departments						
Audit opinion	Improvement	Unchanged	Regressed	New departments	Total reported on	Prior year opinion on audits outstanding 2010-11
Qualified		6	2	1	9	1
Disclaimer/Adverse			1	0	1	0
Total	4	21	6	8	39	1

Table 3: Movements in audit outcomes of public entities

Movement in audit outcome over 2009-10 – Public entities						
Audit opinion	Improvement	Unchanged	Regressed	New departments	Total reported on	Prior year opinion on audits outstanding 2010-11
Financially unqualified with no findings	18	84		2	104	1
Financially unqualified with findings	11	87	44	4	146	0
Qualified	1	6	8	0	15	0
Disclaimer/Adverse		2	3	2	7	1
Total	30	179	55	8	272	2

Highlights and major trends in audit opinions on the financial statements for the year under review, with comparisons to the previous financial year, are



presented below. Annexure 1 to this report lists the auditees together with their 2010-11 audit outcomes and those of the previous financial year.

Overall trends	<ul style="list-style-type: none"> Four (10%) departments improved on their 2009-10 audit outcomes, six (15%) regressed and 21 (54%) remained unchanged Thirty (11%) public entities improved on their 2009-10 audit outcomes, 55 (20%) regressed and 179 (66%) remained unchanged.
Financially unqualified audit opinions with no findings (Clean audit outcomes)	<ul style="list-style-type: none"> One department, namely Public Enterprises, maintained its clean audit outcome, while one department, Science and Technology, achieved an improved audit outcome compared to prior year's financially unqualified with findings. The Department of Environmental Affairs admirably achieved a clean outcome in its first year of establishment (2009-10: five departments). In total 104 (38%) (2009-10: 140) public entities managed to improve or retain their status of unqualified with no findings on either reporting against predetermined objectives or compliance with laws and regulations. A full list of these entities can be found in annexure 1. These departments and entities were able to attain clean audit outcomes which are sustainable due to having accounting officers or accounting authorities who take full accountability for dealing with identified control deficiencies and implementing appropriate action plans to address audit findings. Well-established and effective controls as well as skilled and effective governance structures are in place at these entities.
Notable improvements	<ul style="list-style-type: none"> Three of the five (60%) departments that achieved an improved audit outcome moved from financially qualified to financial unqualified audit opinions. These departments are Communications, Home Affairs and Labour. Twelve out of the 30 (40%) public entities improved from financially qualified to financial unqualified audit opinions. One (4%) of the public entities, namely Sheltered Employment Factories, improved from an adverse opinion to a qualified audit opinion. At the South African Social Security Agency (SASSA) the audit opinion improved from a disclaimer to an unqualified audit opinion with findings.
Regressions	<ul style="list-style-type: none"> The Department of Public Works (one of the five departments which regressed) moved from a financially qualified audit opinion to a disclaimer. Three of the 55 (5%) public entities that regressed moved from financially qualified to adverse/disclaimed audit opinions.

Disclaimed, adverse or qualified audit opinions	<ul style="list-style-type: none"> One (3%) (2009-10: nil) department received a disclaimed audit opinion, which marks a regression from the prior year. Nine (23%) (2009-10: 12) departments received financially qualified financial audit opinions, which marks an improvement on this percentage for the prior year. Three (1%) (2009-10: three) public entities received adverse audit opinions and four (1,5%) (2009-10: five) public entities received disclaimed audit opinions, which marks an improvement in this category on the percentage for the prior year. Fifteen (6%) (2009-10: 26) public entities received financially qualified audit opinions which marks an improvement on this percentage from the prior year.
No further progress towards clean administration	<ul style="list-style-type: none"> Twenty-nine (74%) (2009-10: 66%) departments had financially unqualified audit opinions but 26 (90%) (2009-10: 83%) of these departments had findings on either reporting against predetermined objectives or compliance with laws and regulations, which prevented the department from achieving the clean audit status. Similarly, 250 (92%) (2009-10: 93%) public entities had financially unqualified audit opinions but of these 137 (55%) (2009-10: 22%) had findings on either reporting against predetermined objectives or compliance with laws and regulations, which prevented them from achieving the clean audit status. <p>An analysis of the matters preventing these departments and public entities from progressing to the clean audit status is provided in sections 2.2 to 2.4 below.</p>

The improvements, regressions and unchanged audit outcomes analysed above produced the results as reflected in table 4 for the national clusters of government.

Table 4: Salient aspects of audit outcomes per cluster

Movement	Central government and administration	Financial and administrative services	Social services	Justice and protection service	Economic service and infrastructure	Constitutional institutions	Total
Retained/progressed to financially unqualified with no findings	2	16	26	8	64	0	116
Financially unqualified with findings 2010-11	14	19	46	8	68	8	163
Increase in number qualified	1	2	5		3		11
Repeat qualified		1	3	3	4	1	12
Increase in number disclaimers/adverse	2		1		4		7
Repeat disclaimers/adverse			1		1		2
Total reported on	19	38	82	19	144	9	311
Audits outstanding 2010-11	1	0	1	2	1	0	5

These clusters are made up of the following departments and their related public entities.

Cluster	National department
Central government and administration	<ul style="list-style-type: none"> Cooperative Governance and Traditional Affairs Home Affairs International Relations and Cooperation Parliament Public Works Women, Children and People with Disabilities The Presidency
Financial and administrative services	<ul style="list-style-type: none"> Government Communication and Information System National Treasury Public Administration and Leadership Academy (PALAMA) Public Enterprises Public Service and Administration Public Service Commission Statistics South Africa

Cluster	National department
Social services	<ul style="list-style-type: none"> Arts and Culture Basic Education Health Higher Education and Training Labour Social Development Sport and Recreation South Africa
Justice and protection service	<ul style="list-style-type: none"> Correctional Services Defence Independent Complaints Directorate Justice and Constitutional Development Police
Economic service and infrastructure	<ul style="list-style-type: none"> Agriculture, Forestry and Fisheries Communications Economic Development Energy Environmental Affairs Human Settlements Minerals Resources Rural Development and Land Reform Science and Technology Tourism Trade and Industry Transport Water Affairs

Key highlights and areas of concern at these departments are highlighted below and elaborated on throughout this report.

Central government and administration

The **Department of Cooperative Governance and Traditional Affairs (CoGTA)** regressed from an unqualified opinion with findings on predetermined objectives and compliance to a qualified opinion due to incomplete disclosure in the financial misstatements of its irregular expenditure incurred.

The **Department of Home Affairs** received an unqualified financial opinion for the first time in 16 years. It is commendable to see how a department,



which has had multiple disclaimer of audit opinions in the past, has managed to turnaround a few steps closer to achieving the clean audit status. This is a further example that shows committed leadership that sets themselves a goal of working towards clean administration is achievable in the public sector.

The **Department of International Relations and Cooperation** regressed from unqualified with no findings to unqualified with findings on predetermined objectives due to lack of oversight responsibility on reporting and compliance with laws and regulations and internal control exercised by the accounting officer and delegated leadership.

Parliament regressed as a result of a finding on compliance in the current year due to uncompetitive procurement processes.

The audit outcome of the **Department of Public Works** regressed from a qualified opinion in 2009-10 to a disclaimer in 2010-11. This is due to the department not yet having implemented adequate and effective internal controls in the areas of leadership, financial and performance management or governance. The instability in leadership contributed to the lack of oversight during the year under review. The audit process and initiatives to address the negative audit outcomes received in the recent past are not being prioritised to the extent necessary by the department.

The **Department of Women, Children and People with Disabilities**, which is a newly created department subjected to audit for the first time, received an unqualified opinion with findings on predetermined objectives and compliance.

The **Presidency** retained its unqualified opinion with findings on predetermined objectives and compliance.

Financial and administrative services

The **Government Communication and Information System** retained its unqualified opinion. The previous year's findings on predetermined objectives have been partially addressed and did not meet the audit criteria for re-reporting; however, new non-compliance findings were identified during the current year.

The **National Treasury** received an unqualified opinion with findings on predetermined objectives and compliance, which means that it had regressed in the area of predetermined objectives although the resultant overall opinion is consistent with the prior year.

PALAMA received a financially unqualified audit opinion which represents an unchanged audit outcome from 2009-10. While there are still non-compliance matters which could have been avoided easily such as submitting financial statements to the AGSA for audit which are free from material mistakes, which need attention by the leadership of the department, PALAMA has managed to address all its previously reported audit findings on the reported predetermined objectives leaving it with a clean audit outcome on the predetermined objectives.

The **Department of Public Enterprises** has achieved a remarkable accolade of sustaining a clean administration by again receiving a financially unqualified opinion with no findings on predetermined objectives and compliance with laws and regulations.

Although the **Department of Public Service and Administration** received a financially unqualified opinion, it is regrettable that a number of weaknesses still remained within the reported predetermined objectives and compliance with laws and regulations, which effectively prevented the department from achieving a clean audit outcome. The findings on predetermined objectives ranged from weaknesses on the consistency, measurability and reliability of the reported predetermined objectives. Secondly, the non-compliance

with laws and regulations was reported due to financial statements that were submitted to the AGSA for audit but were not free from material misstatements which were identified during the audit.

The **Public Service Commission** remained unqualified with findings on compliance as in the prior year.

Statistics South Africa regressed to an unqualified opinion with findings on compliance as opposed to no findings in the previous year. This was due to repeated corrections which had to be made to the financial statements. The AGSA adopted a firmer stance in the current year in reporting it as non-compliance with the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA).

Social services

The **Department of Arts and Culture** retained its unqualified opinion with findings on predetermined objectives and compliance.

The **Department of Basic Education**, one of the newly created departments (from splitting the old Department of Education), received a financially unqualified opinion with findings on predetermined objectives and compliance with rules and regulations.

The **National Department of Health (NDoH)** regressed from an unqualified opinion with findings on predetermined objectives and compliance to a qualified opinion due to financial misstatements in assets.

The **Department of Higher Education and Training**, another newly created department (from splitting the old Department of Education), received a financially unqualified opinion with findings on predetermined objectives and compliance with rules and regulations.

The **Department of Labour** improved its audit outcome in 2010-11 to a financially unqualified opinion with findings on predetermined objectives and compliance with rules and regulations. This was due to commitment of the leadership to address and respond to the prior year findings. Even though findings were reported on predetermined objectives, improvement in this area was noted.

The **Department of Social Development (DSD)** remained unchanged at a qualified opinion with findings on predetermined objectives and compliance. However, there was a marked improvement (R891 million compared to R10,5 billion) in the qualification due to efforts made by the department and SASSA.

The **Department of Sport and Recreation** remained unchanged at unqualified with findings on predetermined objectives and compliance.

Justice and protection service

The audit outcome of the **Department of Correctional Services** remained unchanged at qualified with findings on predetermined objectives and compliance findings.

The **Department of Defence** remained unchanged at a qualified opinion. The department had no findings on predetermined objectives in the current year.

The **Independent Complaints Directorate** remained unqualified with findings on predetermined objectives and compliance.

The audit outcome of the **Department of Justice and Constitutional Development** remained unchanged at qualified with findings on predetermined objectives and compliance.



The audit outcome of the **Department of Police** remained unchanged at unqualified with findings on predetermined objectives and compliance.

Economic service and infrastructure

The outcome of the **Department of Agriculture, Forestry and Fisheries** remained unchanged with a financially unqualified opinion, and findings on predetermined objectives and compliance with rules and regulations.

The **Department of Communications** managed to improve its audit outcome from qualified to unqualified with findings on compliance and predetermined objectives due to management's cooperation during the audit process.

The **Department of Economic Development**, a new department established during the 2010-11 financial year, received an unqualified opinion with findings on compliance.

The **Department of Energy**, which previously formed part of the Department of Minerals and Energy in 2009-10, received a financially unqualified opinion which is a remarkable achievement seeing that 2010-11 was the first year in which the department became operational. There are however still weaknesses that were reported on the department's predetermined objectives and compliance with laws and regulations, which could be resolved with the necessary interventions from the oversight and the department's leadership.

The movement in the number of departments resulted partly from the Department of Environmental Affairs and Tourism being split into the **Department of Environmental Affairs (DEA)**, which achieved a clean audit, and the **National Department of Tourism (NDT)** which obtained an unqualified opinion with findings on compliance.

The **Department of Human Settlements** remained unchanged at unqualified with findings on predetermined objectives and compliance. The main concern related to the establishment of an adequate system for collecting, collating and maintaining PDO information to ensure that reported information is adequately supported and substantiated. An adequate process should also be implemented to ensure proper review and monitoring of compliance with laws and regulations, particularly on SCM regulations and financial statement preparation.

The **Department of Mineral Resources**, which previously formed part of the Department of Minerals and Energy in 2009-10, received a financially qualified opinion with no findings on predetermined objectives but with findings on non-compliance with laws and regulations. The financial qualification items stemmed from the prior year and could not be adequately resolved by the department in the 2010-11 financial year although substantial progress has been made to resolve the issues which caused the financial qualification.

The outcome of the **Department of Rural Development and Land Reform** remained unchanged at a financially qualified opinion with findings on predetermined objectives and compliance with rules and regulations. The department embarked on an extensive exercise to ensure accuracy and completeness of the department's immovable asset register. It is clear however that further work and interventions are necessary before completeness of the asset register can be achieved.

The **Department of Science and Technology** improved its audit outcome in 2010-11 to unqualified with no matters, therefore a clean audit outcome. This was due to a strong and sustainable control environment at the department and management responding to audit findings quickly and effectively.

The **Department of Trade and Industry** remained unchanged at unqualified with findings on predetermined objectives and compliance, despite having an audit action plan.

The **Department of Transport** received an unqualified audit opinion with findings on predetermined objectives and compliance matters which is consistent with 2009-10, except that no compliance findings were raised in the prior year.

The outcome of the **Department of Water Affairs** remained unchanged at a qualified opinion.

2.1.3 Timeliness of the submission and auditing of financial statements

Departments and public entities are required by the PFMA to submit their financial statements for auditing by 31 May annually. The AGSA is required to complete an audit within two months of receipt of the financial statements. Only two out of the 316 auditees were still not able to meet the legislative requirement of timely submission.

Table 5 below provides details of audits that had not been finalised by the cut-off date of this general report.

Table 5: Audits not finalised by general report cut-off date

Auditee	Latest financial year audit finalised	Reason for audit outstanding or not finalised at general report cut-off date			Expected date of finalisation
		Financial statements not yet received	Late receipt of financial statements	Audit still in progress due to other reasons	
National Consolidation	2009-10				31-Oct-11
Special Defence Account	2009-10				unknown
Third Party Funds	2007-08				unknown
Compensation Commissioner for Occupational Diseases (CCOD)	2009-10				unknown

These outcomes are not included in the trend analyses or comparisons presented in this general report. Thubelisha Homes is also not included, due to information not received in time for inclusion in this report.

Reasons include extensions granted at the discretion of the accountant-general after deliberations with the executive authorities to combine readily available supporting documentation for auditing. Some entities prepared annual financial statements using the incorrect basis of accounting. These annual financial statements were then withdrawn, after which they were prepared on the correct basis and resubmitted.

2.1.4 Outcomes of audits finalised after the cut-off date of the 2010-11 general report

By the date of this report, the audits of the national consolidation and four public entities with year-ends of 31 March 2011 had not yet been finalised. Their outcomes for 2009-10 and 2010-11 (if available) are reflected in the table below. The audit outcomes for entities with year-ends after 31 March 2011 are included below for 2009-10 and 2010-11, if available.

Table 6: Outcomes of audits finalised after the general report cut-off date

Auditee	Year-end	Audit opinion 2010-11	Audit opinion 2009-10
National Consolidation	31 March	Qualified	Qualified
Special Defence Account	31 March	Audit not finalised at legislated date	Financially unqualified with no findings
Compensation Commissioner for Occupational Diseases (CCOD)	31 March	Audit not finalised due to financial statements not submitted	Adverse
Third Party Fund	31 March	Audit not performed due to financial statements not submitted	Audit not performed due to financial statements not submitted
Amatola Water Board	30 June	Financially unqualified with findings	Financially unqualified with no findings
Bloem Water Board	30 June	Financially unqualified with no findings	Financially unqualified with no findings



Auditee	Year-end	Audit opinion 2010-11	Audit opinion 2009-10
Botshelo Water Board	30 June	Audit not finalised at legislated date	Disclaimer
Bushbuckridge Water Board	30 June	Audit not finalised at legislated date	Qualified
Lepelle Water Board	30 June	Financially unqualified with findings	Financially unqualified with findings
Namaqua Water Board	30 June	Audit not finalised at legislated date	Financially unqualified with no findings
Magalies Water Board	30 June	Audit not finalised at legislated date	Qualified
Mhlathuze Water Board	30 June	Financially unqualified with no findings	Financially unqualified with findings
Overberg Water Board	30 June	Financially unqualified with findings	Financially unqualified with findings
Pelladri Water Board	30 June	Financially unqualified with no findings	Financially unqualified with no findings
Rand Water Board	30 June	Financially unqualified with no findings	Financially unqualified with no findings
Sedibeng Water Board	30 June	Audit not finalised at legislated date	Financially unqualified with findings
Umgenti Water Board	30 June	Financially unqualified with no findings	Financially unqualified with no findings
King George V Fund	30 June	Financially unqualified with no findings	Financially unqualified with no findings
Associated Institutions Pension Fund	30 June	Audit not finalised - no legislative deadline	Audit not finalised - no legislative deadline
Temporary Employees Pension Fund	30 June	Audit not finalised - no legislative deadline	Audit not finalised - no legislative deadline
World Bank Donor Fund	31 July	Financially unqualified with no findings	Financially unqualified with no findings
Norway Donor Fund	31 July	Financially unqualified with no findings	Financially unqualified with no findings

Matters relating to financial management presented in this analysis include the progress (or lack thereof) by departments and entities in addressing prior year financial statement qualification findings and material errors and omissions in financial statements submitted for auditing.

2.2 Findings arising from the audit of financial management, including defects in financial statements

2.2.1 Auditees' progress in addressing prior year financial statement qualifications

Of the audits completed at 15 September 2011, three of the 12 departments (25%) had addressed all their 2009-10 qualification findings in order for their 2009-10 financial statements to be financially unqualified. The corresponding progress made by public entities is 12 out of 29 (59%). Nine of the auditees were not successful in addressing any of their 2009-10 qualification findings.

Figures 6 and 7 depict those financial statement areas attracting qualification findings at departments and public entities, respectively.

Figure 6: Transversal financial statement qualification areas – Departments

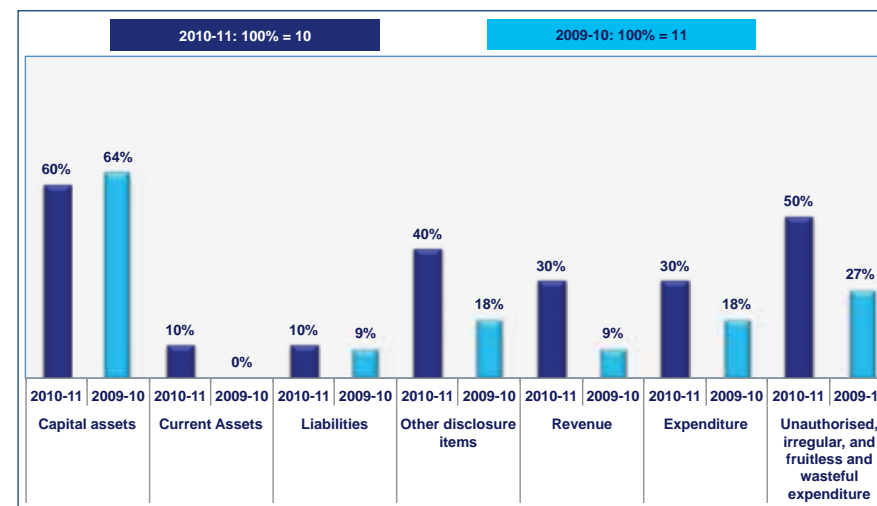
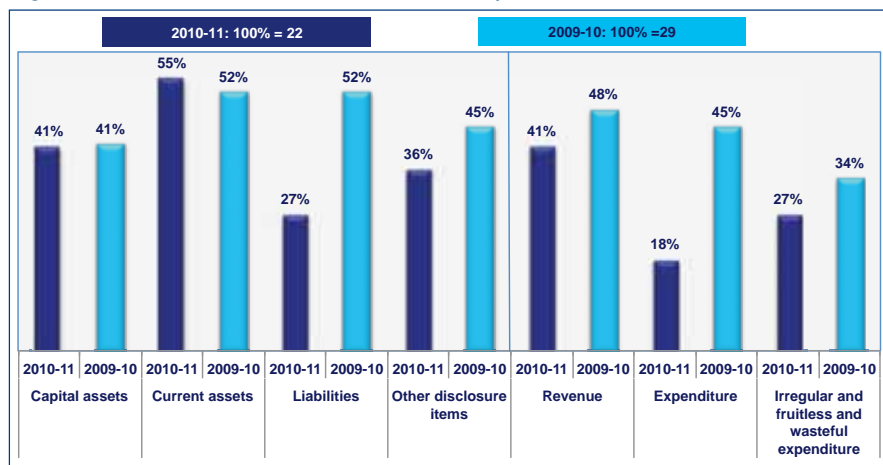


Figure 7: Transversal financial statement qualification areas – Public entities



Department	Audit opinion 2010-11	Movement in addressing 2009-10 financial statement qualification findings					
		Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure
Water Affairs	Qualified	Repeat			New	New	Repeat
Cooperative Governance and Traditional Affairs	Qualified						New
Department of Health	Qualified	New					
Department of Rural Development	Qualified	Repeat					
Department of Mineral Resources	Qualified		New	New	New	New	New
Department of Public Works	Disclaimer	Repeat			New		New

* Unauthorised, irregular as well as fruitless and wasteful expenditure

** Denotes area also qualified in years prior to 2009-10, i.e. qualification not addressed for three years or longer

Tables 7 and 8 depict the movements in the financial statement qualification areas.

Table 7: Progress made by departments in addressing financial statement qualification findings

Department	Audit opinion 2010-11	Movement in addressing 2009-10 financial statement qualification findings					
		Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure
Communications	Unqualified						Addressed
Home Affairs	Unqualified	Addressed					
Labour	Unqualified	Addressed					
Correctional Services	Qualified	Repeat**					
Defence	Qualified	Repeat**					
Justice and Constitutional Development	Qualified			Addressed	Repeat**	Repeat**	Repeat**
Social Development	Qualified						Repeat

The **Department of Health** moved to new buildings which required them to reconstruct the asset register. Deficiencies in the asset register were highlighted during the interim audit and discussed with the minister, director-general (DG) and acting chief financial officer (CFO).

Although management had prepared an action plan to address the asset issues, it was found on evaluation by the auditors not to be appropriate. This was brought to the attention of management early in the year. A service provider was appointed but it was too late to avoid a qualification in this area.

Action plans to address prior year qualification matters at the **Department of Water Affairs** were not adequately implemented and monitored. There is instability in the leadership of the organisation due to a number of suspensions and dismissals in key leadership positions (DG, deputy director-



general (DDG), CFO, chief information officer (CIO)). The structure of the department is inadequate and does not support the department in achieving its mandate. There is an overall skills shortage at the department and the current control and reporting system as well as the IT network is inadequate. Proper record keeping is not implemented to ensure that accurate, complete and relevant information is available to support financial reporting.

Accounting for immovable assets, completeness of irregular expenditure and poor record keeping remain of major concern at the **Department of Public Works**. Documentation that was seized as a result of an investigation into procurement at the department resulted in a limitation of scope on expenditure (goods and services as well as capital expenditure) and certain disclosure notes. Adequate progress has not been made to ensure that the department has an asset register for immovable assets that is complete, accurate and accounts for assets at the correct value. Key reconciliations in this regard between the department, the **Department of Rural Development** and the nine provinces have not been performed.

The **Department of Public Works** has made no progress in addressing financial statement qualifications. The audit action plan to resolve 2009-10 qualifications had been requested at the start of the 2010-11 audit but was only received two months later. A review of the action plan revealed significant shortcomings which were immediately communicated to management and those charged with governance. Concerns regarding the lack of progress in respect of implementation were communicated throughout the audit.

The non-submission of financial statements by third party funds since 2008-09 resulted in repeat qualifications for the **Department of Justice and Constitutional Development**. A service provider was appointed in November 2010 to assist the department in drafting reliable financial statements which, in time to come, would resolve these qualifications.

Despite an immense effort by the **Department of Rural Development and Land Reform** during the past year to deal with the completeness of the immovable asset register, the department still faced a qualification in this area. The key challenge at year-end related to land bought, although there were challenges in other areas as well. While the minister has taken steps to better capacitate and structure the division dealing with service delivery, there is not yet a strong, effective and efficient control system to deal with this area of work. Quarterly key control review discussions have been constructive throughout and remained instrumental in our understanding of the business of the department and the risks associated with its service delivery. In an attempt to keep the project on immovable assets (NT, DPWV and DRDLR) going, a workshop was arranged on this topic, but poor attendance severely hampered the success of this initiative.

The **Department of Defence** had no integrated systems for asset management and the assets were not valued in accordance with the accounting framework. There was a lack of improved or updated policies and procedures for capital assets. Personnel were not aware of reporting requirements or were not adequately skilled. No dedicated asset management team was in place to ensure monitoring and reporting to management.

The repeat qualification for the **Department of Correctional Services** was due to non-cash additions in assets being materially overstated by internal transfers between departmental stores. Logis could not accommodate internal transfers between various centres within the department, resulting in a duplication of asset disposals and additions. The department was unable to identify the duplicated transactions, which resulted in an overstatement of the asset disposals and additions disclosed in the annual financial statements. We recommended that the department consult with the National Treasury as the matter relates to the Logis system. The department has engaged with the National Treasury and the outcome is still pending. In the meantime, a template has been sent to regions to be used in identifying and quantifying all non-cash additions and disposals to determine the

extent of the misstatement and effect the necessary adjustment. The template has been used since April. At this stage inter-store transfers have been restricted. In the past the qualification related to the valuation of assets and the existence and completeness of the asset register. For the current year the asset register was in place and found to be adequate; however, the qualification for the current year related to the disclosure notes for asset additions and asset disposals that were duplicated due to weaknesses in the Logis system.

The **Department of Social Development's** audit opinion was the same as for the 2009-10 audit cycle; however, there was a marked improvement as the estimated error decreased to R891 million from R10,5 billion in the previous year. This improvement can be attributed to the efforts made by both the DSD and SASSA. The DSD's audit report is influenced by the actions of SASSA, its operational agent. It was noted in the past 2010-11 audit cycle that there was an improvement in grant administration and the business processes at SASSA as new processes were implemented and new management was appointed by SASSA. Structures were implemented by the DSD to ensure that they enable oversight of the functions of SASSA.

At the **Department of Mineral Resources** the qualification on revenue and related balances was due to the lack of an adequate debtor management system. Errors arose as a result of inaccurate recording of amounts due from debtors and payments received from debtors. In addition to regular key control reviews, interventions during the year included discussions with the CFO and audit committee regarding the implementation of a system to adequately manage debtors' balances and the need for internal audit to verify the adequacy of controls implemented to address the qualification of the previous year. The department has, however, made substantial progress in addressing qualifications from 2009-10 to 2010-11. The engagements the AGSA subsequently had with the minister confirmed that the recommendations made during the audit process were being implemented.

Table 8: Progress made by public entities in addressing financial statement qualifications

Public entity	Audit opinion 2010-11	Movement in addressing 2009-10 financial statement qualifications						
		Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	UIF*
National Prosecuting Authority	Unqualified	Addressed			Addressed			Addressed
Energy Sector Education and Training Authority	Unqualified		Addressed	Addressed	Addressed	Addressed	Addressed	
Independent Electoral Commission	Unqualified				Addressed		Addressed	
National Student Financial Aid Scheme	Disclaimer	Addressed			Addressed	Addressed	Addressed	
Performing Arts Centre of the Free State	Unqualified	Addressed	Addressed	Addressed		Addressed		
Performing Arts Centre of the Free State trading as MACUFE	Unqualified					Addressed		
Public Security Industry Regulatory Authority	Unqualified			Addressed				
Robben Island Museum, Cape Town	Unqualified	Addressed						
South African Micro-Finance Apex Fund	Unqualified			Addressed			Addressed	
South African Social Security Agency (SASSA)	Unqualified	Addressed	Addressed	Addressed				
Commission on Gender Equality	Unqualified							Addressed



Public entity	Audit opinion 2010-11	Movement in addressing 2009-10 financial statement qualifications						
		Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	UIF*
Sentech Limited	Unqualified		Addressed					
Public Service Sector Education and Training Authority (PSETA)	Disclaimer		Addressed	Repeat**	Addressed			
Road Traffic Infringement Agency	Disclaimer		New			New		
Water Trading Account	Disclaimer	New	Repeat	Repeat	Repeat	Repeat	New	
Property Management Trading Entity	Disclaimer		Repeat	Repeat	Repeat	Repeat	Repeat	Repeat
Road Traffic Management Corporation	Adverse	Repeat	Repeat	Addressed		Addressed	Addressed	
National Arts Council of South Africa	Adverse	Repeat	New	New	New	Repeat		
Technology Innovation Agency	Adverse		New		New			
Sheltered Employment Factories	Qualified	Repeat	Repeat**	Addressed	Repeat		Addressed	
Compensation Fund	Qualified		Repeat**	New	Repeat**	Repeat**	Repeat**	
Cross-Border Road Transport Agency	Qualified		Repeat**			Repeat**		
Die Afrikaanse Taalmuseum	Qualified					Repeat**		
Ingonyama Trust Board	Qualified	Repeat**				Repeat**		
Office of the Pension Funds Adjudicator	Qualified	Repeat						Addressed

Public entity	Audit opinion 2010-11	Movement in addressing 2009-10 financial statement qualifications						
		Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	UIF*
Independent Communications Authority of South Africa	Qualified	New	Repeat**	Repeat	Repeat		New	
Boxing South Africa	Qualified			New				
Companies and Intellectual Property Commission (Previously known as CIPRO)	Qualified		New			New		
South Africa Heritage Resources Agency	Qualified				New			New
Broadband Infraco (Pty) Ltd	Qualified							New
South African Broadcasting Corporation	Qualified	New						
South African Express (Pty) Limited	Qualified				New			
Services SETA	Qualified							New
Onderstepoort Biological Products (Pty) Ltd	Qualified	New	New					

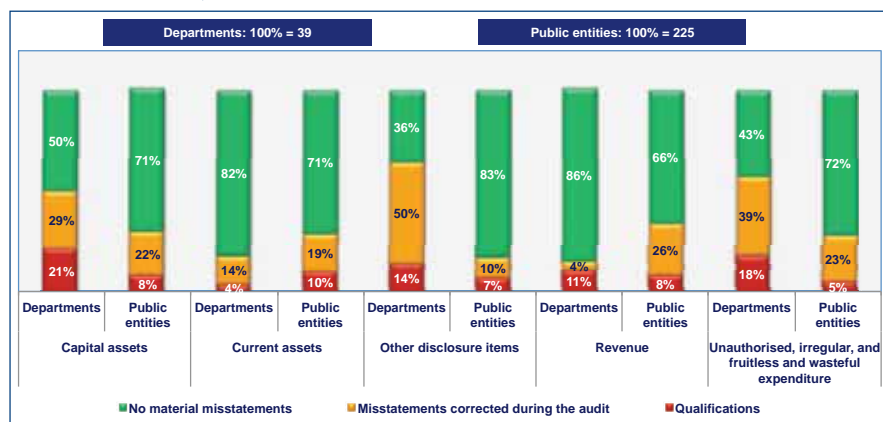
* Unauthorised, irregular as well as fruitless and wasteful expenditure

** Denotes area also qualified in years prior to 2009-10, i.e. qualification not addressed for three years or longer

2.2.2 Analysis of areas in financial statements containing material misstatements

Several material misstatements were corrected during the audit process. An analysis of corrected and uncorrected misstatements is presented below:

Figure 8: Areas of material misstatements in financial statements (corrected and uncorrected)



Uncorrected material misstatements (errors) in financial statements attract modified audit opinions, which are outlined in section 2.2.3, while the incidence of material misstatements corrected by management during the audit is analysed in section 2.2.5 of this report.

2.2.3 Material misstatements in financial statements submitted for auditing

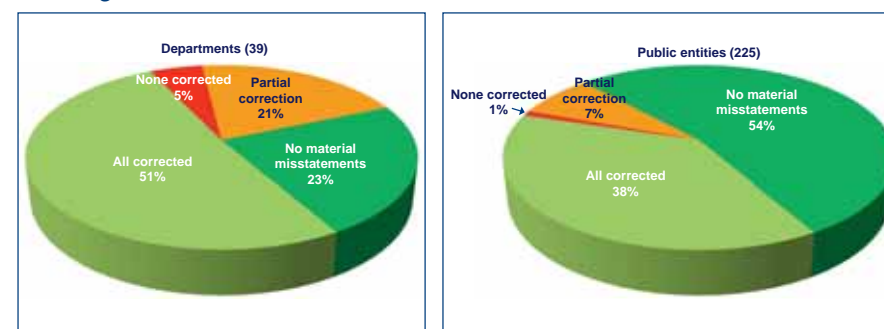
The PFMA directs that departments and public entities submit for auditing annual financial statements that fairly present their state of affairs and their financial position as at the end of the financial year. Financial statements submitted for auditing are therefore required to be free from material misstatements (that is, contain no material errors or omissions).

Several departments and entities submitted financial statements of a poor quality which had to be materially adjusted during the audit process. Auditees had significant deficiencies in the design and implementation of internal control in respect of financial reporting, which resulted in material corrections to the financial statements during the audit in the case of 28 departments (72%) and 103 public entities (46%). The corresponding level of material misstatements for 2009-10 was 71% for departments and 46% for public entities.

The high percentage of material corrections is an indication that processes for recording financial information and disclosing it in the financial statements and the controls governing these processes was not effective throughout the financial year and this had the effect that there had to be a significant effort at year-end to avoid qualifications.

The figure below indicates the extent of material misstatements in the financial statements submitted for auditing, some of which were subsequently corrected by management as a result of audit findings. Where material misstatements were not corrected, the financial statements were qualified.

Figure 9: Material misstatements in financial statements submitted for auditing





The following table provides a summary of the areas of misstatements, the most common findings on misstatements and recommendations on the way forward.

Qualification areas and material corrections	Actual audit findings	Recommendations and way forward
Departments		
Capital assets	<ul style="list-style-type: none"> ⊗ There was no or inadequate supporting documentation to support asset values disclosed. ⊗ Fixed asset counts were not performed regularly and in time to allow for investigation and resolution of discrepancies. ⊗ Policies and procedures were not updated to provide for changes in the reporting requirements. ⊗ Asset registers were not maintained and reconciled on a monthly basis to confirm accuracy and completeness thereof. 	<ul style="list-style-type: none"> ⊙ Controls surrounding proper record keeping will have to be implemented and/or maintained to ensure that all assets and liabilities disclosed are supported by adequate source documentation. ⊙ Monthly reconciliation of fixed asset registers with the general ledger will have to be implemented. ⊙ Bi-annual fixed asset counts need to be conducted to ensure that control is maintained over assets. ⊙ Policies and procedures need to be reviewed by the audit committee and executive management on an annual basis to confirm that they are still in compliance with regulations and applicable accounting frameworks.
Current assets	<ul style="list-style-type: none"> ⊗ Lack of adequate control systems to manage the receivables and inventory. ⊗ Monthly accounts receivable reconciliation processes not being done. ⊗ Inadequate IT accounting systems. 	<ul style="list-style-type: none"> ⊙ Monthly reconciliation of debtor balances will have to be enforced to ensure adequate control over the funds receivable. ⊙ Auditees should study and apply the inventory management framework (IMF) available from the National Treasury's website in developing adequate policies and procedures for the management of their inventory.

Qualification areas and material corrections	Actual audit findings	Recommendations and way forward
Liabilities	<ul style="list-style-type: none"> ⊗ Adequate supporting documentation for accruals, provisions and guarantees was not submitted. 	<ul style="list-style-type: none"> ⊙ Policies and procedures should be written, implemented, monitored and complied with in terms of the collection and retention of documented information to support the disclosure of liabilities.
Disclosure items	<ul style="list-style-type: none"> ⊗ Inadequate system for recording commitments of the entity therefore completeness of commitments not confirmed. ⊗ Lack of monitoring controls surrounding contract management. ⊗ No commitments register. ⊗ Lack of monitoring of contingent liabilities specifically to legal cases. ⊗ No contingent liabilities register to confirm completeness thereof. 	<ul style="list-style-type: none"> ⊙ Implementation of pre-numbered registers for tender allocations and contracts approved and not yet approved, to provide a reliable source of such matters to be disclosed as commitments. ⊙ Implementation of a register for legal cases, where any cases which could result in legal liability by the department, is recorded. ⊙ An independent reconciliation of these registers with supporting documentation as well as an independent review of the register should be performed on a monthly basis to identify and correct any errors or omissions.
Revenue	<ul style="list-style-type: none"> ⊗ Inadequate systems to ensure the complete recording of revenue. ⊗ Incomplete recording of funding received from donors. 	<ul style="list-style-type: none"> ⊙ Implementation of proper IT billing systems. ⊙ Implementation of procedures for direct depositing of funds by donors to ensure that all donor funding revenue can be identified and completely recorded.
Expenditure	<ul style="list-style-type: none"> ⊗ Ineffective filing systems resulting in inadequate or no support for amounts in the financial statements. 	<ul style="list-style-type: none"> ⊙ The leadership must enforce the discipline of filing all documents on a daily basis to ensure that they are properly safeguarded and available on request.

Qualification areas and material corrections	Actual audit findings	Recommendations and way forward
Unauthorised, irregular as well as fruitless and wasteful expenditure	<ul style="list-style-type: none"> ⊗ Expenditure incurred in contravention of delegation of approval frameworks. ⊗ Systems not adequate to confirm completeness of irregular expenditure. ⊗ Expenditure incurred in contravention of SCM legislation. 	<ul style="list-style-type: none"> ☑ Leadership should set the tone at the top for 100% compliance with all regulations and policies and procedures and not approve deviations from these unless in exceptional cases. ☑ Schedule training for staff to ensure that they are aware of SCM regulations and schedule up to date refresher courses on new supply chain developments during the year. ☑ A register should be kept where all occurrences of non-compliance with SCM legislation are logged and evaluated to determine whether they result in irregular expenditure or not.
Public entities		
Capital assets	<ul style="list-style-type: none"> ⊗ Application of changes to accounting estimates and errors relating to depreciation and impairment of assets applied incorrectly to capital assets. ⊗ Fixed asset registers not maintained to confirm completeness and validity of capital assets. ⊗ Impairment of assets accounted for incorrectly as is required in terms of GRAP 36: Impairment of assets. ⊗ Residual values and useful lives of assets not being considered on an annual basis as is required in terms of GRAP 16: Property, plant and equipment. 	<ul style="list-style-type: none"> ☑ Ensure that staff responsible for compilation of financial statements have a strong and up-to-date knowledge of GRAP, GAAP and IFRS requirements, by appointing staff who have acquired such knowledge either by way of formal studies or experience and ensuring that these staff attend refresher courses on these accounting requirements on at least a yearly basis. ☑ Fixed asset reconciliations should be performed on a monthly basis and reviewed independently. Any errors or omissions identified should be resolved immediately. ☑ Update the fixed asset policy to ensure that asset residual values and useful lives are considered on an annual basis.

Qualification areas and material corrections	Actual audit findings	Recommendations and way forward
Current assets	<ul style="list-style-type: none"> ⊗ Systems not adequate to manage receivables and inventory. ⊗ Monthly debtor and inventory reconciliations not being done. ⊗ Inventory not stated at lower of cost and net realisable value in terms of applicable accounting frameworks. ⊗ Debtors not being correctly valued due to impairment not being accounted for. 	<ul style="list-style-type: none"> ☑ Auditees should review and update their inventory policies to be in line with applicable accounting frameworks. ☑ Current asset reconciliations should be performed on a monthly basis and reviewed independently. Any errors or omissions identified should be resolved immediately.
Liabilities	<ul style="list-style-type: none"> ⊗ No supporting documentation to support current liabilities on the statement of financial position. ⊗ Provisions not being correctly estimated and not supported by sufficient and appropriate evidence. 	<ul style="list-style-type: none"> ☑ Leadership must enforce the discipline of filing all documents on a daily basis to ensure that they are properly safeguarded and available on request. ☑ Management should document their considerations and judgements made in arriving at estimations for provisions. This should be supported by readily available documentation. These judgements should be reviewed independently to confirm the reasonability thereof.
Other disclosure Items	<ul style="list-style-type: none"> ⊗ No supporting documentation for commitments disclosed. ⊗ No registers to confirm completeness of commitments and legal cases (contingent liabilities). ⊗ No register in place for related parties and therefore could not confirm completeness and accuracy of related party transactions. 	<ul style="list-style-type: none"> ☑ Implementation of pre-numbered registers for tender allocations and contracts approved and not yet approved, to provide a reliable source of such matters to be disclosed as commitments. ☑ Implementation of a register for legal cases, where any cases which could result in legal liability by the department, is recorded. ☑ An independent reconciliation of these registers with supporting documentation as well as an independent review of the register should be performed on a monthly basis to identify and correct any errors or omissions.

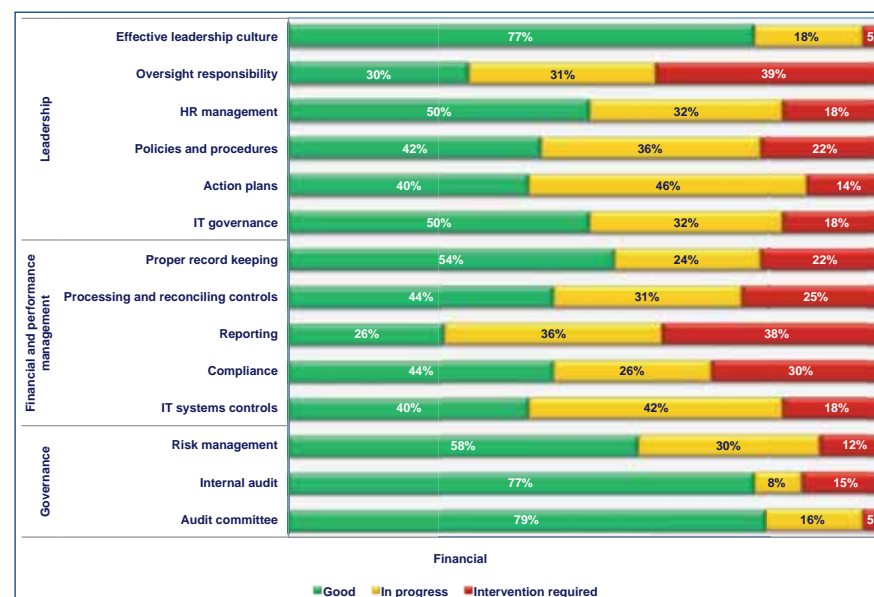


Qualification areas and material corrections	Actual audit findings	Recommendations and way forward
Revenue	<ul style="list-style-type: none"> ⊗ No adequate controls for the collection of revenue. ⊗ No supporting documentation to support revenue collected. This is due to inadequate systems and controls not being maintained on a monthly basis. 	<ul style="list-style-type: none"> ☑ Implementation of a proper IT billing system to ensure accurate billing and complete recording of revenue. ☑ Training of staff on the use of these systems and the procedures for filing related documentation.
Expenditure	<ul style="list-style-type: none"> ⊗ No supporting documentation to support the expenses incurred. This is due to inadequate systems and controls not being maintained on a monthly basis. 	<ul style="list-style-type: none"> ☑ Implementation and monitoring of a proper filing system to ensure that documents are available on request. ☑ Establish internal controls that will create a disciplined environment in the work area regarding the filing of documentation by each individual.
Unauthorised, irregular as well as fruitless and wasteful (UIF)	<ul style="list-style-type: none"> ⊗ Systems not adequate to confirm completeness of irregular expenditure. ⊗ Expenditure incurred in contravention of SCM legislation. 	<ul style="list-style-type: none"> ☑ The leadership should set the tone at the top for 100% compliance with all regulations and policies and procedures, and not approve deviations from these unless in exceptional cases. ☑ Schedule training for staff to ensure that they are aware of SCM regulations and schedule up-to-date refresher courses on new supply chain developments during the year. ☑ A register should be kept where all occurrences of non-compliance with SCM legislation are logged and evaluated to determine whether they result in irregular expenditure or not.

2.2.4 Assessment of drivers of internal control over financial management and reporting

The ability of auditees to produce financially unqualified financial statements is determined by the operation of key drivers of internal control. These drivers are classified under (i) leadership; (ii) financial and performance management; and (iii) governance. Figure 10 provides an assessment, at the time of the 2010-11 audits, of the key drivers of internal control that should be in place at auditees to achieve their financial management and financial reporting objectives and to meet their legislated obligations.

Figure 10: Assessment of auditees' key controls over financial management and reporting



The above assessment highlights the significant attention required by the leadership, those charged with governance and management to move these auditees, initially to financially unqualified auditor's reports, and ultimately to clean administration.

In total, 116 auditees were financially unqualified with no findings. Factors that contributed to these entities' success include having effective leadership that supports the financial management and reporting process, suitably skilled staff, adequate systems that produce reliable financial information, internal audit that reviews controls and an audit committee that provides oversight of the financial affairs of the entities.

The following are some of the root causes/internal control deficiencies that need to be addressed by management to assist them in achieving unqualified audit reports and ultimately clean administration. These provide some context to the assessment made above.

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Some of the public entities which received qualifications or had to correct material misstatements did not have a permanently appointed CFO or chief executive officer (CEO) with suitable skills. Some staff were acting in CFO positions for extended periods of time and did not have the authority to bring about change. Furthermore, staff at the finance divisions were not adequately trained in respect of financial management and accounting skills. As a result, consultants had to be appointed to prepare the financial statements and in some instances there was undue reliance on consultants. The risk also exists that when these consultants leave, there would be no transfer of skills to the existing finance staff. The leadership needs to take the necessary action to ensure that key positions are filled with suitable staff and that staff are trained in the areas of financial management and requirements of the accounting framework. They also need to ensure that when consultants are appointed there is a process in place to ensure that skills are transferred to the existing staff.

Where new public entities were created in the current financial year, some struggled to implement appropriate systems to ensure compliance with the PFMA. A structured phased-in approach should be followed for implementing the required policies, procedures and controls.

It was noted at some of the auditees that policies and procedures were not developed to ensure adherence to the accounting frameworks used to prepare financial statements. In the absence of these policies and procedures, staff are not guided on the processing of day-to-day financial transactions and the preparation of financial statements. Going forward, the leadership should prepare and implement policies and procedures that support financial reporting and management, and should review these policies and procedures when there are changes in the accounting framework, when deficiencies are identified in the internal controls by either the AGSA or internal auditors or when there are changes in the accounting systems/business processes used by the entities.

At some of the auditees the finance components were taking sole responsibility for the accuracy and completeness of information whereas this information is often sourced from other components which do not recognise their own responsibility for ensuring the quality of the information submitted to finance. The leadership needs to encourage a culture where all staff support the financial reporting process and hold everyone accountable for their role in the financial statements process and for poor performance.

At many of the national auditees the accounting functions have been decentralised and many transactions are processed in the regional offices. Adequate controls are not in place at these decentralised entities and staff do not have the necessary financial management competencies to process financial information. There is often a lack of monitoring controls to ensure that information is processed accurately and that controls are complied with. In some cases the finance department at head office does not have direct control over finance components in the regions. The regions are accountable to regional heads of department and the CFO needs to work



through this head to get any information from the regions or to instruct the regions. Actions that could be taken to address these weaknesses include implementing controls over financial reporting, ensuring that financial reporting takes place on a monthly basis, training staff on how to process financial information and using internal audit to review the controls at these decentralised entities to ensure that credible financial information is available to support decision-making or is submitted for auditing.

Systems used to prepare financial reporting are, in some cases, not adequate as they do not support the reporting requirements of the entities or are not adequately managed.

Record keeping still remains a challenge at many of the auditees that received a qualification or that corrected material misstatements. Document controls need to be implemented and monitored to ensure that the documents that support financial reporting/transactions can be easily retrieved/accessed.

Monthly reconciliations and reporting do not always take place. The processing of monthly information and reconciliation thereof are imperative to ensure the quality of the monthly management information and ultimately the year-end financial statements. In the normal course of business monthly management reports have to be monitored and year-end financial statements reviewed by the leadership as well as internal audit and the audit committees, prior to being used as support for informed decision-making or submitted for auditing.

The monitoring of compliance with laws and regulations needs to be improved to ensure that all regulations affecting financial statements are complied with by the various entities. In most cases the systems in place to ensure that entities are aware of the legislation with which they have to comply, and also to ensure compliance, are inadequate.

At some of the auditees the internal audit function was not effective. Deficiencies noted in respect of internal audit include non-approval of their plan by the audit committee and inadequate staffing. Internal audit plays a very important role in ensuring that the controls at an organisation are sound and that credible information is produced by the accounting systems.

Conclusion on financial management

National departments and entities have shown a steady improvement in qualification areas where the leadership took decisive action on prior audit recommendations with monthly monitoring. Also, the intervention of the auditor-general on a quarterly basis had a positive effect over the past year. There is, however, still a concern around the number of auditees where material misstatements recurred and which required extensive effort to correct during the audit process as the improved audit outcomes attained in this way may not be sustainable.

2.3 Findings arising from the audit of predetermined objectives

2.3.1 Overview of the AGSA's approach to the audit of predetermined objectives

Departments and public entities are required to report against their predetermined objectives (service delivery) and to submit such annual performance reports for auditing, together with the annual financial statements. The objective of an audit of predetermined objectives is to enable the auditor to conclude whether the reported performance against those predetermined objectives is reliable, accurate and complete, in all material respects, based on predetermined criteria.

The AGSA has, since the 2005-06 financial year, gradually been phasing in the auditing of predetermined objectives and explaining to leaders within all spheres of government the importance of lending credibility to published service delivery information through the auditing thereof. Since the 2009-10 financial year, a separate audit conclusion, based on the results of the audit

of predetermined objectives, has been included in the management report. However, these conclusions have not yet been elevated to the level of the auditor's report.

2.3.2 Overall findings arising from the audit of predetermined objectives

Progress made by auditees in addressing prior year findings on predetermined objectives is depicted in the figure below.

Figure 11: Movements in findings on reporting on predetermined objectives for departments



The following is a trend analysis of the findings in respect of predetermined objectives for departments:

Non-compliance with laws and regulations – Predetermined objectives

The main findings in this area relate to strategic planning and performance management, specifically a lack of effective, efficient and transparent systems and internal controls. Departments are performing well in this area as 17 departments had no prior findings in this area and nine departments had addressed their prior year findings. Eight departments have not been able to address these findings and six departments had findings in this area for the first time.

Presentation

There has been no major variance in the number of departments with findings on presentation, specifically the explanation of major variances. Thirty-one of the 40 departments had no previous findings in this area while three departments had addressed their prior year findings.

Not useful

There has been an increase in the number of findings related to the usefulness of the reported information as departments have difficulty in developing targets that are specific and measurable.

Twenty-two of the departments reported on had findings in this area, 12 of which were repeat findings.

Not reliable

There was an increase in the number of findings related to the reliability of the reported information. In the current year 24 departments had no findings in respect of the reliability of information reported, of which 19 had no previous findings and five had resolved the findings previously raised. The main findings in this area relate to the validity of the information, specifically the lack of adequate evidence to support the information reported in the annual performance report.

The National Department of Health (NDoH) has a system in place on which provinces have to report on predetermined objectives. The system is not adequately governed by policies and procedures in terms of the collection, monitoring and reporting of such information. The current control and reporting system, as well as the IT network, is inadequate. The structure was not adequate to report on PDO indicators that happen at provincial level. The auditing of predetermined objectives (AoPO) workshops were held where it was highlighted to the departments that they should develop the



policies and procedures from a national level. Implementation of adequate controls and reporting structures at provincial level must also be enforced. The AGSA had interactions with the executive authority and National Health Council (NHC) during the year to address the sector issues. It was highlighted that the department should put a structure in place to govern and monitor reporting on predetermined objectives.

Deficiencies in the reliability of information in the report on predetermined objectives were raised at the **Department of Police**. Information on the requirements for reporting on predetermined objectives is not filtering down to the lower, decentralised levels in the structure of the Department of Police. Cultivating an understanding of predetermined objectives at a police station level could take Police to a clean opinion. Workshops were conducted with Police clarifying the audit approach to predetermined objectives but this was done at a higher, more strategic level. Nodal points were only identified at strategic management levels and not at division levels.

The **ICD** experienced problems with the reliability of PDO information as the provincial offices do not maintain proper supporting information. The AGSA alerted the provincial heads as to the seriousness of reporting accurate and valid performance and the need to improve their interactions with the national office.

At the **Department of Water Affairs** proper record keeping is not implemented to ensure that accurate, complete and relevant information is available to support reporting on predetermined objectives. AoPO workshops were held, which included all regions as regional “targets” are not well aligned with the strategic plan.

More leadership and monitoring are required to resolve findings on predetermined objectives at the **Department of Arts and Culture**, which mainly relate to the usefulness of the reported information. Filling of vacancies was a challenge with the change of leadership. This has been partially corrected with the DG being appointed post financial year-end,

as well as chief director responsible for strategic management. The CFO position remains vacant.

The **Department of Science and Technology** managed to resolve their deficiencies in predetermined objectives of prior years due to strong leadership.

The **Department of Communications** did not monitor spending in terms of projects. This resulted in significant underspending (59%) on their budget, which in turn resulted in service delivery objectives not being met.

The **Presidency** and the **Department of Women, Children and People with Disabilities** had findings on reporting against predetermined objectives. Better leadership and monitoring are required to resolve these findings, which mainly relate to the compliance aspect and the usefulness of the planned and reported information.

The **Government Communication and Information System** managed to resolve its deficiencies in predetermined objectives of the prior year.

Workshops were conducted at the **Department of Public Works** at the start of the audit with all major role players in the performance information process clarifying the audit approach to predetermined objectives as well as the legislative requirements that must be adhered to. Despite this, findings raised during the previous year were not resolved. The department had still not formalised the processes of performance planning, monitoring, measurement, review and reporting. Reported performance against predetermined indicators and targets was not consistent with the approved strategic plan, while planned and reported targets were not specific and measurable in all instances. Sufficient appropriate evidence could not be obtained to verify the validity, accuracy and completeness of the reported performance against predetermined objectives.

The **Department of Justice and Constitutional Development** has processes in place according to which regional offices have to report on predetermined objectives. However, these systems are not adequately governed by policies and procedures in terms of the collection, monitoring and reporting of information, resulting in lack of sufficient appropriate audit evidence.

The **Department of Cooperative Governance and Traditional Affairs** did not maintain a system of proper record keeping to ensure that adequate and complete supporting evidence is available to support reporting on predetermined objectives.

The **Department of Human Settlements'** system of record keeping was not adequate to ensure that accurate, complete and valid information is available to support reporting on predetermined objectives. The department's action plan based on prior year findings was successful in reducing the compliance-related findings on strategic planning and performance management.

At the **Department of Trade and Industry** there was inadequate formal planning regarding the formulation of the targets and indicators. Furthermore, the department did not implement proper record keeping to ensure that accurate, complete and relevant information is available to support the predetermined objectives reported.

The **Department of Basic Education** is one of the newly created departments resulting from the split of the Department of Education, and as a consequence faced the challenges of capacity constraints due to vacant positions not being funded. This impacted on the department's strategic planning processes, alignment of the objectives within the education sector and service delivery monitoring and reporting. The department has developed a manual that guides the alignment of objectives within the basic education sector.

The **Department of Higher Education and Training** is one of the newly created departments, and as a consequence also faced the challenges of capacity constraints. This impacted on the department's strategic planning processes and, to some extent, on the department's service delivery monitoring and reporting. Interactions with the minister during the year were focused, which led to the minister and his team committing to addressing the findings that arose during the audit. The ministry has committed to legislation amendment, where necessary, and development of guidelines to address challenges relating to predetermined objectives in the skill development sector and higher education institutions.

Predetermined objectives at the **Department of Labour** still require a lot of attention, starting with an acknowledgement that the previous and current strategic plans can be more solid. Unfortunately, the strength of plans has been impacted immensely by the structural changes at the department and regular changes in leadership. Systems relating to service delivery need to be strengthened at both head office and regional level. This must then be supported by putting in place operating manuals that guide provinces and labour centres on the collection, storage and reporting on service delivery. A lot of effort had to go into settling a very unstable environment after the departure of, first, the previous DG and then the minister, followed by work on the clearing of the asset qualification. As a result, service delivery reporting has not yet received all the attention it should. It is clear from the above that the minister and the accounting officer are committed to addressing audit findings raised and achieving a clean audit outcome.

The **Department of Agriculture, Forestry and Fisheries'** primary challenge is to prepare a strategic plan with measurable objectives. This would enable the department to provide more valuable information around service delivery. Interactions during the year included a high-level overview of the department's strategic plan against the SMART principles set out in the *National Treasury framework for managing performance information*. This was followed up with a detailed presentation on the audit of predetermined objectives to the department's (newly created) Directorate: Strategic Planning



and Monitoring and Evaluation. The DG and his senior management have firmly committed to strengthen internal audit and address the findings raised on predetermined objectives.

There are some basic legal issues around service delivery that require attention at the **Department of Rural Development and Land Reform**. There has been little progress in this area. Quarterly key control review discussions have been constructive throughout and remain instrumental in our understanding of the business of the department and the risks associated with its service delivery. Extensive meetings were held with the Monitoring and Evaluation unit to deal with the department's new strategic plan in an attempt to create a solid basis for reporting on service delivery going forward. The minister and the DG have committed to address all findings raised during the year and achieve the government initiative of a clean administration.

At the **Department of Social Development** there was a lack of oversight by management to ensure compliance with the *Framework for managing performance information* (FMPPi). The problem was further compounded by the fact that the department changed its plan to focus on outcomes.

At the **Department of Correctional Services** the strategic plan did not comply with the requirements of the FMPPi in terms of presentation and measurability of indicators and targets. Systems to capture and report on performance information were inadequate and included computer systems that were not well maintained, poor filing or information not captured at all. The officials were not trained in respect of performance information and there was a lack of review and monitoring of performance information.

The department is in the process of reviewing indicators and targets to be in line with the requirements of the FMPPi. It has also dispatched officials from head office to train their colleagues at correctional centres and management areas on how to capture and report performance information according to the new framework for strategic and performance plans.

At the **Department of Sport and Recreation** proper record keeping was not in place to ensure that accurate, complete and relevant information is available to support reporting on predetermined objectives. The reported information is not consistent with planned objectives, indicators and targets. There was a lack of oversight by management and internal control deficiencies were not identified. Poor record keeping also contributed to the findings.

At the **Department of Defence** there was an improvement; however, the underlying internal control deficiencies have not been adequately addressed by management. The improvements can be attributed to the fact that the minister and senior management had intervened during the final stages of the audit to ensure that all outstanding documentation was submitted.

Most notably the **Department of Mineral Resources** has managed to resolve all the findings raised in the report on predetermined objectives as reported in 2009-10.

The **Department of Public Service and Administration** had findings on matters pertaining to compliance, usefulness and reliability of reported performance information for a consecutive year. The main contributors to the weaknesses reported on the department's predetermined objectives are caused by uncoordinated changes to the planned objectives. The AGSA has had engagements with the Minister for PSA with a firm commitment of resolving the weaknesses in the department's predetermined objectives with the assistance of the newly appointed DG. We are confident that the DG will be able to provide the strong leadership that had resulted in the PSC not having findings on performance objectives. Notably in the same portfolio, PALAMA has managed to resolve all of its previously reported weaknesses in predetermined objectives.

Figure 12: Movements in findings on reporting on predetermined objectives for public entities



The following is a trend analysis of the findings in respect of predetermined objectives for public entities:

Non-compliance with laws and regulations – Predetermined objectives

There has been an increase in the number of findings related to non-compliance for public entities. The main findings in this area relate to strategic planning and performance management, specifically a lack of effective, efficient and transparent systems and internal controls. Forty-four public entities reported non-compliance while 228 had no findings on non-compliance. Of the 228 entities with no compliance findings, 200 entities had no previous findings and 28 entities were able to address prior year findings.

Presentation

There has been no major variance in the number of entities with findings on presentation, specifically the explanation of major variances. In respect of presentation, public entities are doing very well as 255 of the 272 entities reported on had no previous findings on presentation.

Not useful

Sixty-three public entities had findings in respect of usefulness of which 34 were repeat findings.

Not reliable

In the current year 232 entities had no findings on reliability. For the entities that had findings on reliability, the main findings related to the completeness of the source information for reported indicators.

The following table provides a summary of the areas of findings, the most common findings and recommendations on the way forward.

Areas of findings	Actual audit findings	Recommendations and way forward
Non-compliance – Strategic planning and performance management	<ul style="list-style-type: none"> ⊗ Inadequate content of strategic/corporate/annual performance plan ⊗ Lack of effective, efficient and transparent systems and internal controls 	<ul style="list-style-type: none"> ⊕ The contents of these documents need to be reviewed by ministers and portfolio committees to ensure that they adequately describe the key priorities of the entities towards achieving their mandates. ⊕ Accounting officers and authorities should ensure that the guidance given by the National Treasury is strictly adhered to in compilation of these plans. The framework for strategic plans and annual performance plans issued by the National Treasury in August 2010 should assist. ⊕ Systems need to be implemented, whether manual or automated, to ensure that the information is reliable and can be used for decision-making purposes. ⊕ Policies and procedures must be developed to guide entities on the requirements for performance planning, monitoring and reporting. ⊕ Internal audit should be used to verify the adequacy of these systems. ⊕ The audit committee should request internal audit to look at these systems and request feedback on these systems.



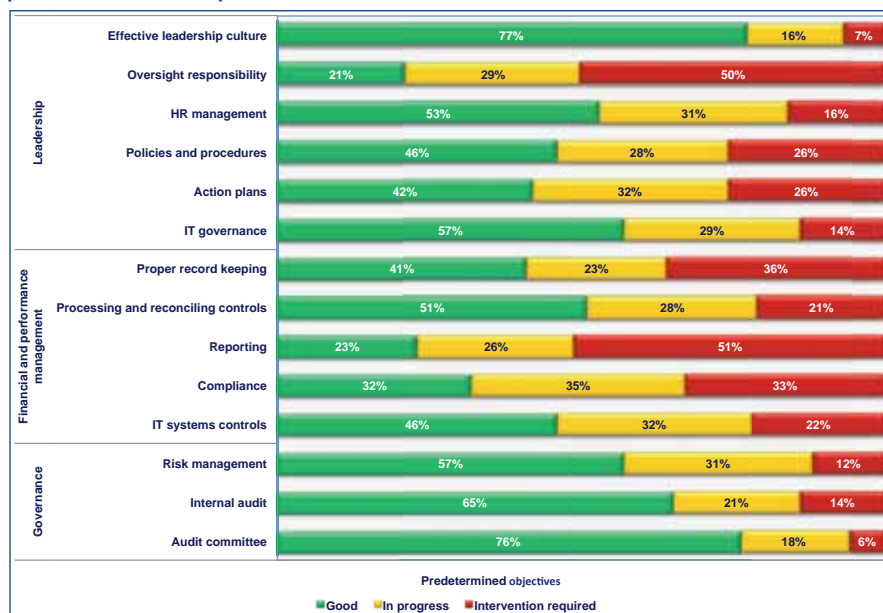
Areas of findings	Actual audit findings	Recommendations and way forward
Presentation	⊗ Reasons for major variances not explained	<ul style="list-style-type: none"> ☑ Quarterly reports should be reviewed to identify these variances at an earlier stage. ☑ These variances should be investigated and should be adequately disclosed in the annual performance report.
Usefulness of reported performance information – Consistency	⊗ Reported information not consistent with planned objectives, indicators and targets	<ul style="list-style-type: none"> ☑ Reported information should be reviewed for accuracy and completeness prior to submission for audit purposes. ☑ The content of the strategic plan must form the basis for the information reported in the annual performance report.
Usefulness of reported performance information – Relevance	⊗ No logical link between objectives, indicators and targets	<ul style="list-style-type: none"> ☑ When the objectives, indicators and targets are compiled, entities must ensure that a link exists between the objectives, indicators and targets. ☑ The objectives must reflect the mandate or purpose of the entity.
Usefulness of reported performance information – Measurability	<ul style="list-style-type: none"> ⊗ Planned and reported performance targets not specific ⊗ Planned and reported performance targets not measurable ⊗ Planned and reported performance targets not time bound ⊗ Planned and reported indicators/ measures not well defined ⊗ Planned and reported indicators/ measures not verifiable 	<ul style="list-style-type: none"> ☑ The National Treasury must provide more detailed guidance/training on the compilation of targets and indicators. ☑ Entities must measure their targets and indicators against the guidelines provided by the National Treasury. ☑ Portfolio committees should review the usefulness of performance targets during their consideration of the strategic plans.

Areas of findings	Actual audit findings	Recommendations and way forward
Reported performance information not reliable – Accuracy	⊗ Reported targets not accurate – inadequate supporting source information	<ul style="list-style-type: none"> ☑ Systems need to be implemented to ensure that information required for reporting purposes is prepared and maintained.
Reported performance information not reliable – Validity	<ul style="list-style-type: none"> ⊗ Reported targets not valid – inadequate supporting source information ⊗ Reported targets not valid – no supporting source documentation 	<ul style="list-style-type: none"> ☑ Documentation controls such as filing should be implemented. ☑ National entities must provide more guidance to their provincial entities on the information that must be maintained for reporting purposes.
Reported performance information not reliable – Completeness	<ul style="list-style-type: none"> ⊗ Source information for reported indicators not complete ⊗ Source information for reported targets not complete 	<ul style="list-style-type: none"> ☑ Internal audit must monitor the adequacy of the systems and information maintained at regional level.

2.3.3 Assessment of drivers of internal control over reporting on predetermined objectives

Figure 13 provides an assessment at the time of the audits of the key drivers of internal control that should be in place to ensure that auditees produce performance reports that are useful, reliable and meet the regulatory requirements, including that of presentation.

Figure 13: Assessment of drivers of internal control over reporting on predetermined objectives



2.3.4 Best practices on predetermined objective reporting by auditees

There are three departments that have sustained a record of having no findings on predetermined objectives. These departments are:

- the Public Service Commission
- Public Enterprises
- Statistics South Africa.

The **Department of Science and Technology** also managed to clear its findings on predetermined objectives from the previous year taking it to a clean audit opinion.

Factors that contributed to the success of these departments include having systems in place to support the information reported in the annual performance report, leadership involvement in the review and verification of information included in the quarterly and annual reports and having stability at leadership level.

The following are some of the root causes/internal control deficiencies that need to be addressed by management to assist them in addressing the findings on predetermined objectives. They provide some context to the assessment made above.

The guidance provided by the National Treasury in respect of reporting on predetermined objectives and the preparation of strategic plans was not adequate. In most cases entities did not have an understanding of what is required of them when reporting on predetermined objectives.

Policies and procedures were not always in place to guide the performance reporting process. At some of the national entities, the information is kept at regional level and there is often a lack of guidance by head office on what information needs to be kept and what is expected from the regional offices regarding the performance reporting process. There was also a lack of monitoring at the regional offices. To ensure that information reported on is credible, policies and procedures need to be developed and the work done at regional level must be monitored.

The systems in place to ensure that proper reporting takes place, that the entity complies with laws and regulations relating to performance reporting and that adequate records are maintained, were inadequate. Internal audit was also not involved in reviewing the processes in place for managing and reporting on performance. The production of quality information on performance against predetermined objectives is a priority and must be evaluated and monitored at appropriate leadership levels to enable quality decision-making and service delivery in support of government's commitments to the public.



Conclusion on predetermined objectives

The areas of usefulness of reported information, specifically measurability and non-compliance, remain a concern. The National Treasury needs to provide more guidance to entities in these areas. The reliability of information is still a concern but based on a comparison with last year's results, there has been an improvement in this area. The main problem for these entities is developing systems that support the performance reporting process and provides reliable information that can be used as a basis for decision-making, with the ultimate goal of improving service delivery. The leadership needs to focus on the development of these systems and implement monitoring controls to ensure that the systems are working adequately.

2.4 Findings arising from the audit of compliance with laws and regulations

2.4.1 Overview of the AGSA's approach to auditing compliance with laws and regulations by auditees

As part of the annual audit of financial statements, the AGSA audits and reports on compliance with laws and regulations by auditees. Broadly, such laws and regulations set out:

- the activities that auditees are charged with on behalf of the citizens
- any limits or restrictions on such activities
- the overall objectives to be achieved
- how due process rights of individual citizens are protected.

Compliance refers to adherence by auditees to the laws and regulations to which they are subject. Conversely, non-compliance refers to acts of omission or commission by auditees, either intentional or unintentional, which are contrary to such laws and regulations.

The audit of compliance is being phased in by the AGSA and details of identified instances of material non-compliance are included in the auditor's reports. The AGSA specifically focused on legislative requirements relating to the following areas for the financial year ended March 2011:

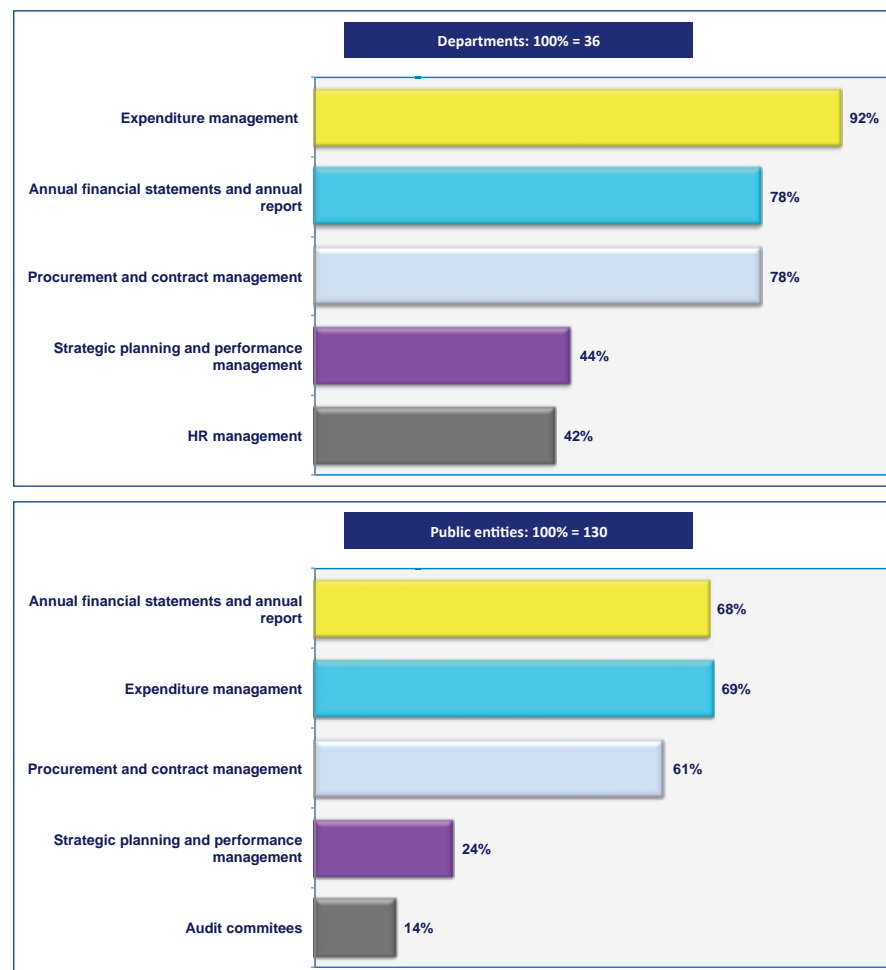
- Annual financial statements, performance report and annual report
- Asset management
- Audit committees
- Budgets and budgetary processes
- Expenditure management
- Financial misconduct
- Internal audit
- Revenue management
- Strategic planning and performance management
- Transfer of funds and conditional grants
- Procurement and contract management
- HR management and compensation.

Audits not performed by the AGSA also included compliance auditing, although not all the focus areas were covered to the same extent.

2.4.2 Transversal findings arising from the audit of compliance with laws and regulations

The figure below depicts areas of material non-compliance that were most prevalent at departments and public entities. As the focus areas and legislative requirements audited differed from the previous year, the figure does not include comparisons to the previous year.

Figure 14: Summary of findings arising from the audit of compliance with laws and regulations



The **Presidency** and the **Department of Women, Children and People with Disabilities** overspent their budgets and failed to comply with all laws and

regulations. These require the intervention of the leadership in developing tools for in-year monitoring of compliance with all applicable laws and regulations by the department.

Although non-compliance was reported under procurement and contract management, as well as revenue and expenditure management, the **Government Communication and Information System** is keen to rectify such instances of non-compliance. The non-compliance is not considered to be extensive, but rather isolated instances. Actions were taken to rectify it after such non-compliance was identified either by management or through the audit reporting process.

At the **departments of Public Works, Justice and Constitutional Development** and **Trade and Industry** lack of oversight by leadership resulted in non-compliance findings reported. The departments have not taken a zero tolerance stance against non-compliance with applicable laws and regulations and appropriate disciplinary action is not consistently taken in respect of transgressions.

The non-compliance at the **Department of Economic Development** was as a result of vacancies and thus a lack of capacity to monitor compliance. Since the department was newly established, it did not have sufficient procedures in place.

Compliance matters were reported again at the **Department of Human Settlements** regarding expenditure management despite a concerted effort by the department to reduce the occurrence of non-compliance. The department also did not have an adequate system in place to ensure that financial statements submitted for audit comply with the financial reporting requirements.

The **Department of Cooperative Governance and Traditional Affairs (CoGTA)** did not have an adequate system in place to ensure that compliance with laws and regulations was monitored. There was also a



lack of monitoring compliance with laws and regulations regarding strategic planning and performance management to ensure compliance with Treasury Regulations.

There remain a number of compliance issues relating to SCM processes and HR management at the **Department of Rural Development and Land Reform**. There has been little progress since the prior year in addressing these issues.

The **Department of Defence** had inadequate controls in place to ensure compliance with laws and regulations. Although the department did not have an internal audit function in place, as required by the Treasury Regulations, the inspector-general performed some of the internal audit functions. The minister appointed a compliance officer who is in the process of developing an overarching policy and guidelines to ensure compliance with laws and regulations.

At the **Department of Correctional Services (DCS)** the internal audit function was not performing properly due to lack of resources. There was also a lack of review by management to ensure that the department complied with all relevant laws and regulations. Inventory was acquired without following the normal SCM processes. Awards were made to suppliers connected to employees of the DCS and the prospective suppliers list was not updated regularly. Action plans have been developed by the department to address the findings.

At the **Department of Social Development** there was a lack of review by management to ensure that the department complied with all relevant laws and regulations. Action plans have been developed by the department to address the findings.

Amongst others, the **departments of Home Affairs, Mineral Resources, Energy, Public Service and Administration, Public Service Commission and PALAMA** had material misstatements that were corrected through the audit process. The importance of having oversight structures such as the audit committee and internal audit unit has been re-emphasised at all the AGSA engagements with the respective ministers and the leadership of the departments in order to address the credibility of information presented to management. The significant impact that credible information has on management's decision-making also influences the service delivery of these departments.

Common non-compliance findings relating to the AGSA's focus areas are summarised below.

Table 9: Common non-compliance findings relating to the AGSA's focus areas

Focus area	Summary of common findings	Departments	Public entities
Prevalent non-compliance areas: All auditees			
Expenditure management	Creditors not paid within 30 days of receipt of invoice	44%	7%
	Irregular expenditure not prevented	64%	53%
Annual financial statements	Submitted AFS not prepared in accordance with prescribed generally recognised accounting practices	64%	53%
	Submitted AFS not supported by full and proper records	28%	14%
Procurement and contract management	Three written quotations not invited – no deviation approved	31%	22%
	Procurement from suppliers without South African Revenue Service (SARS) tax clearance	33%	18%
Strategic planning and performance management	Lack of effective, efficient and transparent systems and internal controls	31%	12%

Focus area	Summary of common findings	Departments	Public entities
Prevalent non-compliance areas: Departments only			
Human resource management and compensation	Senior managers did not sign performance agreements for current performance period	14%	
	HR plan based on strategic plan not in place	14%	
Prevalent non-compliance areas: Public entities only			
Audit committees	No audit committee in place		7%
	No review of internal controls, risk areas of the institutions' operations, internal audit function, compliance with laws and financial information		6%

Annexure 2 to this report lists all auditees where non-compliance was identified through the AGSA's focus area audits.

Section 2.2.3 of this report provides details on the financial statements submitted by accounting officers for auditing which had not been prepared, in all material aspects, in accordance with generally recognised accounting practice (and were supported by full and proper records), as required by the PFMA.

Details of non-compliance findings relating to auditees' performance reports are provided in section 2.3.2, while section 2.4.3 further details findings related to unauthorised, irregular as well as fruitless and wasteful expenditure.

Findings arising from the audit of procurement and contract management are analysed in section 2.4.4, while section 3.2 provides further details on non-compliance findings related to HR management at departments.

2.4.3 Unauthorised, irregular as well as fruitless and wasteful expenditure incurred by auditees

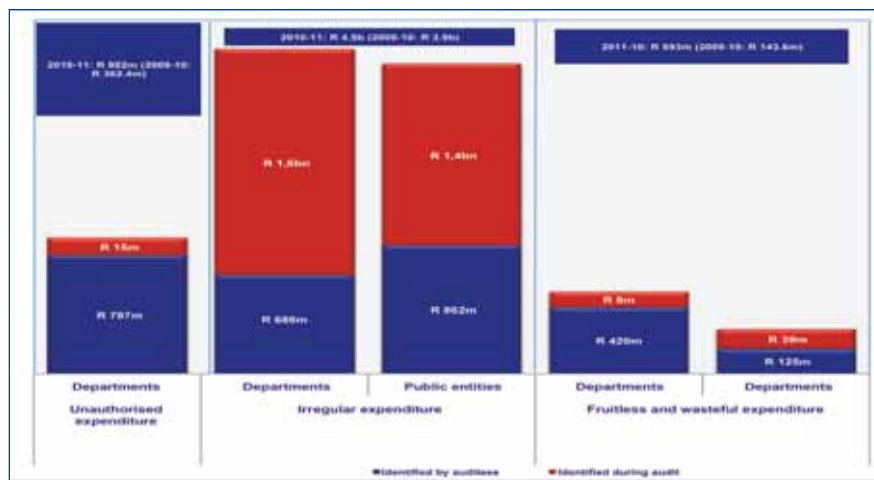
The PFMA requires accounting officers or authorities to take reasonable steps to ensure that unauthorised, irregular as well as fruitless and wasteful

expenditure is detected and prevented. Unauthorised expenditure results from overspending on a vote or a main division within a vote or refers to expenditure that is not in accordance with the purpose of a vote or main division.

Irregular expenditure is expenditure, other than unauthorised expenditure, incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including the PFMA, the State Tender Board Act, 1968 (Act No. 86 of 1968) and any provincial legislation providing for procurement procedures in a provincial department. Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

It is compulsory for departments and public entities to disclose such expenditure in their financial statements. The figure below depicts the extent of such expenditure and the portion thereof that was identified during the audit and not detected by the auditees.

Figure 15: Unauthorised, irregular as well as fruitless and wasteful expenditure incurred by departments and public entities





The incurrence of irregular expenditure remains a serious concern at the majority of departments and public entities. The following are the reasons for the bad practices which led to this irregular expenditure at departments and entities:

Departmental policies, procedures and instructions are not always updated with National Treasury practice and instruction notes and communicated to the lowest level where the irregular expenditure was incurred. Senior management does not focus on and attend appropriately to this area in terms of monitoring and taking action where breaches were identified.

In cases where appropriate policies and procedures are in place, irregular expenditure is still incurred by staff members at management level who knowingly override the approved procedures for various reasons. The most cited reason is emergency situations; however, procedures to be followed in those instances are not followed. Disciplinary measures instituted against guilty parties might not be harsh enough to serve as a deterrent to irregular expenditure.

In terms of controls, some internal audit units are not adequately resourced to work effectively in identifying areas where irregular expenditure may be incurred and in advising management to implement and monitor controls.

Irregular expenditure also arises from a mix of deliberate fraud, ignorance of the PFMA and inadequate understanding, therefore misinterpretations of the SCM legislation. Reviews of the controls around the SCM processes are performed infrequently. No one takes responsibility for accounting and holding people accountable for irregular expenditure.

Deliberate non-compliance was also identified in the appointment of a specific service provider who, according to the auditees involved, would be able to deliver the required results.

There are significant concerns over the prevention and detection of unauthorised, irregular as well as fruitless and wasteful expenditure at the **Department of Water Affairs** and its trading entity.

The contravention of SCM regulations, with the resultant incurrence of irregular expenditure, is also an area of significant concern within the **Communications** sector. After a change in leadership, persons were acting in the positions of DG and all DDGs, including the CFO. A new DG was appointed on 1 June 2011 but the chief operations officer (COO) and CFO positions remain vacant.

There are significant concerns over the prevention and detection of unauthorised expenditure at the **Presidency**, which could be indicative of inadequate budgetary processes and in-year monitoring of expenditure.

There are also significant concerns over the prevention and detection of unauthorised and irregular expenditure at the **Department of Women, Children and People with Disabilities**, which require greater leadership involvement to ensure that preventative controls are in place.

Instances of irregular as well as fruitless and wasteful expenditure were detected by the detective controls. However, the preventative controls were not fully effective and need attention.

The contravention of SCM regulations, with the resultant incurrence of irregular expenditure, is also an area of significant concern within the **departments of Public Works and Trade and Industry**. The accounting officer of Public Works did not take effective and appropriate steps to prevent and detect irregular expenditure and the department did not have an adequate system in place for identifying and recognising all irregular expenditure, resulting in a qualification on the completeness thereof.

The **Department of Justice and Constitutional Development's** lack of sufficient monitoring controls and a high vacancy rate in the SCM unit resulted in non-compliance with SCM legislation. This also resulted in irregular expenditure.

The **Department of Economic Development** incurred fruitless and wasteful expenditure due to the cancellation of an overseas trip.

The contravention of SCM regulations, with the resultant incurrence of irregular expenditure, is an area of significant concern at the **Department of Cooperative Governance and Traditional Affairs**. This resulted in the audit outcome regressing from an unqualified to qualified opinion as the completeness of irregular expenditure in the financial statements could not be established.

The **Department of Human Settlements** incurred irregular expenditure due to a lack of understanding of the SCM regulations, which resulted in irregular expenditure. The department did, however, have a system in place to ensure that irregular expenditure is adequately reported and disclosed in its financial statements.

At the **Department of Transport** accommodation and flight tickets were not cancelled in a timely manner.

Due to capacity constraints at the **Department of Basic Education**, monitoring of compliance with relevant laws and regulations was not effective, resulting in non-compliance matters being reported. The non-compliance noted also informed the irregular expenditure reported.

The incurrence of irregular expenditure at the **Department of Rural Development and Land Reform** is of concern as it is a recurring matter. Fruitless and wasteful expenditure was incurred as a result of legal fees and interest paid on long outstanding restitution settlements as ordered by the court. The department has committed to enhance the information

management system to ensure complete and accurate information relating to progress of the restitution cases.

At the **Department of Defence**, internal policies, procedures and instructions were not always updated with National Treasury Regulations and practice notes. These policies were not communicated to the lowest level where the irregular expenditure was incurred. There was inadequate monitoring and oversight by senior management. The irregular expenditure reported on in the 2010-11 report is still under investigation by the department.

The **Department of Mineral Resources** and the **Department of Energy** failed to comply with laws and regulations relating to irregular expenditure as a result of finance lease transactions and, to a lesser extent, procurement regulations which were not fully complied with by these departments. At both departments the underlying root cause to the weaknesses identified related to the split of Department of Minerals and Energy into the two respective departments.












The **Department of Home Affairs** incurred unauthorised expenditure due to overspending on settlements made to third parties. This relates to the awarding of a tender previously reported as irregular expenditure which the department has subsequently investigated. The outcome of the investigation allowed the department to negotiate a settlement with the service provider in order to ensure that the department does not unnecessarily delay the implementation of the "Who am I online" project.

The **Department of Energy** incurred unauthorised expenditure due to transfers made which were not budgeted for in the department's 2010-11 voted funds and was erroneously incurred in the 2010-11 financial year although it was budgeted as a transfer in the 2009-10 voted funds. The department did not apply for a rollover of the voted funds which caused the contravention with the PFMA.



The nature of the expenditure and significant trends are presented in the table below.

Table 10: Movements in unauthorised, irregular as well as fruitless and wasteful expenditure

Nature of movements	Departments			Public entities		
	Number of auditees	Amount	Movement over 2009-10	Number of auditees	Amount	Movement over 2009-10
Unauthorised expenditure (applicable to departments only)						
Nature – overspending of votes/main division within votes	4	R746m				
Nature – expenditure not in accordance with votes	2	R56,6m				
Number of departments incurring	6	R802m				
Identified during the audit – not detected by auditee	1	R14,8m	Comparative figures not available			
Incurred for two or more successive financial years	0					
Irregular expenditure						
Nature – SCM non-compliance	33	R1,8b		80	R2b	
Nature – compensation of employees-related	8	R140,1m		3	R77m	
Nature – other	8	R356m		17	R192m	
Number of auditees incurring	34	R2,3b		88	R2,3b	

Nature of movements	Departments			Public entities		
	Number of auditees	Amount	Movement over 2009-10	Number of auditees	Amount	Movement over 2009-10
Identified during the audit – not detected by auditee	28	R1,6b	Information for comparative information not available	61	R1,4b	Information for comparative information not available
Incurred for two or more successive financial years	23			44		
Fruitless and wasteful expenditure						
Number of auditees incurring	28	R428,8m	↑ 115%	76	R164,2m	↑ 31%
Identified during the audit – not detected by auditee	11	R9,2m		38	R39m	
Incurred for two or more successive financial years	11			42		

Annexure 3 to this report provides a full listing of auditees that incurred the expenditure summarised in the above table.

The analysis of irregular expenditure above excludes audits not performed by the AGSA. It is important, however, to highlight the following auditees in this report given the excessive irregular expenditure incurred by them.

In the current year, the appointed external auditors of **Transnet**, at the Auditor-General's request, conducted specific audit procedures in respect of procurement contracts. Their review covered 104 procurement contracts valued at R22 billion. It was confirmed that the irregular expenditure incurred by Transnet over the period of the irregular contracts was in excess of R8 billion due to contravention of SCM policies.

The **SA Post Office** (SAPO) incurred irregular expenditure amounting to R577 315 000 because it had not followed a competitive process in procuring a new office building.

2.4.4 Summary of findings arising from the audit of supply chain management (SCM) conducted by the AGSA

2.4.4.1 Background

The audits conducted by the AGSA at departments (including Parliament and legislatures), trading entities, constitutional institutions and listed public entities included an assessment of procurement processes, contract management and the controls in place to ensure a fair, equitable, transparent, competitive and cost-effective SCM system that complies with legislation and minimises the likelihood of fraud, corruption, favouritism as well as unfair and irregular practices.

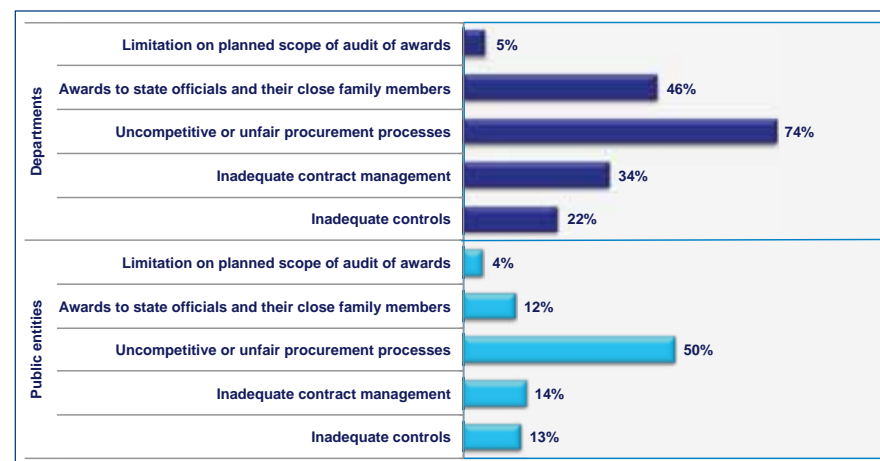
This assessment was not performed at the following auditees (public entities only):

Reason why no SCM audit was performed	Auditee
SCM audit performed at a group level or by the department	Criminal Asset Recovery Account; Driving Licence Card Trading Account; Equalisation Fund; Guardian Fund; Land Bank Insurance Company; National Lottery Distribution Trust Fund; PetroSA Sudan (CEF); President's Fund; SARS – Administered Revenue
Entities are dormant	Cotec Development (CEF); Cotec Partrade (Pty) Ltd (CEF); Cyclofil (Necsa); Erasmusrand Eiendom (Pty) Ltd; Fluorochem (Necsa); Fluoropharm (Necsa); High School Vorentoe Disaster Fund; Institute for Maritime Technology (Pty) Ltd; Klippoortje koolmyne (Pty) Ltd (CEF); Mahnes Areas (Pty) Ltd (CEF); MINDEV (Pty) Ltd; Oospark (Pty) Ltd; PetroSA Brass (CEF); PetroSA Gryphon Marin Permit (CEF); PetroSA Iris (CEF); PetroSA Synfuels International (CEF); PetroSA Themis (CEF); Refugee Relief Fund; SA National Aids Trust; Social Relief Fund; Sportsrand (Pty) Ltd; State President Fund; The Petroleum Oil and Gas Corporation (Namibia) (CEF)

Findings were raised during the audit of SCM at 129 (41%) of the auditees relating to contracts that had been awarded and quotations that had been accepted (referred to as “awards” in the rest of this report).

Significant findings relating to SCM are depicted in the figures that follow. The percentages are based on the number of auditees where findings were identified. The SCM findings are included in annexure 5.

Figure 16: Summary of findings arising from the audit of SCM



A summary of significant findings is provided below.

Limitations on planned scope of audit of awards	Audit evidence could not be provided, or limited audit evidence was provided, to conduct a specific review of procurement processes and contract management. This prohibited the auditor from assessing whether the SCM process prevents and detects fraud, non-performance by suppliers and non-compliance with legislation.
Awards to state officials and their close family members	Legislation exists that strives to ensure that conflicts of interest do not result in unfair awarding of contracts or acceptance of unfavourable price quotations. There were, however, conflicts of interest identified which resulted in non-compliance with legislation and the auditees' policies.



Uncompetitive or unfair procurement processes	The PFMA, Treasury Regulations, Preferential Procurement Framework Act, Preferential Procurement Regulations (PPR), SCM practice notes (P/N) issued by the National Treasury, and the department or entity's SCM policies exist to ensure fair, equitable, transparent, competitive and cost-effective supply chain management. Numerous cases were identified where the procurement process was uncompetitive and/or unfair for competitive bids and quotations.
Inadequate contract management	Contract performance measures and monitoring of contracts were inadequate.
Inadequate controls	Controls were not implemented for SCM officials or other role players to disclose their private or business interest or that of their close family member, partner or associate in any awards made.

Employees who performed remunerative work outside their employment without obtaining the consent of the executive authority were identified by the **Presidency**.

The **Department of Women, Children and People with Disabilities** procured goods from suppliers who had failed to provide proof that their tax affairs were in order (tax clearance certificates).

Employees who performed remunerative work outside their employment without obtaining the consent of the executive authority were identified by the **Government Communication and Information System**. An instance was also detected, but not prevented by management, where non-compliance with procurement prescripts was identified and disclosed in the financial statements.

Non-adherence to SCM regulations is a significant concern at the **Department of Public Works** and its trading entity, the **Property Management Trading Entity (PMTE)**. Review and monitoring of compliance were ineffective as evidenced by a qualification in both audit reports on the completeness of irregular expenditure. An investigation is underway to probe the alleged abuse of urgent and emergency procurement as well as the utilisation of sole suppliers. Procurement at the department is characterised by deviations from prescribed SCM processes. The findings raised during the audit process are indicative of the fact that such deviations

are not always justified. Although commitments have been made to address the shortcomings identified, efforts to improve SCM are yet to produce tangible results.

The lack of sufficient monitoring controls and a high vacancy rate at the SCM unit of the **Department of Justice and Constitutional Development** resulted in the non-compliance with SCM legislation and an investigation is currently being conducted based on allegations of possible irregularities on the part of employees at the SCM unit.

There were many instances of non-compliance with procurement processes at the Department of Trade and Industry because management failed to adhere to the SCM regulations in all instances.

The **Department of Economic Development** was newly established and did not have sufficient procedures in place to ensure that all SMS members declared their interests in suppliers to the department.

The **Department of Human Settlements** incurred irregular expenditure due to a lack of understanding of the SCM regulations, which resulted in irregular expenditure. The department did, however, have a system in place to ensure that irregular expenditure is adequately reported and disclosed in its financial statements.

The **Department of Cooperative Governance and Traditional Affairs** did not have adequate controls regarding adherence to SCM regulations, which resulted in the department incurring irregular expenditure. It also did not have a system in place to detect irregular expenditure incurred, resulting in the completeness of the reported irregular expenditure not being established.

The irregular expenditure incurred by the **Department of Labour** is mainly due to inadequate SCM policies and procedures. There is an urgent need to align the department's SCM policies and procedures with those of the National Treasury.

The incurrence of irregular expenditure at the **Department of Rural Development and Land Reform** stemmed mainly from the contravention of SCM processes and lack of project and contract management and monitoring controls.

At the **Department of Correctional Services**, inventory was acquired without following the normal SCM processes. Awards were made to suppliers connected to employees of the DCS, while the prospective suppliers list was not updated regularly.

At the **Department of Defence**, the internal policies, procedures and instructions relating to SCM were not always updated with National Treasury Regulations and practice notes. These policies were not communicated to the lowest level, which led to the SCM policies not being adhered to. Senior management's monitoring and oversight of the SCM process were inadequate.

The **departments of Home Affairs** and **Mineral Resources** made awards to suppliers, which were found not to be transparent and consistent with SCM legislation and regulations. In addition, the Department of Home Affairs did not report to the National Treasury deviations from SCM legislation and regulations above the threshold determined by the National Treasury. Further engagements with the relevant minister and the leadership of the departments clarified the need for internal audit to play an active part in overseeing the SCM process in order to prevent non-compliance with SCM laws and regulations recurring.

As is evident from the analysis of irregular expenditure (section 2.4.3), R3 786 104 365 (83%) of the irregular expenditure incurred by auditees was as a result of the contravention of SCM legislation, while 65% of the irregular expenditure was identified during the audit process. At the majority of the auditees, the incomplete identification of SCM irregular expenditure was as a result of:

- a lack of understanding of applicable legislation
- inadequate monitoring of processes to detect contravention of legislation
- inconsistent interpretation of legislation to determine whether expenditure is irregular.

2.4.4.2 Limitations on planned scope of audit of awards

Not all auditees could provide sufficient appropriate audit evidence that awards had been made in accordance with the requirements of SCM legislation. No alternative audit procedures could be performed to obtain reasonable assurance that the expenditure incurred on these awards was not irregular. Table 11 depicts the limitations experienced.

Table 11: Limitations experienced

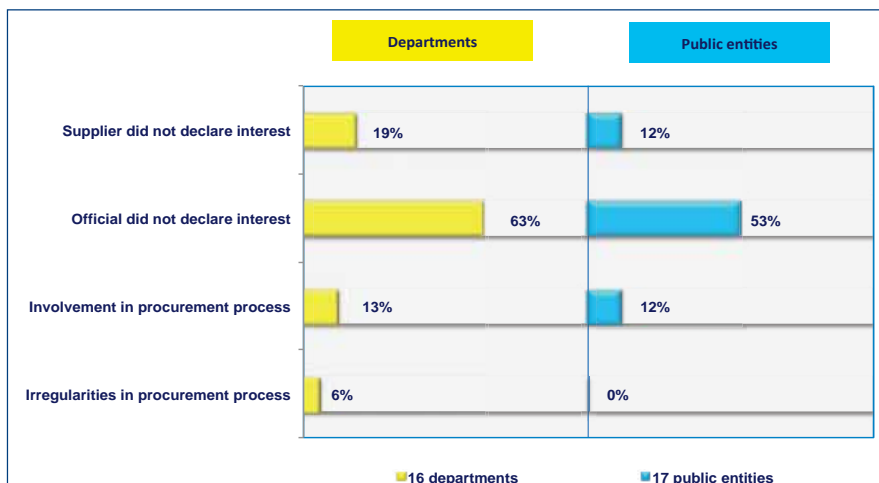
Auditee	Number of awards	Value of awards R'000	Reason for limitation
Departments			The limitations experienced were mainly as a result of missing documentation and inadequate document management systems.
Department of Defence	57	41 916	
Department of Public Works	13	18 960	
Public entities			
Compensation Fund	11	10 502	
Cross-Border Road Transport Agency	13	110	
National Electronic Media Institute of SA	1	5 000	
Passenger Rail Agency of South Africa	101	37 400	
The Property Management Trading Entity	66	1 376 806	
Services Sector Education and Training Authority (Services SETA)	28	16 167	
Universal Service and Access Agency of South Africa	1	300	
Universal Service and Access Fund	1	100	
Total	292	1 507 261	

As a result of the limitations experienced, the findings reported in the rest of this section might not reflect the true extent of irregularities and SCM weaknesses at the auditees where the limitations were identified.



2.4.4.3 Awards to state officials and their close family members

Figure 17: Awards to state officials and their close family members



The audit included an assessment of the interests of officials of the auditee and their close family members in suppliers to the auditee.

Legislation does not prohibit such awards but there is legislation which endeavours to ensure that conflicts of interest do not result in the unfair awarding of contracts or acceptance of unfavourable price quotations, and requires employees to obtain approval for performing remunerative work outside their employment.

Through computer assisted audit techniques (CAATs), interest was identified at various auditees. This interest was evaluated with regard to compliance with SCM legislation and policies of the auditee. The awards identified were also tested to determine non-compliance or irregularities that could be an indication that decisions or recommendations were unlawfully and improperly influenced.

Interest was confirmed through the audit process at 38 auditees, although not all interests are classified as findings. The audit findings for the auditees where interests were identified are included in annexure 7.

2.4.4.4 Uncompetitive or unfair procurement processes

The principles of contracting for goods and services in a manner that is fair, equitable, transparent, competitive and cost-effective comes from our Constitution. Legislation, most notably the PFMA and Treasury Regulations, prescribes the processes and rules to be followed by departments and public entities in order to consistently and correctly apply the constitutional principles and to safeguard the process against abuse. The preferential procurement framework further gives effect to the constitutional principle of granting preference to the previously disadvantaged in the allocation of work by the public sector.

Our audits also focus on whether procurement processes followed were fair and competitive in that they provided all suppliers equal opportunity to compete for public sector contracts and the process does not favour some suppliers above others.

It is important that the prescribed processes are followed to ensure that the selected supplier meets the requirements and has the capacity and ability to deliver the goods and services, and that goods and services are procured at competitive and economical prices.

The procurement processes of 4 193 contracts (R25 641 135 686) and 6 121 quotations (R1 635 552 316) were tested. The most prevalent findings on non-compliance with SCM legislation that resulted in uncompetitive or unfair procurement processes are summarised in annexure 8.

Further details on the legislation not complied with are as follows:

Finding	Detail
Written price quotations not invited – no deviation approved	A price quotation process should be followed for the procurement of goods and services of a lower value. The required number of price quotations was not always obtained and the deviations were not approved by a properly delegated official or committee. In total, this took place in 1 169 instances.
Written price quotations not invited – approved deviation not reasonable or justifiable	A price quotation process should be followed for the procurement of goods and services of a lower value. Instances were identified where deviations were approved for obtaining fewer than the required number of price quotations even though it was possible to meet the requirement.
Prospective supplier list not administered in accordance with requirements	A price quotation process should be followed for the procurement of goods and services of a lower value. In order to provide prospective suppliers with an opportunity to take part in this process, prospective supplier lists are maintained by auditees and should be administered in a fair and competitive manner in accordance with prescribed requirements. Some auditees did not administer the list in accordance with the requirements.
Competitive bids not invited – no deviation approved	A competitive bidding process should be followed for the procurement of goods and services above R500 000. Competitive bids were not invited at 28 auditees for goods and services with a total value of R516 090 000. The deviations were not approved by a properly delegated official or committee.
Procurement from suppliers without SARS tax clearance	Awards were made to suppliers who had failed to provide written proof from SARS that their tax matters were in order (10 departments and 23 public entities). These awards amounted to R162 298 000.
No declaration of interest submitted	There are specific measures which are necessary to ensure that officials do not abuse the system to favour their own businesses or those of their family members or associates. In this regard, prospective suppliers are required to declare whether they are in the service of the state or connected to a person in the service of the state. Awards were made to suppliers who did not submit the required declaration.
Preference point system not applied in the procurement of goods and services	The preference point system was not applied for all procurement of goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act.
No prospective supplier list for inviting price quotations	A price quotation process should be followed for the procurement of goods and services of a lower value. In order to provide prospective suppliers with an opportunity to take part in this process, a prospective supplier list should be maintained by the auditee and administered in a fair and competitive manner. Some auditees did not have a prospective supplier list.

Finding	Detail
Other findings	The other findings identified were as follows: <ul style="list-style-type: none"> • Supplier list not administered in accordance with the requirements • Competitive bids not invited – deviations not reasonable or justifiable • Bids not advertised through public media • No declaration of past SCM practices • Bids advertised for shorter period – no justification for deviation • Awards to suppliers who committed fraudulent acts in competing for the contract.

2.4.4.5 Inadequate contract management

Shortcomings in the manner in which contracts are managed result in delays, wastage and fruitless expenditure, which in turn impact directly on service delivery to the citizens.

Findings on contract management are summarised in annexure 9.

Further details on the findings are as follows:

Finding	Detail
Contracts amended or extended without approval by a delegated official	Twenty-four instances were identified where contracts were amended or extended in the favour of the supplier without the approval of a properly delegated official or committee.
Contracts extended or renewed to circumvent competitive bidding processes	It is normal business practice to extend or renew contracts, but at nine auditees contracts were extended to such a degree that competitive bidding processes were being circumvented, resulting in the procurement process being unfair, uncompetitive or non-transparent.
Inadequate contract performance measures and monitoring	There was a lack of sufficient contract performance measures and monitoring methods to ensure effective contract management.
Payments made in excess of approved contract price (with further approved extensions)	A contract states the prices, terms and maximum values, which can be increased through approved extensions and variations. Twenty-five instances were identified where payments were made to suppliers in excess of the approved contract prices.
No signed contract or contract not signed by delegated official	Goods and services were supplied by the supplier and payment was made to the suppliers without written signed contracts. Contracts were also not signed by the delegated officials.



Finding	Detail
Other findings	<p>The other findings identified were as follows:</p> <ul style="list-style-type: none"> For consultants the original amount of contract was exceeded by more than 15% due to a lack of contract management and non-approval by delegated officials. Conditions were not prepared in accordance with the standard conditions of contract prescribed by the National Treasury. No action was taken against non-performing contractors.

2.4.4.6 Inadequate SCM controls

Findings on deficiencies in fundamental SCM controls are summarised in annexure 10.

Further details on the findings are as follows:

Finding	Detail
No SCM policy	Three entities did not implement an SCM policy for the procurement of goods and services.
Inadequate controls to ensure that interest is declared	The controls at some auditees were not adequate in ensuring that officials disclosed their private or business interests or those of their close family members, partners and associates in any contract awarded.
Inadequate controls for vendor acceptance and maintenance	There was a lack of controls around the supplier's database at some auditees. These controls are supposed to assist in maintaining the database to prevent payments to fictitious suppliers.
Inadequate segregation of duties in procurement	Inadequate segregation of duties in the SCM systems was identified, which would have resulted in failure to detect irregular conduct in the procurement and payment process.
Fraud prevention plan – no measures for preventing and detecting fraud in procurement	SCM is an area that is highly susceptible to fraud. The fraud prevention plan did not include measures for the prevention and detection of fraud in the procurement process.
Other findings	<p>The other findings identified were as follows:</p> <ul style="list-style-type: none"> Performance of the SCM unit was not regularly analysed. SCM policies and procedures were in conflict with applicable legislation.

2.4.5 Investigations into SCM irregularities, fraud or other financial misconduct

Table 12 lists the investigations in progress or completed by March 2011. Not all of the investigations were conducted by the AGSA.

Table 12: Investigations completed or in progress as at 31 March 2011

Auditee	SCM related	Fraud	Other financial misconduct	Number of investigations per auditee
Department of Justice and Constitutional Development	1			1
Government Communication and Information System	1			1
Department of Cooperative Governance and Traditional Affairs	5	1		6
Department of Human Settlements			2	2
Department of Tourism			1	1
National Treasury	3			3
Department of Correctional Services	2	5		7
Department of Defence	2			2
Department of Sports and Recreation	4		1	5
Department of Arts and Culture			1	1
Department of Communications		1	1	2
Department of Police	2		476	478
Department of Water Affairs and Forestry	1			1
Department of Public Enterprises		1		1
Department of Public Service and Administration	1			1
Public Admin and Leadership Management Academy	1	1		2
Department of Agriculture, Forestry and Fisheries		3	18	21
Department of Higher Education and Training		1		1
Department of Labour			1	1
Department of Public Works	1			1
Department of Rural Development	3	33	18	54
Department of Home Affairs	1			1

Auditee	SCM related	Fraud	Other financial misconduct	Number of investigations per auditee
Department of Health		3	2	5
Legal Aid South Africa	1			1
Municipal Demarcation Board	1			1
National Home Builders Registration Council	1		2	3
National Prosecuting Authority	1			1
National Regulator for Compulsory Specifications	1			1
South African Bureau of Standards		1		1
South African Local Government Association	1			1
Special Investigating Unit			3	3
The Commission on Gender Equality	4		4	8
Estate Agency Affairs Board			1	1
Driving Licence Card Trading Account (DLCTA)			1	1
Land and Agricultural Bank of SA	1	1	1	3
Passenger Rail Agency of SA		1		1
Pension Fund Adjudicator			2	2
Road Traffic Management Corporation	1			1
SA Maritime Safety Authority		1		1
Human Science Research Council	1			1
National Arts Council of South Africa			1	1
Performing Arts Centre of the Free State			1	1
Private Security Industry Regulatory Authority		13		13
Sentech Limited	1			1
South Africa Heritage Resources Agency			1	1
South African Broadcasting Corporation	4		1	5
Water Research Commission			1	1
Water Trading Account	6			6
Central Energy Fund (Pty)Ltd (CEF)	1			1
Independent Electoral Commission		3		3
Mine Health and Safety Council	1			1
South African Diamond and Precious Metals Regulator			1	1

Auditee	SCM related	Fraud	Other financial misconduct	Number of investigations per auditee
State Information Technology Agency	44	3	3	50
Public Admin and Leadership Management Trading Account	1	1		2
Broadband Infraco (Pty) Ltd	4			4
Bank Seta (Bankseta)		1		1
Chemical Industries Seta (CHIETA)			1	1
Compensation Fund	1	1		2
Construction Seta (CETA)		1		1
Education Seta (ETDP SETA)		2		2
Manufacturing and Engineering Seta (MERSETA)		2		2
Media & Publishing Seta (MAPPP SETA)		1		1
Mining Qualifications Authority (MQA)		1		1
National Skills Fund		1		1
Safety and Security Seta		1		1
Registration of Deeds Trading Account		4		4
Sheltered Employment Factories		1		1
Agricultural Research Council			1	1
Agricultural Land Holding Account		1		1
National Student Financial Aid Scheme	1		1	2
Property Management Trading entity	4			4
Total	107	90	549	746

For the financial year ended March 2011, investigations were conducted into the financial affairs of at least 23 (59%) departments and 48 (18%) public entities. These investigations are indicators of a risk that internal controls are either not functioning or are overridden. The focus of investigations ranged from misappropriation of funds by employees and payroll-related transactions to tender and procurement irregularities.



2.4.6 Recommendations for addressing key findings on SCM

Findings	Actual audit findings	Recommendations and way forward
Limitation on planned scope of audits of awards	⊗ Awards to the value of R99 239 000 were not submitted for audit due to inadequate record keeping systems.	⊕ The discipline of filing all records to support compliance with SCM regulations should be enforced by leadership. Accounting officers/authorities should review these records and seek explanation for any processes that occurred in the absence of adequate support.
Awards to state officials and their close family members	⊗ Remunerative work was performed without approval; this was due to inadequate controls to ensure that interest is declared.	⊕ Reviews should be performed of declarations of interest and this should be reconciled with available sources such as CIPRO. ⊕ Disciplinary action should be instituted on employees who fail to declare their interests.
Uncompetitive or unfair procurement processes	⊗ Goods and services exceeding R500 000 were procured without obtaining three quotations. This was due to leadership not reviewing and monitoring compliance with the relevant laws and regulations.	⊕ Leadership set the tone at the top of 100% compliance with SCM regulations and should review and monitor compliance with laws and regulations and take action on individuals who contravene these.
Inadequate contract management	⊗ It was noted that contracts were extended or renewed to avoid the competitive bidding process resulting in new suppliers not being afforded an opportunity to compete in this market.	⊕ Leadership should enforce an understanding of what the SCM regulations aim to achieve and emphasise the importance of adhering to these regulations in each situation, including contract extensions.
Inadequate controls	⊗ There are inadequate controls to ensure that interests are declared. This is due to the fact that there are no consequences for employees and suppliers who do not declare their interest	⊕ Every individual should be made aware of his/her responsibility to obtain approval for the performance of other remunerative work and the declaration of his/her interest in any awards if he/she is a member of senior management or involved in SCM processes.

Conclusion on supply chain management

The most common finding arising from our audits across all auditees relates to deviation from legally prescribed SCM processes. It is important that prescribed processes are followed to ensure that the selected supplier has the capacity to deliver the goods and services and supplies these at a reasonable price. Inadequate management of projects and contracts remains a weakness in the public sector.

Non-compliance with SCM legislation was the cause of the biggest portion of irregular expenditure incurred by both departments and public entities.

Awards to state officials and their close family members are still a concern, especially where suppliers do not declare their interest and where other remunerative work by employees was not approved. This is due to inadequate SCM controls.

There appears to be no improvement in the outcomes of the SCM audit since the 2009-10 audit cycle.

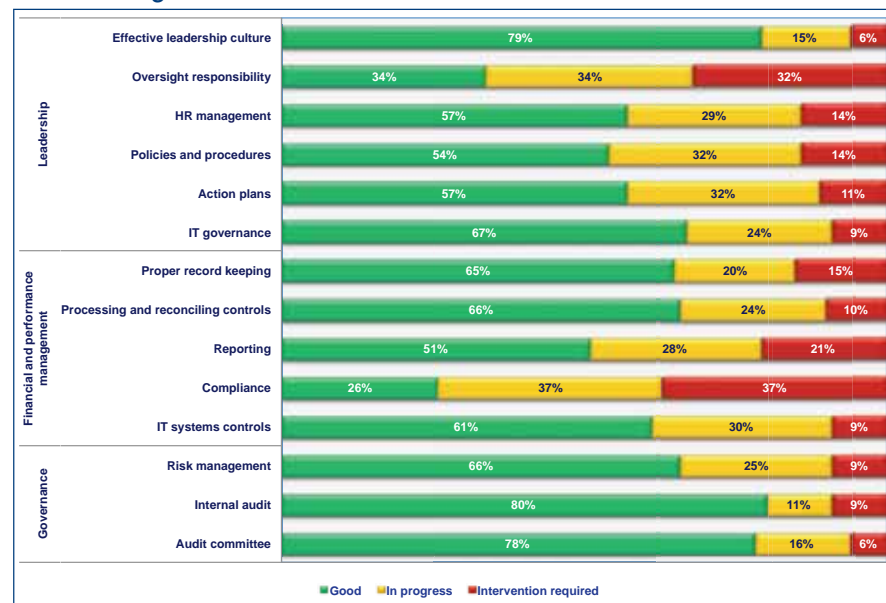
To accelerate the elimination of tender process irregularities, every accounting officer/authority, CFO and senior official should discharge their PFMA-prescribed obligations diligently. They are required to take reasonable steps to prevent irregular expenditure by developing and implementing internal control systems that ensure fair, equitable, transparent, competitive and cost-effective SCM processes that can prevent and detect fraud, non-performance by suppliers and non-compliance with SCM legislation.

Non-compliance must have consequences and accountability must be enforced at all levels.

2.4.7 Assessment of drivers of internal control over compliance with laws and regulations (Departments and entities – excluding entities not audited by the AGSA)

Figure 18 provides an assessment of the key drivers of internal control that should be in place to ensure compliance with laws and regulations.

Figure 18: Assessment of drivers of internal control – Compliance with laws and regulations



effective audit committees with the requisite skills to provide oversight of compliance issues, as well as effective governance structures, such as internal audit, risk management, etc.

The following are some of the root causes/internal control deficiencies that need to be addressed by management to assist them in addressing the findings on non-compliance. These provide some context to the assessment made above.

There are no consequences when the PFMA is contravened and no charges of financial misconduct are laid. Non-compliance must have consequences and accountability must be enforced at all levels. Leadership must set that tone of decisively dealing with such malpractices.

There is a lack of monitoring by leadership to ensure compliance with laws and regulations. In some cases it was noted that leadership does not focus on the timely appointment of appropriately experienced and qualified audit committee members. The filling of vacancies at the internal audit sections is not regarded as a priority and thus there are no suitably qualified internal auditors to assist the leadership with the monitoring of compliance. Systems need to be implemented to ensure that entities are aware of the legislation that affects them and that they monitor compliance with legislation. The internal audit section and the audit committee must be suitably equipped to assist the entity to deal with matters relating to compliance. Leadership and management must also regularly review and monitor compliance by officials with applicable laws and regulations. The focus should be on measures that prevent unauthorised and irregular transactions and enable the discharge of statutory responsibilities by management and senior officials. In this regard, a compliance checklist is recommended as a handy tool to proactively prevent deviations from laws and regulations.

Policies and procedures are not implemented to ensure compliance with laws and regulations relating to aspects such as irregular expenditure, asset management, human resource management, revenue collection and

2.4.8 Best practices, root causes of findings and the way forward on compliance with laws and regulations by auditees

The above assessment highlights the significant attention required by the leadership, those charged with governance and management to address findings on compliance.

Approximately half of the entities reported on in this report had findings on compliance. The entities that had no findings on compliance had achieved this by taking charge of their dashboard reports by implementing controls to address weaknesses identified, by having internal controls in place to manage the entities' compliance with laws and regulations and by having



expenditure management. In one instance it was noted that the entity's SCM policy was not in line with PFMA requirements. Policies and procedures need to be developed to ensure alignment with relevant laws and regulations.

In some instances the SCM and human resource functions have been decentralised to the regions. Policies and procedures need to be developed by these entities to guide the processes at regional level. Furthermore, internal audit should be used to evaluate the controls and systems in place for compliance.

The findings on SCM in some cases arose due to poor planning that resulted in the bidding process not being followed. Inadequate management of projects and contracts remains a weakness and findings were raised regarding a lack of written contracts, payments made in excess of contract amounts, irregular amendments/extensions to contracts and inadequate monitoring of contracts. In most cases the reason for these weaknesses was insufficient capacity and skills to manage contracts.

For commitments made in respect of compliance findings please refer to section 4 of this report.



SECTION 3: DRIVERS OF AUDIT OUTCOMES – KEY CONTROLS

3.1 Overview of key controls as drivers of the three facets of audit outcomes

The AGSA has identified three categories of drivers of improved audit outcomes through interactions on audit outcomes with auditees over the past several years. These categories have been used to formally document the results of the AGSA's quarterly key control visits to the national leadership.

These drivers (key controls) are categorised into the fundamental areas of internal control, namely:

- leadership
- financial and performance management
- governance.

Deficiencies in some or all of these controls can be directly linked to:

- audit opinions on the financial statements
- findings on predetermined objectives
- findings on compliance with laws and regulations.

Auditees that had improved their audit outcomes or maintained positive audit outcomes can attribute this to the implementation and effective monitoring of the three fundamentals of internal control. Similarly, where auditees had regressed or received negative audit outcomes, this can be attributed to a failure to implement and monitor these fundamentals of internal control.

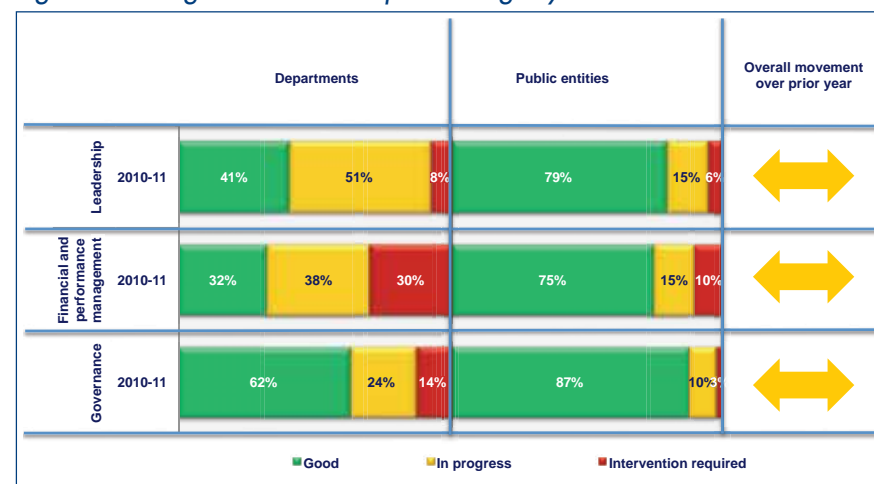
Annexure 4 to this report assesses the adequacy of key controls at auditees at the time of the audit. An assessment of these drivers of financial reporting,

reporting on predetermined objectives and compliance with laws and regulations is provided in sections 2.2.9, 2.3.3 and 2.4.6, respectively.

Sections 3.2 and 3.3 provide an assessment of human resource management and information technology management as specific drivers of audit outcomes.

An overall assessment of progress made by departments and public entities in implementing key controls is depicted in figure 19.

Figure 19: Progress made in implementing key controls



The above assessment highlights the progress made by entities with regard to their key controls. As can be seen from the above, on average no progress had been made in any of the three areas of control. Departments are struggling, especially in the areas of leadership and financial and performance management. The key areas under leadership that have to be addressed include oversight responsibility, HR management, action plans and IT governance. In respect of financial and performance management, the following areas need to be addressed: proper record keeping,

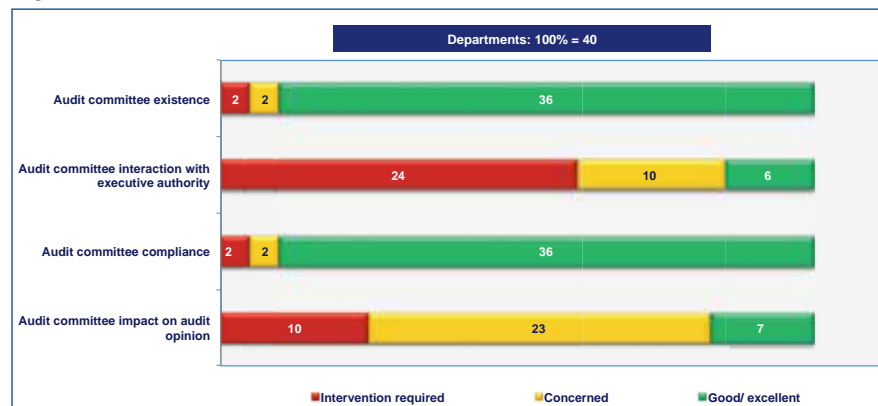
processing and reconciling, reporting, compliance and IT systems controls. Sections 3.2 and 3.3 provide further information on HR management and IT governance as drivers of audit outcomes.

The leadership and executive management need to actively monitor action plans aimed at enhancing financial and performance reporting and compliance with laws and regulations. The leadership should also confirm that effective HR management policies and practices are in place and that adequate and sufficiently skilled resources are available. Moreover, information technology tools that enable government to deliver value and improve performance should be used.

For an entity to have sound financial controls, the appropriate level of management should regularly review interim/monthly reporting and prepare regular, accurate and complete financial and performance reports that are supported by reliable sources of information. Leadership and management must also regularly review and monitor compliance by officials with applicable laws and regulations. The focus should be on measures that prevent unauthorised and irregular transactions and enable the discharge of statutory responsibilities by management and senior officials.

The audit committees of auditees should play an important role in ensuring that management information produced on a monthly basis is credible. For information to be credible, it is necessary to verify that the information is complete, accurate, valid and supported by evidence. The executive authority should use the audit committee to provide assurance on the credibility of management information on a regular basis. Inadequate attention to non-compliance matters and the service delivery reporting by the audit committees was also noted. An analysis of the effectiveness of audit committees of departments and the level to which the executive authorities are engaging with them is provided below.

Figure 20: Audit committees



Evaluation of audit committees of departments				
Auditee	Existence of audit committee	Evaluation of engagement with executive	Compliance with legislation	Impact of committee on audit outcome
Department of Agriculture, Forestry and Fisheries	Yellow	Red	Green	Yellow
Department of Arts and Culture	Green	Red	Green	Yellow
Department of Basic Education	Green	Red	Green	Yellow
Department of Communications	Red	Red	Red	Red
Department of Cooperative Governance and Traditional Affairs	Green	Red	Green	Red
Department of Correctional Services	Green	Red	Green	Red
Department of Defence	Green	Yellow	Green	Red
Department of Economic Development	Green	Red	Green	Green
Department of Energy	Green	Red	Green	Green
Department of Environmental Affairs	Green	Red	Green	Green
Department of Health	Green	Green	Yellow	Red
Department of Higher Education and Training	Green	Red	Green	Yellow
Department of Home Affairs	Green	Green	Green	Green
Department of Human Settlements	Green	Red	Green	Yellow



Evaluation of audit committees of departments				
Auditee	Existence of audit committee	Evaluation of engagement with executive	Compliance with legislation	Impact of committee on audit outcome
Department of International Relations and Co-operation	Green	Red	Green	Yellow
Department of Justice and Constitutional Development	Green	Red	Green	Yellow
Department of Labour	Green	Red	Green	Yellow
Department of Mineral Resources	Green	Yellow	Green	Yellow
Department of Police	Green	Red	Green	Yellow
Department of Public Enterprises	Green	Red	Green	Green
Department of Public Service and Administration	Green	Yellow	Green	Yellow
Department of Public Works	Green	Yellow	Green	Red
Department of Rural Development and Land Reform	Green	Yellow	Yellow	Red
Department of Science and Technology	Green	Yellow	Green	Green
Department of Social Development	Green	Green	Green	Red
Department of Sport and Recreation	Green	Yellow	Green	Yellow
Department of Tourism	Green	Green	Green	Green
Department of Trade and Industry	Green	Red	Green	Yellow
Department of Transport	Green	Red	Green	Yellow
Department of Water Affairs and Forestry	Yellow	Yellow	Green	Red
Department of Women, Children and Persons with Disabilities	Red	Red	Red	Red
Government Communication and Information System	Green	Red	Green	Yellow
Independent Complaints Directorate	Green	Yellow	Green	Yellow
National consolidation	Green	Red	Green	Yellow
National Treasury	Green	Red	Green	Yellow
Parliament	Green	Green	Green	Yellow
Public Admin and Leadership Management Academy	Green	Red	Green	Yellow
Public Service Commission	Green	Green	Green	Yellow
Statistics South Africa	Green	Red	Green	Yellow
The Presidency	Green	Yellow	Green	Yellow

3.2 Effective human resource (HR) management as specific driver of audit outcomes

Effective HR management is a key driver of all three facets of audit outcomes. In this context, HR management is deemed effective if adequate and sufficiently skilled resources are in place and performance is monitored.

The AGSA's assessment of HR management focuses on the following areas:

- HR planning and organisation
- Management of vacancies
- Appointment processes
- Performance management
- Acting positions
- Management of leave, overtime and suspensions

This assessment was performed at departments in the previous year and was introduced at some public entities in the year under review.

3.2.1 Overall findings arising from the assessment of HR management

The figures below depict the extent of weaknesses in each focus area for departments (with a comparison to the previous year) and public entities (without a comparison).

Figure 21: Identified HR management weaknesses – Departments

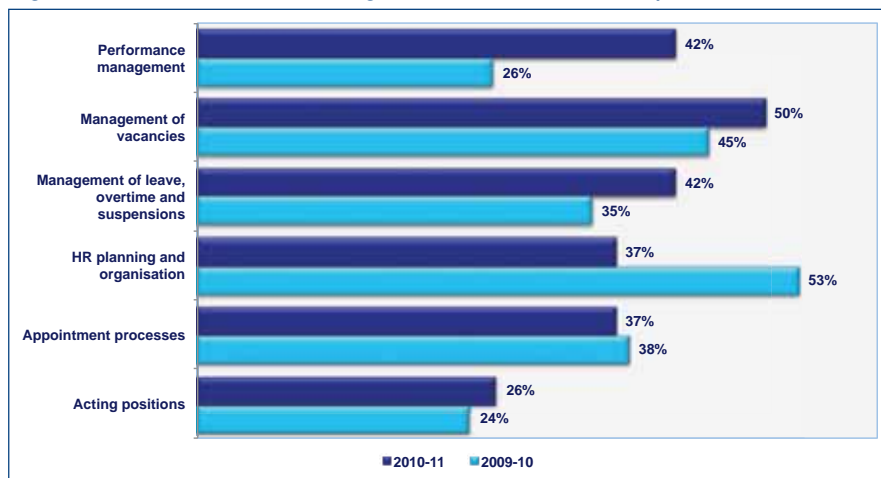
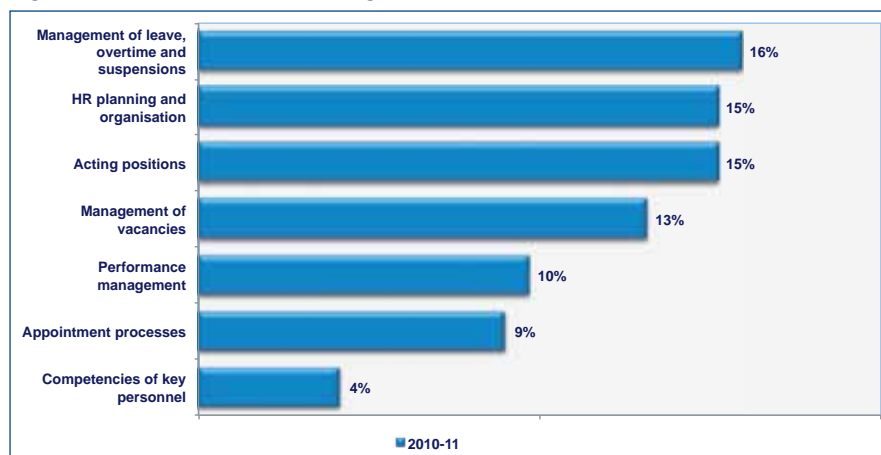


Figure 22: Identified HR management weaknesses – Public entities



Common findings from the AGSA's focus areas are summarised below. Prior year statistics are given for departments.

Table 13: Common findings from the AGSA's focus areas

Focus area	Summary of common findings	Departments		Public entities
		2010-11	2009-10	2010-11
HR planning and organisation	Human resource plan based on strategic plan not in place	26%	46%	30%
	Human resource plan did not adequately determine gap between existing and required HR and actions necessary to address gaps	7%	0%	11%
Management of vacancies	Senior management positions vacant more than 12 months	33%	8%	21%
	Finance department – positions vacant more than 12 months	15%	4%	13%
Appointment processes	Prescribed selection and approval processes not followed for all appointments	11%	4%	19%
	Verification process for new appointments did not always take place	22%	8%	4%
Performance management	Senior management did not sign performance agreements for current performance period	41%	33%	15%
	Performance bonuses paid to employees not entitled to such bonuses	4%	4%	13%
Acting positions	Employees acted in positions for more than 12 months	30%	33%	19%
	Senior managers acted in positions for more than six months	15%	8%	30%
Management of leave, overtime and suspensions	Employees worked for more than maximum hours overtime allowed	30%	17%	9%
	Medical certificates not submitted for sick leave	19%	8%	17%
Competencies of key personnel	Compliance with legislation – competencies of key personnel inadequate	7%	0%	6%
	Financial reporting – competencies of key personnel inadequate	0%	0%	11%

The DPSA is mandated to determine the policies and procedures in relation to human resource, labour relations and compensation management for the public sector. This is done through the Public Service Act and its related regulations.



The analysis above indicates that the weaknesses do not lie with the DPSA, the policy setter, but rather with the implementation of the policies and procedures. For instance, the policy setter cannot be held accountable where some departments have not implemented a human resources plan whereas other departments managed to do so.

It is therefore evident that the users of these policies and procedures, namely the individual departments and other entities, are the cause of the audit findings related to human resource and compensation management. These implementing departments have not addressed matters as required.

Subsequent engagements with the Minister of the DPSA have confirmed that there is still room for improvement with regard to the support and monitoring of the implementation of human resources, labour relations and compensation management policies and procedures at individual departments and entities.

3.2.2 Impact of staff vacancies on internal control

Positions should be filled in a timely manner with staff who have and maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing sound internal control.

Control activities performed by staff at all levels form an integral part of planning, implementing, reviewing and accountability for stewardship of government resources managed by auditees and achieving results.

Such control activities include a wide range of diverse tasks related to the three facets of audit outcomes, such as:

- maintaining sound financial management and adequate records and the preparation of financial statements
- setting performance targets and indicators; monitoring, recording and validating performance against predetermined objectives; investigating

variances from set targets and taking corrective action for deviations identified

- enforcing compliance by officials with laws and regulations and ensuring obligations imposed by legislation on the organisation are timeously and fully discharged.

Such activities include, but are not limited to:

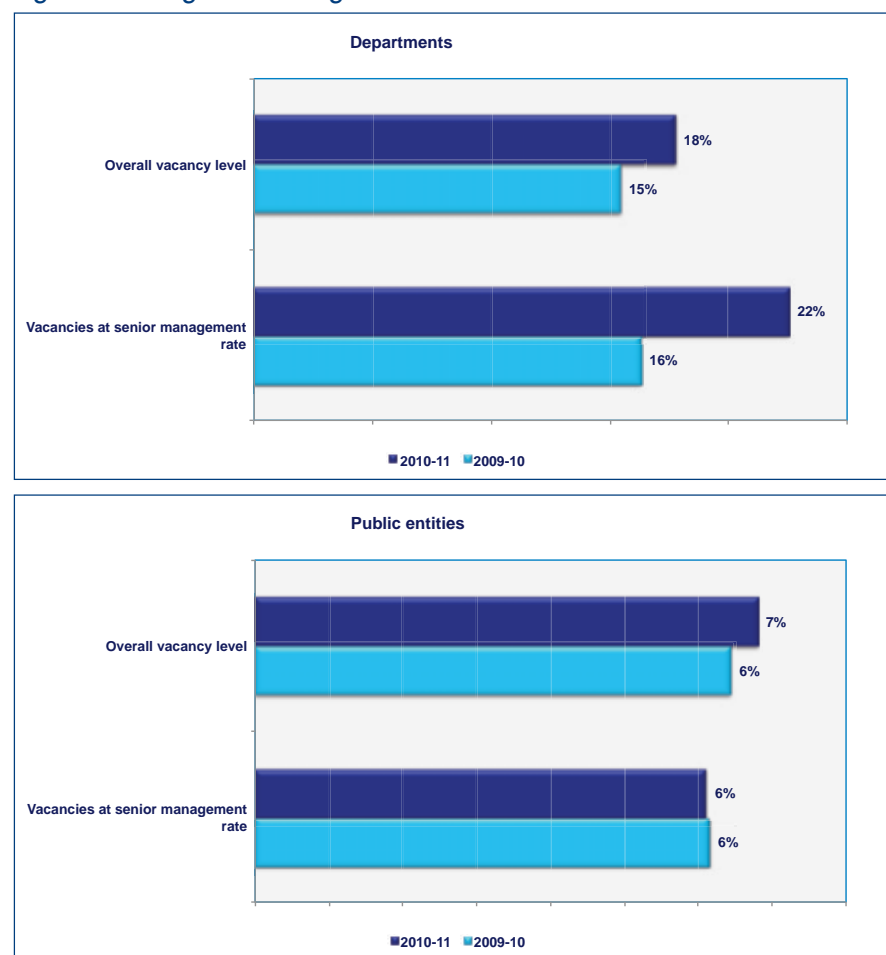
- approvals and authorisations
- verifications
- reconciliations
- performance reviews
- maintenance of security
- creating and maintaining records and appropriate documentation.

Control activities that may be neglected should key positions not be timeously filled with staff possessing the requisite levels of qualifications and experience, include the following:

- Top-level reviews of actual versus planned performance
- Reviews by management at the functional or activity level
- Controls over information processing
- Physical control over vulnerable assets
- Establishing and reviewing performance measures and indicators
- Segregating incompatible duties, including the initiation, processing and approval of transactions
- Proper execution of transactions
- Accurate and timely recording of transactions and events
- Access restrictions to, and accountability for, resources and records
- Maintaining appropriate documentation of transactions
- Enforcing compliance with policies, procedures, laws and regulations
- Maintaining internal control
- Risk management

Progress by auditees since the audit of their 2009-10 financial statements in filling vacancies is depicted below. The vacancy rate depicted is an average rate based on the year-end vacancy rates at the auditees.

Figure 23: Progress in filling vacancies



3.2.3 Root causes of findings and the way forward on HR management

Findings	Actual audit findings	Recommendations and way forward
HR planning and organisation	<ul style="list-style-type: none"> ⊗ There was no approved HR plan in place due to management not exercising their oversight responsibility over compliance with laws and regulations. ⊗ Delays in filling senior management positions resulted in inadequate and ineffective oversight regarding compliance matters. ⊗ The responsible official who had to update the HR plan did not understand the purpose of the plan; as a result no effort was made to have the plan approved. 	<ul style="list-style-type: none"> ☺ An approved HR plan should be prepared and implemented. ☺ Where vacancies in senior management are a concern the accounting officer/authority should take ownership of the HR plan. ☺ The accounting officer/authority should exercise adequate oversight responsibility over compliance with laws and regulations. ☺ Officials responsible for the plan should be informed and made to understand the purpose of the plan.
	<ul style="list-style-type: none"> ⊗ HR plan was approved but not updated based on the strategic plan due to lack of management review. 	<ul style="list-style-type: none"> ☺ HR plans should be reviewed and aligned to the strategic plan of the department. ☺ Management should assess the human resources necessary to perform the functions taking into account the specific requirements and workload of their departments and entities, thus linking the strategic plan to the HR plan. ☺ Management should review and ensure that the approved HR plan complies with Public Service Regulations.



Findings	Actual audit findings	Recommendations and way forward
Management of vacancies	<ul style="list-style-type: none"> ⊗ Senior management positions were not filled within the required time frame as some departments had a limited number of funded posts. ⊗ Appointments were placed on hold due to changes at certain ministries. ⊗ The accounting officer/authority did not effectively exercise oversight over compliance with laws and regulations. ⊗ For some public entities where there was a vacancy in the CEO's position this resulted in the entity not being able to fill senior management vacant posts timeously. ⊗ Management did not take efficient and effective measures to ensure that all vacancies are filled within 12 months. 	<ul style="list-style-type: none"> ⊙ There should be a recruitment plan to fill all key vacant posts. ⊙ Delays in relation to filling of vacancies should be addressed to avoid the excessive acting allowances and overtime worked by employees. ⊙ Management should relook their recruitment policies in consultation with the DPSA to ensure that compensation offered is competitive for the expertise required.
	<ul style="list-style-type: none"> ⊗ At the finance department it was noted that positions were vacant for more than 12 months due to overreliance on one or two individuals at the finance department, thus filling the positions was not considered a priority. ⊗ Where consultants were appointed to prepare the financial statements this resulted in undue reliance resulting again in the filling of staff at the finance department not being a priority. ⊗ Management is not taking sufficient action to ensure that sufficiently skilled personnel are appointed. 	<ul style="list-style-type: none"> ⊙ Management should continually evaluate the vacancies in Finance and implement an effective HR management plan. ⊙ Critical posts should be identified for urgent filling. ⊙ Where consultants are appointed by management to prepare the financial statements, positions within the finance department still need to be filled to ensure there is adequate skills transfer to existing staff.

Findings	Actual audit findings	Recommendations and way forward
Appointment process	<ul style="list-style-type: none"> ⊗ Headhunting procedures were applied without exhausting all other avenues and without written motivation. ⊗ Job evaluations, job descriptions, advertisements and CVs could not be provided to support an appointment due to poor record keeping. ⊗ Contracts are deemed to be automatically renewable resulting in employees working after their contracts have expired and the misconception that there is no need for a new contract. 	<ul style="list-style-type: none"> ⊙ All appointments should be advertised and where a headhunting process has taken place it must be motivated. ⊙ Management should ensure that all appointment supporting documentation is kept on file. ⊙ Every appointment must be accompanied by the relevant supporting documentation and approval must be granted by the delegated official. ⊙ No employee should commence work without a valid employee contract.
	<ul style="list-style-type: none"> ⊗ No verification checks were performed on employees' criminal record and qualifications, due to management not understanding the need to perform the checks. 	<ul style="list-style-type: none"> ⊙ All new appointments should be informed by vetting. ⊙ Control activities should be regularly evaluated to ensure they are appropriate and working as intended. ⊙ All verification procedures should be recorded in writing and kept on file. ⊙ A delegated official should monitor whether verification processes are performed and completed before an official is appointed.

Findings	Actual audit findings	Recommendations and way forward
Performance management	<ul style="list-style-type: none"> ⊗ Senior management did not sign their performance agreements within the required time frames due to no clear performance measures. ⊗ There was no effective management regarding the flow of information to ensure that staff are timeously aware of their roles and responsibilities. ⊗ The accounting officer/authorities have not delegated any specific officials to ensure that senior management have signed their performance agreements. ⊗ The accounting officers/authorities did not exercise oversight responsibility regarding compliance with laws and regulations including performance reporting. 	<ul style="list-style-type: none"> ⊙ Management must lead by example by adhering to laws and regulations. ⊙ Performance bonuses should not be paid if there is no performance agreement. ⊙ Reviews should be made to ensure that all performance contracts are signed and filed. ⊙ Performance measures should be clearly defined in performance contracts.
	<ul style="list-style-type: none"> ⊗ Performance bonuses were paid to employees who did not sign a performance agreement due to performance bonuses being awarded based on the organisation's performance and not the employee's individual performance. 	<ul style="list-style-type: none"> ⊙ Performance contracts should be signed before an employee can qualify for a performance bonus. ⊙ Employees without performance contracts should not receive a performance bonus. ⊙ The value of individual performance should be highlighted to staff. ⊙ There must be proper record keeping to ensure all performance agreements and assessments are filed.
Acting position	<ul style="list-style-type: none"> ⊗ Employees acted for more than 12 months due to positions not being filled timeously by management. ⊗ The accounting authority and officer did not ensure that where policies exist they were adhered to. ⊗ There is no monitoring of acting positions to confirm that the acting period does not exceed 12 months. 	<ul style="list-style-type: none"> ⊙ Officials should act in positions for the legislated time frames only, unless special circumstances allow for an extension. ⊙ Acting positions should be reviewed on a regular basis to ensure compliance with laws and regulations. ⊙ Positions should be filled timeously.

Findings	Actual audit findings	Recommendations and way forward
Management of leave and overtime	<ul style="list-style-type: none"> ⊗ It was noted that overtime worked exceeded 30% of the employees' salary due to management not monitoring overtime worked by employees. ⊗ Policies and procedures relating to overtime were sometimes not understood resulting in employees working more than the maximum hours. ⊗ High vacancy rates contributed to high overtime hours being worked. 	<ul style="list-style-type: none"> ⊙ Management must implement controls to monitor and review overtime worked by employees. ⊙ Policies and procedures relating to overtime must be clearly communicated to officials. ⊙ Strict instruction must be given to employees not to compromise the compliance with laws and regulations.
	<ul style="list-style-type: none"> ⊗ It was noted that some departments did not have on file employees' medical certificates for sick leave taken more than twice in an eight-week period due to poor record management. ⊗ The leave policy was not consistently applied as no requests would be made for sick leave certificates for some employees. ⊗ Employees did not submit their sick leave medical certificates due to management not enforcing their own policies and procedures. 	<ul style="list-style-type: none"> ⊙ Sick leave forms and medical certificates should be filed together. ⊙ Management should ensure that all employees submit their sick leave medical certificates in accordance with their laws and regulations. ⊙ All sick leave taken must be accompanied by a valid medical certificate.
Competencies of key personnel	<ul style="list-style-type: none"> ⊗ It was noted that employees did not understand the requirements of the departments' reporting framework due to lack of required competencies, this resulted in numerous classification issues. ⊗ It was also noted that some entities had no skills to prepare the financial statements due to management not appointing staff with the correct skills. ⊗ Overreliance on consultants contributed to key personnel not developing the required skills. 	<ul style="list-style-type: none"> ⊙ Departments should put in place training programmes for finance personnel to give them those competencies they require. ⊙ Entities should appoint the people with the required skills. ⊙ Training programmes for finance personnel should be provided to give them those competencies they require. ⊙ Where consultants prepare the financial statements there must be appropriate skills transfer to empower the employees within the finance department.



3.3 Information technology (IT) management as specific driver of audit outcomes

3.3.1 Computer systems in use and the management of IT

Computer general controls are those controls relating to the IT infrastructure and are embedded in information system management processes. The objective of audits of general controls is the evaluation of the adequacy and effectiveness of IT controls to ensure that:

- financial, sensitive computer systems are only accessed by authorised officials
- systems are developed, enhanced, configured and implemented so that they are effective, functional and secure
- critical information is recoverable and usable in the event of disasters and disruptions.

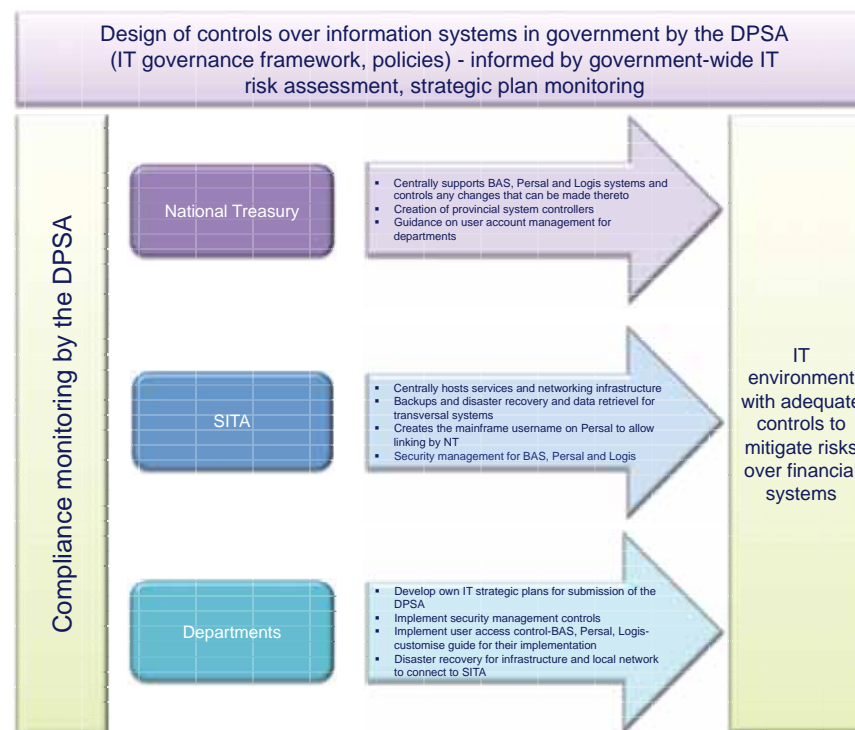
The public sector departments and public entities are heavily reliant on IT systems to perform their statutory financial management, reporting and administrative functions. Furthermore, these systems enable the automation of business processes and transaction processing, which contributes to effective internal control at departments and public entities. The information processed and stored on IT systems is therefore regarded as a strategic asset that is vital to the accuracy and reliability of the financial and performance information used by management during the planning, monitoring and reporting phases.

Departments

Thirty-seven national departments, subject to IT audits, utilise transversal systems, e.g. the Basic Accounting System (BAS), Personnel Administration System (Persal), Logistical Information System (Logis) and other smaller non-transversal systems. (An IT audit was not performed at Parliament and the Department of Police utilises POLFIN instead of BAS.)

Design of IT management

Roles and responsibilities in terms of support and usage of systems to ensure a controlled environment are depicted below:



Public entities

Although the IT environment was formally reviewed at only 77 public entities, the IT environments of the remaining public entities were assessed during the key control assessment which is performed on a quarterly basis. The public entities that were audited used different systems for processing their financial and information systems. These range from off-the-shelf

packages (computer packages purchased), those developed in-house as well as customised systems (computer packages purchased and modified).

Maintenance of these systems is performed individually and no assistance is received from either the NT or SITA to ensure that the computer systems used are adequately controlled and that IT is cost-effectively managed. Public entities are also not subject to the policies and procedures developed by the DPSA around the usage of IT systems to support government objectives.

It is against the roles and responsibilities outlined above that the following focus areas were set for audit of the IT environment:

- IT governance
- Security management
- User access control
- IT service continuity

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Audits on the following focus areas are transversally performed and were conducted at the National Treasury and State Information Technology Agency (SITA):

- Program change management
- Facilities management
- Data centre management

3.3.2 Implementation of IT management

IT management for financial systems was evaluated at 38 national departments and 77 public entities.

Key areas in the management of IT where deficiencies were identified are summarised in the table below.

Figure 24: Implementation of IT management

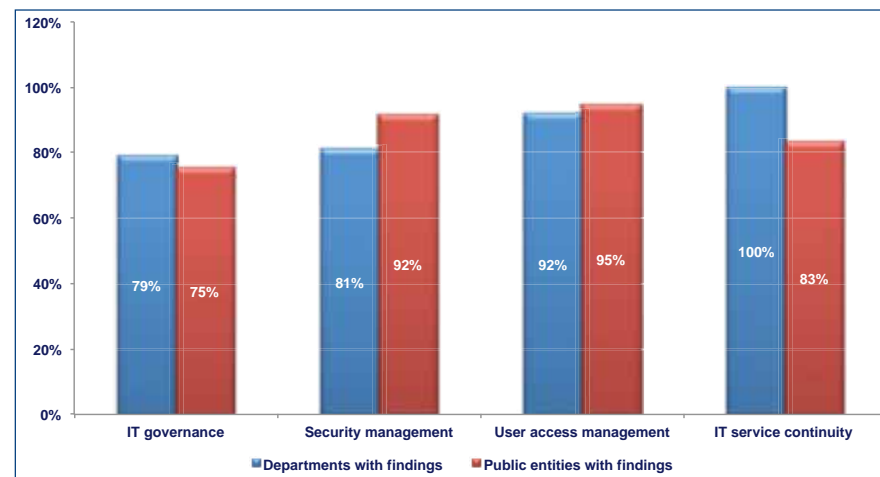


Table 14: Identified control deficiencies in management of IT

Focus area	Outline of aspects audited	Incidence of control weaknesses identified			
		Departments		Public entities	
		Number audited	% with findings	Number audited	% with findings
IT governance	The structures, policies and process through which the departments ensure that IT departments and public entities support and are in line with the business requirements.	38	79%	69	75%
Security management	Controls that prevent unauthorised access to the networks, operating systems and application systems that generate and prepare financial information.	37	81%	72	92%
User access management	Procedures through which the departments and public entities ensure that only valid, authorised users are allowed segregated access to initiate and approve transactions on the system.	38	92%	75	95%
IT service continuity	Processes of managing the availability of hardware, system software, application software and data to enable departments to recover or establish information system services in the event of a disaster.	37	100%	71	83%



Key issues within the national departments are summarised as follows:

IT governance

The DPSA is responsible for the development of a government-wide IT governance framework to be rolled out to the departments for implementation. However, there has been a delay in rolling it out, resulting in the absence of an IT governance framework at the departments. In total, 79% of departments did not implement some IT governance aspects, namely executive management oversight of IT activities, IT risk management processes, IT strategic planning, service level agreements and delegation of key IT responsibilities. However, 21% of departments that did not have an IT governance framework took the initiative to design and implement adequate IT governance controls. This is commendable; however, such controls may not be sustainable as they were not formally rolled out by management and cannot be enforced.

Security management

Information security controls aimed at the prevention of unauthorised access to the networks, operating systems and application systems that prepare financial information were inadequate at 81% of the departments. This can be attributed to the implementation of inadequate IT security policies and procedures because government-wide IT security policy has not been approved and rolled out by the DPSA to the departments. SITA has also implemented inadequate security controls over the wide area networks of the departments. Nineteen per cent of departments had implemented informally designed security controls.

User access management

Eight per cent of departments were found to have designed and adequately implemented controls over user account management, while 92% of departments had not implemented user account management controls,

resulting in the following user account management processes not being performed, namely user access not formally approved, system controller activities access not monitored and reviewed and user access rights not reviewed to ensure that they are commensurate with job descriptions.

IT service continuity

Not all departments had adequately implemented controls pertaining to IT service continuity. Deficiencies vary between backups that were not performed, business continuity plans (BCPs) and disaster recovery plans (DRPs) that were not established and data that was not stored off-site to enable connection to SITA for the resumption of business operation in the event of a disaster.

Key issues within the public entities can be summarised as follows:

IT governance

Seventy-five per cent of public entities did not implement all IT governance aspects, namely executive oversight of IT activities, IT governance framework not implemented, inadequate risk management processes, service level agreements not monitored, IT steering committee not established and IT strategic plan not in place. However, 25% of public entities implemented some IT governance aspects adequately.

Security management

Information security aimed at the prevention of unauthorised access to the networks, operating systems and application systems that prepare financial information was found to be inadequate at 92% of the public entities audited. This can be partially attributed to the absence of IT security policies at more than half of the public entities. Eight per cent of the entities have not adequately implemented the security management controls designed by management.

User access management

Five per cent of public entities were found to have designed and adequately implemented controls over user access management, while 95% of public entities had not implemented user account management controls, resulting in the following user access management processes not being performed, namely user access not formally approved, system controller activities access not monitored and reviewed and user access rights not reviewed to ensure that they are commensurate with job descriptions.

IT service continuity

In total, 83% of public entities had not adequately implemented controls pertaining to IT service continuity. Deficiencies vary between backups not being performed, BCPs and DRPs not established and data not stored off-site. However, 17% of public entities had adequately implemented controls over IT service continuity, such as BCP, DRP and backups.

Program change management

Fifty-eight per cent of public entities audited had not implemented controls over program change management. This can be attributed to the absence of change control policies and procedures and lack of adequate implementation of management-designed policies, which could result in the implementation of changes that had not been approved. Forty-two per cent of public entities had adequately designed and implemented controls over program change management.

Facilities and environmental controls

In total, 77% of public entities audited have not implemented adequate facilities and environmental controls over information systems to ensure the security, integrity, condition, performance and accessibility of the systems

and the system information. This can be attributed to the lack of policies and procedures, inadequate environmental controls and insufficient physical controls. Thirty-three of public entities had adequately designed and implemented facilities and environmental controls.

Data centre management

Forty per cent of public entities audited have not implemented adequate controls over data centre to ensure preventive maintenance of hardware. This can be attributed to the lack of policies and procedures. Sixty per cent of public entities had designed and implemented adequate controls over data centre management.

Transversal controls

An effective control environment for the transversal systems is crucial as large amounts of critical financial data and transactions are recorded and processed on these systems. The following findings that have an impact government wide, i.e. at national and provincial levels, on the above-mentioned systems were identified:

- Adequate controls were not always designed and implemented within the NT as unauthorised and invalid changes could be effected to data, tables and programs that generate the financial statements.
- The network security weaknesses identified during the previous year audit have been adequately addressed; however, the internal and external vulnerability assessments performed at departments indicated that the patch management controls were not appropriately designed, resulting the latest security patches for critical network components such as routers and firewalls not being implemented. Critical systems were therefore exposed to vulnerabilities that could be exploited to gain unauthorised access, to bypass access controls and to disrupt system availability.
- Adequate disaster recovery capacity was not implemented at the



disaster recovery site to ensure that data is synchronised between production and the recovery site during testing of the disaster recovery plan. Unauthorised access could be obtained to sensitive areas due to inadequate database administration and user profile management in respect of the physical access card system.

- The DPSA had not approved the government-wide IT governance framework and IT security frameworks that would guide the development and implementation of policies and procedures across pertinent focus areas.

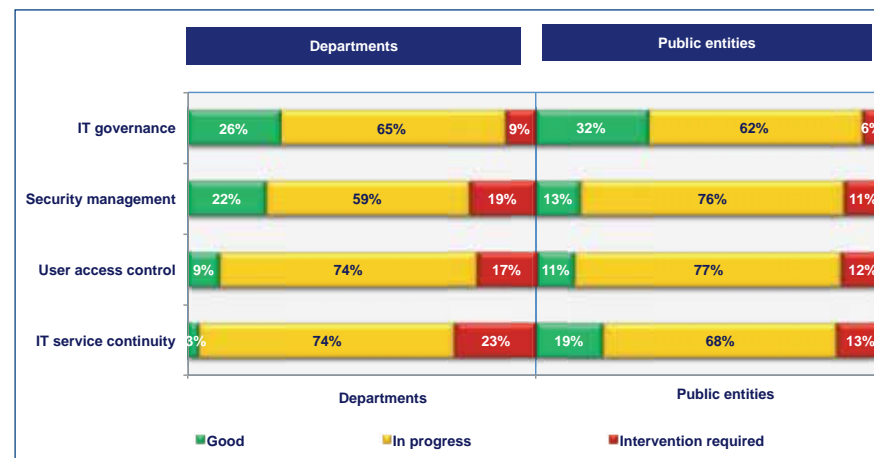
Integrated financial management systems project

Due to prolonged contract negotiations, the lack of full capacity at SITA, underutilisation of the approved budget, delayed project deliverables, an ineffective risk management process, non-adherence to timelines and ineffective oversight, the integrated financial management system (IFMS) was not fully implemented and rolled out to government as envisaged. Only the asset register, HR and procurement modules were rolled out at specific lead sites while the payroll, finance, inventory management and business intelligence modules were still under development.

The timely implementation of the IFMS would have improved the general control environment, thus helping in reducing incidents of fraud or their early detection, where committed. The integrated functionality of the systems would assist in ensuring more accurate business information that is available in real time. Furthermore, it would have helped to minimise the level of corruption in SCM processes, especially during the tendering process.

Some of the audit focus areas were also assessed in the 2009-10 financial year. The following figure depicts progress made by departments in addressing the weaknesses raised.

Figure 25: Progress in addressing prior year IT findings



Management has made some progress in addressing prior year findings as the majority of management commitments have been partially implemented, although management's attention is still required to ensure that commitments are addressed fully.

Findings that require immediate management intervention as they are repeated findings can be summarised as follows:

Departments

- IT governance – Departments in progress have drafted IT governance frameworks and processes, such as IT steering committees, strategic plans and risk management processes, although these have not yet been formally approved and rolled out. Management's intervention is still required at departments that have not implemented management's commitments made in the previous year. Good governance processes have been implemented at some departments, even though they did not have a formal IT governance framework in place. The DPSA should

approve and roll out the IT governance framework for implementation by the departments and ensure that resources are equipped with the necessary skills to successfully implement the framework at departments.

- Security management – Departments in progress have drafted policies while awaiting the DPSA's government-wide IT security framework. These policies, however, have not yet been formalised and rolled out. Some departments have implemented good IT security controls using informally designed controls and there have been instances of repeated findings where management had not implemented corrective actions as committed. The DPSA should approve and roll out the IT governance framework for implementation by the departments and ensure that resources are equipped with the necessary skills to successfully implement the framework at departments. The National Treasury should centralise security parameter settings for BAS to ensure settings are standardised.
- User access management – Departments in progress have designed controls in the form of policies and procedures although these are still in draft and have not yet been approved. Some departments have designed and implemented controls adequately, while management's intervention is required at the departments that had repeated findings due to management's commitments that were not addressed. Accounting officers need to play an active role to ensure that the guidelines issued by the National Treasury and those developed within departments are implemented.
- IT service continuity – Departments in progress have disaster recovery plans although these do not form part of the business continuity plan, and hence may not be aligned with the business strategies. A few departments adequately perform backups and store them off-site; however, these controls are informal and may not be enforceable. Accounting officers should provide leadership in the development of business continuity plans within each department to ensure connectivity to SITA.

Public entities

- IT governance – Public entities in progress have drafted IT governance frameworks and processes, such as IT steering committees, strategic plans and risk management processes. Some public entities have implemented good governance processes, even though they did not have a formal IT governance framework in place and a few require management intervention as they have had repeated findings resulting from commitments that were not implemented. Public entities should ensure that they develop and implement an IT governance framework within their entities. Utilisation of the DPSA IT governance framework should be considered.
- Security management – Public entities in progress have draft policies in place. Some have implemented good IT security controls using informally designed controls and a few have had repeated findings where management has not implemented corrective actions as committed. Security management policies should be formalised and implemented.
- User account management – Public entities in progress have designed controls in the form of policies and procedures although these are still in draft and have not yet been approved. A few public entities have designed and implemented controls adequately, while management intervention is required for those that had repeat findings due to commitments that were not implemented.
- IT service continuity – Public entities have made significant progress in establishing business continuity plans and ensuring that the process for ensuring data recovery is addressed in these plans, although these have not been formalised and implemented. The accounting officers should provide leadership in the development of BCPs.

Progress with transversal systems

- Departments indicated that SITA would be approached to assist in addressing weaknesses identified and that skills and capacity would be improved to address weaknesses per individual department.



3.3.3 Root causes of findings and the way forward on information technology management

The overall root cause is the lack of implementation and monitoring of commitments made by leadership. In addition, there is no system for monitoring the implementation of commitments.

Weaknesses in HR management are also a root cause of IT deficiencies. In particular, some auditees have not yet appointed a CIO or IT manager. All departments reported on have appointed persons in these positions except for the Department of Water Affairs, the Department of International Relations and Cooperation and the Public Administration and Leadership Management Academy.

IT governance

Departments

The key root cause of findings pertaining to IT governance is the lack of implementation of an IT governance framework at national departments and public entities. The DPSA has not developed a government-wide IT governance framework for implementation by national departments.

Public entities

Public entities are not subject to policies developed by the DPSA; however, they have in their own capacity not established and implemented IT governance frameworks. This has resulted in inadequate IT governance processes such as IT steering committees not being established, IT strategy plan not established, inadequate risk assessments and key IT responsibilities not delegated.

Security management

The key root cause of findings pertaining to security management is the lack of IT security policy framework for government departments and public entities. The DPSA has not established an IT security framework to be implemented at departments and public entities have not established controls pertaining to IT security.

Specialist skills are needed to implement and manage these security functions. At departments and public entities these controls were not strong enough due to the lack of adequate skills as well as lack of communication regarding roles and responsibilities between SITA and departments.

User access management

The key root cause of findings pertaining to IT user access control is the lack of an active role by CFOs in ensuring that guidelines that have been established by NT or the public entities are implemented for government departments and public entities.

IT service continuity

The key root cause of findings pertaining to IT service continuity is the fact that leadership oversight does not accept responsibility for developing BCPs for government departments and entities.

Transversal system controls

The weaknesses pertaining to network security at departments can be attributed to the limited number of skilled staff, which in turn contributed to the lack of an approved patch management policy.

The root cause of findings pertaining to SITA is inadequate infrastructure. The National Treasury indicated that it would not be cost-effective to incur

further expense in addressing the weaknesses pertaining to program change controls due to the development of IFMS.

Way forward

Departments

- Internal audit should be more involved in tracking the progress with regard to implementation of management commitments, with specific focus on IT, proactively and continuously.
- The DPSA should approve and roll out the IT governance framework for implementation by the departments.
- In the absence of the DPSA-developed IT governance framework, departments are encouraged to develop their own framework or at minimum implement key control activities, such as IT strategy and risk management processes.
- National departments, in consultation with the DPSA, should develop and implement IT security policies and procedures.
- The National Treasury should centrally control security parameter settings for BAS to ensure that settings are standardised and cannot be amended at department level.
- Chief accounting officers need to play an active role in ensuring that guidelines issued by the National Treasury and those developed within departments are implemented.

Public entities

The accounting authorities at public entities should ensure the following:

- Adoption and roll-out of an adequate IT governance framework. Adoption of the DPSA-developed government-wide IT governance framework should be considered.
- Development and implementation of key IT policies, such as security and user access management.
- Provide leadership in the development of BCPs.

Transversal systems

The National Treasury should ensure that the weaknesses identified in respect of program change controls are addressed during the development of IFMS development.

SITA should ensure the implementation of adequate disaster recovery capacity.

Management should ensure that staff are equipped with the skills to develop and implement patch management and network configuration policies and standards.

Commitments

The DPSA Minister has committed to developing and implementing a government-wide IT governance framework. Although the framework has not been finalised, the minister has demonstrated his commitment to completing the project through various sessions held with leadership within government.

Overall assessment of the state of IT management in terms of design at national level in relation to the audit results

There has been great improvement regarding the development of IT controls within government; however, challenges are still experienced in ensuring the adequacy of these controls to address IT risks with an impact on financial information. Furthermore, where controls were adequately developed, challenges to ensure that these controls are implemented adequately and consistently still exist.



SECTION 4: INITIATIVES AND COMMITMENTS FROM NATIONAL ROLE PLAYERS

4.1 The function of key national role players in audit outcomes

4.1.1 Assessment of monitoring capacity and focus areas of national role players at the time of the audit

The AGSA has, since August 2011, engaged national role players on seven specific focus areas where their contributions to improving audit outcomes can be further enhanced. An assessment of the monitoring capacity and effectiveness of the role players in relation to these focus areas at the time of the audit is depicted in the table below.

Table 15: Assessment of monitoring capacity of key national role players to address audit outcomes at the time of the audit

	Role players	Supply chain management	Predetermined objectives	Financial management	Turnaround plans	IT controls	HR management	Governance structures
Oversight accountability	Executive leadership (National Treasury, DPSA, Presidency)	In progress	In progress	In progress	In progress	In progress	In progress	In progress
	Legislative oversight (NCOP, NA portfolio committees)	In progress	Intervention required	In progress	In progress	Intervention required	In progress	In progress
	Accounting officers, accounting authorities, CFOs and senior officials							
	Administrative accountability							

■ Good progress
 ■ In progress
 ■ Intervention required

Note: Responsibility for these focus areas varies amongst the role players.

Executive leadership has not taken decisive action to address the irregularities identified in the SCM process and therefore deficiencies in this area are still prevalent when referring to the 2010-11 audit outcomes.

The National Treasury issued an instruction note on 31 May 2011, which responds to gaps identified in SCM regulations of which the impact is expected to show in the 2011-12 audit outcomes.

Action is required on departments and entities such as Public Works and SITA which serve as procurement agencies for other auditees and which have failed to comply with SCM regulations as attested to in their audit reports.

SCOPA and the portfolio committees are raising this matter with auditees as a matter of concern and monitoring of the progress in this area should have a positive impact in future.

Executive leadership has concentrated their efforts on addressing the matters of presentation and reliability of the report on predetermined objectives. There has not been much success in addressing the preparation of targets to be specific, measurable and time bound. Portfolio committees have not placed much emphasis on reviewing of targets set in strategic plans for compliance with the criteria set by the National Treasury when considering the strategic plans.

Ministers have become more involved in monitoring financial management in their portfolios. Although oversight committees are giving attention to this matter, such attention should be more focused and better informed.

Ministers and portfolio committees are becoming involved in monitoring and are requesting feedback on turnaround plans, whilst portfolio committees are showing little interest in monitoring these plans.

Executive leadership has demonstrated great improvement regarding development of IT controls within government; however, challenges are still experienced in ensuring the adequacy of these controls to address IT risks with an impact on financial information. The National Assembly and portfolio committees, on the other hand, did not give this area any consideration. The DPSA, which is mandated to develop policies and procedures pertaining to IT, has developed a draft government-wide IT governance framework which has yet to be approved by cabinet and rolled out for implementation by the departments.

The DPSA has substantially initiated all required human resource and compensation management policies and procedures to address the legislative requirements set by the Public Service Act. What is left for the DPSA now is to start engaging with individual departments in order to support and monitor compliance with their policies and procedures.

Executive leadership has improved their focus on filling critical positions, whilst portfolio committees focused on the implementation of organograms.

Ministers are very involved in addressing the shortcomings in internal audit and audit committees, while SCOPA and portfolio committees placed increased focus on the role of these governance structures.

4.1.2 Commitments and actions by national executive leadership and oversight

Responses and commitments emanating from the prior year, as well as the September/October 2011 interactions and roadshows, are outlined below.

Table 16: Responses and commitments by the national leadership

Outline of role player commitment / proposed action plans November 2011	Focus areas targeted by commitments and action plans						
	Supply chain management	Predetermined objectives	Financial management	Turnaround plans	IT controls	HR management	Governance structures
Executive leadership							
1 Agricultural Land Holding Account							
2 Deeds Trading Account							
3 Department of Agriculture, Forestry and Fisheries							
4 Department of Arts and culture							
5 Department of Basic Education							
6 Department of Communications							
7 Department of Cooperative Governance and Traditional Affairs (COGTA)							
8 Department of Correctional Services (DCS)							
9 Department of Defence (DoD)							
10 Department of Economic Development (EDD)							
11 Department of Energy							
12 Department of Health							
13 Department of Higher Education and Training							
14 Department of Home Affairs							
15 Department of Justice (DJ)							
16 Department of Labour							
17 Department of Mineral Resources							
18 Department of Public Works							
19 Department of Rural Development and Land Reform							
20 Department of Science and Technology							
21 Department of Water Affairs							
22 Department of Women, Children and Persons with Disabilities (DWCPD)							
23 National Arts Council (NAC)							
24 National Prosecuting Authority - Pretoria (NPA)							
25 PanSALB							
26 Private Security Industry Regulatory Authority							



Outline of role player commitment/ proposed action plans November 2011		Focus areas targeted by commitments and action plans						
		Supply chain management	Predetermined objectives	Financial management	Turnaround plans	IT controls	HR management	Governance structures
27	Property Management Trading Account (PMTE)							
28	Public Service and Administration							
29	Third Party Funds (TPF)							
30	Water Trading Entity							
Accounting officers/authorities								
1	Agricultural Research Council (ARC)							
2	Autopax							
3	Boxing South Africa							
4	Chemical Industries Services Sector Education and Training Authority							
5	Commission for Conciliation Mediation and Arbitration							
6	Commission for the Promotion and the Protection of the rights of Cultural, Religious and Linguistic Communities (CRL Commission)							
7	Companies and Intellectual Property Registration Office (CIPRO)							
8	Compensation Fund							
9	Construction SETA							
10	Constructive Industry Development Board (CIDB)							
11	Council for Medical Schemes							
12	Council for the Built Environment (CBE)							
13	Council on Higher Education							
14	Criminal Asset Recovery Account (CARA)							
15	Cross Boarder Road Transport Agency (CBRTA)							
16	Department of Arts and culture							
17	Department of Basic Education							
18	Department of Communications							
19	Department of Health							
20	Department of Human Settlements							
21	Department of Justice (DJ)							
22	Department of Police							

Outline of role player commitment/ proposed action plans November 2011		Focus areas targeted by commitments and action plans						
		Supply chain management	Predetermined objectives	Financial management	Turnaround plans	IT controls	HR management	Governance structures
23	Department of Trade and Industry (DTI)							
24	Department of Water Affairs							
25	Department of Women, Children and Persons with Disabilities (DWCPD)							
26	Education Labour Relations Council							
27	Energy Seta							
28	Forest Industries Sector Education and Training Authority							
29	Freedom Park							
30	Government Communication Information Systems (GCIS)							
31	Guardian Fund (GF)							
32	ICASA							
33	Independent Complaints Directorate							
34	Independent Electoral Commission							
35	Insurance Sector Education Training Authority (INSETA)							
48	Local Government Education and Training Authority							
49	Media Advertising, Printing, Publishing and Packaging Sector Education and Training Authority							
50	Mining Qualifications Authority							
51	Municipal Demarcation Board							
52	National Consumer Tribunal (NCT)							
53	National Gambling Board (NGB)							
54	National Prosecuting Authority - Pretoria (NPA)							
55	National Student Financial Aid Scheme (NSFAS)							
56	Office of the Public Protector (PP)							
57	Onderstepoort Biological Products							
58	Presidency							
59	Private Security Industry Regulatory Authority							

Outline of role player commitment/ proposed action plans November 2011	Focus areas targeted by commitments and action plans						
	Supply chain management	Predetermined objectives	Financial management	Turnaround plans	IT controls	HR management	Governance structures
60 Property Management Trading Account (PMTE)							
61 Robben Island Museum							
62 Safety and Security SETA (SASSETA)							
63 Services SETA							
64 Sheltered Employment Factories							
65 South African Human Rights Commission (SAHRC)							
66 South African Social Security Agency (SASSA)							
67 South African State Theatre							
68 Special Investigating Unit (SIU)							
69 The Commission on Gender Equality							
70 The Department of Public Works							
71 Transport Education Training Authority (TETA)							
72 Unemployment Insurance Fund							

■ Previous year commitment
 ■ Postaudit commitment
 ■ Multi-year commitment

Included below is the progress made by departments on commitments reported in the 2009-10 general report, commitments made by the departments on the 2010-11 audit outcomes and the actions that the AGSA resolves to take. Action on these commitments will be monitored during the year in anticipation of the 2011-12 audit outcomes.

The accounting officer of the **Department of Agriculture, Forestry and Fisheries** undertook in 2010 to address findings relating to the performance information and governance matters. The AGSA will interact regularly and constructively with the minister and senior management and will continue with quarterly reviews with its strategic advisers and senior management. The AGSA aims to strengthen its relationships with the DG, with a view to creating stronger leadership commitment around service delivery reporting. While the AGSA has planned for a number of workshops on the topic, the

critical enabler is still to get leadership fully involved in and aligned to this process.

The change in ministers in the **Arts and Culture** portfolio resulted in the commitments made in the prior year not being actioned. The new minister has, however, committed to the resolution of predetermined objective matters and internal control deficiencies.

The leadership of the national Department of Arts and Culture arranged workshops with all provincial departments and public entities and invited the AGSA to explain the principles of PDO at these workshops. There is a drive from national to streamline and standardise the process of strategic planning and performance reporting in the Arts and Culture sector. The AGSA will continue with engagements in this area and monitor corrective actions taken by the portfolio.

Quarterly key control reviews at the **Department of Basic Education** will continue, with the action plans of the department on all audit issues (and specifically service delivery reporting issues) being targeted for the next sessions. Internal audit has committed to taking full responsibility for these reviews in future.

The focus on strengthening the Department of Basic Education's ability to deal with service delivery reporting will remain. While we are happy that the new strategic plan sets a good foundation for this, dedicated attention will still be required to make reporting a success. We will support this through training and regular feedback sessions. It will also form a major portion of the work to be done during the upcoming interim audit.

The DG at the **Department of Communications** is strongly committed to improving the department's audit outcome and we will continue with interactions. The implementation of the action plans to curb irregular expenditure will be monitored. The department has also started a process to capacitate the department to fill all critical vacancies.



Commitments made by the previous Deputy Minister of Communications to resolve the leadership and financial management issues at the SABC were not acted on, resulting in a regression in audit outcomes at the SABC.

The Deputy Minister of **Cooperative Governance and Traditional Affairs** undertook to ensure that the accounting officers develop action plans to address the outcomes, including the completeness of irregular expenditure. Commitment was received that these action plans would be monitored quarterly by the executive. Both the directors-general of Cooperative Governance and Traditional Affairs are committed to improving audit outcomes within the department and the AGSA will continue to interact with them. An improvement in the internal control systems and reporting structure will require an intense monitoring effort by both the AGSA and the executive authority.

The minister and the accounting officer of the **Department of Correctional Services** gave an undertaking in 2010 to address the department's asset qualification finding. In the past the qualification related to the valuation of assets, existence and completeness of the asset register. For the current year the asset register was in place and found to be adequate, with regular asset counts and reconciliations being performed; however, the qualification for the current year related to the disclosure notes for asset additions and asset disposals that were duplicated due to weaknesses in the Logis system. The Logis system does not cater for internal transfers of assets between various centres within the department in that the system does not distinguish between true non-cash additions and disposals and internal transfers. The department undertook to address this problem by interacting with the National Treasury to resolve the Logis issues. Manual processes have, in the meantime, been implemented by the department to ensure that internal transfers are limited and to identify the values of the errors in the asset register. Furthermore, management indicated that they would perform asset counts before the end of the year to ensure that the problems experienced with Logis have been addressed.

The accounting officer of the **Department of Defence** committed in 2010 to address the remaining qualification relating to assets. The capital assets ratification plan, however, did not address all control deficiencies and was not adequately monitored. Furthermore, the action plan is a multi-year plan and therefore not all qualification areas could be adequately addressed in the first year. The DoD logistic systems are also inadequate and a moratorium on system updates and acquisition of new systems hindered progress in this regard. The minister has undertaken to address the findings on compliance by appointing a compliance officer.

The Minister of **Economic Development** undertook to improve on the 2010-11 audit outcomes by developing and implementing an HR plan with a view to meeting the human resource needs of the department. Furthermore, it was committed that the payment processes will be improved to ensure that payments are made within 30 days of receipt of an invoice. It was also indicated that the processes regarding declaration of interests by all SMS members would be improved.

The action plans to improve on audit outcomes, as well as the commitments made by the Minister of Economic Development, will be monitored by the AGSA. Feedback on progress made with implementation as well as evaluation of the key controls will be given to the minister, director-general and audit committee on a regular basis.

At the **Department of Energy** quarterly engagements will continue with the emphasis on clearing non-compliance matters and taking the last steps to fully address the weaknesses reported on the reported predetermined objectives and non-compliance with laws and regulations. A process is currently underway to emphasise this in the performance contracts of senior management at the department.

The former **Department of Environmental Affairs and Tourism** undertook to resolve the matters on performance against predetermined objectives for the 2010-11 financial year. The department has since split into two new

departments, both of which managed to achieve a clean slate in the area of predetermined objectives.

The **Government Communication and Information System** made positive strides in acting on the commitments made by the accounting officer in the prior year. This resulted in the partial clearing of matters relating to predetermined objectives, which are expected to be fully addressed during the 2011-12 financial year.

Commitments will be secured from the CEO and confirmed through ministerial interactions. These commitments and the action plan will be monitored throughout the year and feedback will be given to those charged with governance via a dashboard indicating key control deficiencies.

The AGSA will continue to communicate all audit findings immediately to enable the department to effect corrective action where possible.

We will meet with the Portfolio Committee on Communications to brief them as well as the minister on key controls and the progress made with the action plan.

The **Department of Health** undertook in 2010 to enhance their monitoring and oversight of grants paid to provinces with a view to improving service delivery and the quality of reporting on predetermined objectives. A champion was appointed to coordinate and monitor this process, but has not been effective in bringing about an improvement in this area. The department has now started a process to capacitate the department to build on internal controls and to address the PDO matters. The AGSA will monitor this via a quarterly review of the department's key controls. The AGSA will also focus on sector issues to ensure a consistent approach to the audits. Action on commitments made by the minister and MECs will be monitored.

Milestones as well as an implementation plan for the building and roll-out of the systems by the NDoH are needed. In the interim, the AGSA will conduct quarterly reviews.

Sufficient focus was not placed on the implementation of key controls during 2010-11, resulting in the Department of Health regressing to a qualified opinion on assets. The DG is committed to improving audit outcomes within the department and has appointed consultants to make the asset register electronic and resolve the deficiencies in assets. The improvement in the systems and reporting structure will require close monitoring by both the AGSA and the minister.

Given that we have received very detailed commitments from the Minister of Higher Education and Training and his team to address the 2010-11 findings, a lot of emphasis will be on providing him with feedback in this regard during the upcoming key control review visit. These visits will continue, with a major emphasis on strengthening the department's abilities regarding service delivery reporting.

A presentation with regard to PDO reporting has just taken place and we will continue to evaluate the need for further sessions in this regard. We have also been invited to a work session on this topic where the minister and senior officials of the department will be present.

The major part of the upcoming interim audit will also focus on the extent to which the relationship between the department and its entities, especially relating to reporting against predetermined objectives, has settled.

The ministry of the **Department of Home Affairs** had embarked on a turnaround strategy in order to improve their reputation, financial management and the delivery of critical services to the nation. A key focus of the strategy is to create an environment that represents sustainable, consistent, effective and efficient service delivery to the citizens of South Africa and South Africa's international partners. Also significant was



the commitment of the leadership to improve service delivery processes throughout the country. This strategy is still in the process of implementation, but has already succeeded as the department managed to obtain an unqualified audit opinion during the current year as compared to disclaimed and qualified reports in prior years. A significant improvement has also been seen in the area of service delivery. Significant improvement has been made with regard to proper management of capital assets.

While the Minister of Home Affairs has reaffirmed her commitment to make full use of internal audit and audit committees to ensure ongoing quality of financial information, emphasis will have to be placed on the capacity and work method of internal audit.

The improvement on systems and reporting structures at this department will also require close monitoring from both the AGSA and the Minister of Home Affairs.

The DG of the **Department of Human Settlements** is committed to improving the department's audit outcome and we will continue with our interactions with the DG. The implementation of the action plan to curb irregular expenditure will be monitored by the DG; and the DG undertook to ensure that the executive is informed on progress made on the action plan on a quarterly basis. The department engaged in a process to capacitate the department to fill all critical vacancies, such as the positions of compliance officer, CIO and CFO.

The executive director of the **Independent Complaints Directorate (ICD)** is committed to improving the audit outcome by resolving the remaining deficiencies in terms of predetermined objectives and compliance within the department and the AGSA will continue to interact with him. We will also hold further Lekgotla meetings to improve the understanding of PDO issues. Compliance matters will be tracked monthly by the compliance unit.

The Minister of the **Department of Justice and Constitutional Development** previously confirmed his commitment to resolve the accounting and systems matters with regard to third party funds within the next two years. He undertook to support the department in appointing skilled staff in key positions to enable the department to function effectively and to address key areas of concern, including the SCM issues.

The minister acted positively on the commitments made. A service provider was appointed in November 2010 to assist with the compilation of financial statements for third party funds. Financial statements have, however, not yet been submitted for audit in line with the requirements of the PFMA.

The vacancy rate at senior management level and overall for the Department of Justice and Constitutional Development has decreased significantly. The SCM processes, however, should improve as they were still not preventing irregular expenditure and compliance in all respects with SCM processes.

The AGSA will continue to monitor implementation of commitments made by the minister and accounting officer in resolving deficiencies that contributed to the negative audit outcomes in the prior year's audit.

We will continue to prioritise engagement with those charged with governance regarding the quarterly dashboard report on the drivers of internal controls and concerns surrounding the audit and engage the department on the implementation of the audit action plan and monitor progress in resolving audit qualifications.

We will also communicate all audit findings immediately to enable the department to effect corrective action, where possible.

The **Department of Labour** will have to work hard to maintain the unqualified report status and to address a number of policy-alignment issues. The major emphasis going forward, however, will be on AoPO and the

team is already planning a number of interventions/work sessions to deal with these.

The AGSA engagements will also focus quite intensively on the department's ability to address the long-standing problems at the Compensation Fund and Sheltered Employment Factories (SEF).

The AGSA will continue to build relationships with the portfolio committee and train them on the AGSA's audit processes.

Although the **Department of Minerals and Resources** has made a significant effort to address the root causes that resulted in the previous year's audit qualification on the receivables for departmental revenue financial statements balance, the lack of an appropriate debtors' management system still proved a challenge, resulting in an audit qualification in the current financial year. The manual processing approach employed by the department is labour intensive and does not make provision for appropriate checks and balances and it does not promote the availability of on-line, real-time information. The department is exploring a long-term holistic solution to the problem in the form of an integrated information systems solution as opposed to an off-the-shelf package that might only address the problem in the short term.

Key control reviews will continue at this department, with an emphasis on the consideration of an accounting package to manage debtors and training of staff on the system, especially at regional office level. Internal audit should conduct an audit to review the debtor system to be implemented by the department and report to the audit committee and the minister. Internal audit will also need to confirm the ongoing management of fixed assets to ensure that the previous problems in this regard do not recur.

To assist with the resolution of the remaining predetermined objectives the AGSA will communicate deficiencies in PDO to all role players at the **Department of Police**. Workshops will be held in each province where all

the police station commanders should be present as they are responsible for feeding through reliable PDO information to strategic management. These workshops will be held in conjunction with strategic management to sensitise commanders on what an AoPO is and how important their role is in ensuring reliable reporting on predetermined objectives.

The AGSA will also communicate with internal audit at Police to emphasise their role of monitoring systems and processes for collection and reporting of information at police station level. Nodal points will be identified at division level to assist with PDO-related matters.

Quarterly engagements with the Minister of **Public Enterprises** will continue with the same depth of strategic discussion and emphasis on sustaining the excellent commitment to clean administration. The agreed cooperation between the department and the audit team on matters relating to state owned entities (SOE) will also be enhanced from the prior years. On the advice of the minister the audit team will involve the department in all its engagements with the leadership of the SOEs and their appointed auditors. This will provide both the department and the AGSA with a better understanding of what the challenges are with regard to the department's oversight role of SOEs and how the AGSA can assist the department in its mandate.

At the **Department of Public Service and Administration (DPSA)** a process flow, which maps the Public Service and Administration (PSA) roles and responsibilities and the AGSA audit outcomes from the national general report for the financial year 2009-10 was initiated between the PSA portfolio and the AGSA. On the Minister of the PSA's advice the AGSA met with the departments in the PSA portfolio and SITA to ensure an accurate understanding of the PSA mandate in relation to the audit outcomes. This was done at a meeting held on 27 June 2011 where the AGSA, the minister's adviser and the director-general of each department and the CEO of SITA were present or represented. All those present at this meeting undertook to hold a similar meeting each quarter in order to track progress



on commitments made in respect of matters relating to HR management and IT processes addressed in the process flow. An update of the process flow was discussed with the minister and the committee based on the 2010-11 audit outcomes as it pertains to the PSA coordination role.

The DPSA Minister undertook to develop and implement a government-wide IT governance framework. Although the framework has not been finalised, the minister has demonstrated his commitment to completing the project through various sessions held with leadership within government.

Under the leadership of the Minister of Public Service and Administration, SITA has implemented a turnaround strategy, and of note is the appointment of the new CEO, COO, CFO, CIA and other executive committee (Exco) members. The CEO, with the new leadership, has continued with their activities to promote the reputation of SITA within the public sector. In addition, the leadership of SITA rolled out the turnaround strategy to the SITA staff members and instituted processes to address control weaknesses within the SCM process, various non-compliance issues and weaknesses in the internal control environment, as reported in the audit report.

Commitments were made by the former Minister of the **Department of Public Works** to monitor progress made in addressing deficiencies in key controls. A further commitment was made to maintain the process with regard to the immovable assets and the vesting process and to ultimately have a complete asset register for immovable assets. The focus would be on improving processes that ensure compliance with SCM prescripts and prevention of irregular expenditure.

The relevance of reporting on performance against predetermined objectives which reflects the mandate of the department would be monitored by the minister. Financial information specific to projects and the effective management of projects would be a focus area in the current financial year.

Controls to ensure accurate accounting for lease buildings and the recoverability of accounts receivable at the Property Management Trading Entity would be prioritised.

The newly appointed minister in November 2010 focused, in essence, on the commitments made by the former minister, especially with regard to SCM, the immovable asset register and the Property Management Trading Entity. For the year under review, however, adequate progress was not made in any of the areas. The outcomes with regard to immovable assets, SCM, leases, performance against predetermined objectives, completeness of irregular expenditure and accounts receivable did not improve.

The AGSA will continue to prioritise engagement with the minister, portfolio committee, accounting officer, audit committee, CFO and finance team regarding key controls and concerns surrounding the audit. The department's audit action plan will be reviewed and progress in resolving audit qualifications and implementation of commitments made by the minister and accounting officer with a view to improving audit qualifications will be monitored. Furthermore, all audit findings will be communicated timeously to enable the department to effect corrective action where possible.

Although the **Department of Rural Development and Land Reform** has made progress in updating and correcting the immovable asset register of the department, a significant amount of work is still required to achieve a complete immovable asset register.

The accounting officer of the department undertook to address findings relating to the performance information. The department nevertheless still experienced challenges in this area because of a lack of effective, efficient and transparent system of internal control regarding performance management.

Despite significant progress in addressing the ageing of commitments disclosed, it remains a challenge to the department due to changes in

restitution settlement options, community disputes, tribal disputes, family disputes and/or untraceable claimants. Furthermore, due to lack of a comprehensive system surrounding the land restitution database, it is not possible to make a reliable estimate of the potential liability regarding restitution claims, resulting in a significant uncertainty for the department.

Quarterly reviews in relation to the above areas and SCM will continue and will be reported to the minister on a quarterly basis through a dashboard report on key control deficiencies.

The Minister of **Rural Development and Land Reform** has reacted very positively around discussions with regard to deficiencies in key controls. Quarterly engagements will continue, with the emphasis on addressing the remaining issues around the completeness of assets, service delivery and non-compliance issues. Attention will also be given to the newly developed action plans.

The department will also place strong emphasis on getting the immovable asset project back on track. Sessions have already taken place with the team from the Department of Public Works.

The AGSA's efforts to arrange further work sessions to deal with certain practical challenges around immovable assets will continue.

The AGSA's regular interaction with the Monitoring and Evaluation unit on service delivery reporting will also continue.

Even though the **Department of Science and Technology** has managed to obtain a clean audit outcome, the AGSA will continue engagements and also involve internal audit in the quarterly monitoring of key controls so that the status quo can remain.

The accounting officer and the Minister of **Social Development** committed in 2010 to develop a strategy for the Department of Social Development

(DSD) and SASSA to jointly address problems relating to the grants administration on which the department was qualified. The qualification was addressed through the use of consultants but this improvement may not be sustainable if skills transfer from consultants to SASSA staff has not taken place. The department has implemented structures to ensure that they can provide adequate oversight of SASSA. Policies and procedures have been amended at SASSA to improve grant administration and overall business processes. Furthermore, the entity has appointed new staff to improve its processes.

Although key control discussions were held with the **Presidency**, the commitments obtained from the department in the prior year were not adequate with proper action plans and assignment of responsibility to ensure that deficiencies communicated were adequately addressed.

The newly appointed COO is committed to improving audit outcomes and we will continue to interact with him. We will also monitor the implementation of the action plans and continue with assessments of deficiencies in key controls and feedback to the minister, COO and audit committee.

Meetings were held with the minister, director-general and the audit committee of the **Department of Trade and Industry** on key controls and other audit-related issues throughout the year.

The action plans to improve on audit outcomes will be monitored. Feedback will be provided regularly to the minister, DG and audit committee regarding the progress made with implementation as well as evaluation of the key controls.

The former Minister of **Water Affairs and Forestry** undertook in 2010 to implement the key controls required to address the department's qualification findings and committed to a turnaround strategy at SCOPA and portfolio committee meetings. The current minister has appointed a panel of experts



(business process re-engineering team) to deal with the challenges at both the department and the trading entity.

We will work closely with management and the business process re-engineering (BPR) team to set clear expectations on what is needed to address the qualification areas so as to avoid later disagreements during the final audit. The AGSA already had preliminary discussions with the BPR committee and a workshop is planned to ensure that the BPR committee focuses on the correct issues which should filter to the proposed action plans. We will be monitoring action plans (introduced by both management and the BPR committee) closely and report back to the DG and minister on a regular basis.

Approval was also granted to second a CFO to the water trading entity. The Department of Water Affairs and the trading entity previously shared a CFO.

The AGSA will focus more strongly on communication with regions to ensure that Water Affairs regional offices understand the audit issues as they are responsible for most of the day-to-day transactions and service delivery.

We have also moved our interim audits to an earlier date to communicate issues even earlier and will focus on the qualification areas first.

The Minister at the **Department of Women, Children and People with Disabilities** undertook to fill critical vacancies and to ensure that the department establishes the governance structures as required by legislation. The AGSA will continue to engage with the minister, director-general and the portfolio committee and audit committee on key controls.

4.1.3 Status of SCOPA oversight resolutions

The table below lists the progress made by auditees with the implementation of resolutions adopted by SCOPA.

Table 17: Status of implementation of SCOPA resolutions

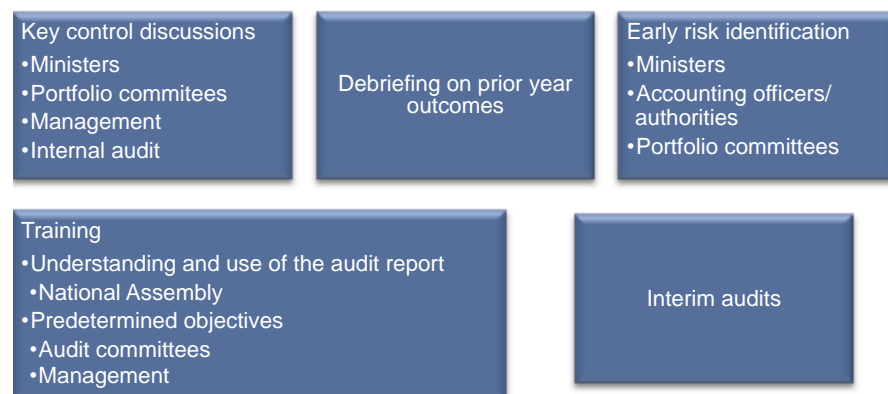
	Total number of resolutions	Resolutions in progress from previous year	Number of resolutions resolved	Number of resolutions in progress	Number of resolutions not actioned	Total number of resolutions made relating to		
Auditee						Financial management	AoPO	Compliance
Departments								
Department of Defence	1	1		1		1		
Department of Justice and Constitutional Development	15			15		12	1	2
Department of Public Works	4	4		4		2		2
Department of Labour	3	2	1	2		1		2
Department of Water Affairs (main account)	3	3		3		3		
The Presidency	1	1	1			1		
Public entities								
National Prosecuting Authority	9	5		9		7		2
National Skills Fund	8	8		5	3	8		
Criminal Asset Recovery Account	3	3	1	2		2		1
Energy Seta (ESETA)	17		17			14		3
Public Sector Seta (PSETA)	13		1	12		13		
Council for the Built Environment	11		10	1		3	2	6
Companies and Intellectual Property Registration Office	3	3	2	1		2		1
Compensation Fund	8	5	3	5		6		2
Health and Welfare Seta (HWSETA)	3	3	2	1		2		1
Sheltered Employment Factories	2	2		2				2
Total	104	40	38	63	3	77	3	24

It is evident from the analysis of resolutions that strong focus is placed on problems with financial management. A limited number of resolutions were made in the area of compliance, but reporting on predetermined objectives is an area which has received almost no attention from SCOPA.

It is encouraging that action has been taken on almost all resolutions, but the majority of these actions has not been fully completed. Especially in cases where these resolutions are coming over from prior years, the completion of actions will need to be monitored.

4.2 Initiatives taken by the AGSA to encourage clean administration

The AGSA has implemented several initiatives to assist auditees in their drive towards clean administration.



Through quarterly discussions on deficiencies in key controls and early risk identification the AGSA points out areas to auditees which are likely to have a negative impact on the audit outcome if not addressed.

Debriefing on prior year outcomes reminds auditees of what they need to focus on in order to improve on their audit outcome for the coming year.

The performance of audits in the interim affords auditees a greater amount of time in which to take corrective action on audit findings in an attempt to resolve these matters before the audit report is issued.

The AGSA also assists oversight and governance structures to understand our approach and how our reports can be used by offering training on these matters. This training was conducted on several occasions throughout the year, including at the National Assembly.

Engagements were held with executives and management at departments, the frequency is illustrated by the table below:

Table 18: Interactions with role players

AGSA Interventions		Interactions with the following roleplayers		
Departments		Portfolio committee	Minister/ executive	Accounting officer/ authority
1	Agriculture, Forestry and Fisheries			
2	Arts and Culture			
3	Basic Education			
4	Communications			
5	Correctional Services			
6	Defence			
7	Department of Economic Development			
8	Department of International Relations & Co-operation			
9	Department of Women, Children and Persons with Disabilities			
10	Energy			
11	Environmental Affairs			
12	Government Communications and Information System			
13	Health			
14	Higher Education and Training			
15	Home Affairs			
16	Housing			
17	Independent Complaints Directorate			
18	Justice and Constitutional Development			
19	Labour			
20	Mineral Resources			
21	National Treasury			



AGSA Interventions		Interactions with the following roleplayers		
Departments		Portfolio committee	Minister/ executive	Accounting officer/ authority
22	Parliament of the Republic of South Africa	N/A		
23	Police			
24	Provincial and Local Government			
25	Public Administration Leadership and Management Academy			
26	Public Enterprises			
27	Public Service and Administration			
28	Public Service Commission			
29	Public Works			
30	Rural Development and Land Reform			
31	Science and Technology			
32	Social Development			
33	Sport and Recreation South Africa			
34	Statistics South Africa			
35	The Presidency	N/A		
36	Tourism			
37	Trade and Industry			
38	Transport			
39	Water Affairs			

	Quarterly
	Two to three times for the year
	Less than two times for the year

4.3 Emerging matters that require attention to prevent a negative impact on future audit outcomes

All entities should take particular note of any changes to the applicable financial reporting framework and take timely action to put processes in place to ensure compliance with the framework.

Changes in GRAP standards

The following SA Standards of GRAP were issued by the ASB and are effective for financial periods beginning on or after 1 April 2011:

- GRAP 21 - Impairment of non-cash-generating units
- GRAP 23 - Revenue from non-exchange transactions
- GRAP 24 - Presentation of budget information in financial statements
In terms of GRAP 24 an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts, either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with SA Standards of GRAP. The standard goes further in prescribing the nature and extent of this disclosure. As this disclosure will form part of the financial statements it will be subject to audit.
- GRAP 26 - Impairment of cash-generating units
- GRAP 103 - Heritage assets

The following SA Standards of GRAP were issued by the ASB but the date on which they will become effective has not yet been promulgated by the Minister of Finance:

- GRAP 25 - Employee benefits
- GRAP 104 - Financial instruments

Reporting on inventory by departments

The National Treasury issued an Inventory Management Framework (IMF) in July 2009. This framework describes the phasing-in of requirements for reporting on and managing inventory, which will lead departments to report on inventory as part of their disclosure notes on an accrual basis. The phase-in provisions for the IMF require departments to apply GRAP 12 for the 2012-13 financial year-end. Therefore, departments must begin to put procedures and mechanisms in place to record, measure and disclose inventory assets and associated transactions.

Departments must obtain reliable values for inventory for the required annexures to the 2011-12 annual financial statements and prepare for full compliance with GRAP 12 by the 2012-13 financial year-end.

For this to be achieved, departments must ensure that inventory management practices are implemented as necessary. This may involve implementing physical controls over inventory and implementing systems for tracking inventory transactions. From the beginning of 2012-13 inventory management policies and practices must be fully compliant with the requirements of the IMF. All required procedure manuals must be in place and operational.

Reporting on library books by departments

As per SCOA classification circular 9 of 2011, which is effective for financial periods beginning after 1 April 2011, departments will be required to report on library books as assets. The departments could experience challenges in establishing the ownership and value of the library books and should commence processes to establish whether they have library books under their control and follow the guidance given to establish the value at which these should be recorded.

Developments in SCM legislation

The Preferential Procurement Framework Act (PPFA) is applicable to schedule 2 public entities from 1 April 2011 and these entities should ensure that their policies and procedures are in compliance with this act to avoid any regression in terms of compliance findings.

The National Treasury issued an instruction note on enhancing compliance monitoring and improving transparency and accountability in SCM, which is effective from 31 May 2011, and entities will have to ensure that their SCM policies comply with this instruction note.

Framework for strategic plans and annual performance plans

The National Treasury issued a framework for strategic plans and annual performance plans in August 2010, which sets out a framework to align strategic and annual performance planning, with the emphasis on the outcomes-oriented monitoring and evaluation approach led by the Presidency. Departments and entities will be required to present strategic and annual performance plans in line with this framework in 2011-12.



CONCLUSION TO THE 2010-11 GENERAL REPORT

The AGSA maintains its commitment to support and share insights in influencing the achievement of clean administration, characterised by financially unqualified audit reports that have no findings on either service delivery reporting or compliance with laws and regulations. However, the tone of the leadership will have to change to turn the situation around if the target of clean administration is to be achieved by 2014. Regressions in audit outcomes should be prevented at all costs by ensuring that key controls, comprising (i) leadership (ii) financial and performance management, and (iii) governance, are implemented and adhered to.

A concerted effort by the leadership is needed in the areas of SCM, capital assets, IT management, compliance with laws and regulations as well as reporting on predetermined objectives (service delivery reporting), by institutionalising the practice of daily discipline and preparation of credible management information. Daily functions and monthly reconciliations with special emphasis on monthly asset counts must be performed vigilantly and monitored constantly by the leadership.

The effective management of IT should be strengthened to ensure uninterrupted service delivery and the continuity of business operations by implementing appropriate controls over IT systems, to ensure the reliability of the systems and the protection of information. The leadership should demonstrate a high level of commitment in addressing findings on predetermined objectives and compliance matters by assigning this responsibility to dedicated officials with the adequate delegated authority to enforce continuous credible reporting. Decisive action should be taken against the perpetrators of transgressions.

To reiterate the underlying message of this report to the oversight bodies, those charged with governance and management: It is possible to obtain unqualified audit reports and achieve clean administration if the

fundamentals of internal control are institutionalised and constantly monitored by the leadership. Continuous interaction between the executive leadership and the AGSA is encouraged to eliminate surprises and to ensure a proactive approach to challenges. The challenges are not insurmountable and the staff of the AGSA remain committed to identify and communicate good practices to improve governance and accountability, so as to build public confidence in government's ability to account for public resources in a transparent manner.



ANNEXURES TO THE GENERAL REPORT

ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

No.	Auditee	2010-11 audit year			2009-10 audit year			Financial statement qualification areas								Findings on predetermined objectives			
		Audit outcome 2010-11	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Capital assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Presentation	Reported information not useful	Reported information not reliable
Departments																			
1	Agriculture, Forestry and Fisheries	Financially unqualified with findings			Financially unqualified with findings														
2	Arts and Culture	Financially unqualified with findings			Financially unqualified with findings														
3	Basic Education	Financially unqualified with findings			New department														
4	Communications	Financially unqualified with findings			Qualified														
5	Cooperative Governance and Traditional Affairs	Qualified			Financially unqualified with findings														
6	Correctional Services	Qualified			Qualified														
7	Defense	Qualified			Qualified														
8	Economic Development	Financially unqualified with findings			New department														
9	Energy	Financially unqualified with findings			New department														
10	Environmental Affairs	Financially unqualified with no findings			New department														

ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

No.	Auditee	2010-11 audit year			2009-10 audit year			Financial statement qualification areas								Findings on predetermined objectives			
		Audit outcome 2010-11	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Capital assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Presentation	Reported information not useful	Reported information not reliable
11	Health	Qualified			Financially unqualified with findings														
12	Higher Education and Training	Financially unqualified with findings			New department														
13	Home Affairs	Financially unqualified with findings			Qualified														
14	Human Settlements	Financially unqualified with findings			Financially unqualified with findings														
15	International Relations and Cooperation	Financially unqualified with findings			Financially unqualified with no findings														
16	Justice and Constitutional Development	Qualified			Qualified														
17	Labour	Financially unqualified with findings			Qualified														
18	Mineral Resources	Qualified			New department														
19	Police	Financially unqualified with findings			Financially unqualified with findings														
20	Public Enterprises	Financially unqualified with no findings			Financially unqualified with no findings														
21	Public Service and Administration	Financially unqualified with findings			Financially unqualified with findings														
22	Public Works	Disclaimer			Qualified														
23	Rural Development and Land Reform	Qualified			Qualified														



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

No.	Auditee	2010-11 audit year			2009-10 audit year			Financial statement qualification areas								Findings on predetermined objectives			
		Audit outcome 2010-11	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Capital assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Presentation	Reported information not useful	Reported information not reliable
24	Science and Technology	Financially unqualified with no findings			Financially unqualified with findings														
25	Social Development	Qualified			Qualified														
26	Sport and Recreation South Africa	Financially unqualified with findings			Financially unqualified with findings														
27	Tourism	Financially unqualified with findings			New department														
28	Trade and Industry	Financially unqualified with findings			Financially unqualified with findings														
29	Transport	Financially unqualified with findings			Financially unqualified with findings														
30	Water Affairs	Qualified			Qualified														
31	Women, Children and Persons with Disabilities	Financially unqualified with findings			New department														
32	Government Communications and Information System	Financially unqualified with findings			Financially unqualified with findings														
33	Independent Complaints Directorate	Financially unqualified with findings			Financially unqualified with findings														
34	National Treasury (Consolidation)	Audit not finalised at legislated date			Qualified														
35	National Treasury	Financially unqualified with findings			Financially unqualified with findings														
36	Public Administration Leadership and Management Academy	Financially unqualified with findings			Financially unqualified with findings														

ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

No.	Auditee	2010-11 audit year			2009-10 audit year			Financial statement qualification areas								Findings on predetermined objectives			
		Audit outcome 2010-11	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Capital assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Presentation	Reported information not useful	Reported information not reliable
37	Public Service Commission	Financially unqualified with findings			Financially unqualified with findings														
38	Statistics South Africa	Financially unqualified with findings			Financially unqualified with no findings														
39	Parliament of the Republic of South Africa	Financially unqualified with findings			Financially unqualified with no findings														
40	The Presidency	Financially unqualified with findings			Financially unqualified with findings														
Public entities																			
41	AEC-Amersham (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
42	The African Exploration Mining and Finance Corporation (Pty) Ltd	Financially unqualified with findings			Financially unqualified with no findings														
43	Africa Institute of South Africa, Pretoria	Financially unqualified with no findings			Financially unqualified with findings														
44	African Renaissance and International Cooperation Fund	Financially unqualified with findings			Financially unqualified with no findings														
45	Agricultural Land Holding Account	Financially unqualified with findings			Financially unqualified with findings														
46	Agricultural Research Council	Financially unqualified with findings			Financially unqualified with findings														
47	Agricultural Sector Education and Training (AGRISETA)	Financially unqualified with no findings			Financially unqualified with no findings														



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

No.	Auditee	2010-11 audit year			2009-10 audit year			Financial statement qualification areas								Findings on predetermined objectives			
		Audit outcome 2010-11	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Capital assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Presentation	Reported information not useful	Reported information not reliable
48	Areca Human Capital (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
49	Armaments Corporation of South Africa Limited	Financially unqualified with no findings			Financially unqualified with no findings														
50	Armcor Defence Institutes (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
51	Artscape	Financially unqualified with findings			Financially unqualified with no findings														
52	Autopax (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with findings														
53	Banking Sector Education and Training Authority (BANKSETA)	Financially unqualified with no findings			Financially unqualified with no findings														
54	Boxing South Africa	Qualified			Financially unqualified with findings														
55	Carbon Stream Africa (Pty) Ltd	Financially unqualified with findings			Financially unqualified with findings														
56	Castle Control Board	Financially unqualified with findings			Financially unqualified with findings														
57	CCE Solutions (Pty) Ltd	Financially unqualified with findings			Financially unqualified with findings														
58	Compensation Commissioner for Occupational Diseases	Audit not finalised at legislated date			Adverse														
59	CEF Carbon (Pty) Ltd	Financially unqualified with findings			Financially unqualified with findings														

ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

No.	Auditee	2010-11 audit year			2009-10 audit year			Financial statement qualification areas								Findings on predetermined objectives			
		Audit outcome 2010-11	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Capital assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Presentation	Reported information not useful	Reported information not reliable
60	CEF (Pty) Ltd	Financially unqualified with findings			Financially unqualified with findings														
61	Chemical Industries Education and Training Authority	Financially unqualified with findings			Financially unqualified with findings														
62	Clidet (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
63	Clothing, Textiles, Footwear and Leather Sector Education Training Authority	Financially unqualified with no findings			Financially unqualified with no findings														
64	Commission for Conciliation, Mediation and Arbitration	Financially unqualified with no findings			Financially unqualified with findings														
65	Commission for the Promotion and Protection of the Rights of Cultural Religious and Linguistic Communities	Financially unqualified with findings			Financially unqualified with findings														
66	Companies and Intellectual Property Commission (Previously known as CIPRO)	Qualified			Financially unqualified with findings														
67	Compensation Fund	Qualified			Qualified														
68	Competition Commission	Financially unqualified with findings			Financially unqualified with findings														
69	Competition Tribunal	Financially unqualified with findings			Financially unqualified with findings														
70	Construction Industry Development Board	Financially unqualified with findings			Financially unqualified with findings														



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

No.	Auditee	2010-11 audit year			2009-10 audit year			Financial statement qualification areas								Findings on predetermined objectives			
		Audit outcome 2010-11	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Capital assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Presentation	Reported information not useful	Reported information not reliable
71	Construction Education and Training Authority	Financially unqualified with findings			Financially unqualified with findings														
72	Co-operative Banks Development Agency	Financially unqualified with findings			New public entity														
73	Cotec Development (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
74	Cotec Patrade (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
75	Council for Geoscience	Financially unqualified with no findings			Financially unqualified with no findings														
76	Council for Medical Schemes	Financially unqualified with findings			Financially unqualified with findings														
77	Council for Scientific and Industrial Research (CSIR)	Financially unqualified with no findings			Financially unqualified with no findings														
78	Council for the Built Environment (CBE)	Financially unqualified with findings			Financially unqualified with findings														
79	Council for Mineral Technology (Mintek)	Financially unqualified with no findings			Financially unqualified with no findings														
80	Council on Higher Education	Financially unqualified with findings			Financially unqualified with no findings														
81	Criminal Asset Recovery Account	Financially unqualified with findings			Financially unqualified with findings														
82	Cross-Border Road Transport Agency	Qualified			Qualified														

ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

No.	Auditee	2010-11 audit year			2009-10 audit year			Financial statement qualification areas								Findings on predetermined objectives			
		Audit outcome 2010-11	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Capital assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Presentation	Reported information not useful	Reported information not reliable
83	Cyclofil (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
84	Cyclotope (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
85	Die Afrikaanse Taalmuseum	Qualified			Qualified														
86	Disaster Relief Fund	Financially unqualified with no findings			Financially unqualified with no findings														
87	Ditsong: Museums of South Africa	Financially unqualified with findings			Financially unqualified with findings														
88	Driving Licence Card Account	Financially unqualified with findings			Financially unqualified with findings														
89	Education Labour Relations Council	Financially unqualified with findings			Financially unqualified with no findings														
90	Education, Training and Development Practices Sector Education and Training Authority	Financially unqualified with findings			Financially unqualified with no findings														
91	Electricity Distribution Industry (EDI) Holdings (Pty) Ltd	Financially unqualified with findings			Financially unqualified with no findings														
92	Energy Africa Rehabilitation	Financially unqualified with no findings			Financially unqualified with no findings														
93	Energy Sector Education and Training Authority	Financially unqualified with findings			Disclaimer														
94	Equalisation Fund	Financially unqualified with findings			Financially unqualified with findings														



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

No.	Auditee	2010-11 audit year			2009-10 audit year			Financial statement qualification areas								Findings on predetermined objectives			
		Audit outcome 2010-11	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Capital assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Presentation	Reported information not useful	Reported information not reliable
95	Erasmusrand Eiendomme (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
96	Erf 706 Rietfontein	Financially unqualified with no findings			Financially unqualified with no findings														
97	ETA Energy (Pty) Ltd	Financially unqualified with findings			Financially unqualified with findings														
98	Film and Publication Board	Financially unqualified with findings			Financially unqualified with no findings														
99	Financial Intelligence Centre	Financially unqualified with findings			Financially unqualified with no findings														
100	Financial Services Board	Financially unqualified with no findings			Financially unqualified with no findings														
101	Finance, Accounting, Management Consulting and Other Financial Services Sector Education Training Authority (FASSET)	Financially unqualified with no findings			Financially unqualified with no findings														
102	Fluoro Pack (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
103	Fluorochem (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
104	Fluoropharm (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
105	Food and Beverages Manufacturing Industry Sector Education and Training Authority	Financially unqualified with findings			Financially unqualified with no findings														

ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

No.	Auditee	2010-11 audit year			2009-10 audit year			Financial statement qualification areas								Findings on predetermined objectives			
		Audit outcome 2010-11	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Capital assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Presentation	Reported information not useful	Reported information not reliable
106	Forest Industries Sector Education and Training Authority	Financially unqualified with findings			Financially unqualified with no findings														
107	Freedom Park Trust	Financially unqualified with no findings			Financially unqualified with findings														
108	Gamma Film Industries (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
109	Gammatec NDT Supplies (Pty) Ltd	Financially unqualified with findings			Financially unqualified with no findings														
110	Government Pension Administration Agency	Financially unqualified with findings			New public entity														
111	Government Printing Works	Financially unqualified with findings			Financially unqualified with findings														
112	Guardians Fund	Financially unqualified with no findings			Financially unqualified with findings														
113	Health and Welfare Sector Education and Training Authority	Financially unqualified with findings			Financially unqualified with no findings														
114	High School Vorentoe Disaster Fund	Financially unqualified with no findings			Financially unqualified with no findings														
115	Human Sciences Research Council	Financially unqualified with findings			Financially unqualified with no findings														
116	Independent Development Trust	Financially unqualified with findings			Financially unqualified with findings														
117	Independent Electoral Commission	Financially unqualified with findings			Qualified														



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

No.	Auditee	2010-11 audit year			2009-10 audit year			Financial statement qualification areas								Findings on predetermined objectives			
		Audit outcome 2010-11	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Capital assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Presentation	Reported information not useful	Reported information not reliable
118	Independent Regulatory Board for Auditors	Financially unqualified with no findings			Financially unqualified with no findings														
119	Information Systems, Electronics and Telecommunications Technologies Training Authority	Financially unqualified with findings			Financially unqualified with no findings														
120	Ingonyama Trust Board	Qualified			Qualified														
121	Institute for Maritime Technology (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
122	Insurance Sector Education and Training Authority (INSETA)	Financially unqualified with no findings			Financially unqualified with findings														
123	International Marketing Council	Financially unqualified with findings			Financially unqualified with findings														
124	International Trade Administration Commission	Financially unqualified with findings			Financially unqualified with findings														
125	Intersite Property Management Services (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
126	iSimangaliso Wetland Park Authority	Financially unqualified with no findings			Financially unqualified with no findings														
127	Iziko Museums of Cape Town	Financially unqualified with findings			Financially unqualified with findings														
128	Klippoortje Koolmyne (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
129	KwaZulu-Natal Performing Arts Company	Financially unqualified with no findings			Financially unqualified with findings														

ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

No.	Auditee	2010-11 audit year			2009-10 audit year			Financial statement qualification areas								Findings on predetermined objectives			
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130	Land and Agricultural Bank of South Africa	Financially unqualified with no findings			Financially unqualified with no findings														
131	Land Bank Insurance Company	Financially unqualified with no findings			Financially unqualified with no findings														
132	Legal Aid South Africa	Financially unqualified with no findings			Financially unqualified with no findings														
133	Local Government Sector Education and Training Authority	Financially unqualified with findings			Financially unqualified with findings														
134	Luthuli Museum	Financially unqualified with no findings			Financially unqualified with findings														
135	Mahne's Areas (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
136	Manufacturing Engineering & Related Services Education and Training Authority	Financially unqualified with findings			Financially unqualified with no findings														
137	Marine Living Resources Fund	Financially unqualified with no findings			Financially unqualified with no findings														
138	Market Theatre Foundation	Financially unqualified with findings			Financially unqualified with no findings														
139	Media, Advertising, Publishing, Printing and Packaging Training Authority	Financially unqualified with findings			Financially unqualified with no findings														
140	Media Development and Diversity Agency	Financially unqualified with no findings			Financially unqualified with no findings														



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No.	Auditee	2010-11 audit year			2009-10 audit year			Financial statement qualification areas								Findings on predetermined objectives			
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141	MINDEV (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with findings														
142	Mine Health and Safety Council	Financially unqualified with findings			Financially unqualified with no findings														
143	Mining Qualifications SETA	Financially unqualified with no findings			Financially unqualified with no findings														
144	Msunduzi/Voortrekker Museum	Financially unqualified with no findings			Financially unqualified with no findings														
145	Municipal Demarcation Board	Financially unqualified with findings			Financially unqualified with findings														
146	Natal Museum	Financially unqualified with no findings			Financially unqualified with no findings														
147	National Agricultural Marketing Council	Financially unqualified with no findings			Financially unqualified with no findings														
148	National Arts Council of South Africa	Adverse			Qualified														
149	National Consumer Tribunal	Financially unqualified with findings			Financially unqualified with findings														
150	National Credit Regulator	Financially unqualified with no findings			Financially unqualified with no findings														
151	National Development Agency	Financially unqualified with findings			Financially unqualified with no findings														
152	National Electronic Media Institute of SA	Financially unqualified with findings			Financially unqualified with findings														

ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

No.	Auditee	2010-11 audit year			2009-10 audit year			Financial statement qualification areas								Findings on predetermined objectives			
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153	National Energy Regulator of South Africa (NERSA)	Financially unqualified with no findings			Financially unqualified with no findings														
154	National Film and Video Foundation of South Africa	Financially unqualified with findings			Financially unqualified with no findings														
155	National Gambling Board of South Africa	Financially unqualified with findings			Financially unqualified with findings														
156	National Heritage Council of South Africa (NHC)	Financially unqualified with findings			Financially unqualified with findings														
157	National Home Builders Regulatory Council	Financially unqualified with findings			Financially unqualified with findings														
158	National Library of South Africa (Pretoria/Cape Town)	Financially unqualified with findings			Financially unqualified with findings														
159	National Lotteries Board	Financially unqualified with findings			Financially unqualified with findings														
160	National Lottery Distribution Trust Fund	Financially unqualified with findings			Financially unqualified with no findings														
161	National Museum	Financially unqualified with no findings			Financially unqualified with findings														
162	National Nuclear Regulator	Financially unqualified with findings			Financially unqualified with no findings														
163	National Regulator for Compulsory Specifications	Financially unqualified with findings			Financially unqualified with findings														
164	National Research Foundation	Financially unqualified with no findings			Financially unqualified with no findings														



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

No.	Auditee	2010-11 audit year			2009-10 audit year			Financial statement qualification areas								Findings on predetermined objectives			
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165	National Skills Fund	Financially unqualified with findings			Financially unqualified with findings														
166	National Student Financial Aid Scheme	Financially unqualified with findings			Disclaimer														
167	National Prosecuting Authority	Financially unqualified with findings			Qualified														
168	National Youth Development Agency	Financially unqualified with findings			Financially unqualified with findings														
169	Nelson Mandela National Museum (Umtata)	Financially unqualified with findings			Financially unqualified with findings														
170	NTP Logistics (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
171	NTP Radioisotopes (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
172	Oil Pollution Control South Africa	Financially unqualified with findings			Financially unqualified with findings														
173	Office of the Ombud for Financial Service Providers	Financially unqualified with no findings			Financially unqualified with no findings														
174	Onderstepoort Biological Products Ltd	Qualified			Financially unqualified with findings														
175	Oospark (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
176	Pan South African Language Board	Financially unqualified with findings			Financially unqualified with findings														

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177	Passenger Rail Agency of South Africa	Financially unqualified with findings			Financially unqualified with findings														
178	Pelchem	Financially unqualified with no findings			Financially unqualified with no findings														
179	Office of the Pension Funds Adjudicator	Qualified			Qualified														
180	People and Parks Development	Financially unqualified with no findings			Financially unqualified with no findings														
181	Performing Arts Centre of the Free State	Financially unqualified with findings			Qualified														
182	Performing Arts Centre of the Free State trading as MACUFE	Financially unqualified with no findings			Qualified														
183	South African Agency for Promotion of Petroleum Exploration and Exploitation (Pty) Ltd	Financially unqualified with findings			Financially unqualified with no findings														
184	Petrosa Brass (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
185	Petrosa Egypt (Pty) Ltd	Financially unqualified with findings			Financially unqualified with no findings														
186	Petrosa Equatorial Guinea (SA) (Pty) Ltd	Financially unqualified with findings			Financially unqualified with no findings														
187	Petrosa Gryphon Marin Permit (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with findings														
188	Petrosa Iris (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														



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189	Petrosa North America Inc	Financially unqualified with no findings			Financially unqualified with no findings														
190	Petrosa Sudan (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
191	Petrosa Synfuels International (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
192	Petrosa Themis (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
193	Pharmatopes (Pty) Ltd	Financially unqualified with findings			Financially unqualified with no findings														
194	Ports Regulator of South Africa	Financially unqualified with findings			Financially unqualified with findings														
195	President's Fund	Financially unqualified with no findings			Financially unqualified with findings														
196	Public Security Industry Regulatory Authority	Financially unqualified with findings			Qualified														
197	Project Development Facility	Financially unqualified with findings			Financially unqualified with no findings														
198	The Property Management Trading Entity	Disclaimer			Qualified														
199	Public Admin & Leadership Management Training Trading Account	Financially unqualified with findings			Financially unqualified with findings														
200	Public Investment Corporation Limited	Financially unqualified with no findings			Financially unqualified with findings														

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201	Public Service Sector Education and Training Authority (PSETA)	Disclaimer			Disclaimer														
202	Railway Safety Regulator	Financially unqualified with findings			Financially unqualified with findings														
203	Refugee Relief Fund	Financially unqualified with no findings			Financially unqualified with no findings														
204	Deeds Registration Trading Account	Financially unqualified with findings			Financially unqualified with findings														
205	Road Accident Fund	Financially unqualified with findings			Financially unqualified with no findings														
206	Road Traffic Infringement Agency	Disclaimer			New public entity														
207	Road Traffic Management Corporation	Adverse			Adverse														
208	Robben Island Museum, Cape Town	Financially unqualified with findings			Qualified														
209	South African Civil Aviation Authority	Financially unqualified with findings			Financially unqualified with findings														
210	South African Gas Development Company (Pty) Ltd	Financially unqualified with findings			Financially unqualified with findings														
211	South African Human Rights Commission	Financially unqualified with findings			Financially unqualified with findings														
212	SA Institute for Drug-free Sport	Financially unqualified with findings			Financially unqualified with findings														



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213	South Africa Library for the Blind (Grahamstown)	Financially unqualified with findings			Financially unqualified with findings														
214	South African Maritime Safety Authority	Financially unqualified with findings			Financially unqualified with findings														
215	Medical Research Council of South Africa	Financially unqualified with findings			Financially unqualified with findings														
216	South African National AIDS Trust	Financially unqualified with no findings			Financially unqualified with no findings														
217	South African National Energy Research Institute (Pty) Ltd	Financially unqualified with findings			Financially unqualified with findings														
218	South African Nuclear Energy Corporation	Financially unqualified with findings			Financially unqualified with no findings														
219	South African Defence Force Fund	Financially unqualified with findings			Financially unqualified with findings														
220	Safety and Security Sector Education and Training Authority (SASSETA)	Financially unqualified with findings			Financially unqualified with findings														
221	South African Micro-Finance Apex Fund	Financially unqualified with findings			Qualified														
222	South African Revenue Services (Administered Revenue)	Financially unqualified with no findings			Financially unqualified with no findings														
223	South African Revenue Services (Own Account)	Financially unqualified with no findings			Financially unqualified with no findings														

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224	Services Sector Education and Training Authority (Services SETA)	Qualified			Financially unqualified with no findings														
225	SFF Association	Financially unqualified with findings			Financially unqualified with findings														
226	Sheltered Employment Factories	Qualified			Adverse														
227	Small Enterprise Development Agency	Financially unqualified with no findings			Financially unqualified with findings														
228	Social Relief Fund	Financially unqualified with no findings			Financially unqualified with no findings														
229	South Africa Diamond and Precious Metals Regulator	Financially unqualified with findings			Financially unqualified with findings														
230	South Africa Heritage Resources Agency	Qualified			Financially unqualified with findings														
231	SA Bureau of Standards (SABS)	Financially unqualified with no findings			Financially unqualified with no findings														
232	South African Housing Fund	Financially unqualified with no findings			Financially unqualified with no findings														
233	South African Local Government Association (SALGA)	Financially unqualified with findings			Financially unqualified with findings														
234	South African National Biodiversity Institute (SANBI)	Financially unqualified with findings			Financially unqualified with findings														
235	South African National Parks	Financially unqualified with findings			Financially unqualified with no findings														



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236	The South African National Roads Agency Limited	Financially unqualified with no findings			Financially unqualified with no findings														
237	South African Qualifications Authority	Financially unqualified with no findings			Financially unqualified with no findings														
238	South African Social Security Agency (SASSA)	Financially unqualified with findings			Disclaimer														
239	South African Supplier Development Agency	Financially unqualified with findings			Financially unqualified with findings														
240	South African Tourism	Financially unqualified with findings			Financially unqualified with no findings														
241	South African Weather Services	Financially unqualified with no findings			Financially unqualified with no findings														
242	Special Defence Account	Audit not finalised at legislated date			Financially unqualified with no findings														
243	Special Investigating Unit	Financially unqualified with findings			Financially unqualified with no findings														
244	Sportsrand (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
245	State Diamond Trader	Financially unqualified with no findings			Financially unqualified with findings														
246	State Information Technology Agency	Financially unqualified with findings			Financially unqualified with findings														
247	State President Fund	Financially unqualified with no findings			Financially unqualified with no findings														

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248	The South African State Theatre	Financially unqualified with findings			Financially unqualified with findings														
249	Technical Assistance Unit	Financially unqualified with findings			Financially unqualified with no findings														
250	Commission on Gender Equality	Financially unqualified with findings			Qualified														
251	Financial and Fiscal Commission	Financially unqualified with findings			Financially unqualified with findings														
252	Independent Communications Authority of South Africa	Qualified			Qualified														
253	National English Literary Museum (Grahamstown)	Financially unqualified with findings			Financially unqualified with findings														
254	Oil and Gas Corporation of SA (Namibia) (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
255	Petroleum Oil and Gas Corporation of South Africa (Pty) Ltd	Financially unqualified with findings			Financially unqualified with findings														
256	The Public Protector of South Africa	Financially unqualified with findings			Financially unqualified with findings														
257	Third Party Funds (Monies in Trust)	Financial statements not submitted			Audit not finalised at legislated date														
258	Tourism , Hospitality & Sport Education and Training Authority	Financially unqualified with findings			Financially unqualified with no findings														
259	Transport Education and Training Authority (TETA)	Financially unqualified with findings			Financially unqualified with no findings														



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260	Unemployment Insurance Fund	Financially unqualified with no findings			Financially unqualified with findings														
261	Universal Service and Access Agency of South Africa	Financially unqualified with findings			Financially unqualified with findings														
262	Universal Service and Access Fund	Financially unqualified with findings			Financially unqualified with findings														
263	War Museum of the Boer Republics	Financially unqualified with findings			Financially unqualified with findings														
264	Water Research Commission	Financially unqualified with findings			Financially unqualified with no findings														
265	Water Trading Account	Disclaimer			Qualified														
266	Wholesale & Retail Sector Education and Training Authority	Financially unqualified with no findings			Financially unqualified with no findings														
267	William Humphreys Art Gallery	Financially unqualified with no findings			Financially unqualified with no findings														
268	Windybrow Theatre	Financially unqualified with findings			Financially unqualified with findings														
Public entities (Not audited by the AGSA)																			
269	Accounting Standards Board	Financially unqualified with no findings			Financially unqualified with no findings														
270	Air Traffic Navigation Services	Financially unqualified with no findings			Financially unqualified with no findings														

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271	Airports Company of SA Limited	Financially unqualified with no findings			Financially unqualified with no findings														
272	Alexkor Limited	Financially unqualified with findings			Financially unqualified with findings														
273	Breede River Catchment Management Agency	Financially unqualified with findings			Financially unqualified with no findings														
274	Broadband Infraco (Pty) Ltd	Qualified			Financially unqualified with no findings														
275	COEGA Development Corporation (Pty) Ltd	Financially unqualified with no findings			New public entity														
276	Denel (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
277	DBSA - Development Fund	Financially unqualified with no findings			New public entity														
278	Development Bank of Southern Africa	Financially unqualified with no findings			Financially unqualified with no findings														
279	ESKOM	Financially unqualified with no findings			Financially unqualified with no findings														
280	Estate Agency Affairs Board	Financially unqualified with findings			Financially unqualified with findings														
281	Export Credit Insurance Corporation of SA	Financially unqualified with findings			Financially unqualified with no findings														
282	Housing Development Agency	Financially unqualified with findings			Financially unqualified with no findings														



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283	Industrial Development Corporation of SA	Financially unqualified with no findings			Financially unqualified with no findings														
284	Inkomati Catchment Management Agency	Financially unqualified with no findings			Financially unqualified with findings														
285	Khula Enterprise Finance Limited	Financially unqualified with no findings			Financially unqualified with findings														
286	National Economic Development and Labour Council	Financially unqualified with findings			Financially unqualified with no findings														
287	National Empowerment Fund	Financially unqualified with no findings			Financially unqualified with no findings														
288	National Health Laboratory Service	Financially unqualified with findings			Financially unqualified with findings														
289	National Housing Finance Corporation Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
290	National Metrology Institute of SA	Financially unqualified with findings			Financially unqualified with no findings														
291	National Urban Reconstruction & Housing Agency	Financially unqualified with no findings			Financially unqualified with no findings														
292	Ncera Farms (Pty) Ltd	Financially unqualified with findings			Financially unqualified with findings														
293	Pebble Bed Modular Reactor	Financially unqualified with findings			Financially unqualified with no findings														
294	Perishable Products Export Control Board	Financially unqualified with no findings			Financially unqualified with no findings														

ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

No.	Auditee	2010-11 audit year			2009-10 audit year			Financial statement qualification areas								Findings on predetermined objectives			
		Audit outcome 2010-11	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Capital assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Presentation	Reported information not useful	Reported information not reliable
295	Productivity SA	Financially unqualified with no findings			Financially unqualified with no findings														
296	Rural Housing Loan Fund	Financially unqualified with no findings			Financially unqualified with no findings														
297	SA National Accreditation System	Financially unqualified with no findings			Financially unqualified with no findings														
298	SABS Commercial (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with no findings														
299	SASRIA Limited	Financially unqualified with findings			Financially unqualified with findings														
300	Sentech Limited	Financially unqualified with findings			Qualified														
301	Servcon Housing Solutions (Pty) Ltd	Financially unqualified with findings			Financially unqualified with no findings														
302	Social Housing Foundation	Financially unqualified with no findings			Financially unqualified with no findings														
303	Social Housing Regulatory Authority	Financially unqualified with no findings			New public entity														
304	South African Airways (Pty) Limited	Financially unqualified with findings			Financially unqualified with findings														
305	South African Broadcasting Corporation	Qualified			Financially unqualified with findings														
306	South African Council of Educators	Financially unqualified with findings			Financially unqualified with findings														



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

No.	Auditee	2010-11 audit year			2009-10 audit year			Financial statement qualification areas								Findings on predetermined objectives			
		Audit outcome 2010-11	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Capital assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Presentation	Reported information not useful	Reported information not reliable
307	South African Express (Pty) Limited	Qualified			Financially unqualified with no findings														
308	South African Forestry Company Limited	Financially unqualified with no findings			Financially unqualified with no findings														
309	South African National Space Agency	Financially unqualified with findings			New public entity														
310	South African Post Office Limited	Financially unqualified with findings			Financially unqualified with no findings														
311	Technology Innovation Agency	Adverse			New public entity														
312	Telkom Limited	Financially unqualified with no findings			Financially unqualified with no findings														
313	Thubelisha Homes	Audit not finalised at legislated date			Audit not finalised at legislated date														
314	Trans-Caledon Tunnel Authority	Financially unqualified with no findings			Financially unqualified with no findings														
315	Transnet Limited	Financially unqualified with findings			Financially unqualified with findings														
316	Umalusi QA on Further Training & Education	Financially unqualified with no findings			Financially unqualified with no findings														

ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

No.	Auditee	Areas of non-compliance												
		Annual financial statements and annual report	Asset management	Audit committees	Budgets	Expenditure management	Financial misconduct	Internal audit	Revenue management	Strategic planning and performance management	Transfer and conditional grants	Other	Procurement and contract management	HR management and compensation
Departments														
1	Agriculture, Forestry and Fisheries													
2	Arts and Culture													
3	Basic Education													
4	Communications													
5	Cooperative Governance and Traditional Affairs													
6	Correctional Services													
7	Defence													
8	Department of Economic Development													
9	Energy													
10	Health													
11	Higher Education and Training													
12	Home Affairs													
13	Department of Human Settlements													
14	Department of International Relations and Cooperation													
15	Justice and Constitutional Development													
16	Labour													
17	Mineral Resources													
18	Police													
19	Public Service and Administration													
20	Public Works													



ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

No.	Auditee	Areas of non-compliance												
		Annual financial statements and annual report	Asset management	Audit committees	Budgets	Expenditure management	Financial misconduct	Internal audit	Revenue management	Strategic planning and performance management	Transfer and conditional grants	Other	Procurement and contract management	HR management and compensation
21	Rural Development and Land Reform													
22	Social Development													
23	Sport and Recreation South Africa													
24	Tourism													
25	Trade and Industry													
26	Transport													
27	Water Affairs													
28	Department of Women, Children and Persons with Disabilities													
29	Government Communications and Information System													
30	Independent Complaints Directorate													
31	National Treasury													
32	Public Administration Leadership and Management Academy													
33	Public Service Commission													
34	Statistics South Africa													
35	Parliament of the Republic of South Africa													
36	The Presidency													
	Total for departments	28	6	3	2	33	6	7	6	16	10	0	28	25

ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

No.	Auditee	Areas of non-compliance												
		Annual financial statements and annual report	Asset management	Audit committees	Budgets	Expenditure management	Financial misconduct	Internal audit	Revenue management	Strategic planning and performance management	Transfer and conditional grants	Other	Procurement and contract management	HR management and compensation
Public entities														
37	National Prosecuting Authority													
38	The African Exploration Mining and Finance Corporation (Pty) Ltd													
39	African Renaissance and International Cooperation Fund													
40	Agricultural Land Holding Account													
41	Agricultural Research Council													
42	Artscape													
43	Boxing South Africa													
44	Carbon Stream Africa (Pty) Ltd													
45	Castle Control Board													
46	CCE Solutions (Pty) Ltd													
47	CEF Carbon (Pty) Ltd													
48	CEF (Pty) Ltd													
49	Chemical Industries Education and Training Authority													
50	Commission for the Promotion and Protection of the Rights of Cultural Religious and Linguistic Communities													
51	Companies and Intellectual Property Commission													



ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

No.	Auditee	Areas of non-compliance												
		Annual financial statements and annual report	Asset management	Audit committees	Budgets	Expenditure management	Financial misconduct	Internal audit	Revenue management	Strategic planning and performance management	Transfer and conditional grants	Other	Procurement and contract management	HR management and compensation
52	Compensation Fund													
53	Competition Commission													
54	Competition Tribunal													
55	Construction Industry Development Board													
56	Construction Education and Training Authority													
57	Co-operative Banks Development Agency													
58	Council for Medical Schemes													
59	Council for the Built Environment (CBE)													
60	Council on Higher Education													
61	Criminal Asset Recovery Account													
62	Cross-Border Road Transport Agency													
63	Die Afrikaanse Taalmuseum													
64	Ditsong: Museums of South Africa													
65	Driving Licence Card Account													
66	Education Labour Relations Council													
67	Education, Training and Development Practices Sector Education and Training Authority													
68	Electricity Distribution Industry (EDI) Holdings (Pty) Ltd													
69	Energy Sector Education and Training Authority													
70	ETA Energy (Pty) Ltd													
71	Film and Publication Board													

ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

No.	Auditee	Areas of non-compliance												
		Annual financial statements and annual report	Asset management	Audit committees	Budgets	Expenditure management	Financial misconduct	Internal audit	Revenue management	Strategic planning and performance management	Transfer and conditional grants	Other	Procurement and contract management	HR management and compensation
72	Financial Intelligence Centre													
73	Food and Beverages Manufacturing Industry Sector Education and Training Authority													
74	Forest Industries Sector Education and Training Authority													
75	Gammatec NDT Supplies (Pty) Ltd													
76	Government Pension Administration Agency													
77	Government Printing Works													
78	Health and Welfare Sector Education and Training Authority													
79	Human Sciences Research Council													
80	Independent Development Trust													
81	Independent Electoral Commission													
82	Information Systems, Electronics and Telecommunications Technologies Training Authority													
83	Ingonyama Trust Board													
84	Insurance Sector Education and Training Authority (INSETA)													
85	International Marketing Council													
86	International Trade Administration Commission													
87	Iziko Museums of Cape Town													
88	Local Government Sector Education and Training Authority													



ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

No.	Auditee	Areas of non-compliance												
		Annual financial statements and annual report	Asset management	Audit committees	Budgets	Expenditure management	Financial misconduct	Internal audit	Revenue management	Strategic planning and performance management	Transfer and conditional grants	Other	Procurement and contract management	HR management and compensation
89	Manufacturing Engineering & Related Services Education and Training Authority													
90	Market Theatre Foundation													
91	Media, Advertising, Publishing, Printing and Packaging Training Authority													
82	Mine Health and Safety Council													
93	Municipal Demarcation Board													
94	National Arts Council of South Africa													
95	National Consumer Tribunal													
96	National Development Agency													
97	National Electronic Media Institute of SA													
98	National Film and Video Foundation of South Africa													
99	National Gambling Board of South Africa													
1000	National Heritage Council of South Africa (NHC)													
101	National Home Builders Regulatory Council													
102	National Library of South Africa (Pretoria/ Cape Town)													
103	National Lotteries Board													
104	National Lottery Distribution Trust Fund													
105	National Nuclear Regulator													
106	National Regulator for Compulsory Specifications													

ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

No.	Auditee	Areas of non-compliance												
		Annual financial statements and annual report	Asset management	Audit committees	Budgets	Expenditure management	Financial misconduct	Internal audit	Revenue management	Strategic planning and performance management	Transfer and conditional grants	Other	Procurement and contract management	HR management and compensation
107	National Skills Fund													
108	National Student Financial Aid Scheme													
109	National Youth Development Agency													
110	Nelson Mandela National Museum (Umtata)													
111	Oil Pollution Control South Africa													
112	Onderstepoort Biological Products Ltd													
113	Pan South African Language Board													
114	Passenger Rail Agency of South Africa													
115	Office of the Pension Funds Adjudicator													
116	Performing Arts Centre of the Free State													
117	South African Agency for Promotion of Petroleum Exploration and Exploitation (Pty) Ltd													
118	Petrosa Egypt (Pty) Ltd													
119	Petrosa Equatorial Guinea (SA) (Pty) Ltd													
120	Pharmatopes (Pty) Ltd													
121	Ports Regulator of South Africa													
122	Public Security Industry Regulatory Authority													
123	Project Development Facility													
124	Public Admin & Leadership Management Training Trading Account													
125	Public Service Sector Education and Training Authority (PSETA)													
126	Railway Safety Regulator													



ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

No.	Auditee	Areas of non-compliance												
		Annual financial statements and annual report	Asset management	Audit committees	Budgets	Expenditure management	Financial misconduct	Internal audit	Revenue management	Strategic planning and performance management	Transfer and conditional grants	Other	Procurement and contract management	HR management and compensation
127	Road Traffic Infringement Agency													
128	Road Traffic Management Corporation													
129	Robben Island Museum, Cape Town													
130	South African Civil Aviation Authority													
131	South African Gas Development Company (Pty) Ltd													
132	South African Human Rights Commission													
133	SA Institute for Drug-free Sport													
134	South Africa Library for the Blind (Grahamstown)													
135	South African Maritime Safety Authority													
136	Medical Research Council of South Africa													
137	South African National Energy Research Institute (Pty) Ltd													
138	South African Nuclear Energy Corporation													
139	South African Defence Force Fund													
140	Safety and Security Sector Education and Training Authority (SASSETA)													
141	South African Micro-Finance Apex Fund													
142	SFF Association													
143	Sheltered Employment Factories													
144	South Africa Diamond and Precious Metals Regulator													
145	South Africa Heritage Resources Agency													

ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

No.	Auditee	Areas of non-compliance												
		Annual financial statements and annual report	Asset management	Audit committees	Budgets	Expenditure management	Financial misconduct	Internal audit	Revenue management	Strategic planning and performance management	Transfer and conditional grants	Other	Procurement and contract management	HR management and compensation
146	South African Local Government Association (SALGA)													
147	South African National Biodiversity Institute (SANBI)													
148	South African National Parks													
149	South African Supplier Development Agency													
150	South African Tourism													
151	Special Investigating Unit													
152	State Information Technology Agency													
153	The South African State Theatre													
154	Technical Assistance Unit													
155	Commission on Gender Equality													
156	Financial and Fiscal Commission													
157	Independent Communications Authority of South Africa													
158	National English Literary Museum (Grahamstown)													
159	Petroleum Oil and Gas Corporation of South Africa (Pty) Ltd													
160	The Public Protector of South Africa													
161	Tourism , Hospitality & Sport Education and Training Authority													
162	Transport Education and Training Authority (TETA)													
163	Universal Service and Access Agency of South Africa													



ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

No.	Auditee	Areas of non-compliance												
		Annual financial statements and annual report	Asset management	Audit committees	Budgets	Expenditure management	Financial misconduct	Internal audit	Revenue management	Strategic planning and performance management	Transfer and conditional grants	Other	Procurement and contract management	HR management and compensation
164	Universal Service and Access Fund													
165	War Museum of the Boer Republics													
166	Water Research Commission													
167	Water Trading Account													
168	Windybrow Theatre													
169	Property Management trading Entity													
170	National Prosecuting Authority													
171	Road Accident Fund													
	Total for public entities (audited by the AGSA)	89	7	18	9	90	0	14	10	31	0	6	79	10
Public entities (Not audited by the AGSA) * Non compliance not included in figure 14														
172	Alexkor Limited													
173	Breede River Catchment Management Agency													
174	Broadband Infraco (Pty) Ltd													
175	Estate Agency Affairs Board													
176	Export Credit Insurance Corporation of SA													
177	National Economic Development and Labour Council													
178	National Health Laboratory Service													
179	National Metrology Institute of SA													
180	Ncera Farms (Pty) Ltd													
181	Sentech Limited													
182	Servcon Housing Solutions (Pty) Ltd													

ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

No.	Auditee	Areas of non-compliance												
		Annual financial statements and annual report	Asset management	Audit committees	Budgets	Expenditure management	Financial misconduct	Internal audit	Revenue management	Strategic planning and performance management	Transfer and conditional grants	Other	Procurement and contract management	HR management and compensation
183	South African Airways (Pty) Limited													
184	South African Broadcasting Corporation													
185	South African Express (Pty) Limited													
186	South African National Space Agency													
187	South African Post Office Limited													
188	Technology Innovation Agency													
189	Transnet Limited													
Total for public entities (not audited by the AGSA)		8	1	5	19	11	0	4	1	8	0	1	1	0



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
Departments													
1	Agriculture, Forestry and Fisheries					1 065 000			1 065 000	3 000			
2	Arts and Culture			41 768 801	41 768 801	3 000 000	376 000		3 376 000	743 000			
3	Basic Education					81 771 000			81 771 000				
4	Communications					2 848 000			2 848 000	1 438 000			
5	Cooperative Governance and Traditional Affairs					271 207 571		148 377 430	419 585 001	336 484			
6	Correctional Services					944 392			944 392	628 817	3 387 000		
7	Defence					681 604 315	117 744 738		799 349 053	490 880	166 999 000		
8	Department of Economic Development									27 000			
9	Energy			14 860 000	14 860 000	1 371 000		110 992 000	112 363 000				
10	Environmental Affairs										394 000		
11	Department of Health					33 227 000			33 227 000	2 556 000			
12	Higher Education and Training					4 023 000			4 023 000				
13	Home Affairs	687 304 000			687 304 000	13 012 000	11 479 000		24 491 000	334 640 000	66 779 000		
14	Human Settlements					11 839 000	261 000		12 100 000				
15	International Relations and Cooperation					526 089			526 089				
16	Justice and Constitutional Development					420 722 000			420 722 000	1 232 000	12 360 000		
17	Labour					6 015 634	3 507 000		9 522 634				

ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/ conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
18	Department of Mineral Resources					4 849 752		3 125 000	7 974 752	4 000			
19	Police					97 529 000			97 529 000	2 757 000	2 876 000		
20	Public Enterprises												
21	Public Service and Administration					12 240 000			12 240 000	311 000			
22	Department of Public Works					17 948 542			17 948 542	2 000	54 836 000		736 045 000
23	Rural Development and Land Reform					11 965 269		34 252 000	46 217 269	73 406 000	2 846 000		
24	Science and Technology					1 336 000			1 336 000	110 000			
25	Social Development	26 309 000			26 309 000	1 322 000			1 322 000	67 000			
26	Sport and Recreation South Africa					2 513 501			2 513 501				
27	Tourism					33 000		175 000	208 000	28 000	3 000		
28	Trade and Industry					27 506 000	817 000		28 323 000	159 000	2 306 000	215 407 000	
29	Transport					20 646 052			20 646 052	48 806			
30	Water Affairs					38 478 428	469 183	37 828 676	76 776 287	8 206 297			
31	Women, Children and Persons with Disabilities	3 729 000			3 729 000	271 000		6 358 000	6 629 000	1 000			
32	Government Communications and Information System					518 000			518 000	169 000			
33	Independent Complaints Directorate									3 000			
34	National Treasury					8 458 000		14 957 000	23 415 000		8 088 000		



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
35	Public Administration Leadership and Management Academy					25 000			25 000	21 000			
36	Public Service Commission									36 000			
37	Statistics South Africa						6 223 000		6 223 000	378 000			
38	Parliament of the Republic of South Africa					10 112 000			10 112 000	1 012 000		12 098 000	
39	The Presidency	28 428 000			28 428 000	859 000			859 000				
Total for departments		745 770 000		56 628 801	802 398 801	1 789 786 545	140 876 921	356 065 106	2 286 728 572	428 814 284	320 874 000	227 505 000	736 045 000
Public entities													
31	National Prosecuting Authority					23 250 000	37 848 000		61 098 000				
38	AEC-Amersham (Pty) Ltd												
39	The African Exploration Mining and Finance Corporation (Pty) Ltd												
40	Africa Institute of South Africa, Pretoria												
41	African Renaissance and International Cooperation Fund												
42	Agricultural Land Holding Account					70 694			70 694	83 000			
43	Agricultural Research Council					2 319 144			2 319 144				

ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/ conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
44	Agricultural Sector Education and Training (AGRISETA)									8 400 000			
45	Areca Human Capital (Pty) Ltd												
46	Armaments Corporation of South Africa Limited									51 693			
47	Armcor Defence Institutes (Pty) Ltd												
48	Artscape					3 196 771			3 196 771				
49	Autopax (Pty) Ltd											12 784 473	
50	Banking Sector Education and Training Authority (BANKSETA)												
51	Boxing South Africa					582 111		138 197	720 308	1 603 809	132 335		
52	Carbon Stream Africa (Pty) Ltd									15 000			
53	Castle Control Board					565 988			565 988				
54	CCE Solutions (Pty) Ltd									633 000			
55	CEF Carbon (Pty) Ltd												
56	CEF (Pty) Ltd							4 813 000	4 813 000	3 357 000		119 500 000	
57	Chemical Industries Education and Training Authority					584 339			584 339	1 828 000			
58	Clidet (Pty) Ltd												



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
59	Clothing, Textiles, Footwear and Leather Sector Education Training Authority												
60	Commission for Conciliation, Mediation and Arbitration												
61	Commission for the Promotion and Protection of the Rights of Cultural Religious and Linguistic Communities					1 972 422			1 972 422	314 463			
62	Companies and Intellectual Property Commission (Previously known as CIPRO)					3 545 726			3 545 726			108 913 422	
63	Compensation Fund					20 305 000			20 305 000	2 023 000	25 499 773		
64	Competition Commission					90 531 000			90 531 000				
65	Competition Tribunal					358 409			358 409			4 000	
66	Construction Industry Development Board					9 265 765			9 265 765	262 152			
67	Construction Education and Training Authority							1 543 000	1 543 000				
68	Co-operative Banks Development Agency					403 762			403 762	55 000			
69	Cotec Development (Pty) Ltd												

ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/ conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
70	Cotec Patrade (Pty) Ltd												
71	Council for Geoscience												
72	Council for Medical Schemes					3 472 451			3 472 451				
73	Council for Scientific and Industrial Research (CSIR)												
74	Council for the Built Environment (CBE)					68 000			68 000	26 000			
75	Council for Mineral Technology (Mintek)												
76	Council on Higher Education					6 211 824			6 211 824	5 906			
77	Criminal Asset Recovery Account												
78	Cross-Border Road Transport Agency					9 114 501			9 114 501	684 647			
79	Cyclofil (Pty) Ltd												
80	Cyclotape (Pty) Ltd												
81	Die Afrikaanse Taalmuseum												
82	Disaster Relief Fund												
83	Ditsong: Museums of South Africa					756 707			756 707	134 080			
84	Driving Licence Card Account												
85	Education Labour Relations Council					2 505 559			2 505 559	116 952			



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
86	Education, Training and Development Practices Sector Education and Training Authority												
87	Electricity Distribution Industry (EDI) Holdings (Pty) Ltd												
88	Energy Africa Rehabilitation												
89	Energy Sector Education and Training Authority					629 000		8 263 000	8 892 000	3 000			
90	Equalisation Fund												
91	Erasmusrand Eiendomme (Pty) Ltd												
92	Erf 706 Rietfontein												
93	ETA Energy (Pty) Ltd												
94	Film and Publication Board					110 940			110 940	433 254			
95	Financial Intelligence Centre					4 871 077		147 000	5 018 077	328 808			
96	Financial Services Board												
97	Finance, Accounting, Management Consulting and Other Financial Services Sector Education Training Authority (FASSET)												

ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/ conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
98	Fluoro Pack (Pty) Ltd												
99	Fluorochem (Pty) Ltd												
100	Fluoropharm (Pty) Ltd												
101	Food and Beverages Manufacturing Industry Sector Education and Training Authority					600 000		46 600 000	47 200 000				
102	Forest Industries Sector Education and Training Authority					376 000		1 696 000	2 072 000	17 000			
103	Freedom Park Trust									52 938			
104	Gamma Film Industries (Pty) Ltd												
105	Gammatec NDT Supplies (Pty) Ltd									27 900			
106	Government Pension Administration Agency												
107	Government Printing Works						2 119 000		2 119 000				
108	Guardians Fund												
109	Health and Welfare Sector Education and Training Authority									11 000			
110	High School Vorentoe Disaster Fund												
111	Human Sciences Research Council					20 337 000			20 337 000	4 000			



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/ conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
112	Independent Development Trust									900 000			
113	Independent Electoral Commission					233 268 409			233 268 409	13 728			
114	Independent Regulatory Board for Auditors												
115	Information Systems, Electronics and Telecommunications Technologies Training Authority					1 458 000			1 458 000				
116	Ingonyama Trust Board									545 085			
117	Institute for Maritime Technology (Pty) Ltd												
118	Insurance Sector Education and Training Authority (INSETA)												
119	International Marketing Council					2 044 000			2 044 000	751 433			
120	International Trade Administration Commission					97 104			97 104	2 858			
121	Intersite Property Management Services (Pty) Ltd												
122	iSimangaliso Wetland Park Authority												
123	Iziko Museums of Cape Town					2 019 050			2 019 050				

ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/ conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
124	Klippoortje Koolmyne (Pty) Ltd												
125	KwaZulu-Natal Performing Arts Company												
126	Land and Agricultural Bank of South Africa									116 000			
127	Land Bank Insurance Company												
128	Legal Aid South Africa					156 273			156 273				
129	Local Government Sector Education and Training Authority					1 354 152			1 354 152				
130	Luthuli Museum												
131	Mahne's Areas (Pty) Ltd												
132	Manufacturing Engineering & Related Services Education and Training Authority					1 715 000			1 715 000	91 519	6 329 000		
133	Marine Living Resources Fund												
134	Market Theatre Foundation					1 689 092			1 689 092				
135	Media, Advertising, Publishing, Printing and Packaging Training Authority					500 830			500 830	115 600			
136	Media Development and Diversity Agency												



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
137	MINDEV (Pty) Ltd												
138	Mine Health and Safety Council					1 364 533			1 364 533				
139	Mining Qualifications SETA												
140	Msunduzi/Voortrekker Museum												
141	Municipal Demarcation Board					726 000			726 000				
142	Natal Museum												
143	National Agricultural Marketing Council												
144	National Arts Council of South Africa					2 797 093		10 984 973	13 782 066	585 094			
145	National Consumer Tribunal												
146	National Credit Regulator												
147	National Development Agency					2 551 188			2 551 188				
148	National Electronic Media Institute of SA												
149	National Energy Regulator of South Africa (NERSA)												
150	National Film and Video Foundation of South Africa												

ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/ conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
151	National Gambling Board of South Africa												
152	National Heritage Council of South Africa (NHC)					5 790 000			5 790 000	1 847 000			
153	National Home Builders Regulatory Council									400 255		29 751 011	
154	National Library of South Africa (Pretoria/Cape Town)					116 851			116 851	40 887			
155	National Lotteries Board					10 748 007			10 748 007				
156	National Lottery Distribution Trust Fund							15 340 595	15 340 595				
157	National Museum												
158	National Nuclear Regulator					21 493 000			21 493 000	839 206			
159	National Regulator for Compulsory Specifications					2 368 200			2 368 200	1 515			
160	National Research Foundation												
161	National Skills Fund					1 250 000		46 991 000	48 241 000				
162	National Student Financial Aid Scheme												
163	National Youth Development Agency					67 649 197			67 649 197	2 056 000		38 753 000	



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
164	Nelson Mandela National Museum (Umtata)					4 837 809			4 837 809				
165	NTP Logistics (Pty) Ltd												
166	NTP Radioisotopes (Pty) Ltd												
167	Oil Pollution Control South Africa												
168	Office of the Ombud for Financial Service Providers												
169	Onderstepoort Biological Products Ltd					7 896 000			7 896 000	94 631			
170	Oospark (Pty) Ltd												
171	Pan South African Language Board												
172	Passenger Rail Agency of South Africa									9 300 000			
173	Pelchem												
174	Office of the Pension Funds Adjudicator					1 216 609			1 216 609	590 164			
175	People and Parks Development												
176	Performing Arts Centre of the Free State	9 193 133			9 193 133	160 465			160 465	830 455			
177	Performing Arts Centre of the Free State trading as MACUFE												

ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/ conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
178	South African Agency for Promotion of Petroleum Exploration and Exploitation (Pty) Ltd												
179	Petrosa Brass (Pty) Ltd												
180	Petrosa Egypt (Pty) Ltd												
181	Petrosa Equatorial Guinea (SA) (Pty) Ltd							12 427 000	12 427 000	16 608 000			
182	Petrosa Gryphon Marin Permit (Pty) Ltd												
183	Petrosa Iris (Pty) Ltd												
184	Petrosa North America Inc												
185	Petrosa Sudan (Pty) Ltd												
186	Petrosa Synfuels International (Pty) Ltd												
187	Petrosa Themis (Pty) Ltd												
188	Pharmatopes (Pty) Ltd									106 229			
189	Ports Regulator of South Africa									123 973			
190	President's Fund												
191	Public Security Industry Regulatory Authority					4 649 011			4 649 011	12 356	75 495 989		
192	Project Development Facility									31			



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
193	Public Admin & Leadership Management Training Trading Account					638 000			638 000	39 000			
	Property Management Trading Entity					430 305 886			430 305 886	6 772 000			
194	Public Investment Corporation Limited												
195	Public Service Sector Education and Training Authority (PSETA)												
196	Railway Safety Regulator					39 851			39 851	1 731			
197	Refugee Relief Fund												
198	Deeds Registration Trading Account												
199	Road Accident Fund					14 529 000			14 529 000	26 267 000			
200	Road Traffic Infringement Agency					1 142 824			1 142 824				
201	Road Traffic Management Corporation					34 075 963			34 075 963	48 647 703	7 824 842		
202	Robben Island Museum, Cape Town					27 621 072	115 897		27 736 969	2 254 607	5 179 514		
203	South African Civil Aviation Authority					1 887 134			1 887 134	576 772			
204	South African Gas Development Company (Pty) Ltd												

ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/ conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
205	South African Human Rights Commission					66 000		224 000	290 000				
206	SA Institute for Drug-free Sport					188 489			188 489	200			
207	South Africa Library for the Blind (Grahamstown)									36 000			
208	South African Maritime Safety Authority					6 083 000			6 083 000				
209	Medical Research Council of South Africa												
210	South African National AIDS Trust												
211	South African National Energy Research Institute (Pty) Ltd									10 024			
212	South African Nuclear Energy Corporation									17 156			
213	South African Defence Force Fund												
214	Safety and Security Sector Education and Training Authority (SASSETA)							981 000	981 000				
215	South African Micro-Finance Apex Fund					107 333			107 333	9 336	1 047 923	4 795 527	
216	South African Revenue Services (Administered Revenue)												



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
217	South African Revenue Services (Own Account)												
218	Services Sector Education and Training Authority (Services SETA)					15 717 000	37 264 000	36 198 000	89 179 000				
219	SFF Association							254 000	254 000	2 725 000			
220	Sheltered Employment Factories					29 713 000			29 713 000	13 070	134 564		
221	Small Enterprise Development Agency												
222	Social Relief Fund												
223	South Africa Diamond and Precious Metals Regulator					3 291 847			3 291 847		609 644	609 644	
224	South Africa Heritage Resources Agency					13 086 000			13 086 000	598 000			
225	SA Bureau of Standards (SABS)									843 977			
226	South African Housing Fund												
227	South African Local Government Association (SALGA)					24 191 744			24 191 744	2 134 687			
228	South African National Biodiversity Institute (SANBI)												
229	South African National Parks					2 101 000			2 101 000				

ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/ conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
230	The South African National Roads Agency Limited												
231	South African Qualifications Authority												
232	South African Social Security Agency (SASSA)					9 101 821			9 101 821	148 155		67 697 149	
233	South African Supplier Development Agency												
234	South African Tourism												
235	South African Weather Services												
236	Special Investigating Unit												
237	Sportsrand (Pty) Ltd												
238	State Diamond Trader												
239	State Information Technology Agency					424 181 314		1 596 206	425 777 520	184 478	1 557 020		
240	State President Fund												
241	The South African State Theatre					15 878 922			15 878 922	491 594			
242	Technical Assistance Unit												
243	Commission on Gender Equality					10 339 703			10 339 703	206 989	113 421		
244	Financial and Fiscal Commission					203 719			203 719	132 324			



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
245	Independent Communications Authority of South Africa					5 057 453			5 057 453	707 413			
246	National English Literary Museum (Grahamstown)									21 889			
247	Oil and Gas Corporation of SA (Namibia) (Pty) Ltd												
248	Petroleum Oil and Gas Corporation of South Africa (Pty) Ltd							4 525 000	4 525 000	5 043 000		945 000 000	
249	The Public Protector of South Africa												
250	Tourism , Hospitality & Sport Education and Training Authority					1 173 000			1 173 000				
251	Transport Education and Training Authority (TETA)												
252	Unemployment Insurance Fund												
253	Universal Service and Access Agency of South Africa					490 000			490 000	66 000			
254	Universal Service and Access Fund												
255	War Museum of the Boer Republics					573 000			573 000				
256	Water Research Commission												

ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure as well as material losses and impairment of assets

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/ conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	SCM related	Compensation of employees related	Other	Total				
257	Water Trading Account					334 145 000			334 145 000	9 761 000	3 075 000	901 727 000	
258	Wholesale & Retail Sector Education and Training Authority												
259	William Humphreys Art Gallery												
260	Windybrow Theatre					415 796			415 796				
Total for entities		9 193 133			9 193 133	1 992 264 934	77 346 897	192 721 971	2 262 333 802	164 152 725	126 999 025	2 229 535 226	

ANNEXURE 4: Drivers of audit outcomes

Auditee	Leadership																		Financial and performance															Governance								
	Effective leadership culture			Oversight responsibility			HR management			Policies and procedures			Action plans			IT governance			Proper record keeping			Processing and reconciling controls			Reporting			Compliance			IT systems controls			Risk management			Internal audit			Audit committee		
	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C						
Department of Public Enterprises																																										
Department of Public Service & Administration																																										
Department of Public Works																																										
Department of Rural Development & Land Reform																																										
Department of Science & Technology																																										
Department of Social Development																																										
Department of Sport & Recreation																																										
Department of Tourism																																										
Department of Trade and Industry																																										
Department of Transport																																										
Department of Water Affairs & Forestry																																										
Department of Women, Children and Persons with Disabilities																																										
Government Communication & Information System																																										
Independent Complaints Directorate																																										
National Prosecuting Authority																																										
National Treasury																																										
Public Admin & Leadership Management Academy																																										
Public Service Commission																																										
Statistics South Africa																																										
The Parliament																																										
The Presidency																																										

ANNEXURE 4: Drivers of audit outcomes

Auditee	Leadership																			Financial and performance																Governance																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																
	Effective leadership culture			Oversight responsibility			HR management			Policies and procedures			Action plans			IT governance				Proper record keeping			Processing and reconciling controls			Reporting			Compliance			IT systems controls				Risk management			Internal audit			Audit committee																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C		F	P	C	F	P	C	F	P	C	F	P	C	F	P	C		F	P	C																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Commission for Conciliation, Mediation & Arbitration (CCMA)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				

ANNEXURE 4: Drivers of audit outcomes

Auditee	Leadership																			Financial and performance																Governance											
	Effective leadership culture			Oversight responsibility			HR management			Policies and procedures			Action plans			IT governance				Proper record keeping			Processing and reconciling controls			Reporting			Compliance			IT systems controls				Risk management			Internal audit			Audit committee					
	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C		F	P	C	F	P	C	F	P	C	F	P	C	F	P	C		F	P	C									
Gamma Film Industries (Pty) Ltd																																															
Gammatec NDT Supplies (Pty) Ltd																																															
Government Pension Administration Agency																																															
Government Printing Works																																															
Guardian Fund																																															
Health & Welfare Seta (HWSETA)																																															
High School Vorentoe Disaster Fund																																															
Human Science Research Council																																															
Independent Development Trust																																															
Independent Electoral Commission																																															
Independent Regulatory Board for Auditors																																															
Information Systems Seta (ISETT)																																															
Ingonyama Trust Board																																															
Institute for Maritime Technology (Pty) Ltd																																															
Insurance Seta (IINSETA)																																															
International Marketing Council																																															
International Trade Administration Commission (ITAC)																																															
Intersite (Pty) Ltd																																															
iSimangaliso Wetland Park																																															
Iziko Museums of Cape Town																																															
Klippoortje koolmyne (Pty) Ltd (CEF)																																															
KwaZulu-Natal Performing Arts Company																																															
Land & Agricultural Bank of SA																																															



ANNEXURE 4: Drivers of audit outcomes

Auditee	Leadership																			Financial and performance																			Governance								
	Effective leadership culture			Over-sight responsibility			HR management			Policies and procedures			Action plans			IT governance				Proper record keeping			Processing and reconciling controls			Reporting			Compliance			IT systems controls			Risk management				Internal audit			Audit committee					
	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C		F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C										
Land Bank Insurance Company																																															
Legal Aid South Africa																																															
Local Government Seta (LGWSETA)																																															
Luthuli Museum																																															
Mahnes Areas (Pty) Ltd (CEF)																																															
Manufacturing & Engineering Seta (MERSETA)																																															
Marine Living Resources Fund																																															
Market Theatre Foundation																																															
Media & Publishing Seta (MAPPP SETA)																																															
Media Development and Diversity Agency																																															
MINDEV (Pty) Ltd																																															
Mine Health and Safety Council																																															
Mining Qualifications Authority (MQA)																																															
Msunduzi / Voortrekker Museum: Pietermaritzburg																																															
Municipal Demarcation Board																																															
Natal Museum: Pietermaritzburg																																															
National Agricultural Marketing Council																																															
National Arts Council of South Africa																																															
National Consumer Tribunal																																															
National Credit Regulator																																															
National Development Agency																																															
National Electronic Media Institute of SA																																															
National Energy Regulator of South Africa (NERSA)																																															

ANNEXURE 4: Drivers of audit outcomes

Auditee	Leadership																			Financial and performance																Governance								
	Effective leadership culture			Oversight responsibility			HR management			Policies and procedures			Action plans			IT governance				Proper record keeping			Processing and reconciling controls			Reporting			Compliance			IT systems controls				Risk management			Internal audit			Audit committee		
	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C		F	P	C	F	P	C	F	P	C	F	P	C	F	P	C		F	P	C						
National Film and Video Foundation of South Africa																																												
National Gambling Board																																												
National Heritage Council																																												
National Home Builders Registration Council																																												
National Library of South Africa																																												
National Lotteries Board																																												
National Lottery Distribution Trust Fund																																												
National Museum: Bloemfontein																																												
National Nuclear Regulator (NNR)																																												
National Regulator for Compulsory Specifications																																												
National Research Foundation																																												
National Skills Fund																																												
National Student Financial Aid Scheme																																												
National Treasury (Consolidation of AFS)																																												
National Youth Development Agency																																												
Nelson Mandela Museum: Mthatha																																												
NTP Logistics (Necsa)																																												
NTP Radioisotopes (Necsa)																																												
Oil Pollution Control SA (CEF)																																												
Ombudsman for Financial Services Providers																																												
Onderstepoort Biological Products Ltd																																												
Oospark (Pty) Ltd																																												
Pan SA Language Board																																												



ANNEXURE 4: Drivers of audit outcomes

Auditee	Leadership																		Financial and performance																		Governance								
	Effective leadership culture			Oversight responsibility			HR management			Policies and procedures			Action plans			IT governance			Proper record keeping			Processing and reconciling controls			Reporting			Compliance			IT systems controls			Risk management			Internal audit			Audit committee					
	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C									
Public Sector Seta (PSETA)	Y	R	Y	Y	R	Y	R	R	Y	R	R	Y	Y	R	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
Railway Safety Regulator	Y	Y	Y	Y	R	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
Refugee Relief Fund	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
Registration of Deeds Trading Account	Y	Y	Y	Y	R	Y	R	Y	Y	Y	R	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
Road Accident Fund	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
Road Traffic Infringement Agency	Y	Y	Y	Y	R	Y	R	Y	Y	R	Y	Y	Y	Y	R	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
Road Traffic Management Corporation	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
Robben Island Museum	Y	Y	Y	Y	R	Y	R	Y	R	Y	R	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
SA Civil Aviation Authority	Y	Y	Y	Y	R	Y	Y	R	Y	Y	Y	R	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
SA Gas Development Company (Pty) Ltd (iGas) (CEF)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
SA Human Rights Commission	Y	Y	Y	Y	Y	Y	R	Y	Y	Y	Y	R	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
SA Institute for Drug Free Sport	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
SA Library for the Blind	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
SA Maritime Safety Authority	Y	Y	Y	Y	R	Y	R	Y	R	Y	R	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
SA Medical Research Council	Y	Y	Y	Y	R	Y	R	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
SA National Aids Trust	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
SA National Energy Research Institute (Pty) Ltd (CEF)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
SA Nuclear Energy Corporation (Necsa)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
SADF Fund	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
Safety & Security Seta	Y	Y	Y	Y	R	Y	Y	Y	Y	Y	Y	Y	Y	R	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
SAMAF	Y	Y	Y	Y	R	Y	R	Y	Y	Y	Y	R	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
SARS - Administered Revenue	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
SARS - Own Accounts	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								

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ANNEXURE 4: Drivers of audit outcomes

[illegible]



ANNEXURE 5: Auditees with key findings on supply chain management

No.	Auditee	Limitation on planned scope of audit of awards	Awards to state officials and their close family members	Uncompetitive or unfair procurement processes	Inadequate contract management	Inadequate SCM controls
Departments						
1	Agriculture, Forestry and Fisheries					
2	Arts and Culture					
3	Basic Education					
4	Communications					
5	Cooperative Governance and Traditional Affairs					
6	Correctional Services					
7	Defence					
8	Economic Development					
9	Energy					
10	Environmental Affairs					
11	Health					
12	Higher Education and Training					
13	Home Affairs					
14	Human Settlements					
15	International Relations & Co-operation					
16	Justice and Constitutional Development					
17	Labour					
18	Mineral Resources					
19	Police					
20	Public Enterprises					
21	Public Service and Administration					
22	Public Works					
23	Rural Development and Land Reform					
24	Science and Technology					

ANNEXURE 5: Auditees with key findings on supply chain management

No.	Auditee	Limitation on planned scope of audit of awards	Awards to state officials and their close family members	Uncompetitive or unfair procurement processes	Inadequate contract management	Inadequate SCM controls
25	Social Development					
26	Sport and Recreation South Africa					
27	Tourism					
28	Trade and Industry					
29	Transport					
30	Water Affairs					
31	Women, Children and Persons with Disabilities					
32	Government Communications and Information System					
33	Independent Complaints Directorate					
34	National Prosecuting Authority					
35	National Treasury					
36	Parliament of the Republic of South Africa					
37	Public Administration Leadership and Management Academy					
38	Public Service Commission					
39	Statistics South Africa					
40	The Presidency					
Public entities						
41	AEC-Amersham (Pty) Ltd					
42	The African Exploration Mining and Finance Corporation (Pty) Ltd					
43	Africa Institute of South Africa, Pretoria					
44	African Renaissance and International Cooperation Fund					
45	Agricultural Land Holding Account					
46	Agricultural Research Council					



ANNEXURE 5: Auditees with key findings on supply chain management

No.	Auditee	Limitation on planned scope of audit of awards	Awards to state officials and their close family members	Uncompetitive or unfair procurement processes	Inadequate contract management	Inadequate SCM controls
47	Agricultural Sector Education and Training (AGRISETA)					
48	Areca Human Capital (Pty) Ltd					
49	Armaments Corporation of South Africa Limited					
50	Armcor Defence Institutes (Pty) Ltd					
51	Artscape					
52	Autopax (Pty) Ltd					
53	Banking Sector Education and Training Authority (BANKSETA)					
54	Boxing South Africa					
55	Carbon Stream Africa (Pty) Ltd					
56	Castle Control Board					
57	CCE Solutions (Pty) Ltd					
58	CEF Carbon (Pty) Ltd					
59	CEF (Pty) Ltd					
60	Chemical Industries Education and Training Authority					
61	Clidet (Pty) Ltd					
62	Clothing, Textiles, Footwear and Leather Sector Education Training Authority					
63	Commission for Conciliation, Mediation and Arbitration					
64	Commission for the Promotion and Protection of the Rights of Cultural Religious and Linguistic Communities					
65	Companies and Intellectual Property Commission					
66	Compensation Fund					
67	Competition Commission					
68	Competition Tribunal					
69	Construction Industry Development Board					

ANNEXURE 5: Auditees with key findings on supply chain management

No.	Auditee	Limitation on planned scope of audit of awards	Awards to state officials and their close family members	Uncompetitive or unfair procurement processes	Inadequate contract management	Inadequate SCM controls
70	Construction Education and Training Authority					
71	Co-operative Banks Development Agency					
72	Cotec Development (Pty) Ltd					
73	Cotec Patrade (Pty) Ltd					
74	Council for Geoscience					
75	Council for Medical Schemes					
76	Council for Scientific and Industrial Research (CSIR)					
77	Council for the Built Environment (CBE)					
78	Council for Mineral Technology (Mintek)					
79	Council on Higher Education					
80	Criminal Asset Recovery Account					
81	Cross-Border Road Transport Agency					
82	Cyclofil (Pty) Ltd					
83	Cyclotope (Pty) Ltd					
84	Die Afrikaanse Taalmuseum					
85	Disaster Relief Fund					
86	Ditsong: Museums of South Africa					
87	Driving Licence Card Account					
88	Education Labour Relations Council					
89	Education, Training and Development Practices Sector Education and Training Authority					
90	Electricity Distribution Industry (EDI) Holdings (Pty) Ltd					
91	Energy Africa Rehabilitation					
92	Energy Sector Education and Training Authority					
93	Equalisation Fund					



ANNEXURE 5: Auditees with key findings on supply chain management

No.	Auditee	Limitation on planned scope of audit of awards	Awards to state officials and their close family members	Uncompetitive or unfair procurement processes	Inadequate contract management	Inadequate SCM controls
94	Erasmusrand Eiendom (Pty) Ltd					
95	Erf 706 Rietfontein					
96	ETA Energy (Pty) Ltd					
97	Film and Publication Board					
98	Financial Intelligence Centre					
99	Financial Services Board					
100	Finance, Accounting, Management Consulting and Other Financial Services Sector Education Training Authority (FASSET)					
101	Fluoro Pack (Pty) Ltd					
102	Fluorochem (Pty) Ltd					
103	Fluoropharm (Pty) Ltd					
104	Food and Beverages Manufacturing Industry Sector Education and Training Authority					
105	Forest Industries Sector Education and Training Authority					
106	Freedom Park Trust					
107	Gamma Film Industries (Pty) Ltd					
108	Gammatec NDT Supplies (Pty) Ltd					
109	Government Pension Administration Agency					
110	Government Printing Works					
111	Guardians Fund					
112	Health and Welfare Sector Education and Training Authority					
113	High School Vorentoe Disaster Fund					
114	Human Sciences Research Council					
115	Independent Development Trust					
116	Independent Electoral Commission					

ANNEXURE 5: Auditees with key findings on supply chain management

No.	Auditee	Limitation on planned scope of audit of awards	Awards to state officials and their close family members	Uncompetitive or unfair procurement processes	Inadequate contract management	Inadequate SCM controls
117	Independent Regulatory Board for Auditors					
118	Information Systems, Electronics and Telecommunications Technologies Training Authority					
119	Ingonyama Trust Board					
120	Institute for Maritime Technology (Pty) Ltd					
121	Insurance Sector Education and Training Authority (INSETA)					
122	International Marketing Council					
123	International Trade Administration Commission					
124	Intersite Property Management Services (Pty) Ltd					
125	iSimangaliso Wetland Park Authority					
126	Iziko Museums of Cape Town					
127	Klippoortje Koolmyne (Pty) Ltd					
128	KwaZulu-Natal Performing Arts Company					
129	Land and Agricultural Bank of South Africa					
130	Land Bank Insurance Company					
131	Legal Aid South Africa					
132	Local Government Sector Education and Training Authority					
133	Luthuli Museum					
134	Mahne's Areas (Pty) Ltd					
135	Manufacturing Engineering & Related Services Education and Training Authority					
136	Marine Living Resources Fund					
137	Market Theatre Foundation					
138	Media, Advertising, Publishing, Printing and Packaging Training Authority					



ANNEXURE 5: Auditees with key findings on supply chain management

No.	Auditee	Limitation on planned scope of audit of awards	Awards to state officials and their close family members	Uncompetitive or unfair procurement processes	Inadequate contract management	Inadequate SCM controls
139	Media Development and Diversity Agency					
140	MINDEV (Pty) Ltd					
141	Mine Health and Safety Council					
142	Mining Qualifications SETA					
143	Msunduzi/Voortrekker Museum					
144	Municipal Demarcation Board					
145	Natal Museum					
146	National Agricultural Marketing Council					
147	National Arts Council of South Africa					
148	National Consumer Tribunal					
149	National Credit Regulator					
150	National Development Agency					
151	National Electronic Media Institute of SA					
152	National Energy Regulator of South Africa (NERSA)					
153	National Film and Video Foundation of South Africa					
154	National Gambling Board of South Africa					
155	National Heritage Council of South Africa (NHC)					
156	National Home Builders Regulatory Council					
157	National Library of South Africa (Pretoria/Cape Town)					
158	National Lotteries Board					
159	National Lottery Distribution Trust Fund					
160	National Museum					
161	National Nuclear Regulator					
162	National Regulator for Compulsory Specifications					
163	National Research Foundation					

ANNEXURE 5: Auditees with key findings on supply chain management

No.	Auditee	Limitation on planned scope of audit of awards	Awards to state officials and their close family members	Uncompetitive or unfair procurement processes	Inadequate contract management	Inadequate SCM controls
164	National Skills Fund					
165	National Student Financial Aid Scheme					
166	National Youth Development Agency					
167	Nelson Mandela National Museum (Umtata)					
168	NTP Logistics (Pty) Ltd					
169	NTP Radiosotopes (Pty) Ltd					
170	Oil Pollution Control South Africa					
171	Office of the Ombud for Financial Service Providers					
172	Onderstepoort Biological Products Ltd					
173	Oospark (Pty) Ltd					
174	Pan South African Language Board					
175	Passenger Rail Agency of South Africa					
176	Pelchem					
177	Office of the Pension Funds Adjudicator					
178	People and Parks Development					
179	Performing Arts Centre of the Free State					
180	Performing Arts Centre of the Free State trading as MACUFE					
181	South African Agency for Promotion of Petroleum Exploration and Exploitation (Pty) Ltd					
182	Petrosa Brass (Pty) Ltd					
183	Petrosa Egypt (Pty) Ltd					
184	Petrosa Equatorial Guinea (SA) (Pty) Ltd					
185	Petrosa Gryphon Marin Permit (Pty) Ltd					
186	Petrosa Iris (Pty) Ltd					
187	Petrosa North America Inc					



ANNEXURE 5: Auditees with key findings on supply chain management

No.	Auditee	Limitation on planned scope of audit of awards	Awards to state officials and their close family members	Uncompetitive or unfair procurement processes	Inadequate contract management	Inadequate SCM controls
188	Petrosa Sudan (Pty) Ltd					
189	Petrosa Synfuels International (Pty) Ltd					
190	Petrosa Themis (Pty) Ltd					
191	Pharmatopes (Pty) Ltd					
192	Ports Regulator of South Africa					
193	President's Fund					
194	Public Security Industry Regulatory Authority					
195	Project Development Facility					
196	The Property Management Trading Entity					
197	Public Admin & Leadership Management Training Trading Account					
198	Public Investment Corporation Limited					
199	Public Service Sector Education and Training Authority (PSETA)					
200	Railway Safety Regulator					
201	Refugee Relief Fund					
202	Deeds Registration Trading Account					
203	Road Accident Fund					
204	Road Traffic Infringement Agency					
205	Road Traffic Management Corporation					
206	Robben Island Museum, Cape Town					
207	South African Civil Aviation Authority					
208	South African Gas Development Company (Pty) Ltd					
209	South African Human Rights Commission					
210	SA Institute for Drug-free Sport					
211	South Africa Library for the Blind (Grahamstown)					

ANNEXURE 5: Auditees with key findings on supply chain management

No.	Auditee	Limitation on planned scope of audit of awards	Awards to state officials and their close family members	Uncompetitive or unfair procurement processes	Inadequate contract management	Inadequate SCM controls
212	South African Maritime Safety Authority					
213	Medical Research Council of South Africa					
214	South African National AIDS Trust					
215	South African National Energy Research Institute (Pty) Ltd					
216	South African Nuclear Energy Corporation					
217	South African Defence Force Fund					
218	Safety and Security Sector Education and Training Authority (SASSETA)					
219	South African Micro-Finance Apex Fund					
220	South African Revenue Services (Administered Revenue)					
221	South African Revenue Services (Own Account)					
222	Services Sector Education and Training Authority (Services SETA)					
223	SFF Association					
224	Sheltered Employment Factories					
225	Small Enterprise Development Agency					
226	Social Relief Fund					
227	South Africa Diamond and Precious Metals Regulator					
228	South Africa Heritage Resources Agency					
229	SA Bureau of Standards (SABS)					
230	South African Housing Fund					
231	South African Local Government Association (SALGA)					
232	South African National Biodiversity Institute (SANBI)					
233	South African National Parks					
234	The South African National Roads Agency Limited					
235	South African Qualifications Authority					



ANNEXURE 5: Auditees with key findings on supply chain management

No.	Auditee	Limitation on planned scope of audit of awards	Awards to state officials and their close family members	Uncompetitive or unfair procurement processes	Inadequate contract management	Inadequate SCM controls
236	South African Social Security Agency (SASSA)					
237	South African Supplier Development Agency					
238	South African Tourism					
239	South African Weather Services					
240	Special Investigating Unit					
241	Sportsrand (Pty) Ltd					
242	State Diamond Trader					
243	State Information Technology Agency					
244	State President Fund					
245	The South African State Theatre					
246	Technical Assistance Unit					
247	Commission on Gender Equality					
248	Financial and Fiscal Commission					
249	Independent Communications Authority of South Africa					
250	National English Literary Museum (Grahamstown)					
251	Oil and Gas Corporation of SA (Namibia) (Pty) Ltd					
252	Petroleum Oil and Gas Corporation of South Africa (Pty) Ltd					
253	The Public Protector of South Africa					
254	Tourism , Hospitality & Sport Education and Training Authority					
255	Transport Education and Training Authority (TETA)					
256	Unemployment Insurance Fund					
257	Universal Service and Access Agency of South Africa					
258	Universal Service and Access Fund					
259	War Museum of the Boer Republics					

ANNEXURE 5: Auditees with key findings on supply chain management

No.	Auditee	Limitation on planned scope of audit of awards	Awards to state officials and their close family members	Uncompetitive or unfair procurement processes	Inadequate contract management	Inadequate SCM controls
260	Water Research Commission					
261	Water Trading Account					
262	Wholesale & Retail Sector Education and Training Authority					
263	William Humphreys Art Gallery					
264	Windybrow Theatre					
Public entities (Not audited by the AGSA)						
265	Accounting Standards Board					
266	Air Traffic Navigation Services					
267	Airports Company of SA Limited					
268	Alexkor Limited					
269	Breede River Catchment Management Agency					
270	Broadband Infraco (Pty) Ltd					
271	COEGA Development Corporation (Pty) Ltd					
272	Denel (Pty) Ltd					
273	DBSA - Development Fund					
274	Development Bank of Southern Africa					
275	ESKOM					
276	Estate Agency Affairs Board					
277	Export Credit Insurance Corporation of SA					
278	Housing Development Agency					
279	Industrial Development Corporation of SA					
280	Inkomati Catchment Management Agency					
281	Khula Enterprise Finance Limited					
282	National Economic Development and Labour Council					



ANNEXURE 5: Auditees with key findings on supply chain management

No.	Auditee	Limitation on planned scope of audit of awards	Awards to state officials and their close family members	Uncompetitive or unfair procurement processes	Inadequate contract management	Inadequate SCM controls
283	National Empowerment Fund					
284	National Health Laboratory Service					
285	National Housing Finance Corporation Ltd					
286	National Metrology Institute of SA					
287	National Urban Reconstruction & Housing Agency					
288	Ncera Farms (Pty) Ltd					
289	Pebble Bed Modular Reactor					
290	Perishable Products Export Control Board					
291	Productivity SA					
292	Rural Housing Loan Fund					
293	SA National Accreditation System					
294	SABS Commercial (Pty) Ltd					
295	SASRIA Limited					
296	Sentech Limited					
297	Servcon Housing Solutions (Pty) Ltd					
298	Social Housing Foundation					
299	Social Housing Regulatory Authority					
300	South African Airways (Pty) Limited					
301	South African Broadcasting Corporation					
302	South African Council of Educators					
303	South African Express (Pty) Limited					
304	South African Forestry Company Limited					
305	South African National Space Agency					
306	South African Post Office Limited					
307	Technology Innovation Agency					

ANNEXURE 5: Auditees with key findings on supply chain management

No.	Auditee	Limitation on planned scope of audit of awards	Awards to state officials and their close family members	Uncompetitive or unfair procurement processes	Inadequate contract management	Inadequate SCM controls
308	Telkom Limited					
309	Trans-Caledon Tunnel Authority					
310	Transnet Limited					
311	Umalusi QA on Further Training & Education					



ANNEXURE 6: Auditees with key findings on four IT focus areas

No.	Auditee	Focus Areas			
		IT governance	Security management	User access management	IT service continuity
Departments					
1	Agriculture, Forestry and Fisheries				
2	Arts and Culture				
3	Basic Education				
4	Communications				
5	Cooperative Governance and Traditional Affairs				
6	Correctional Services				
7	Defence				
8	Department of Economic Development				
9	Energy				
10	Environmental Affairs				
11	Health				
12	Higher Education and Training				
13	Home Affairs				
14	Human Settlements				
15	International Relations and Cooperation				
16	Justice and Constitutional Development				
17	Labour				
18	Mineral Resources				
19	Police		Not tested		Not tested
20	Public Enterprises				
21	Public Service and Administration				
22	Public Works				
23	Rural Development and Land Reform				

ANNEXURE 6: Auditees with key findings on four IT focus areas

No.	Auditee	Focus Areas			
		IT governance	Security management	User access management	IT service continuity
24	Science and Technology				
25	Social Development				
26	Sport and Recreation South Africa				
27	Tourism				
28	Trade and Industry				
29	Transport				
30	Water Affairs				
31	Women, Children and Persons with Disabilities				
32	Government Communications and Information System				
33	Independent Complaints Directorate				
34	National Treasury				
35	Public Administration Leadership and Management Academy				
36	Public Service Commission				
37	Statistics South Africa				
38	The Presidency				
Public entities					
36	Africa Institute of South Africa, Pretoria				
37	Agricultural Land Holding Account				
38	Armaments Corporation of South Africa Limited				
39	Armcor Defence Institutes (Pty) Ltd				
40	Artscape				
41	Boxing South Africa				
42	CEF (Pty) Ltd				
43	Chemical Industries Education and Training Authority				



ANNEXURE 6: Auditees with key findings on four IT focus areas

No.	Auditee	Focus Areas			
		IT governance	Security management	User access management	IT service continuity
44	Companies and Intellectual Property Commission				
45	Compensation Fund				
46	Council for Geoscience				
47	Council for Medical Schemes				
48	Council for Scientific and Industrial Research (CSIR)				
49	Council for Mineral Technology (Mintek)				
50	Council on Higher Education				
51	Cross-Border Road Transport Agency				
52	Education Labour Relations Council				
53	Education, Training and Development Practices Sector Education and Training Authority				
54	Energy Sector Education and Training Authority				
55	Film and Publication Board				
56	Financial Intelligence Centre				
57	Food and Beverages Manufacturing Industry Sector Education and Training Authority				
58	Government Pension Administration Agency				
59	Government Printing Works				
60	Guardians Fund				
61	Human Sciences Research Council				
62	Independent Development Trust				
63	Independent Electoral Commission				
64	Iziko Museums of Cape Town				
65	Land and Agricultural Bank of South Africa				
66	Local Government Sector Education and Training Authority				

ANNEXURE 6: Auditees with key findings on four IT focus areas

No.	Auditee	Focus Areas			
		IT governance	Security management	User access management	IT service continuity
67	Marine Living Resources Fund				
68	Media Development and Diversity Agency				
69	Mine Health and Safety Council				
70	National Arts Council of South Africa				
71	National Credit Regulator				
72	National Energy Regulator of South Africa (NERSA)				
73	National Gambling Board of South Africa				
74	National Home Builders Regulatory Council				
75	National Research Foundation				
76	National Student Financial Aid Scheme				
77	National Youth Development Agency				
78	Onderstepoort Biological Products Ltd				
79	Pan South African Language Board				
80	Passenger Rail Agency of South Africa				
81	President's Fund				
82	Public Investment Corporation Limited				
83	Deeds Registration Trading Account				
84	Road Accident Fund				
85	South African Human Rights Commission				
86	South African Maritime Safety Authority				
87	Medical Research Council of South Africa				
88	South African Nuclear Energy Corporation				
89	South African Revenue Services (Administered Revenue)				
90	South African Revenue Services (Own Account)				



ANNEXURE 6: Auditees with key findings on four IT focus areas

No.	Auditee	Focus Areas			
		IT governance	Security management	User access management	IT service continuity
91	Services Sector Education and Training Authority (Services SETA)				
92	Sheltered Employment Factories				
93	South Africa Diamond and Precious Metals Regulator				
94	South Africa Heritage Resources Agency				
95	SA Bureau of Standards (SABS)				
96	South African Local Government Association (SALGA)				
97	South African National Parks				
98	The South African National Roads Agency Limited				
99	South African Qualifications Authority				
100	South African Social Security Agency (SASSA)				
101	South African Tourism				
102	South African Weather Services				
103	Special Investigating Unit				
104	State Diamond Trader				
105	State Information Technology Agency				
106	Commission on Gender Equality				
107	Financial and Fiscal Commission				
108	Independent Communications Authority of South Africa				
109	Petroleum Oil and Gas Corporation of South Africa (Pty) Ltd				
110	The Public Protector of South Africa				
111	Unemployment Insurance Fund				
112	Water Trading Account				

ANNEXURE 7: Awards made to state officials and close family members

Auditee	Awards made to				Non-compliance with regard to awards made							
	Officials		Close family members of officials		Supplier did not declare interest		Official did not declare interest		Official was involved in making award		Non-compliance/irregularity in procurement process	
	Number	R'000	Number	R'000	Number	R'000	Number	R'000	Number	R'000	Number	R'000
Departments												
Department of Arts & Culture	6	56										
Department of Correctional Services	4	944			4	944	4	944				
Department of Defence	24	6 842	14	11 806	35	18 133	35	18 133				
Department of Economic Development	2						2					
Department of Environmental Affairs	1	10										
Department of Home Affairs	48	9 720					48	9 720				
Department of International Relations & Co-operation	2	208					2	208				
Department of Justice & Constitutional Development	3	13					3	13	1	2		
Department of Police	21	1 457			21	1 457						
Department of Public Works	1	641					1	641	1	641	1	641
Department of Rural Development & Land Reform	1	248					1	248				
Department of Social Development	1											
Department of Tourism	2											
Sport and Recreation SA	1						1					
Department of Transport	7	3 117										
Statistics South Africa	1	86					1	86				



ANNEXURE 7: Awards made to state officials and close family members

Auditee	Awards made to				Non-compliance with regard to awards made							
	Officials		Close family members of officials		Supplier did not declare interest		Official did not declare interest		Official was involved in making award		Non-compliance/irregularity in procurement process	
	Number	R'000	Number	R'000	Number	R'000	Number	R'000	Number	R'000	Number	R'000
Public entities												
Agricultural Land Holding Account	1	71			1	71	1	71				
Central Energy Fund (Pty) Ltd (CEF)	9	150							9	150		
Government Pension Administration Agency	5	161					1	161				
Independent Electoral Commission	5	40			5	40	5	40				
Land & Agricultural Bank of SA	5											
Local Government Seta (LGWSETA)	1	10					1	10				
National Home Builders Registration Council			1	30 298			1	30 298	1	30 298		
Passenger Rail Agency of SA	1	2 300										
Private Security Industry Regulatory Authority	2						2					
Property Management Trading Account	1	2 170					1	2 170				
Road Accident Fund	5	132										
SARS - Own Accounts	7	32 763										
South African National Parks	13	3 585					4	322				
South African Social Security Agency	3	56										
South African Weather Service	1											

ANNEXURE 7: Awards made to state officials and close family members

Auditee	Awards made to				Non-compliance with regard to awards made							
	Officials		Close family members of officials		Supplier did not declare interest		Official did not declare interest		Official was involved in making award		Non-compliance/irregularity in procurement process	
	Number	R'000	Number	R'000	Number	R'000	Number	R'000	Number	R'000	Number	R'000
State Information Technology Agency	6	4 652					6	4 652				
Water Trading Account	1	111	3	708								
Total	191	69 544	18	42 813	66	20 645	120	67 718	12	31 092	1	641
Percentage of auditees tested	18%		2%		3%		11%		2%		1%	



ANNEXURE 8: Uncompetitive or unfair procurement process

Auditee	Three written quotations not invited - no deviation approved		Procurement from suppliers without SARS Tax clearance		Competitive bids not invited - no deviation approved		Preference point system not applied		No declaration of interest submitted		No declaration of interest submitted (e.g. SBD4)		Deviations above R1 million not reported to AGSA		Prospective supplier list not administered in accordance with requirements		Three written quotations not invited - approved deviation not reasonable/justified		Other findings	
	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000
Departments																				
Department of Agriculture, Forestry and Fisheries					11	419														
Department of Basic Education			30	81 771					30	81 771										
Department of Communications	1	30															1	50		
Department of Cooperative Governance and Traditional Affairs	6	541	3	1 198															9	17 322
Department of Defence	86	2 980	2	8 293	1	275 560	3	61 678	19	21 453	35	18 133			84	450 186	4	509	67	278 914
Department of Health					3	25 039													4	25 039
Department of Higher Education and Training	5	276					11	1 238	10	748									12	960
Department of Home Affairs	3	8 054							48	9 720										
Department of Human Settlements					2	223					2	86							122	11 718
Department of International Relations and Cooperation			1	58			1	241			9	1 353					12	227	2	27 669
Department of Justice and Constitutional Development	2	308																	9	1 249 992
Department of Labour			1	36			2	77			2	5 000	3	6 216			2	164	18	12 022
Department of Mineral Resources																				

ANNEXURE 8: Uncompetitive or unfair procurement process

Auditee	Three written quotations not invited - no deviation approved		Procurement from suppliers without SARS Tax clearance		Competitive bids not invited - no deviation approved		Preference point system not applied		No declaration of interest submitted		No declaration of interest submitted (e.g. SBD4)		Deviations above R1 million not reported to AGSA		Prospective supplier list not administered in accordance with requirements		Three written quotations not invited - approved deviation not reasonable/justified		Other findings	
	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000
Department of Police									25	31 497							1	29	4	11
Department of Public Works	2	209	12	2 559	1	1 173			27	3 936	2	2 878	4	31 197					29	34 397
Department of Rural Development & Land Reform			2	434	1	2 400														
Department of Social Development																			7	0
Department of Sport & Recreation	4	573	4	728															15	20 089
Department of Trade and Industry																			262	27 506
Department of Water Affairs & Forestry	21	1 384	13	2 342	2	1 340			14	0	14	0							6	6 729
Department of Women, Children and Persons with Disabilities	1	83	4	271																
Government Communication & Information System					1	518														
Statistics South Africa													3	6 288						
The Presidency													1	1 135						
Public entities																				
African Institute of SA							7	314												
Agricultural Land Holding Account	6	1 078																		
Boxing SA	6	491	5	91															19	2 518



ANNEXURE 8: Uncompetitive or unfair procurement process

Auditee	Three written quotations not invited - no deviation approved		Procurement from suppliers without SARS Tax clearance		Competitive bids not invited - no deviation approved		Preference point system not applied		No declaration of interest submitted		No declaration of interest submitted (e.g. SBD4)		Deviations above R1 million not reported to AGSA		Prospective supplier list not administered in accordance with requirements		Three written quotations not invited - approved deviation not reasonable/justified		Other findings	
	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000
Castle Control Board	6	58			2	303														
Chemical Industries Seta (CHIETA)																			1	584
Commission for the Promotion and Protection of the Rights of Cultural Religious and Linguistic Communities			7	630					15	1 884									15	1 884
Compensation Fund	7	434	1	7 393	4	10 068														
Competition Commission	683	90 531																		
Competition Tribunal	2	358																		
Construction Industry Development Board	36	1 287			6	7 622							3	5 968						
Co-operative Banks Development Agency			1	404																
Council for Medical Schemes																			1	1 024
Council on Higher Education																			1	6 212
Cross-Border Road Transport Agency															1	0				
Ditsong: Museums of South Africa			1	40							1	49								
Education Labour Relations Council	1	2 506			1	2 506														

ANNEXURE 8: Uncompetitive or unfair procurement process

Auditee	Three written quotations not invited - no deviation approved		Procurement from suppliers without SARS Tax clearance		Competitive bids not invited - no deviation approved		Preference point system not applied		No declaration of interest submitted		No declaration of interest submitted (e.g. SBD4)		Deviations above R1 million not reported to AGSA		Prospective supplier list not administered in accordance with requirements		Three written quotations not invited - approved deviation not reasonable/justified		Other findings	
	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000
Education Seta (ETDP SETA)											12	9 549								
Energy Seta (ESETA)	8	122																		
Film & Publication Board	1	24																		
Financial Intelligence Centre	6	945			2	2 391	1	1 455	1	410										
Food & Beverages Seta (FOODBEV)																		7	6 122	
Forest Industries Seta (FIETA)	5	376																		
Government Printing Works			1	188														1	7 803	
Health & Welfare Seta (HWSETA)											25	2 760								
Human Science Research Council																	1	81		
Independent Development Trust																		62	427 207	
Independent Electoral Commission					1	71 820	25	1 268	1	58								375	296 784	
Independent Regulatory Board for Auditors			5	503					9	849										
Information Systems Seta (ISETT)							13	1 458			13	1 458								
International Marketing Council																		1	2 044	
Local Government Seta (LGWSETA)									1	10							19	1 354		



ANNEXURE 8: Uncompetitive or unfair procurement process

Auditee	Three written quotations not invited - no deviation approved		Procurement from suppliers without SARS Tax clearance		Competitive bids not invited - no deviation approved		Preference point system not applied		No declaration of interest submitted		No declaration of interest submitted (e.g. SBD4)		Deviations above R1 million not reported to AGSA		Prospective supplier list not administered in accordance with requirements		Three written quotations not invited - approved deviation not reasonable/justified		Other findings	
	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000
Manufacturing & Engineering Seta (MERSETA)			1	183							4	14 633							3	1 042
Market Theatre Foundation			8	1 138			10	6 179	10	6 179									1	520
Media & Publishing Seta (MAPPP SETA)							4	501												
Mine Health and Safety Council	1	64	1	423	1	877														
Municipal Demarcation Board							1	726												
National Arts Council of South Africa																			16	2 797
National Heritage Council	1	37																	2	1 712
National Home Builders Registration Council											8	178 168	3	69 426					4	176 669
National Library of South Africa	2	78	2	68																
National Lotteries Board					4	10 640														
National Nuclear Regulator			3	7 669															4	16 550
National Prosecuting Authority							1	4 000												
National Regulator for Compulsory Specifications					3	5 076														
National Skills Fund					1	744														

ANNEXURE 8: Uncompetitive or unfair procurement process

Auditee	Three written quotations not invited - no deviation approved		Procurement from suppliers without SARS Tax clearance		Competitive bids not invited - no deviation approved		Preference point system not applied		No declaration of interest submitted		No declaration of interest submitted (e.g. SBD4)		Deviations above R1 million not reported to AGSA		Prospective supplier list not administered in accordance with requirements		Three written quotations not invited - approved deviation not reasonable/justified		Other findings	
	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000
National Youth Development Agency	18	11 551			2	24 810	18	11 551			2	8 513	3	103 661			98	26 342	7	31 601
Onderstepoort Biological Products Ltd	17	891			3	1 026														
Passenger Rail Agency of SA	79	8 000			22	29 400					3	0							8	2 641
Pension Funds Adjudicator																			15	1 080
Performing Arts Centre of the Free State	1	88	3	171			2	82												
Private Security Industry Regulatory Authority													1	1 031						
Property Management Trading Entity			14	13 053							34	219 023	5	59 263					43	1 017 703
Railway Safety Regulator	1	40																		
Road Accident Fund																			10	14 755
Road Traffic Infringement Agency	11	1 143																		
Road Traffic Management Corporation			1	64									1	2 299					2	17 000
Robben Island Museum	11	1 508																		
SA Civil Aviation Authority							1	13											12	1 930
SA Human Rights Commission			1	66																



ANNEXURE 8: Uncompetitive or unfair procurement process

Auditee	Three written quotations not invited - no deviation approved		Procurement from suppliers without SARS Tax clearance		Competitive bids not invited - no deviation approved		Preference point system not applied		No declaration of interest submitted		No declaration of interest submitted (e.g. SBD4)		Deviations above R1 million not reported to AGSA		Prospective supplier list not administered in accordance with requirements		Three written quotations not invited - approved deviation not reasonable/justified		Other findings	
	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000
SA Institute for Drug Free Sport	1	103																		
SA Maritime Safety Authority																			2	13 721
SA Medical Research Council					0	0	0	0												
SA Nuclear Energy Corporation (necsa)																	1	77		
Safety & Security Seta	1	125																		
Service Sector Education and Training Authority	24	2 508	28	16 167	4	13 659	24	2 508	24	2 508			4	13 659			24	2 508	4	13 659
Sheltered Employment Factories	75	3 705			149	19 475														
South Africa Diamond and Precious Metals Regulator	2	0			2	0	4	0												
South Africa Heritage Resources Agency	8	489	18	8 054			15	1 242	15	1 242							2	58	3	196
South African Local Government Association			23	7 869			207	24 192												
South African National Parks			1	85	3	5 364					10	47 851					5	349	11	45 814
Special Investigating Unit													1	15 265					5	170
State Information Technology Agency					1	1 166			13	93 419			3	11 713					21	160 702
State Theatre	4	880	1	86																

ANNEXURE 8: Uncompetitive or unfair procurement process

Auditee	Three written quotations not invited - no deviation approved		Procurement from suppliers without SARS Tax clearance		Competitive bids not invited - no deviation approved		Preference point system not applied		No declaration of interest submitted		No declaration of interest submitted (e.g. SBD4)		Deviations above R1 million not reported to AGSA		Prospective supplier list not administered in accordance with requirements		Three written quotations not invited - approved deviation not reasonable/justified		Other findings	
	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000
The Commission on Gender Equality	0	354			0	2 471														
The Financial & Fiscal Commission			1	204																
The Independent Communication Authority SA (ICASA)																		4	5 057	
Tourism & Hospitality Seta (THETA)	5	1 073									14	2 137								
War Museum of the Boer Republics: Bloemfontein	7	573																		
Water Research Commission											10	0								
Windybrow Theatre	2	377	1	57													1	34		
Total	1 169	146 231	200	162 298	233	516 090	350	118 722	262	255 684	200	511 591	35	327 121	85	450 186	171	31 781	1 226	3 989 868
Percentage of auditees tested	37%		29%		24%		17%		14%		16%		11%		2%		11%		38%	
Total number of auditees with findings	43		33		28		20		16		18		13		2		13		44	
Total number of auditees with findings in the focus area	115		115		115		115		115		115		115		115		115		115	



ANNEXURE 9: Inadequate contract management

Auditee	Inadequate contract performance measures and monitoring		Contracts extended or renewed to circumvent competitive bidding processes		No signed contract/ not signed by delegated official		Contracts amended or extended without approval by a delegated official		Payments made in excess of approved contract price (with further approved extensions)		Other findings	
	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000
Departments												
Department of Cooperative Governance and Traditional Affairs			1	238 889								
Department of Defence	4	174	4	15 213					4	140		
Department of Justice and Constitutional Development					2	94 377						
Department of Labour	3	5 737										
Department of Police	7	27 016	1	11 315								
Department of Public Works	2	2 355										
Department of Trade and Industry					1	75						
Department of Water Affairs and Forestry			2	309 827	1	31	4	3 266	7	10 248		
National Treasury							2	8 282				
Statistics South Africa					19	9 565						
Public entities												
Compensation Fund	3	25 656										
Film & Publication Board					1	87						
Financial Intelligence Centre							1	80				
Food & Beverages Seta (FOODBEV)			1	600			4	4 138				
Independent Development Trust	4	12 788			4	12 788						
International Trade Administration Commission (ITAC)							6	97				
National Heritage Council							6	1 121				

ANNEXURE 9: Inadequate contract management

Auditee	Inadequate contract performance measures and monitoring		Contracts extended or renewed to circumvent competitive bidding processes		No signed contract/ not signed by delegated official		Contracts amended or extended without approval by a delegated official		Payments made in excess of approved contract price (with further approved extensions)		Other findings	
	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000
National Youth Development Agency											3	8 878
Ports Regulator of South Africa					1	948						
Property Management Trading Entity			89	18 710					14	1 242 926	2	24 754
Robben Island Museum					16	27 616						
SA Civil Aviation Authority			6	1 785								
SAMAF							1	107				
Service Sector Education and Training Authority			3	11 808								
State Information Technology Agency	18	44 734										
The Financial & Fiscal Commission			1	578								
Total	41	118 461	108	608 725	45	145 488	24	17 092	25	1 253 314	5	33 632
% of auditees tested	22%		28%		25%		22%		9%		6%	
Total number of auditees with findings	7		9		8		7		3		2	
Total number of auditees with findings in the focus area	32		32		32		32		32		32	



ANNEXURE 10: Inadequate SCM controls

Auditee	No SCM policy	Fraud prevention plan – no measures for preventing and detecting fraud in procurement	Inadequate controls for vendor acceptance and maintenance	Inadequate controls to ensure the interest is declared	Inadequate segregation of duties	Other controls
Departments						
Department of Cooperative Government and Traditional Affairs						1
Department of Correctional Services						
Department of Defence				1	1	1
Department of Health						1
Department of Higher Education and Training						1
Department of Labour						1
Department of Public Works			1	1		1
Department of Social Development			1			
Department of Sport and Recreation				1		1
Public entities						
Agricultural Land Holding Account				1		
Boxing SA	1	1			1	1
Compensation Fund		1	1			1
Competition Commission				1		
Competition Tribunal				1		
Council for Medical Schemes		1				
Council for Scientific & Industrial Research					1	
Ditsong: Museums of South Africa						1
Financial Intelligence Centre				1		1
International Trade Administration Commission (ITAC)				1		

ANNEXURE 10: Inadequate SCM controls

Auditee	No SCM policy	Fraud prevention plan – no measures for preventing and detecting fraud in procurement	Inadequate controls for vendor acceptance and maintenance	Inadequate controls to ensure the interest is declared	Inadequate segregation of duties	Other controls
National Consumer Tribunal				1		
National Youth Development Agency						1
Performing Arts Centre of the Free State				1		
Property Management Trading Entity				1		1
Road Traffic Infringement Agency	1					
Safety & Security Seta						1
South Africa Heritage Resources Agency						1
South African National Biodiversity Institute				1		
State Theatre	1					
Technology Innovation Agency (TIA)						
Water Trading Account			1		1	1
Total	3	3	4	12	4	16
Percentage of auditees tested	10%	10%	13%	40%	13%	53%

Total number of auditees with findings in the focus area	30	30	30	30	30	30
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