



GENERAL REPORT
on the provincial audit outcomes of **LIMPOPO**
2008-09



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



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Our reputation promise/mission

"The Auditor-General of South Africa 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."



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SECTION 1: FOREWORD

It gives me great pleasure to present my 2008-09 general report to the provincial legislature, summarising the results of the audit outcomes of the provincial legislature, provincial departments, provincial public entities and other entities in Limpopo for the financial year ended 31 March 2009.

This report highlights the encouraging trend of the timely submission and auditing of all departments, entities and the provincial legislature for the year 2008-09. The provincial legislature maintained its qualified audit opinion. For departments, the report reflects a significant improvement in unqualified audit opinions in 2008-09 to 67% (2007-08: 33%), while entities reflect a regression in unqualified opinions to 50% (2007-08: 75%).

A significant improvement has been made by the Urban Transport Fund, which has improved from qualified to financially unqualified with no other matters since the year ended March 2008. The improvement in the outcome of departments is attributable to the visible leadership commitments that were championed by the Premier in responding to the audit messages.

Asset management and the compilation of asset registers remain a challenge in the province and especially so at the Departments of Education and Health. The legislature did not manage to deal with the previous year's qualification on assets. All four qualified departments received, amongst others, qualifications on assets, while both the public entities in the undesirable audit categories had similar issues on assets. The Provincial Treasury, together with the National Treasury, will be introducing the Integrated Financial Management System, which will include an asset management system for the province. This system will be phased in from the 2009-10 financial year at four of the departments in the province that have yet to be identified. Information to be taken on in the system, should be correct and I therefore encourage the departments and entities to implement initiatives to ensure that their asset information is correct.

The attainment of clean audit reports by all government departments and entities is a milestone I encourage and support the province to concentrate on. I am confident that it is possible to obtain clean audit reports if (i) chief financial officers observe the basics of financial reporting and related internal control systems, (ii) audit committees and internal audit enhance the identification of key risks and key controls as well as monitor their management, and (iii) on the basis of monthly financial reports and risk management reports, the leadership is empowered to exercise effective monitoring of results and set the correct tone for the performance of the province.

The warning signals that I highlighted in my audit reports continue to be obstacles in the attainment of clean audits. These were found in the areas of human resource management, information systems, non-compliance with laws and regulations, and material misstatements that were rectified at the time of the audit. In this regard, it is important to stress that the role of chief financial officers, audit committees and internal auditors as well as the leadership, as described above, remains relevant as a solution to the elimination of these signals that could result in a regression of audit outcomes if not adequately addressed.

With the exception of a few departments, this report further highlights areas where the service delivery information included in the annual reports of most departments and public entities was not credible or accurate.



Through my continued commitment to simpler, clearer and relevant reporting as well as the visibility of my audit teams, I will support and guide the executive and legislature through the various portfolio committees, including the Standing Committee on Public Accounts, to work towards achieving clean audit opinions.

In conclusion, I wish to thank the audit teams from my office and the audit firms that assisted in Limpopo for their diligent efforts towards fulfilling our constitutional mandate and the manner in which they continue to strengthen the cooperation with the leadership of the province.

Together we will continue to make every effort to collaborate in order to contribute towards strengthening our country's democracy.



Auditor-General

Pretoria

November 2009



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SECTION 2: EXECUTIVE SUMMARY

The executive summary below contains key findings and conclusions reached on each of the main sections of this report.

2.1 Audit outcomes for 2008-09

The net movement in the respective audit opinions for the legislature, departments and entities from the 2007-08 financial year was as follows: unchanged = 9; improvements = 5; regressions = 4.

Legislature

The legislature's audit opinion remained qualified and no improvement was noted.

Provincial departments

Unchanged: Six departments had no change in their audit outcome (Public Works; Health; Education; Social Development; Sports, Arts and Culture; and Office of the Premier).

Improvements: Four departments managed to achieve better outcomes than in the year before (Economic Development; Environment and Tourism; Local Government and Housing; Roads and Transport; and Provincial Treasury).

Regressions: Unfortunately two departments regressed as their audit outcomes are worse than in the previous year (Agriculture; and Safety, Security and Liaison).

No departments received a clean audit opinion for 2008-09 and a concerted effort by the leadership would be required to address this challenge.

Provincial entities

Unchanged: Two entities, the Roads Agency Limpopo and the Limpopo Gambling Board, had no change in audit outcome.

Improvement: One entity, the Urban Transport Fund, had an improvement in audit outcome and received a clean audit opinion for 2008-09.

Regressions: Two entities, Gateway Airports Authority Limited and the Limpopo Tourism and Parks Board, had a regression in audit outcome.

Entities not reported on

- **Limpopo Housing Board:** The annual financial statements were incorrectly compiled. Corrected financial statements have been received for three financial years and the audit is expected to be completed by 31 October 2009.
- **Limpopo Tribal and Trust Fund:** The submission of annual financial statements is 11 years in arrears.

Improvements in audit outcomes

The improvements can be attributed to the involvement and participation of the departments in the asset steering committee and increased oversight/monitoring by the leadership.

Regressions in audit outcomes

The main reason for the regressions is the poor quality of financial statements and financial information in both the asset units and the finance units of the departments and the entities, as well as the lack of day-to-day monitoring by the leadership to ensure that internal controls are operating effectively. The ineffectiveness of internal audit also contributed to the regressions.

Reasons for lack of change in qualified opinions

The manual asset registers require a very strict monitoring process.

Entities not audited

I have opted not to audit the following four provincial entities in terms of section 4(3) of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA):

- Agricultural and Rural Development Corporation Limited
- Limpopo Business Support Agency
- Limpopo Economic Development Enterprise
- Trade and Investment Limpopo

Five-year review

Generally, there has been a deterioration in the audit outcomes since 2004-05. Departments and the legislature were required to implement accounting reforms on capital assets subsequent to 2004-05. The subsequent implementation of these reforms was a major challenge for the provincial departments and the legislature in the province, which resulted in an increase in qualifications, specifically in this area, to the extent that for 2006-07 all 12 departments and the legislature had a qualification on assets. This was further aggravated by the total breakdown of the asset system in the province and the fact that manual registers had to be implemented.

2.2 Key systemic issues

There has been a significant improvement in the audit outcomes of provincial departments during the year under review. Eight provincial departments received a qualified audit opinion in the previous year compared to five in the current year.

Initiatives in the Limpopo Province that contributed to improved audit outcomes at departments include the following:

- Departmental leadership's involvement at audit steering committee meetings, during the entire audit process in some cases.
- Ongoing interactions between the Auditor-General of South Africa (AGSA) and departments, including the executive, on audit progress.

- Improved filing of supporting documentation to ensure that there was a clear audit trail of transactions and balances in the accounting records.
- Improved communication structures that ensured a timely response to, and resolution of, audit findings.

With regard to the operation clean audit project to achieve clean audit opinions by 2014, the MEC of Finance committed this province to work towards achieving this milestone by 2012.

2.3 Audit qualification areas and root causes

The findings leading to the financial qualifications and other matters are common to the provincial legislature, departments, public entities and other entities. The majority of audit findings at the provincial legislature and provincial departments that were qualified resulted from issues relating to asset management.

The provincial legislature was qualified in respect of asset management.

Departments were qualified in respect of asset management, compensation of employees, expenditure for goods and services, expenditure for capital assets, and receivables for departmental revenue.

Provincial entities regressed in their audit outcomes, with an additional qualification in the current year. Provincial entities were qualified on asset management, consolidations, deferred and other income, unauthorised expenditure, and fruitless and wasteful expenditure.

The root causes of the shortcomings identified in the audit reports are primarily the following:

- Lack of commitment in implementing action plans to address prior year audit findings.
- Inadequate oversight over, or monitoring of, financial reporting and internal control.

2.4 Other matters requiring attention

In addition to the financial qualifications, the majority of entities had shortcomings relating to the following:

- **Human resources (100%):** The majority of findings emanated from poor leave administration and the record keeping thereof. In the absence of regular monitoring of leave and leave records, no reconciliations were performed to ensure that leave records were up to date. It was evident that there was a lack of understanding of human resource practices and prescripts. The provincial legislature is excluded from this finding.
- **Information system weaknesses (100%):** Access controls and compensating controls were tested during the audits. Inappropriate and unauthorised access could result in inaccurate financial and performance-related information being provided to management. Furthermore, it could allow information systems to be used to perpetrate theft and fraud. Governance arrangements did not afford sufficient priority to information system issues. This finding excludes the Department of Sports, Arts and Culture.
- **Non-compliance with applicable legislation (68%):** This related mainly to the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), Treasury Regulations and other enabling legislation. Entities' non-compliance with applicable legislation has deteriorated from the previous year, when only 38% were reported on as non-compliant. A lack of understanding and the incorrect interpretation of applicable legislation resulted in non-compliance with laws and regulations.

- **Financial statements submitted for auditing required material adjustments during the audit:** Sixty-seven per cent of the departments, the legislature and all the entities had to make adjustments to their financial statements in order to avoid further qualifications.

2.5 Audits of performance information

With regard to performance information submitted by the provincial legislature, departments and entities, the following matters generally need to be addressed:

- Non-compliance with regulatory requirements.
- The usefulness of reported performance information.
- Reported performance information not reliable.

The incidence of key findings resulting from the audit of performance information is detailed in section 9 of this report.

The leadership of the province should implement processes to ensure greater credibility of performance information, as it reflects the service delivery achievements of the provincial government.

The legislature, provincial departments and entities should make full use of the opportunity in 2009-10 to prepare for the audit opinion that is to be expressed on the performance information presented in their annual reports in future.

SECTION 3: AUDIT OUTCOMES FOR 2008-09

3.1 Status of completion of audits for the year ended March 2009

The Limpopo Provincial Government comprises the provincial legislature, 12 departments, nine provincial entities (of which the Auditor-General (AG) has opted to audit five in terms of section 4(3) of the PAA) and two provincial other entities. This report presents the 2008-09 audit outcomes of the provincial legislature, 12 departments, four provincial entities and one provincial other entity.

Table 1: Status of completion of the 2008-09 audits

Entity	Total	Audits completed	Audits outstanding	% of completion
Provincial legislature	1	1	0	100%
Provincial departments	12	12	0	100%
Provincial public entities	5	4	1	92%
Provincial other entities	2	1	1	89%
Total number of entities	20	18	2	95%

3.2 Entities not being reported on

Listed below are the names of those provincial public entities and other entities audited by the AG of which the 2008-09 audit outcomes have not been included in this report and the reasons for such non-inclusion.

Table 2: Provincial entities and provincial other entities not being reported on

Entity	Reasons/Causes for non-inclusion in 2008-09 general report	Expected date of completion
Limpopo Housing Board	The annual financial statements were incorrectly compiled and included transactions relating to the Department of Local Government and Housing. The annual financial statements for 2005-06, 2006-07, 2007-08 and 2008-09 have now been submitted and are being audited.	31 October 2009
Limpopo Tribal and Trust Account	The submission of annual financial statements is 11 years in arrears. The last annual financial statements that were submitted and audited were for the year ended 31 March 1998. There is a period of approximately five years for which financial records are not available. This matter has been referred to the National Treasury for assistance and guidance.	Uncertain

Tables 3(a) to 3(d) below present the 2008-09 audit outcomes of the Limpopo Province. Details of specific qualification areas relating to the statement of financial position and the statement of financial performance are provided under section 5 of this report.

3.3 Audit outcomes of the provincial legislature

Table 3(a): Audit opinions on the provincial legislature for the current and previous financial years

Type of audit opinion	2008-09		2007-08	
	Number	%	Number	%
Disclaimer	0	0%	0	0%
Adverse	0	0%	0	0%
Qualified	1	100%	1	100%
Financially unqualified (with other matters)	0	0%	0	0%
Financially unqualified (with no other matters)	0	0%	0	0%
Total reported on	1	100%	1	100%
Total not reported on	0	0%	0	0%
Total entities	1	100%	1	100%

The audit opinion on the provincial legislature has remained the same from the previous financial year. This is due to the fact that the legislature had no action plans to address the previous year's audit findings and no effort was made to resolve this issue. Furthermore, the manual asset registers required a very strict monitoring process. As a result, the existence, completeness and valuation of tangible capital assets could not be verified.

3.4 Audit outcomes of provincial departments

Table 3(b): Audit opinions on provincial departments for the current and previous financial years

Type of audit opinion	2008-09		2007-08	
	Number	%	Number	%
Disclaimer	0	0%	0	0%
Adverse	0	0%	0	0%
Qualified	4	33%	7	58%
Financially unqualified (with other matters)	8	67%	4	33%
Financially unqualified (with no other matters)	0	0%	1	8%
Total reported on	12	100%	12	100%
Total not reported on	0	0%	0	0%
Total entities	12	100%	12	100%



Significant improvement has been made in the Limpopo Province insofar as the financial qualifications are concerned, with only four departments (33%) being qualified in 2008-09 versus seven (58%) in 2007-08.

All 12 departments are being reported on. Of these, four registered improved audit outcomes, two regressed and six registered the same audit outcomes as for the year ended March 2008. Details are as follows:

- **Improvements** (four): The Departments of Economic Development, Environment and Tourism; Local Government and Housing; Provincial Treasury; and Roads and Transport improved from qualified to financially unqualified with other matters.
- **Regressions** (two): One department, namely Agriculture, regressed from financially unqualified with other matters to qualified; while a second, namely Safety, Security and Liaison, regressed from financially unqualified with no other matters to financially unqualified with other matters. The main reason for the regressions was the poor quality of financial statements and financial information in the asset and finance units as well as the lack of day-to-day monitoring by the leadership to ensure that internal controls were operating effectively. The ineffectiveness of internal audit also contributed to the regressions.
- **Unchanged** (six): The audit outcomes of six departments, namely Education; Health; Office of the Premier; Public Works; Social Development; and Sports, Arts and Culture, remained unchanged from the year ended March 2008. Three (Office of the Premier; Social Development; and Sports, Arts and Culture) were financially unqualified with other matters and three (Education; Health; and Public Works) were financially qualified. There were no action plans to address and monitor prior year audit findings.

3.5 Audit outcomes of provincial public entities

Table 3(c): Audit opinions on provincial public entities for the current and previous financial years

Type of audit opinion	2008-09		2007-08	
	Number	%	Number	%
Disclaimer	1	25%	0	0%
Adverse	0	0%	0	0%
Qualified	1	25%	1	25%
Financially unqualified (with other matters)	2	50%	3	75%
Financially unqualified (with no other matters)	0	0%	0	0%
Total reported on	4	100%	4	100%
Total not reported on	1	20%	1	20%
Total entities	5	100%	5	100%

There has been a regression by provincial entities in the Limpopo Province insofar as the financial qualifications are concerned, with one qualification and one disclaimer (50%) in 2008-09 versus one qualification (25%) in 2007-08.

The Limpopo Provincial Government comprises nine public entities. The AG opted to audit five of the nine public entities in terms of section 4(3) of the PAA.

Four public entities are being reported on, of which two regressed and two registered the same audit outcomes as for the year ended March 2008. Details are as follows:

- **Regressions** (two): One entity, namely Gateway Airports Authority Limited, regressed from financially unqualified with other matters to qualified. Transactions affecting the entity were not correctly interpreted and accounted for in the financial statements in terms of the requirements in the accounting standards.
- A second entity, the Limpopo Parks and Tourism Board, regressed from a qualified opinion to a disclaimer in the year under review. Entities were transferred from the Limpopo Development Corporation to the Limpopo Tourism and Parks Board at year-end. In terms of the applicable accounting standards, these entities should have been consolidated in the accounting records of the entity. This was not done. The entities transferred from the Limpopo Development Corporation did not prepare financial statements at year-end and the impact of the uncertainty resulted in the disclaimer.
- **Unchanged** (two): The audit outcomes of two entities, namely the Limpopo Gambling Board and the Roads Agency Limpopo, remained unchanged from the financial year ended 31 March 2008 (financially unqualified with other matters).

3.6 Audit outcomes of provincial other entities

Table 3(d): Audit opinions on provincial other entities for the current and previous financial years

Type of audit opinion	2008-09		2007-08	
	Number	%	Number	%
Disclaimer	0	0%	0	0%
Adverse	0	0%	0	0%
Qualified	0	0%	1	100%
Financially unqualified (with other matters)	0	0%	0	0%
Financially unqualified (with no other matters)	1	100%	0	0%
Total reported on	1	100%	1	100%
Total not reported on	1	50%	1	50%
Total entities	2	100%	2	100%

Significant improvement has been made, as the Urban Transport Fund has improved from qualified to financially unqualified with no other matters since the year ended March 2008.

The Limpopo Provincial Government comprises two other entities, namely the Urban Transport Fund and the Limpopo Tribal and Trust Account. As explained in section 3.2 above, this report does not include audit outcomes for the Limpopo Tribal and Trust Account. The Urban Transport Fund is funded by the National Urban Transport Fund and the national Department of Transport. The funding is earmarked for specific purposes relating to public transport.



3.7 Five-year review of audit outcomes

Table 4: Comparison between the 2008-09 and 2004-05 audit outcomes

Type of audit opinion	Departments		Entities		Provincial legislature	
	2008-09	2004-05	2008-09	2004-05	2008-09	2004-05
Disclaimer	0	0	1	0	0	0
Adverse	0	0	0	0	0	0
Qualified	4	2	1	0	1	0
Financially unqualified (with other matters)	8	9	2	1	0	1
Financially unqualified (with no other matters)	0	0	1	2	0	0
Total reported on	12	11	5	3	1	1
Total not reported on	0	0	2	2	0	0
Total entities	12*	11	7**	5	1	1

*** Increase in number of departments:**

In 2004-05 the Department of Economic Development and the Provincial Treasury had operated as one department, namely Finance and Economic Development.

During the 2005-06 financial year the department separated into two different votes.

**** Increase in number of public entities:**

As from the 2007-08 financial year the AGSA opted to audit two additional public entities, namely the Limpopo Tourism and Parks Board and Gateway Airports Authority Limited, which were previously excluded in terms of section 4(3) of the PAA.

There were insignificant changes in the province for the last five years. Departments and the legislature were required to implement accounting reforms on capital assets subsequent to 2004-05. The subsequent implementation of these reforms was a major challenge for the provincial departments and the legislature in the province, which resulted in an increase in qualifications, specifically in this area, to the extent that for 2006-07 all 12 departments and the legislature had a qualification on assets. This was further aggravated by the total breakdown of the asset system in the province and the fact that manual registers had to be implemented.

SECTION 4: KEY SYSTEMIC ISSUES

Audit outcomes can be – and are – influenced by a number of role players in addition to the management of individual entities. This section of the report gives an overview of the commitments and contributions of key role players, particularly with regard to key systemic issues impacting on financial management and accounting.

4.1 Impact of commitments and initiatives of the executive

The majority of departments compiled action plans based on prior year audit reports and management reports. The Provincial Treasury has also proactively assisted departments to improve their financial management practices, resulting in improved audit outcomes for the province.

The improved audit outcomes in Limpopo can be attributed, inter alia, to the following actions within the province:

- The involvement at audit steering committee meetings by the leadership of the departments during the entire audit process.
- Ongoing interactions between the departments, including the executive, and the AGSA on audit progress.
- Effective filing mechanisms of supporting documentation to ensure that there was a clear audit trail of transactions and balances in the accounting records.
- Effective communication structures were in place to timeously respond to and resolve audit findings.

With regard to the operation clean audit project to achieve clean audit opinions by 2014, the MEC of Finance committed the province to work towards achieving this milestone by 2012.

4.2 Impact of initiatives of other role players

Other role players contributed as follows:

- The presence of internal audit during the audit steering committee meetings was evident throughout the audit process.
- The Provincial Treasury hosted monthly technical forums. These forums primarily focused on discussing and resolving technical issues pertaining to financial reporting, including the identification of transversal risks and identifying methods to resolve them. However, it is important that the provincial accountant-general takes timeous initiatives to address the issues identified and raised by the chief financial officers during the meetings.
- The Provincial Treasury assisted the legislature and departments in strengthening controls over asset management.
- The National Treasury hosted a PFMA session, which included all chief financial officers and provincial accountants-general, to discuss technical issues pertaining to financial reporting.
- The AGSA conducted a presentation to assist the provincial legislature and departments in obtaining an understanding of the preparation of performance information reports for audit review. Chief financial officers of all entities in the province were invited to attend this presentation.

4.3 Accounting reforms

The recording and valuation of immovable assets in the annual financial statements of departments are expected to receive significant attention in the year ahead. The accurate recording of immovable assets



is dependent on a complete and accurate provincial immovable asset register. A project plan for the development of this register is required to ensure the accurate recording and valuation of immovable assets in the financial statements for the year ended 31 March 2010. At the date of this report, appropriate attention was being given to the provincial immovable asset register.

There are numerous Generally Recognised Accounting Practice and International Financial Reporting Standards that will become applicable to the public entities in future periods.

SECTION 5: ANALYSIS OF AUDIT QUALIFICATION AREAS AND ROOT CAUSES

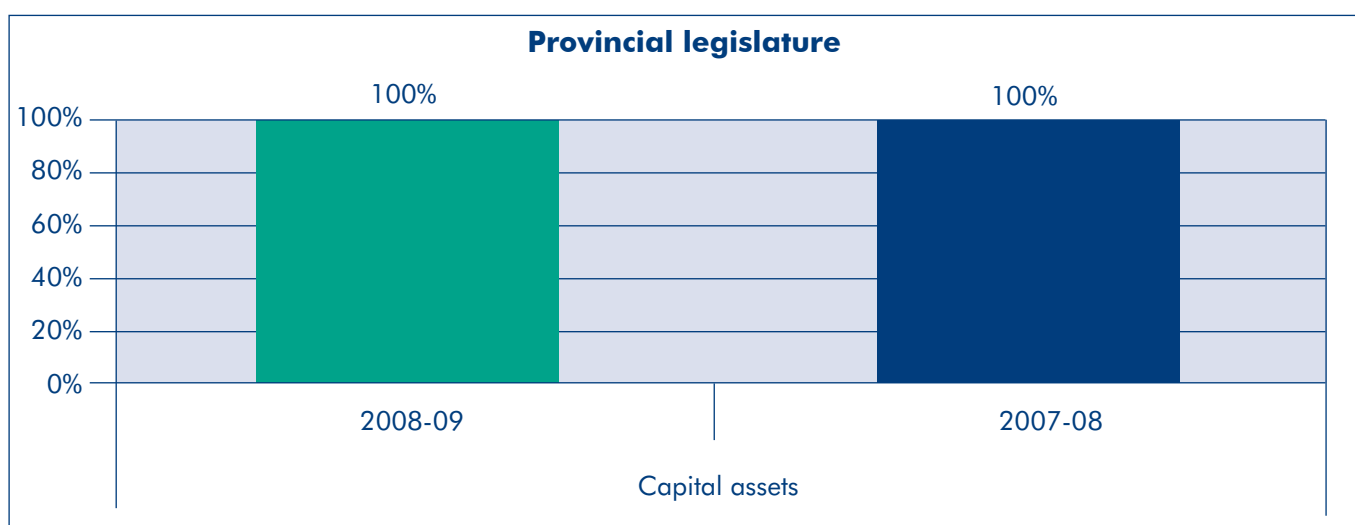
This section of the report provides details on specific areas of the statement of financial performance and statement of financial position of entities that attracted qualified audit opinions. Details are provided under separate headings for the provincial legislature, provincial departments, provincial entities and provincial other entities. An analysis is also provided of root causes of qualifications.

5.1 Provincial legislature

5.1.1 Areas qualified in the statement of financial position and statement of financial performance: provincial legislature

Figure 1(a) below provides a breakdown of those statement of financial position findings that gave rise to a qualified audit opinion. Details of the nature of qualifications are provided for those qualification areas where these percentages exceed 50%.

Figure 1(a): Areas qualified in the statement of financial position: provincial legislature (qualified)



Analysis of areas qualified

- Capital assets:** The main drivers for the audit qualification were a lack of information to verify the valuation of movable capital assets, incomplete asset registers, and untraceable assets. Capital assets remained a challenge due to the implementation of a manual asset register since the breakdown of the asset management software. During the previous financial year, the provincial legislature was also qualified on assets. There was a lack of understanding on the part of the asset management staff on how to correctly compile and maintain the manual asset register. The susceptibility of assets to theft and misuse was considered as a possible fraud risk during the audit.

Recommendation

- The Provincial Treasury, together with the National Treasury, will be introducing the Integrated Financial Management System, which will serve as an asset management system for the province. This system will be phased in from the 2009-10 financial year at four of the departments in the province that have yet to be identified.
- Staff in the asset management unit should be adequately trained.
- Treasury should introduce separate notes to model annual financial statements on movable and immovable assets.
- Internal audit should focus on monitoring the asset register.

5.1.2 Provincial legislature: areas qualified in the statement of financial performance

No findings on the statement of financial performance gave rise to the qualified audit opinion.

5.1.3 Provincial legislature: analysis of root causes for qualifications

Provincial legislature (area of concern: capital assets)

Root causes of the situation at the provincial legislature:

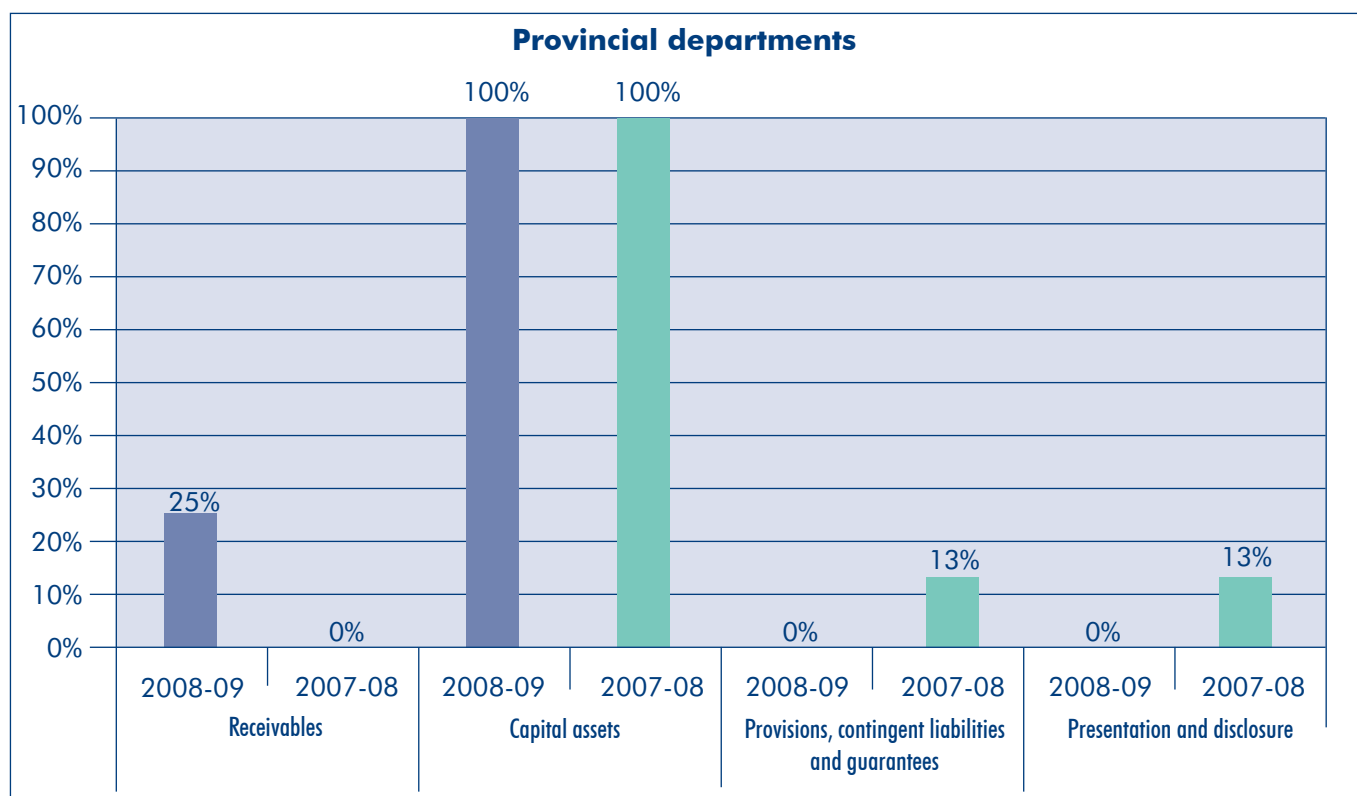
- Ineffective internal audit function.
- Inadequate leadership oversight by the accounting officer.
- Lack of coordination between asset management and finance units.
- No regular monitoring and supervision of the manual asset register, which meant that no work had been done on the asset register since the last audit.

5.2 Provincial departments

5.2.1 Provincial departments: areas qualified in the statement of financial position

Figure 2(a) below provides a breakdown of those statement of financial position findings that gave rise to qualified audit opinions. The graph depicts the number of departments that had qualified audit opinions in key areas of their statement of financial position. Details of the nature of qualifications are provided for those qualification areas where these percentages exceed 50%.

Figure 2(a): Areas qualified in the statement of financial position: provincial departments (four departments qualified)



Analysis of areas qualified

- **Capital assets (four):** The highest occurrence of audit qualifications for departments related to both movable and immovable capital assets. The main drivers of audit qualifications were the lack of information to verify the valuation of capital assets, incomplete asset registers, untraceable assets, and the absence of title deeds. Furthermore, due to these main drivers, the implementation of the Government Immovable Asset Management Act (GIAMA) process at the Department of Public Works could not be substantiated. The susceptibility of assets to theft and misuse was considered as a possible fraud risk across all the departments in the province.

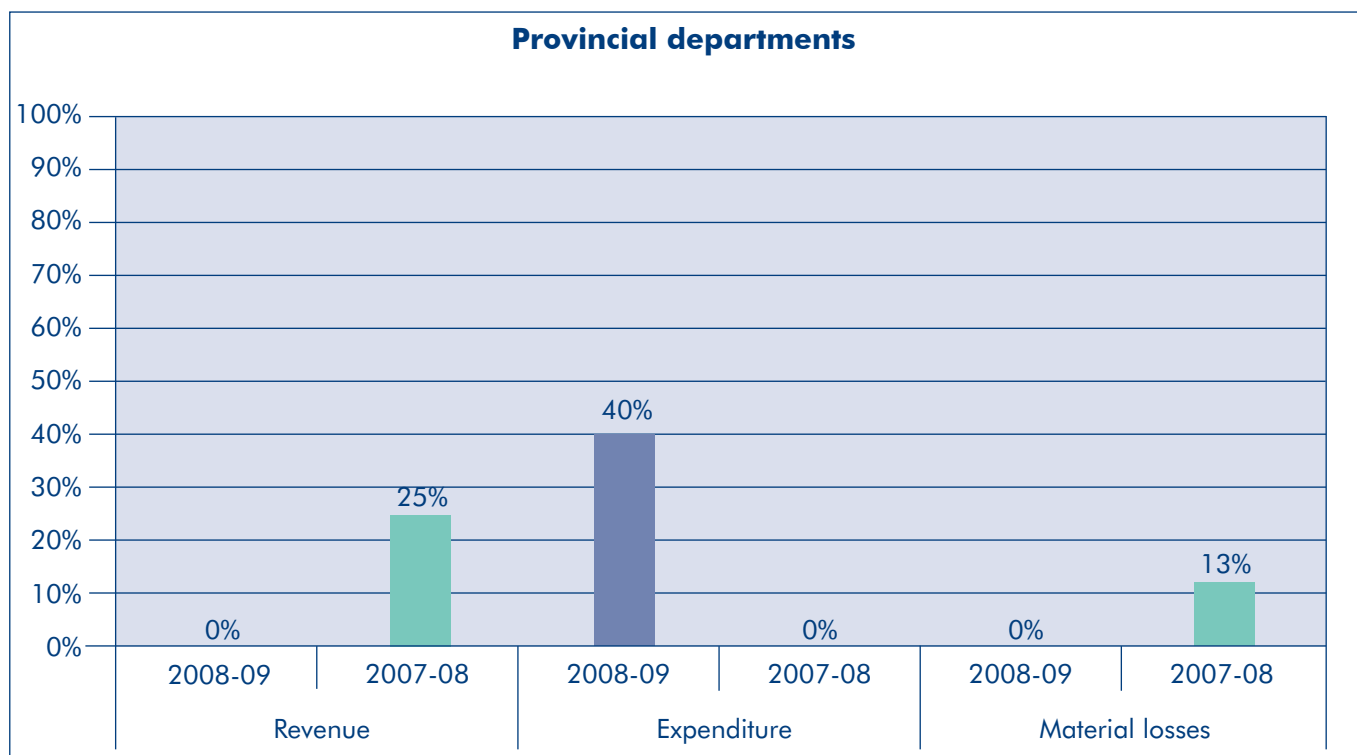
Recommendation

- The Provincial Treasury, together with the National Treasury, will be introducing the Integrated Financial Management System, which will serve as an asset management system for the province. This system will be phased in from the 2009-10 financial year at four of the departments in the province that have yet to be identified.
- Staff in asset management units should be adequately trained.
- Treasury should introduce separate notes to model annual financial statements on movable and immovable assets.
- Internal audit should focus on monitoring the asset registers.

5.2.2 Provincial departments: areas qualified in the statement of financial performance

Figure 2(b) below provides a breakdown of those statement of financial performance findings that gave rise to qualified audit opinions. It indicates the percentage of departments that were qualified per income statement areas. Details of the nature of qualifications are provided for those qualification areas where percentages exceed 50%.

Figure 2(b): Areas qualified in the statement of financial performance: provincial departments



Analysis of areas qualified

- Expenditure:** Documentation supporting transactions in the accounting records could not be provided at the Department of Education, due to the lack of proper filing systems to ensure that all documentation was adequately safeguarded. At the Department of Health, the current year expenditure on assets could not be reconciled to the asset register, due to misclassifications between the minor and major assets.

Recommendation

- Reconciliations between the accounting records and the asset register should be performed on a monthly basis.
- Proper filing systems should be implemented to ensure that documentation is safeguarded and readily available.

5.2.3 Provincial departments: analysis of root causes for qualifications

The qualifications received by departments can be attributed to a lack of commitment in implementing

action plans to address prior year audit findings. The root causes identified for each department qualified are highlighted below:

Department of Education (areas of concern: capital assets and expenditure)

Root causes of the situation at Education:

- Ineffective internal audit function.
- Inadequate leadership oversight by the accounting officer.
- Inadequate filing systems to ensure that documentation was safeguarded and available.
- Lack of coordination between asset management and finance units.
- No regular monitoring and supervision of the manual asset register since its implementation.

Department of Health (areas of concern: capital assets, current assets and expenditure)

Root causes of the situation at Health:

- Ineffective internal audit function.
- Inadequate leadership oversight by the accounting officer.
- Lack of coordination between asset management and finance units.
- No regular monitoring and supervision of the manual asset register since its implementation.

Department of Public Works (area of concern: capital assets)

Root causes of the situation at Public Works:

- Ineffective internal audit function.
- Inadequate leadership oversight by the accounting officer.
- Lack of coordination between asset management and finance units. As a result, the challenge in accounting for immovable assets in terms of the GIAMA process was too big to complete the task in time.
- No regular monitoring and supervision of the manual asset register since its implementation.

Department of Agriculture (area of concern: capital assets)

Root causes of the situation at Agriculture:

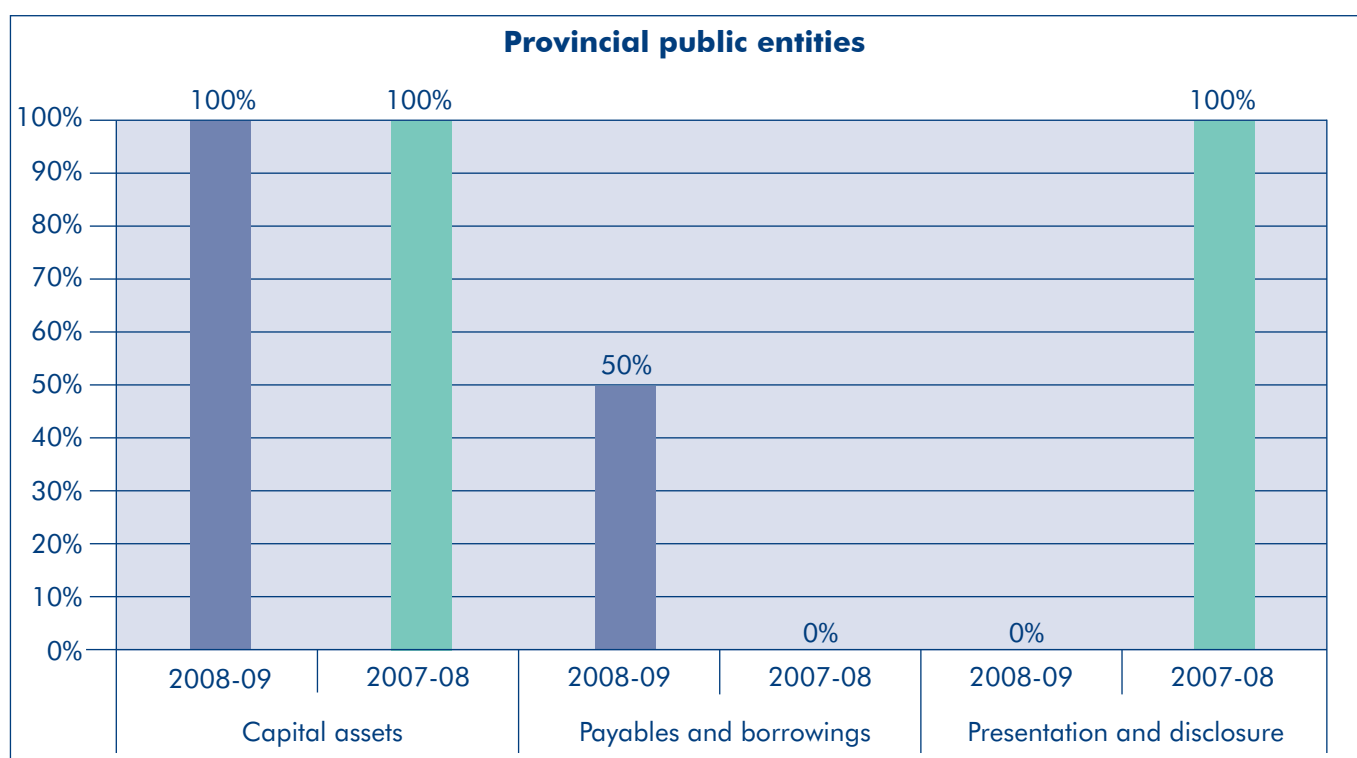
- Ineffective internal audit function.
- Inadequate leadership oversight by the accounting officer.
- Lack of coordination between asset management and finance units.
- No regular monitoring and supervision of the manual asset register since its implementation, to ensure that the asset register was updated and maintained.
- Regular reconciliations were not performed to ensure the completeness and accuracy of the asset register from the prior year.

5.3 Provincial public entities

5.3.1 Provincial entities: areas qualified in the statement of financial position

Figure 3(a) below provides a breakdown of those statement of financial position findings that gave rise to qualified audit opinions. The graph depicts the number of entities that had qualified audit opinions in key areas of their statement of financial position. Details of the nature of qualifications are provided for those qualification areas where these percentages exceed 50%.

Figure 3(a): Areas qualified in the statement of financial position: provincial entities (two provincial entities qualified)



Analysis of areas qualified

- **Capital assets** (two): The highest occurrence of audit qualifications for entities related to capital assets, which includes both movable and immovable assets. The main drivers of audit qualifications were the lack of information to verify the valuation of property, plant and equipment, incomplete asset registers, untraceable assets, absence of title deeds, no assessment of useful lives and residual values, and non-compliance with International Accounting Standard 16. The susceptibility of assets to theft and misuse was considered as a possible fraud risk during the audits.
- **Liabilities:** The accounting principles contained in the accounting standards (GRAP) were incorrectly applied in respect of the recognition principles for deferred income.

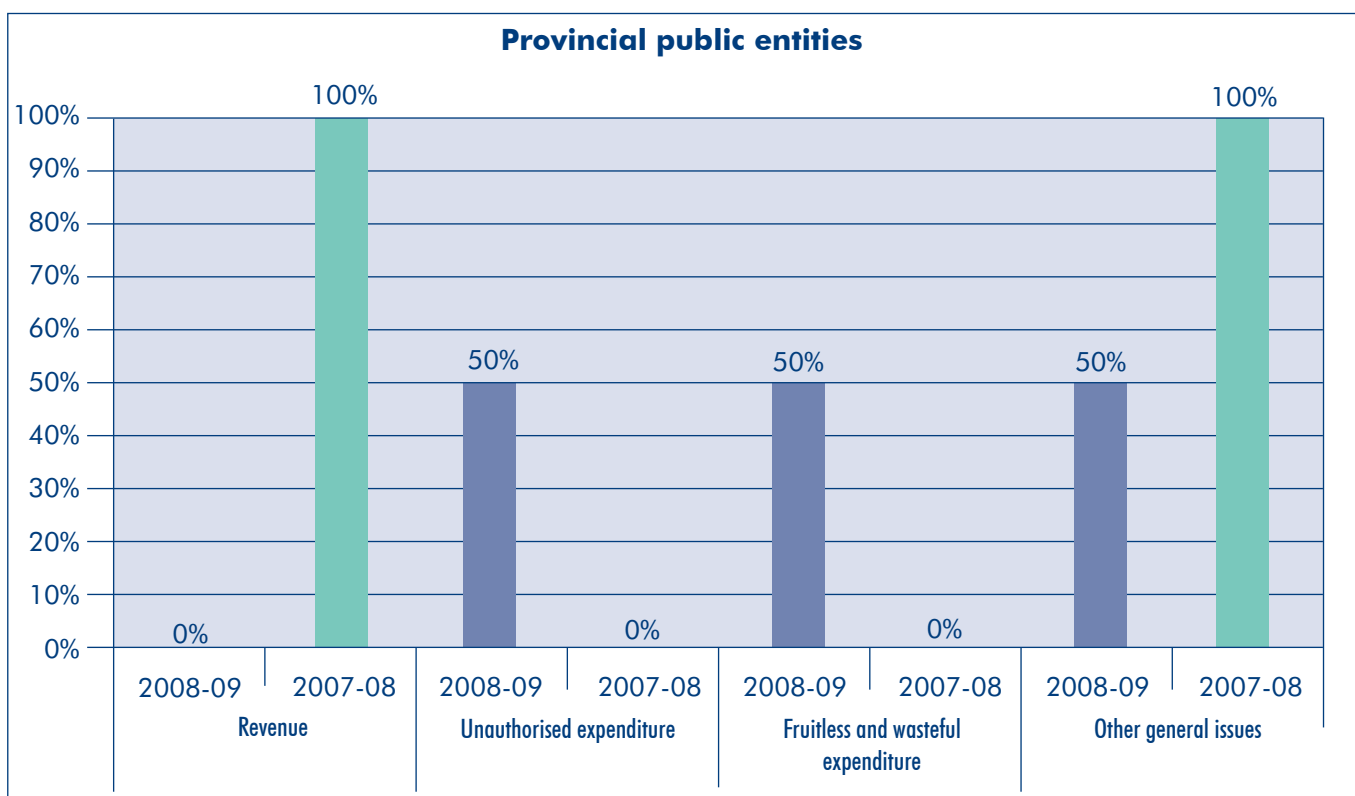
Recommendation

- An action plan should be developed to address this challenge in future years.
- Public entities should develop a discipline to compile financial statements monthly.

5.3.2 Provincial entities: areas qualified in the statement of financial performance

Figure 3(b) below provides a breakdown of those statement of financial performance areas that gave rise to qualified audit opinions. It indicates the percentage of entities that were qualified per income statement area. Details of the nature of qualifications are provided for those qualification areas where percentages exceed 50%.

Figure 3(b): Areas qualified in the statement of financial performance: provincial entities (two provincial entities qualified)



As none of the qualifications appeared in more than 50% of the reports, these appear to be isolated cases that can be addressed with the necessary attention from management.

5.3.3 Provincial entities: analysis of root causes for qualifications

Limpopo Tourism and Parks Board (areas of concern: capital assets and liabilities)

Root causes of the situation at the Limpopo Tourism and Parks Board:

- Inadequate leadership oversight by the accounting authority.
- Lack of coordination between asset management and finance units.
- Regular reconciliations were not performed to ensure the completeness and accuracy of the asset register and other accounting records.
- No action plans to address prior year audit findings.
- Staff in the finance unit faced a challenge in addressing GRAP/GAAP requirements of accounting for assets and liabilities.



Gateway Airports Authority Limited (area of concern: capital assets)

Root causes of the situation at Gateway Airports Authority Limited:

- Inadequate leadership oversight by the accounting authority.
- Lack of coordination between asset management and finance units.
- Regular reconciliations were not performed to ensure the completeness and accuracy of the asset register.
- Staff in the finance unit faced a challenge in addressing GRAP/GAAP requirements of accounting for assets and liabilities.
- Consultants were involved in the previous year and staff could not explain or provide information regarding certain balances in the accounting records.

SECTION 6: WARNING SIGNALS REQUIRING ATTENTION

Emphasis of matters

Regularity audits emphasised matters that did not directly impact on the audit opinion, but which are nevertheless important for the reader of the financial statements to take note of. I am highlighting some of these matters. These matters are presented in this report firstly for the provincial legislature, then for provincial departments and finally for provincial entities, under the following headings, where applicable:

- Financial sustainability of entities/programmes
- Material losses
- Unauthorised expenditure
- Fruitless and wasteful expenditure
- Irregular expenditure
- Material underspending of budget

Other matters

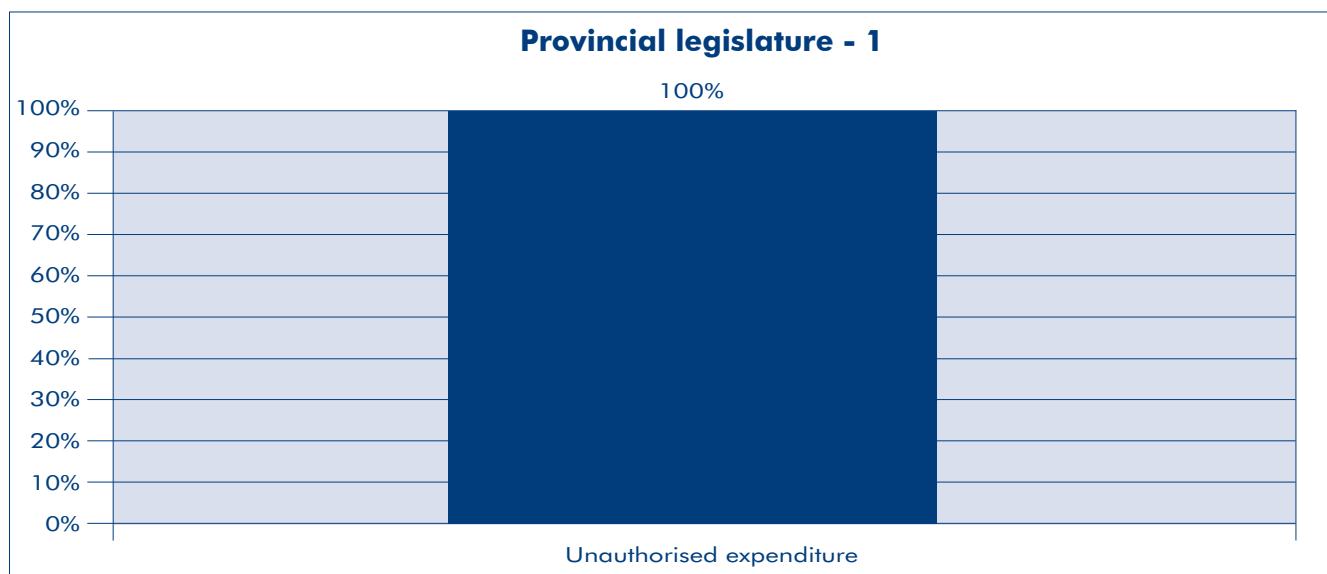
Regularity audits further disclosed other matters that did not directly impact on the audit opinion. These matters are presented in this report firstly for the provincial legislature, then for provincial departments and finally for provincial entities, under the following headings, where applicable:

- Non-compliance with applicable legislation
- Misstatements in financial statements corrected as a result of the audit

6.1 Provincial legislature

The incidence of some of the emphasis of matters disclosed by regularity audits is depicted in figure 4(a) below. Details of these and other matters are provided in the paragraphs that follow.

Figure 4(a): Incidence of emphasis of matters: provincial legislature



6.1.1 Emphasis of matters: provincial legislature

6.1.1.1 Unauthorised expenditure

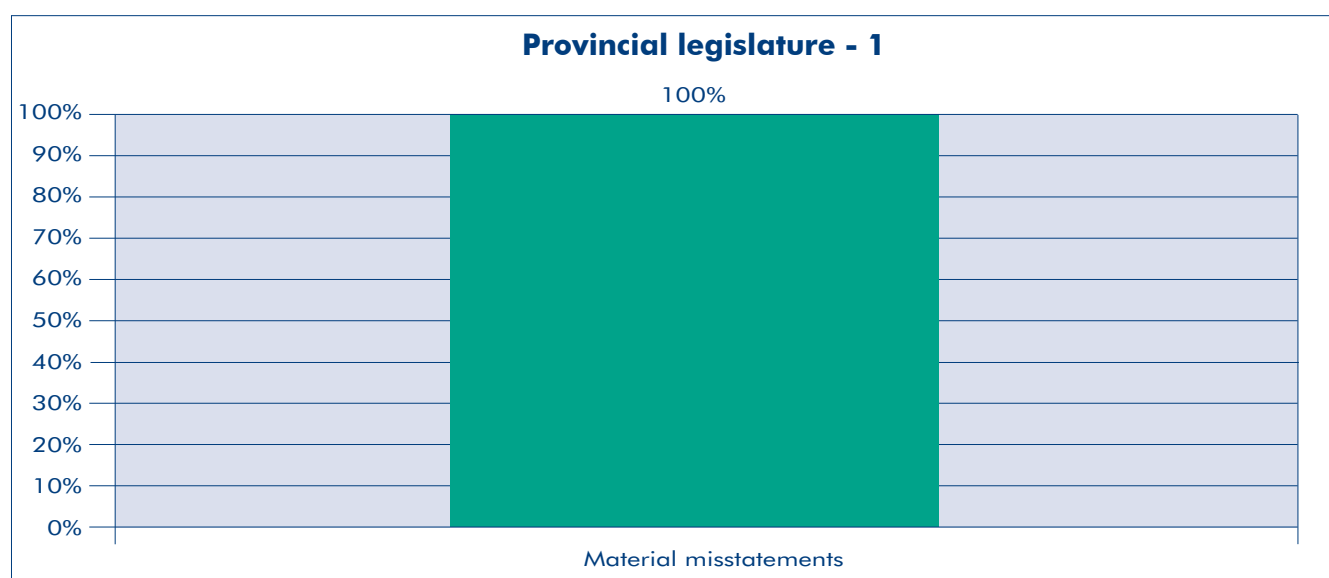
The provincial legislature incurred unauthorised expenditure amounting to R21 000 000 for the year (2007: R1 700 000).

Unauthorised expenditure was incurred on compensation of employees, goods and services, and transfers and subsidies.

6.1.2 Other matters: provincial legislature

The incidence of some of the other (non-financial) matters disclosed by regularity audits is depicted in figure 4(b) below. Details of these and other matters are provided in the paragraphs that follow.

Figure 4(b): Incidence of other matters: provincial legislature



6.1.2.1 Non-compliance with applicable legislation

The audit of the provincial legislature did not reveal any cases of non-compliance with applicable legislation, which is indicative of adequate monitoring and supervision by management.

6.1.2.2 Misstatements in financial statements corrected as a result of the audit

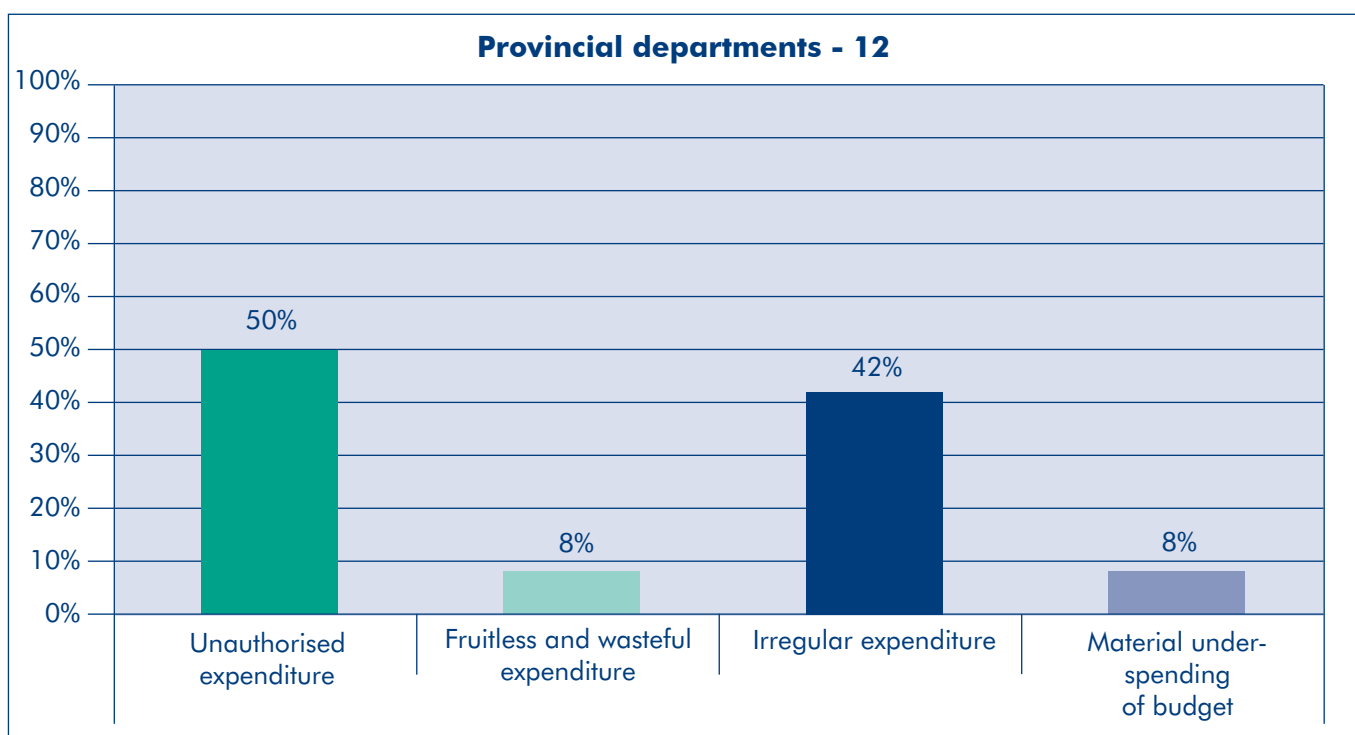
The legislature did not adequately monitor and supervise the compilation of the financial statements to ensure the accuracy thereof before submitting it for auditing. The financial statements were subjected to five material adjustments in the statement of financial position and some of the disclosure notes. Similar changes were also effected to prior years' financial statements. The head of department needs to implement adequate monitoring mechanisms that will be effective throughout the year.

6.2 Provincial departments

6.2.1 Emphasis of matters: provincial departments

The incidence of some of the financial matters disclosed by regularity audits is depicted in figure 5(a) below. Details of these and other matters are provided in the paragraphs that follow.

Figure 5(a): Incidence of emphasis of matters: provincial departments



6.2.1.1 Unauthorised expenditure

The financial statements of six (50%) departments reflected unauthorised expenditure (2007: 23%). These departments were Education; Health; Office of the Premier; Roads and Transport; Safety, Security and Liaison; and Sports, Arts and Culture. Total unauthorised expenditure for the year amounted to R547 014 000 (2007: R20 714 000).

Unauthorised expenditure was incurred in the following broad expenditure categories: compensation of employees as well as goods and services.

The following departments would have incurred unauthorised expenditure if the expenditure had been paid in a timely manner, in that payments would have exceeded the voted funds to be surrendered/surplus on the statement of financial performance: Health; Education; and Sports, Arts and Culture.

6.2.1.2 Fruitless and wasteful expenditure

Audits revealed instances of fruitless and wasteful expenditure amounting to R9 900 000 having been incurred for the year (2007: R1 500 000). These include the following findings at the Department of Sports, Arts and Culture:

- Interest to the amount of R5 500 000 incurred on finance leases that were entered into outside the permissible circumstances stipulated in National Treasury practice note 5 of 2006-07.
- R700 000 incurred on a rescue plan for a jazz festival.
- Rental of R3 700 000 paid for a building that was not occupied.

The fruitless and wasteful expenditure as reported on was fully disclosed in the financial statements and did not lead to a qualified audit opinion.

6.2.1.3 Irregular expenditure

Audits revealed irregular expenditure amounting to R42 173 820 having been incurred for the year (2007: R3 100 000). Identified instances of irregular expenditure include the following:

- The budget for personnel expenditure was exceeded by R2 512 000 at the Department of Economic Development, Environment and Tourism.
- A payment of R16 445 was made to an acting general manager at the Department of Safety, Security and Liaison, which was above the salary notch.
- An instalment sale agreement to the amount of R29 000 000 was entered into without approval and without inviting competitive bids. Furthermore, the budget for personnel expenditure was exceeded by R1 100 000 at the Department of Sports, Arts and Culture.
- The budget for personnel expenditure was exceeded by an amount of R5 093 000 at the Office of the Premier.
- An amount of R211 375 was spent without the proper procurement process having been followed at the Department of Social Development.
- The budget for personnel expenditure was exceeded by R4 241 000 at the Department of Roads and Transport.

The irregular expenditure reported on was fully disclosed in the financial statements and did not give rise to qualified audit opinions.

6.2.1.4 Material underspending of budget

The Department of Sports, Arts and Culture materially underspent its budget. The underspending amounted to R17 000 000 and related to programmes for library and archives as well as sport and recreation.

The impact of this underspending was as follows:

- Objectives were not achieved regarding the completion of construction of libraries.
- Set levels of outputs were not achieved as no athletics tracks were established.

The underspending of the budget reported on did not give rise to a qualified audit opinion.

6.2.2 Other matters: provincial departments

The incidence of some of the other matters disclosed by regularity audits is depicted in figure 5(b) below. Details of these and other matters are provided in the paragraphs that follow.



- Office of the Premier (*unqualified audit opinion*)

- Provincial Treasury (*unqualified audit opinion*)

- Department of Public Works (*qualified audit opinion*)

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- Department of Roads and Transport (*unqualified audit opinion*)

The department failed to obtain treasury approval for payments amounting to R6 981 308,32 made by cheque in excess of R2 000, contrary to Treasury Regulations.

- Department of Social Development (*unqualified audit opinion*)

The accounting officer did not enforce compliance with prescribed conditions in cases where financial assistance was rendered to an entity or a person, which is in contravention of section 38(1)(k) of the PFMA.

The structure of the asset register could not provide adequate assurance that the accounting officer had ensured the safeguarding and maintenance of assets, which is contrary to section 30(1)(d) of the PFMA.

- Department of Safety, Security and Liaison (*unqualified audit opinion*)

The department paid the MEC's driver overtime that constituted more than 30% of his basic remuneration on three occasions during the year under review, which is contrary to the Public Service Regulations.

The root cause of these findings of non-compliance with laws and regulations is a lack of understanding and incorrect interpretation of applicable legislation. The non-compliance issues identified were of an isolated nature and the cases identified differed from entity to entity.

6.2.2.2 Misstatements in financial statements corrected as a result of the audit

Eight departments required material corrections to be made to their financial statements, namely Agriculture; Economic Development, Environment and Tourism; Education; Health; Office of the Premier; Public Works; Safety, Security and Liaison; and Sports, Arts and Culture. This was due to errors, omissions and inconsistencies that were identified by the auditors. These material corrections could have been detected by the departments had the audit committees adequately reviewed the financial statements. Monthly in-year monitoring should also include the preparation and presentation of financial statements (including disclosure notes). The following findings and root causes were noted during the audits:

- The quality of financial statements received for audit purposes was generally poor.
- There was a lack of regular financial reporting other than the year-end financial statements.
- There was ineffective monitoring of the annual financial statements by the audit committees.
- Disclosure notes were not system generated and only produced once a year.
- Approximately 30% of the misstatements corrected related to financial statement items and 70% to disclosures in the financial statements.

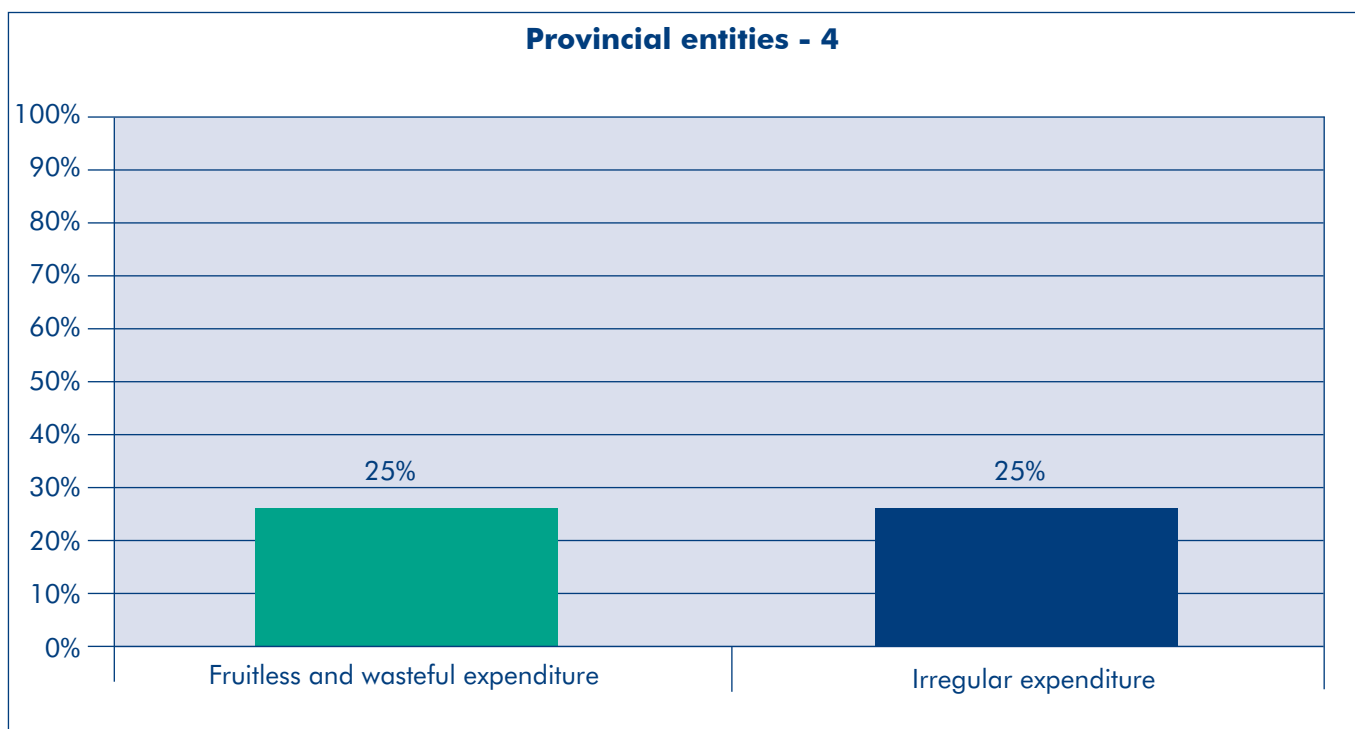
6.3 Provincial public entities

6.3.1 Emphasis of matters: provincial entities

The incidence of some of the financial matters disclosed by regularity audits is depicted in figure 6(a) below. Details of these and other matters are provided in the paragraphs that follow.



Figure 6(a): Incidence of emphasis of matters: provincial entities



6.3.1.1 Fruitless and wasteful expenditure

Audits revealed instances of fruitless and wasteful expenditure amounting to R17 897 having been incurred for the year (2007: R0). These include:

- Gateway Airports Authority Limited (*qualified audit opinion*)

Fruitless and wasteful expenditure to the amount of R17 897 was incurred on South African Revenue Service (SARS) penalties and interest as well as traffic fines. The fruitless and wasteful expenditure as reported on was not part of the qualified audit opinion, as this expenditure was disclosed in the financial statements of the entity.

6.3.1.2 Irregular expenditure

Audits revealed irregular expenditure amounting to R710 981 for the year (2007: R0). Identified instances of irregular expenditure are the following:

- Gateway Airports Authority Limited (*qualified audit opinion*)

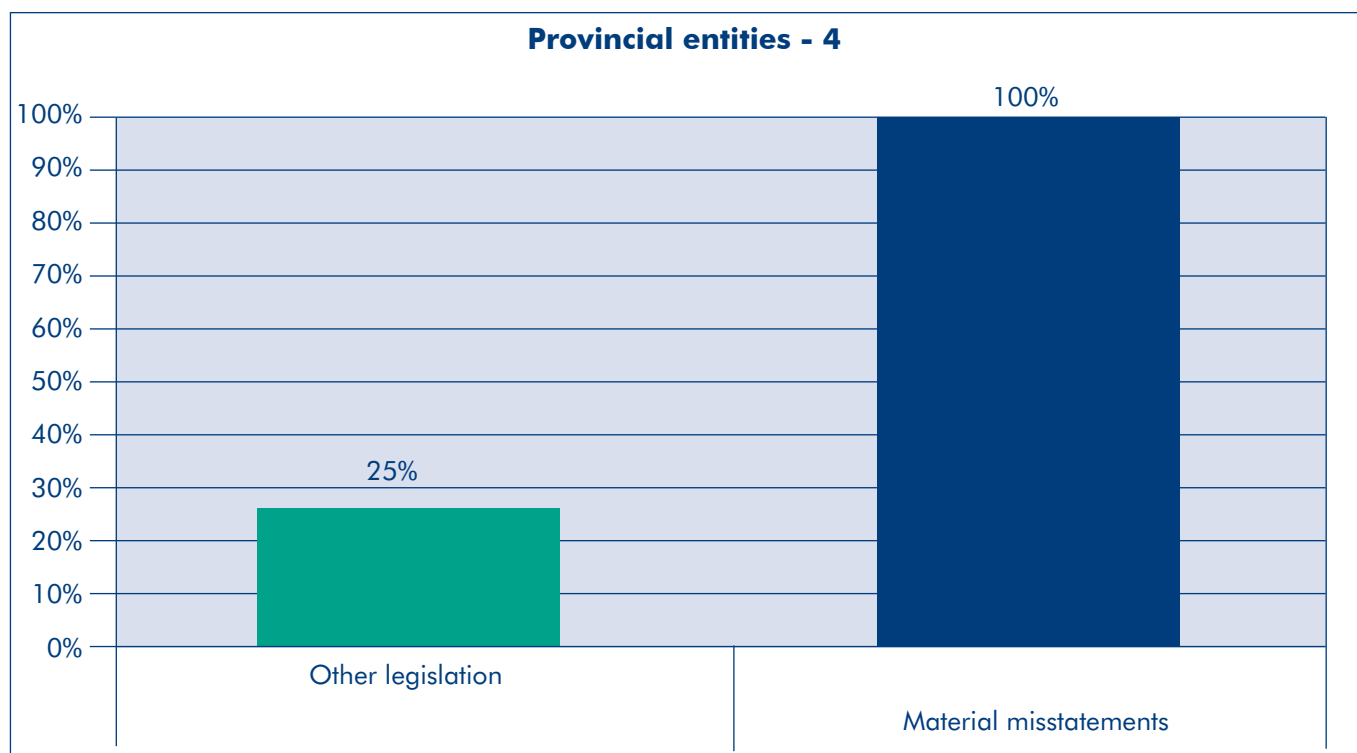
Irregular expenditure to the amount of R710 981 was incurred on an air show that had not been budgeted for.

The irregular expenditure reported on did not give rise to a qualified audit opinion, as it was adequately disclosed in the financial statements.

6.3.2 Other matters: provincial entities

The incidence of some of the other matters disclosed by regularity audits is depicted in figure 6(b) below. Details of these and other matters are provided in the paragraphs that follow.

Figure 6(b): Incidence of other matters: provincial entities



6.3.2.1 Non-compliance with applicable legislation

The following entity did not comply with applicable legislation:

- Gateway Airports Authority Limited (qualified audit opinion)

A register of directors' and officers' interests in contracts with the entity was not maintained, as required by section 240 of the Companies Act, 1973 (Act No. 61 of 1973).

6.3.2.2 Misstatements in financial statements corrected as a result of the audit

All four public entities, namely Gateway Airports Authority Limited, Limpopo Gambling Board, Roads Agency Limpopo and Limpopo Parks and Tourism Board, required material corrections to be made to their financial statements. This was due to errors, omissions and inconsistencies that were identified by the auditors. These material corrections could have been detected by the entities had the audit committees adequately reviewed the financial statements. Monthly financial statements should also be prepared for review by management and the audit committee. The following findings and root causes were identified during the audits:

- The quality of financial statements received for audit purposes was generally poor.
- There was a lack of regular financial reporting other than the year-end financial statements.
- There was ineffective monitoring of the annual financial statements by the audit committees.
- Disclosure notes were not system generated and only produced once a year.
- Approximately 50% of the misstatements corrected related to financial statement items and 50% to disclosures in the financial statements.

SECTION 7: RESULTS OF AUDITS OF INFORMATION SYSTEMS

Information system audits were performed on access controls at 11 departments (excluding the Department of Sports, Arts and Culture) and at the provincial legislature.

7.1 Information systems

Information systems have become an integral part of organisations. Information systems enable organisations to perform financial management processes, automate business processes, improve efficiencies and deliver services. Information systems are therefore regarded as a strategic asset in the achievement of organisational goals and objectives.

7.2 Information system controls

Information system controls are a part of the internal control environment. Weak information system controls may contribute to financial management weaknesses, inaccurate accounting and performance information, poor performance of the entity, fruitless and wasteful expenditure, and non-compliance with laws and regulations. Without effective information system controls, other internal controls may also be rendered ineffective by override, circumvention or modification.

7.3 Information system audits

The objective of information system audits is to evaluate the effectiveness of the information system controls of an organisation. During the year under review, user account management reviews were performed at 11 provincial departments. The Departments of Health and of Social Development were evaluated and reported on as one department since they have a shared information technology (IT) department. No review could be performed at the Department of Sports, Arts and Culture, due to budgetary constraints experienced by the department.

7.4 User account management

User account management is the systematic process of managing the access of users to the network, systems and applications, and includes the establishment, review, disabling and removal of user accounts. The following table indicates the common key findings identified throughout those audits performed:

Table 5: Common key findings arising from user account management reviews

Finding	Number of departments audited, including provincial legislature	Percentage of audited departments and legislature with finding
Lack of or incomplete user account management procedures	11	64%
Users' access not periodically reviewed to ensure that it remained commensurate with their job responsibilities	11	100%
Activities of the system administrators/controllers not reviewed by an independent person	11	73%
Inactive or unused user IDs not timeously removed from the system or deactivated	11	64%

7.5 Glossary of terms

7.5.1 IT governance

IT governance is the organisational capacity exercised by the board or executive management. It is an integral part of enterprise governance and consists of leadership and organisational structures and processes, which ensure that the enterprise's IT unit sustains and extends the enterprise's strategies and objectives. The key elements of IT governance are strategic alignment, risk management (value preservation), value delivery (value creation), resource management, and performance management.

7.5.2 Business continuity

Ensuring the business continuity of information systems ensures that the entity is able to restore information system services in the event of major disruptions and disasters.

7.5.3 Service level agreements

Service level agreements ensure the delivery and quality of information systems by information system service providers.

7.5.4 Change control

Change control ensures that any proposed changes to the existing information system environment are coordinated, scheduled, authorised and tested to prevent unnecessary disruptions, erroneous changes, and unauthorised and inappropriate access.

7.5.5 Operating systems and logical security

The operating systems and logical security within a computerised information system environment enable personnel to access and utilise information system resources and information.



7.5.6 Physical and environmental controls

The physical and environment controls relating to information systems ensure the security, integrity, condition, performance and accessibility of the systems and the system information.

7.5.7 Segregation of duties

The segregation of duties in a computerised information system environment ensures the integrity of the information systems, its functionality and its information, and also ensures the authorisation of business activities.

SECTION 8: SIGNIFICANT FINDINGS FROM AUDITS OF HUMAN RESOURCE MANAGEMENT AND COMPENSATION OF EMPLOYEES

The regularity audits of departments included an assessment of departments' compliance with the PFMA, Treasury Regulations, Public Service Act, 1994 (PSA), Public Service Regulations, 2001 (PSR) and directives/determinations issued by the Minister of Public Service and Administration (MPSA) that support effective human resource management and controls over compensation of employees.

In addition to the findings from the audits, I also analysed the statistics and information published in the annual reports of the departments as required in terms of chapter 1, part III, J3 of the PSR.

The findings pertain to all 12 provincial departments and are presented under the following headings (the human resource matters were not reviewed at the legislature):

- 8.1 Human resource planning and work organisation
- 8.2 Management of vacancies
- 8.3 Appointment processes
- 8.4 Prolonged acting by officials in higher posts
- 8.5 Use of consultants
- 8.6 Suspensions
- 8.7 Leave administration
- 8.8 Budgetary control
- 8.9 Management of overtime
- 8.10 Payroll certification
- 8.11 Service terminations
- 8.12 Overall conclusion

8.1 Human resource planning and work organisation

Human resource planning is required by the PSR, chapter 1, part III, D1 to ensure that a department obtains the quantity and quality of staff required to meet its strategic objectives. All the departments analysed had a human resource plan that had been approved by their MEC.

8.2 Management of vacancies

Based on the annual reports, the vacancy rate across all departments was 23% at year-end, with 36% of the positions for senior managers and highly skilled staff being vacant. The average vacancy rate at the departments was 23%; the lowest rate being the Department of Public Works at 11% and the highest being the Department of Sports, Arts and Culture at 53%.

In general, the vacancy rates have improved from the previous year with deteriorations being noted at the following departments:

- Health
- Public Works
- Provincial Treasury
- Sports, Arts and Culture



Due to the location of the province, it has proved to be difficult to attract suitably qualified personnel to fill the positions at the various departments.

The PSR, chapter 1, part VII, C.1A came into effect from February 2008 to regulate the time frames for filling funded vacant positions. The following departments did not comply with the regulations as listed:

Regulation: All funded posts vacant on 30 June 2007 shall be advertised or filled not later than 30 June 2008:

- Agriculture
- Education

Regulation: Funded vacant positions shall be advertised within six months after becoming vacant and be filled 12 months after becoming vacant:

- Agriculture
- Education
- Social Development

8.3 Appointment processes

The recruitment and selection processes ensure that candidates with the appropriate qualifications and experience to meet the requirements of the specific post are appointed.

A directive was issued by the MPSA with effect from 1 January 2008 that determined a process whereby criminal and financial/asset records should be checked and verifications should be done of citizenship, financial state, qualifications and previous employment for all new appointments.

This process was substantially implemented at all of the departments in the province.

8.4 Prolonged acting by officials in higher posts

Departments have the option to temporarily direct an employee to act in a higher vacant position for which the employee is then paid an acting allowance. The PSR, chapter 1, part VII, B5.4, however, restricts the acting period to 12 months to ensure that the permanent appointment of a suitably qualified and experienced person is not delayed.

Prolonged acting periods can be an indication of ineffective processes to appoint or recruit suitable permanent staff. Instances were found at the following departments where employees received acting allowances for more than 12 months:

- Agriculture
- Health

8.5 Use of consultants

Consultants can be engaged if the necessary skills and/or resources to perform a specific project are not available and the department cannot be reasonably expected either to train or to recruit people in the time available. Based on the annual reports, consultants were employed at 33% of the departments. The departments who employed consultants were Local Government and Housing; Office of the Premier;



Provincial Treasury; Roads and Transport; and Sports, Arts and Culture. The total number of consultants appointed using appropriated funds was 19 at a total contract value of R82 120 416.

Departments should assess whether the appointment of consultants is the most economical way of addressing departmental needs, also taking into account the need for continuity and sustainability of the function the consultant is engaged to perform. If the function is provided for on the establishment of the department, consultants should not be used either as a result of a lack of productivity or capacity of existing staff or as a result of ineffective processes to appoint or recruit suitable permanent staff.

The use of consultants by government departments was identified as a transversal performance audit area for the 2009-10 financial year.

8.6 Suspensions

Based on the annual reports, 19 employees had been suspended across three departments, namely Agriculture; Education; and Local Government and Housing. The average number of days on suspension was 268, with 63% of the employees being suspended for more than 30 days. The total cost of the suspensions was estimated to be R144 565 000.

Departments should ensure that disciplinary processes are concluded timeously, as prolonged suspension periods impact on service delivery and have cost implications.

8.7 Leave administration

8.7.1 Annual leave

The PSR, chapter 1, part V, F(b) requires heads of departments to record all leave taken by an employee accurately and in full. The following departments did not consistently comply with this regulation, resulting in the employees' leave credits being overstated:

- Agriculture
- Economic Development, Environment and Tourism
- Health
- Education
- Public Works
- Roads and Transport
- Safety, Security and Liaison

The risk of such overstatement is that employees might be granted leave or receive leave payouts they are not entitled to. According to the annual reports of the said departments, leave payouts of R52 746 000 were made in the period. The cause for the inadequate leave administration was that manual controls were inadequate to ensure that all leave taken was recorded and the payroll system timeously updated.

8.7.2 Capped leave

In July 2000 leave entitlement was changed from calendar days to working days. Employees retained the leave credits accrued prior to July 2000 provided the credits were audited by the department. This audit resulted in negative capped leave balances for a number of employees, as more leave had been taken than the employee was entitled to. In terms of the Department of Public Service and Administration (DPSA) determination on leave, the leave should then have been deducted from the subsequent leave cycle. After



a period of up to eight years, the following departments had not done so, generally being reluctant to address such a controversial matter with affected employees:

- Economic Development, Tourism and Environment – the monetary value as disclosed in the financial statements was R279 039
- Local Government and Housing – the monetary value as disclosed in the financial statements was R32 634
- Provincial Treasury – the monetary value as disclosed in the financial statements was R82 542

8.7.3 Family responsibility leave

Employees are granted family responsibility leave of up to five days in an annual leave cycle unless special circumstances warrant further leave at the discretion of the head of the department. Instances of more than five days' family responsibility leave being granted without the necessary approval were found at the following departments, which can be an indication of inadequate control over the granting of this privilege:

- Health
- Education
- Local Government and Housing

8.7.4 Leave payouts

Leave is paid out to employees in special circumstances and at termination of their service. The calculation is done manually based on the formulas determined by the DPSA. At the following departments, instances were found where the calculations had been done incorrectly, which can be an indication that officials could not apply the formulas correctly and were not appropriately supervised and reviewed:

- Education
- Public Works
- Safety, Security and Liaison
- Social Development

8.8 Budgetary control

Treasury Regulation 8.3.2 requires that all costs related to the compensation of employees, including promotions and salary increases, should be met within the budgetary allocation of the institution. Any additional budget must be approved by the relevant treasury.

The following departments overspent their compensation budgets, resulting in irregular expenditure to the amounts indicated:

- Premier – R5 093 000
- Sports, Arts and Culture – R1 100 000
- Economic Development, Environment and Tourism – R2 512 000
- Roads and Transport – R4 241 000

The overspending on the compensation budgets was partly due to the lack of monitoring of the expenditure against the budget on a regular basis. Unforeseen expenditure was also incurred, which was not wholly within the control of the departments.



8.9 Management of overtime

The PSR, chapter 1, part V, D2 determines the circumstances under which employees may be compensated for overtime worked.

8.9.1 Overtime policy

- **Approved overtime policies:** All the departments analysed had approved overtime policies.
- **Authorisation of overtime:** At Safety, Security and Liaison, written authorisations were not consistently provided in advance for overtime worked. The non-compliance with the overtime policy was as a result of the department not having properly communicated the requirements of the overtime policy to all affected employees.
- **Limit on overtime:** At Safety, Security and Liaison, the monthly compensation for overtime was not limited to less than 30% of employees' monthly salaries and no exceptional circumstances existed. The non-compliance with the overtime policy was as a result of the department not having properly communicated the requirements of the overtime policy to all affected employees.
- **Overtime payments:** No instances were identified at the departments where the calculations for overtime payments had been done incorrectly.

8.10 Payroll certification

The certification of the payroll on a monthly basis is required by Treasury Regulations 8.3.4 and 8.3.5 as a control to ensure that there are no ghost employees on the payroll, that employees are entitled to the payment made, and that employees are allocated to the correct pay point.

Instances were found at the following department that indicate that the prescribed control had not been fully implemented:

Department	Monthly payroll reports not certified	Certified payrolls not returned within 10 days to finance department	Completeness of certified payroll reports not checked	Corrective action not taken timeously where discrepancies were noted
Department of Social Development	X			

Inadequate supervision and monitoring of the payroll reports by the responsible senior officials at the department resulted in the prescribed control not being fully implemented.

8.11 Service terminations

Employees whose services had been terminated were not timeously removed from the payroll at the following departments, resulting in overpayments:

- Agriculture
- Economic Development, Environment and Tourism

- Health
- Provincial Treasury

Furthermore, overpayments were not always correctly calculated and/or recovered or reclassified as debt by year-end at the following departments:

- Agriculture
- Education
- Health

The reason for the findings is generally that service termination processes and controls had either not been implemented or were not operating effectively.

8.12 Overall conclusion

The overall negative results of human resource management detailed above are primarily due to inadequate monitoring and supervision by the leadership of the departments. There was also a lack of proper communication of human resource management matters to all employees of the departments. These departments have to strengthen their controls over this process to ensure that the identified weaknesses are corrected going forward through the implementation of action plans. It is important that these action plans are monitored on a regular basis by the leadership of these departments.

SECTION 9: AUDIT OF PERFORMANCE INFORMATION

This section of the 2008-09 general report provides details of the results of the AGSA's audits of performance information at the provincial legislature, provincial departments, provincial entities and provincial other entities, under the following headings:

- The AG's statutory responsibilities relating to the audit of performance information
- Key findings arising from the audit of performance information at the provincial legislature, provincial departments and entities
- Interactions over the past 12 months and proposed for 2009-10
- Entities with no findings

9.1 The AG's statutory responsibilities relating to the audit of performance information

1. In terms of section 13 of the PAA and based on the results of a readiness assessment of audited entities during November 2008, the AG decided to provide reasonable assurance in the form of an audit conclusion on the reporting of performance against predetermined objectives at the following categories of audited entities:
 - National and provincial departments, constitutional institutions and trading entities
 - National and provincial entities
 - Municipal metropolitan councils and the related municipal entities
2. For the above-mentioned categories of audited entities, a separate audit conclusion will be included in the auditor's reports with effect from the 2010-11 financial year. Audit conclusions in this regard will be reached as part of the financial auditing process in terms of the International Standards on Assurance Engagements (ISAE) 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*.
3. This approach will also be followed for the 2009-10 audit cycles, with only one exception. While all audit work will focus on the expression of an opinion on the performance information of national and provincial departments, their public entities and metropolitan councils and their entities, these opinions will not yet be lifted to the level of the individual audit reports. Instead, a reflection on the entities' performance information, should an opinion have been expressed, will be contained at management report level. An opinion will thus be prepared but not expressed publicly beyond being annexed to the management report as part of the readiness strategy.
4. The objective of an audit of performance information is to enable the auditor to conclude whether the reported performance against predetermined objectives are reliable, accurate and complete, in all material respects, based on predetermined criteria.
5. The AGSA recognises the following as sources of criteria against which the subject matter will be evaluated as a basis for the audit conclusions:
 - All relevant laws and regulations
 - Framework for the managing of programme performance information, issued by the National Treasury
 - Relevant frameworks, circulars and guidance issued by the National Treasury and the Presidency regarding the planning, management, monitoring and reporting of performance information
6. In terms of section 13 of the PAA, the AG has adopted a phasing-in approach to adherence with sections 20 and 28 of the PAA, until such time as the environment shows a state of readiness to



provide reasonable assurance in the form of an audit opinion or conclusion, at municipalities and municipal entities other than those listed in paragraph 1 above.

7. The phasing-in approach to the auditing of performance information for the municipalities and municipal entities, referred to in paragraph 6, will constitute a review of the policies, systems, processes and procedures for the managing of, and reporting on, performance against predetermined objectives.

9.2 Key findings arising from the 2008-09 audit of performance information at the provincial legislature, provincial departments and entities

Broad areas examined were as follows:

- Compliance with regulatory requirements: The scope of audit work and audit findings related to compliance with the PFMA and Treasury Regulations pertaining to the planning, management, monitoring, review and reporting of performance information.
- Usefulness of reported information: Audit work focused on the consistency, relevance and measurability of planned and reported performance information.
- Reliability of reported performance information: Audit work focused on whether the reported performance information could be traced back to the source data or documentation and whether the reported information was accurate and complete in relation to the source data, evidence or documentation.

Table 6 below indicates the key audit findings arising from the audit of performance information. Deficiencies in internal control that caused these findings are analysed in the paragraphs that follow.

Table 6: Key audit findings arising from the audit of performance information

No.	Performance information: main audit findings	Percentage of entities with audit findings			
		Provincial legislature	Provincial departments	Provincial entities	Provincial other entities
1	Non-compliance with regulatory requirements	100%	62%	40%	0%
2	Usefulness of reported performance information	100%	31%	20%	0%
3	Reported performance information not reliable	100%	38%	0%	0%
4	Performance information not received in time for audit purposes	0%	0%	0%	0%

Identified root causes and the prevalence of deficiencies in the reporting of performance information are the following:

Non-compliance with regulatory requirements (this occurred at the provincial legislature; 62% of departments and 40% of public entities)

- Inadequate management processes.
- Non-compliance with internal policies and procedures.
- Deficiencies in key controls, e.g. no or inadequate quarterly reporting, no review by internal audit of performance management processes, or no roles and responsibilities allocated for performance management.

Eleven of the auditees reported on did not comply with the regulatory requirements, namely Agriculture; Economic Development, Environment and Tourism; Education; Gateway Airports Authority Limited; Health; Limpopo Gambling Board; Local Government and Housing; provincial legislature; Roads and Transport; Safety, Security and Liaison; and Social Development.

Usefulness of performance information (this occurred at the provincial legislature, 31% of departments and 20% of public entities)

- Inadequate presentation of reported performance information.
- Quality of performance indicators/targets inadequate.

Six of the auditees reported on did not consistently report on the approved strategic objectives, namely Agriculture; Education; Limpopo Parks and Tourism Board; provincial legislature; Safety, Security and Liaison; and Sports, Arts and Culture.

Reported performance information not reliable (this occurred at the provincial legislature and 38% of departments)

This finding was due to a lack of effective, efficient and transparent systems and internal controls over performance information reporting.

Actual results for six of the auditees reported on could not be traced to supporting documentation, namely Agriculture; Economic Development, Environment and Tourism; provincial legislature; Public Works; Roads and Transport; and Sports, Arts and Culture.

9.3 Interactions over the past 12 months

- Accounting officers and chief financial officers of departments and public entities were invited to attend a presentation on performance information provided by the AGSA during May 2009.
- Interactions between the departments and the Provincial Treasury on performance information requirements took place during the monthly provincial technical forums. Use of the framework document on reporting on performance information issued by the National Treasury was prevalent at the auditees.

9.4 Interactions proposed for the 2009-10 financial year

- Stakeholder engagements to clarify the audit approach and the essence of the audit of performance information will take place throughout 2009-10.



- The 2009-10 financial year will be a further opportunity for departments and entities to ready themselves for an audit opinion on performance information.
- Continued interaction between the AGSA, the National Treasury and all departments and entities should be a focus area in order to adequately address the shortcomings in preparation for a future opinion on performance information. Internal audit should focus on the requirements of the audit of performance information and provide the necessary assurance to the departments and entities.

9.5 Departments and entities with no findings on the audit of performance information

Departments: Office of the Premier and Provincial Treasury

Entities: Limpopo Roads Agency and Urban Transport Fund

SECTION 10: CONSOLIDATED FINANCIAL STATEMENTS

In terms of sections 8 and 19 of the PFMA, the National Treasury and provincial treasuries, respectively, are required to prepare consolidated financial statements in accordance with generally recognised accounting practice for each financial year in respect of departments and/or constitutional entities, public entities and other entities. The AGSA issues separate audit reports for consolidated departments and entities. Agreed-upon procedures are performed on the provincial consolidated financial statements and the consolidated national entities. An audit opinion is expressed on the consolidated national departments.

The status of the preparation of consolidated financial statements as at 31 July 2009 is reflected in table 7 below.

Table 7: Status of preparation of consolidated financial statements as at 31 July 2009

Region	2008-09		Revenue fund financial statements published 2008-09	2007-08		2006-07		2005-06	
	Consolidated financial statements received	Audit report issued		Consolidated financial statements received	Audit report issued	Consolidated financial statements received	Audit report issued	Consolidated financial statements received	Audit report issued
Limpopo	No	No	No	No	No	Yes	Yes	Yes	Yes

Audit reports in respect of the 2005-06 consolidated financial statements for provincial departments and public entities were signed on 22 June 2007 after having been received on 8 May 2007. The consolidated financial statements for the 2007-08 and 2008-09 financial years had not been submitted as at 31 July 2009.

The reason for the delay in the submission of the consolidated financial statements is mainly due to capacity constraints at the Provincial Treasury.

SECTION 11: STATUS OF TABLING OF ANNUAL REPORTS

In accordance with section 65 of the PFMA, the executive authority responsible for a department must table in the provincial legislature the annual report and financial statements as well as the audit report on those statements, within one month of receipt of the audit report. The table below indicates the status of the tabling of annual reports.

Table 8: Status of tabling of annual reports

No.	Name (department/constitutional institution/entity)	Tabled (Y/N)	Date tabled in the House	Reasons for annual report not tabled
Departments				
1	Agriculture	Y	6/10/2009	
2	Economic Development, Environment and Tourism	Y	3/11/2009	No reason provided for late tabling
3	Education	Y	6/10/2009	
4	Health	Y	6/10/2009	
5	Local Government and Housing	Y	6/10/2009	
6	Office of the Premier	Y	6/10/2009	
7	Limpopo Provincial Legislature	Y	6/10/2009	
8	Provincial Treasury	Y	6/10/2009	
9	Public Works	N		No – planned tabling date: 17/11/2009
10	Roads and Transport	Y	6/10/2009	
11	Safety, Security and Liaison	Y	6/10/2009	
12	Social Development	Y	6/10/2009	
13	Sports, Arts and Culture	Y	6/10/2009	
Provincial entities				
14	Gateway Airports Authority Limited	Y	3/11/2009	No reason provided for late tabling
14	Limpopo Gambling Board	Y	3/11/2009	No reason provided for late tabling
16	Limpopo Parks and Tourism Board	Y	3/11/2009	No reason provided for late tabling
17	Roads Agency Limpopo	Y	6/10/2009	
18	Urban Transport Fund	Y	6/10/2009	

SECTION 12: STATUS REPORT ON PERFORMANCE AUDITS, INVESTIGATIONS AND SPECIAL AUDITS

Presented in this section of the report are the results of performance audits, investigations and special audits conducted by the AGSA.

12.1 Performance audits

A performance audit is described as an independent auditing process to evaluate the measures instituted by management to ensure that resources have been procured economically and are used efficiently and effectively.

Performance auditing is concerned with the auditing of economy, efficiency and effectiveness, and embraces:

- auditing of **economy** in relation to the acquisition of resources in the right quantity, of the right quality, at the right time and place at the lowest possible cost
- auditing of the **efficiency** of the utilisation of human, financial and other resources and the optimal relationship between the output of goods, services or other results and the resources used to produce them
- auditing of the **effectiveness** of the performance of the audited entity in relation to the achievement of the policy objectives, operational goals and other intended effects.

No performance audits were conducted for the period under review.

12.2 Investigations conducted

‘Investigation’ as contemplated in section 5(1)(d) of the PAA is defined as an independent and objective process where procedures are performed in accordance with guidelines issued by the AGSA to facilitate the investigation of financial misconduct, maladministration and impropriety, which may result in legal proceedings for adjudication and ensure probity in the accounts, financial statements and financial management of an institution referred to in section 4(1) and 4(3) of the PAA. An investigation may be performed where the AGSA:

- considers it to be in the public interest,
- receives a complaint relating to such institution or its affairs, or
- receives a request relating to such institution or its affairs, and
- deems it appropriate.

This will result in a report (as contemplated in section 20 of the PAA) or a special report (as contemplated in section 29 of the PAA).

The table below lists the expected dates of submission of investigation reports for those entities where such investigations commenced from 2009 onwards.

Table 9: Investigations conducted and expected dates of tabling of reports

No.	Name of entity	Report description	Expected date of tabling
1	Education; Health; Provincial Treasury	Vulnerability of the Basic Accounting System at Limpopo provincial departments	Investigation ongoing as at 31 July 2009
2	Local Government and Housing	Government employees owning low-income houses and the circumstances leading to the settlement and subsequent payment of R15 million This investigation is done in response to a finding in the AG's 2007-08 audit report	Investigation ongoing as at 31 July 2009
3	Social Development	Forensic investigation into possible abuse of the procurement system to the benefit of government officials in some districts	Investigation ongoing as at 31 July 2009

12.3 Special audits conducted

No special audit reports as envisaged in section 5(1)(d) of the PAA have been issued since the 2007-08 general report.

ANNEXURES TO THE GENERAL REPORT

The following annexures provide further details on matters contained in the provincial general report:

Annexure 1: 2008-09 audit outcomes

- 1a Listing of provincial legislature's, departments' and entities' audit opinions and qualifications
- 1b Listing of provincial legislature, departments and entities with emphasis of matters and other matters

Annexure 2: Listing of departments and entities registering improved or deteriorated audit outcomes

Annexure 3: Audit report summaries

- 3.1 Provincial legislature
- 3.2 Provincial departments
- 3.3 Provincial public entities
- 3.4 Provincial other entities

Annexure 4: Audit outcomes for the past five years in alphabetical order

ANNEXURE 1a: Listing of entities' audit opinions and audit qualifications

No.	Classification	Department / Institution / Entity	Audit opinion: 2008-09	Audit opinion: 2007-08	Audit opinion: 2006-07	Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Other general issues
1	PD	Agriculture	Qualified	Financially unqualified (with other matters)	Qualified																
2	PD	Economic Development, Environment and Tourism	Financially unqualified (with other matters)	Qualified	Qualified																
3	PD	Education	Qualified	Qualified	Qualified																
4	PPE	Gateway Airport Authority Limited	Qualified	Financially unqualified (with other matters)	Financially unqualified (with other matters)																
5	PD	Health	Qualified	Qualified	Qualified																
6	PPE	Limpopo Gambling Board	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Financially unqualified (with other matters)																
7	PPE	Limpopo Housing Board	Audit outstanding	Audit outstanding	Audit outstanding																
8	PPE	Limpopo Roads Agency	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Financially unqualified (with other matters)																

ANNEXURE 1a: Listing of entities' audit opinions and audit qualifications (continued)

No.	Classification	Department / Institution / Entity	Audit opinion: 2008-09	Audit opinion: 2007-08	Audit opinion: 2006-07	Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Other general issues
9	PPE	Limpopo Tourism and Parks Board	Disclaimer	Qualified	Qualified																
10	PD	Local Government and Housing	Financially unqualified (with other matters)	Qualified	Qualified																
11	PD	Office of the Premier	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Qualified																
12	PD	Provincial Legislature	Qualified	Qualified	Qualified																
13	PD	Provincial Treasury	Financially unqualified (with other matters)	Qualified	Qualified																
14	PD	Public Works	Qualified	Qualified	Qualified																
15	PD	Roads and Transport	Financially unqualified (with other matters)	Qualified	Qualified																
16	PD	Safety, Security and Liaison	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Qualified																
17	PD	Social Development	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Qualified																
18	PD	Sports, Arts and Culture	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Qualified																

ANNEXURE 1a: Listing of entities' audit opinions and audit qualifications (continued)

No.	Classification	Department / Institution / Entity	Audit opinion: 2008-09	Audit opinion: 2007-08	Audit opinion: 2006-07	Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Other general issues
19	POE	Tribal and Trust Account	Audit outstanding	Audit outstanding	Audit outstanding																
20	POE	Urban Transport Fund	Financially unqualified (with no other matters)	Qualified	Financially unqualified (with other matters)																

ANNEXURE 1b: Listing of entities with emphasis of matters and other matters														
No.	Classification	Department / Institution / Entity	Audit opinion: 2008-09	Financial sustainability	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Material underspending of the budget	PFMA / Treasury Regulations	DORA	Supply chain management	Other enabling legislation	Material misstatements corrected
1	PD	Agriculture	Qualified											
2	PD	Economic Development, Environment and Tourism	Financially unqualified (with other matters)											
3	PD	Education	Qualified											
4	PPE	Gateway Airport Authority Limited	Qualified											
5	PD	Health	Qualified											
6	PPE	Limpopo Gambling Board	Financially unqualified (with other matters)											
7	PPE	Limpopo Housing Board	Audit outstanding											
8	PPE	Limpopo Roads Agency	Financially unqualified (with other matters)											
9	PPE	Limpopo Tourism and Parks Board	Disclaimer											
10	PD	Local Government and Housing	Financially unqualified (with other matters)											
11	PD	Office of the Premier	Financially unqualified (with other matters)											

ANNEXURE 1b: Listing of entities with emphasis of matters and other matters (continued)

No.	Classification	Department / Institution / Entity	Audit opinion: 2008-09	Financial sustainability	Material losses / impairments	Unauthorized expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Material underspending of the budget	PFMA / Treasury Regulations	DORA	Supply chain management	Other enabling legislation	Material misstatements corrected
12	PD	Provincial Legislature	Qualified											
13	PD	Provincial Treasury	Financially unqualified (with other matters)											
14	PD	Public Works	Qualified											
15	PD	Roads and Transport	Financially unqualified (with other matters)											
16	PD	Safety, Security and Liaison	Financially unqualified (with other matters)											
17	PD	Social Development	Financially unqualified (with other matters)											
18	PD	Sports, Arts and Culture	Financially unqualified (with other matters)											
19	POE	Tribal and Trust Account	Audit outstanding											
20	POE	Urban Transport Fund	Financially unqualified (with no other matters)											

ANNEXURE 2: Listing of departments and entities registering improved or deteriorated audit outcomes

Entities registering improved audit outcomes

No.	Department / Institution / Entity	Audit opinion: 2008-09	Audit opinion: 2007-08
1	Economic Development, Environment and Tourism	Qualified	Qualified
2	Local Government and Housing	Qualified	Qualified
3	Provincial Treasury	Qualified	Qualified
4	Urban Transport Fund	Financially unqualified (with no other matters)	Qualified
5	Roads and Transport	Qualified	Qualified

Entities registering deteriorated audit outcomes

No.	Department / Institution / Entity	Audit opinion: 2008-09	Audit opinion: 2007-08
1	Agriculture	Qualified	Financially unqualified (with other matters)
2	Gateway Airport Authority Limited	Qualified	Financially unqualified (with other matters)
3	Limpopo Tourism and Parks Board	Disclaimer	Qualified
4	Safety, Security and Liaison	Financially unqualified (with other matters)	Financially unqualified (with no other matters)

ANNEXURE 3: AUDIT REPORT SUMMARIES

ANNEXURE 3.1 PROVINCIAL LEGISLATURE

3.1.1 PROVINCIAL LEGISLATURE

Qualification

- Capital assets
 - In the previous year's audit report (2007-08), the existence, completeness and valuation of capital assets amounting to R15,2 million could not be confirmed. Although progress has been made, this matter was not adequately resolved due to capacity constraints.
 - Appropriate supporting documents for adjustments made to prior year balances amounting to R2,6 million could not be submitted for audit purposes.
 - Assets amounting to R3,8 million were recorded in the asset register without key information to facilitate the easy identification and location of assets, such as unique asset numbers.
 - The existence, completeness and valuation of capital assets amounting to R16,9 million, as contained in the disclosure note, could not be verified.

Emphasis of matters

- Unauthorised expenditure
 - The balance of unauthorised expenditure amounted to R22,7 million, R21 million of which was unauthorised expenditure incurred as a result of exceeding the budget allocation.

Other matters

- Key governance responsibilities
 - Financial statements were subject to material amendments resulting from the audit.
 - Prior year audit findings were not substantially addressed.

Investigations

- An investigation is being conducted into the vulnerability of the Basic Accounting System at Limpopo provincial departments. The investigation was ongoing at the reporting date.

ANNEXURE 3.2 PROVINCIAL DEPARTMENTS

3.2.1 AGRICULTURE

Qualification

- Capital assets
 - The department was unable to provide supporting documentation for opening balances

amounting to R29,6 million. The accounting records of the department did not allow for alternative audit procedures.

- Assets to the amount of R23,3 million could not be physically verified.
- Forty-three assets could not be traced to the asset register.
- Assets recorded in the asset register did not agree to supporting documentation, resulting in a difference of R16,7 million.

Emphasis of matters

- Key governance responsibilities
 - Significant difficulties were experienced during the audit concerning delays or the availability of requested information.
 - Financial statements were subject to material amendments resulting from the audit.

3.2.2 ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM

Financially unqualified (with other matters)

Emphasis of matters

- Unauthorised expenditure
 - Unauthorised expenditure was incurred due to the budget of programme 3 being exceeded by R2,202 million.
- Irregular expenditure
 - The department exceeded the budget on personnel expenditure by R2,512 million, in contravention of Treasury Regulation 6.3.1.

Other matters

- Key governance responsibilities
 - The financial statements were subject to material amendments resulting from the audit.

3.2.3 EDUCATION

Qualification

- Capital assets
 - Capital assets to the amount of R136,3 million could not be verified. Furthermore, due to a limitation on the scope of the audit, the completeness, existence, rights and obligations as well as valuation in respect of the capital asset balance of R1 600 700 000 could not be verified.
 - Capital assets constructed by the Limpopo Education Development Trust (from its establishment in 1996 to date) were not included in the department's asset register.

- Compensation of employees
 - Employee costs amounting to R43,2 million could not be verified. Included in this amount was R32,6 million for which no supporting documentation could be submitted. Consequently, due to the limitation placed on the scope of the audit, the occurrence, accuracy and classification of transactions for employee cost, amounting to the extrapolated total of R725 million, could not be verified.
- Goods and services
 - The department could not provide supporting documentation to substantiate journal entries to the amount of R493,7 million.

Emphasis of matters

- Unauthorised expenditure
 - The department incurred unauthorised expenditure amounting to R451,7 million, R449,4 million of which related to the occupation-specific dispensation for compensation of employees.

Other matters

- Key governance responsibilities
 - Significant difficulties were experienced during the audit concerning delays or the availability of requested information.
 - Financial statements were subject to material amendments resulting from the audit.
 - The internal audit function did not substantially fulfil its responsibilities in terms of Treasury Regulation 3.2 for the year.
 - Prior year audit findings were not substantially addressed.
- Investigations
 - An investigation is being conducted into the vulnerability of the Basic Accounting System at Limpopo provincial departments. The investigation was ongoing at the reporting date.

3.2.4 HEALTH

Qualification

- Capital assets
 - A material number of major capital assets acquired after 1 April 2002 were not recorded at cost, due to information on the original cost not being available as the department did not keep full and proper records. As a result, the relevant disclosure notes were misstated by a material amount that could not be accurately determined.
 - The department could not submit an immovable asset register that reflected immovable capital assets to the amount of R1,473 billion.
 - An amount of R39 million for intangible capital assets was not recorded in the asset register. As

a result, the relevant disclosure notes were misstated by a material amount that could not be accurately determined.

- Expenditure for capital assets
 - An amount of R175,2 million for additions in the general ledger could not be reconciled to the asset register, due to misclassifications between non-capital assets and minor assets as well as unexplained differences.
- Receivables for departmental revenue
 - The completeness of receivables amounting to R159,6 million could not be confirmed, as the debtor list supporting this balance did not include opening balances from the Unicare to the Medicom system for the 2007-08 financial year. Furthermore, the debtor list did not include the closing balances from the 2007-08 financial year relating to Medicom system debtors as opening balances for the 2008-09 financial year.

Emphasis of matters

- Unauthorised expenditure
 - Unauthorised expenditure amounting to R29,979 million was incurred on the purchase of medical inventory for the treatment of the cholera outbreak.

Other matters

- Key governance responsibilities
 - Financial statements were subject to material amendments resulting from the audit.
 - The internal audit function did not substantially fulfil its responsibilities in terms of Treasury Regulation 3.2 for the year.
 - There were significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.
 - The information systems were not appropriate to facilitate the preparation of the financial statements.
 - Prior year audit findings were not substantially addressed.

3.2.6 LOCAL GOVERNMENT AND HOUSING

Financially unqualified (with other matters)

Emphasis of matters

- Restatement of corresponding figures
 - Corresponding figures for 31 March 2008 were restated as a result of the unblocking of housing projects, which was not disclosed in prior years in the financial statements of the department and for the year ended 31 March 2008.

Other matters

- Key governance responsibilities
 - Financial statements were subject to material amendments resulting from the audit.
 - A risk assessment was not conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, was not documented and used as set out by Treasury Regulation 3.2.
- Investigations
 - An investigation is being conducted of government employees owing low-income houses and the circumstances leading to the settlement and subsequent payment of R15 million reported by the AG in the 2006-07 financial year. The investigation was ongoing as at 31 July 2009.

3.2.7 OFFICE OF THE PREMIER

Financially unqualified (with other matters)

Emphasis of matters

- Unauthorised and irregular expenditure
 - The compensation of employees was overspent by an amount of R37,131 million, which resulted in unauthorised expenditure of R32,038 million and irregular expenditure of R5,093 million.

Other matters

- Non-compliance with applicable legislation
 - The Office of the Premier purchased and donated 82 vehicles worth R11,1 million to Limpopo traditional leaders. The donation was made without the approval of the provincial legislature, which is contrary to Treasury Regulation 21.1.1.
- Key governance responsibilities
 - Financial statements were subject to material amendments resulting from the audit.
 - The internal audit function did not substantially fulfil its responsibilities in terms of Treasury Regulation 3.2 for the year.

3.2.8 ROADS AND TRANSPORT

Financially unqualified (with other matters)

Emphasis of matters

- Unauthorised expenditure
 - Unauthorised expenditure amounting to R25,034 million was incurred as a result of an

overspending of programme 2, due to the evaluation of posts of incumbency and general workers whose salaries were erroneously downgraded.

- Irregular expenditure
 - Irregular expenditure amounting to R4,241 million was incurred when the budget for compensation of employees was overspent.

Other matters

- Non-compliance with applicable legislation
 - The department failed to obtain approval for payments amounting to R6,981 million made by cheque in excess of R2 000, which is contrary to Treasury Regulation 15.12.3.
- Key governance responsibilities
 - Significant difficulties were experienced during the audit concerning delays or the availability of requested information.
 - There were significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.

3.2.9 SAFETY, SECURITY AND LIAISON

Financially unqualified (with other matters)

Emphasis of matters

- Unauthorised expenditure
 - The department incurred unauthorised expenditure amounting to R663 000, as a result of the increase in the salary of the MEC that was not funded and an overspending on goods and services.
- Irregular expenditure
 - Irregular expenditure amounting to R16 445 was incurred, as the department's acting general manager: Corporate Affairs received a salary from September 2008 that was above his approved notch.

Other matters

- Non-compliance with applicable legislation
 - The department paid the MEC's driver overtime that constituted more than 30% of his basic remuneration on three occasions during the year, which is in contravention of the Public Service Regulations.

- Key governance responsibilities
 - The financial statements were subject to material amendments resulting from the audit.

3.2.10 SOCIAL DEVELOPMENT

Financially unqualified (with other matters)

Emphasis of matters

- Irregular expenditure
 - Irregular expenditure amounting to R211 375 was incurred due to an improper procurement process.

Other matters

- Non-compliance with applicable legislation
 - The accounting officer did not enforce compliance with prescribed conditions when funds were transferred to some institutions, which is contrary to section 38(1)(k) of the PFMA.
 - According to section 30(1)(d) of the PFMA, the accounting officer is responsible for the management, including the safeguarding and maintenance, of assets. The structure of the asset register could not provide adequate assurance that the department had adhered to the prescribed legislation.
- Key governance responsibilities
 - The shared internal audit function did not substantially fulfil its responsibilities for the year as set out in Treasury Regulation 3.2.

Investigations

- The department is in the process of procuring the services of an independent forensic consultancy to investigate possible abuse of the procurement system to the benefit of government officials in some districts.

3.2.11 SPORTS, ARTS AND CULTURE

Financially unqualified (with other matters)

Emphasis of matters

- Unauthorised expenditure
 - Unauthorised expenditure was incurred when the budget for the administration programme was exceeded by R7,6 million.

- Fruitless and wasteful expenditure
 - The department incurred fruitless and wasteful expenditure amounting to R700 000 in respect of a rescue plan for the Mapungubwe Jazz Festival.
 - The department paid rent amounting to R3,7 million for a building not occupied.
 - Interest amounting to R5,5 million was incurred on a finance lease that was entered into outside the permissible circumstances set out in National Treasury practice note 5 of 2006-07.
- Irregular expenditure
 - The department entered into an instalment sale agreement amounting to R29 million without approval and without competitive bids, contrary to Treasury Regulations 13.1.1, 13.2.5 and 16A.6.4.
 - The department exceeded the budget on personnel expenditure by R1,1 million, in contravention of Treasury Regulation 6.3.1.
- Material underspending of the budget
 - The department materially underspent its budget on the programmes for library and archives as well as sport and recreation. The underspending totalled R17,5 million and as a consequence, the department did not achieve its objectives with regard to completing the construction of libraries and the establishment of athletics tracks.
- Restatement of corresponding figures
 - The corresponding figures for 31 March 2008 were restated as a result of an error discovered during 2009 in the financial statements of the department for the year ended 31 March 2008.

Other matters

- Key governance responsibilities
 - Significant difficulties were experienced during the audit concerning delays or the availability of requested information.
 - The financial statements were subject to material amendments resulting from the audit.
 - Key officials were not available throughout the audit.
 - There were significant deficiencies in the design and implementation of internal control in respect of financial and risk management.
 - There were significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.

3.2.12 PROVINCIAL TREASURY

Financially unqualified (with other matters)

Other matters

- Non-compliance with applicable legislation
 - The department administered the tribal levies and trust account on behalf of the various tribal

communities in Limpopo. The annual financial statements for the financial years ended 31 March 1999 to 31 March 2003 were prepared but not signed and officially submitted, while the annual financial statements for the financial years ended 31 March 2004 to 31 March 2009 had not been prepared as prescribed by Treasury Regulation 14.3.1(d).

- Key governance responsibilities
 - The financial statements were subject to material amendments resulting from the audit.

Investigations

- An investigation is being conducted into the vulnerability of the Basic Accounting System at Limpopo provincial departments. The investigation was ongoing at the reporting date.

3.2.13 PUBLIC WORKS

Qualification

- Capital assets
 - The immovable asset register did not include immovable assets that had been acquired since 1994.
 - Sufficient information could not be provided to enable me to audit additions to the value of R68 016 000.
 - The completeness and valuation of immovable tangible capital assets amounting to R277,858 million could not be verified.

Other matters

- Non-compliance with applicable legislation
 - Contrary to paragraph 38(1)(e) of the PFMA, the fringe benefits of employees derived from the letting of state residential property were not subjected to income tax as per paragraph 7(4) of the seventh schedule of the Income Tax Act, 1962 (Act No. 58 of 1962).
- Key governance responsibilities
 - The financial statements were subject to material amendments resulting from the audit.

ANNEXURE 3.3 PROVINCIAL PUBLIC ENTITIES

3.3.1 GATEWAY AIRPORTS AUTHORITY LIMITED

Qualification

- Investment property
 - The entity adopted the fair value model in terms of the South African Statement of General Recognised Accounting Practice, IAS 40 (AC 135) to measure its investment property amounting to R7 067 078. The entity elected to revalue its investment property once in every three years.



Gateway Airport Authority Limited did not revalue its investment property during the current year. In the absence of a valuation, the impact on retained earnings and investment property could not be quantified.

- Property, plant and equipment
 - Contrary to the requirements of South African Statement of Generally Accepted Accounting Practice, IAS 16 (AC 123) *Property, Plant and Equipment*, Gateway Airport Authority Limited did not depreciate a portion of its leasehold improvements. However, in the absence of further information about the depreciation on leasehold improvements, it was not possible to quantify the effects.

Emphasis of matters

- Restatement of corresponding figures
 - The corresponding figures for 31 March 2008 were restated as a result of an error discovered during 2009 in the financial statements of Gateway Airport Authority Limited at, and for the year ended, 31 March 2008.
- Irregular expenditure
 - Irregular expenditure to the amount of R710 981 was incurred on an air show that had not been budgeted for.
- Fruitless and wasteful expenditure
 - Fruitless and wasteful expenditure to the amount of R17 897 was incurred on SARS penalties and interest as well as traffic fines.

Other matters

- Non-compliance with applicable legislation
 - A register of directors' and officers' interests in contracts with the entity was not maintained, as required by section 240 of the Companies Act, 1973.
- Key governance responsibilities
 - The financial statements were subject to material amendments resulting from the audit.
 - The annual report was not submitted for consideration prior to the tabling of the auditor's report.
 - The audit committee did not substantially fulfil its responsibilities for the year as set out in section 77 of the PFMA and Treasury Regulation 27.1.8.
 - The internal audit function did not operate in terms of an approved audit plan.
 - The internal audit function did not substantially fulfil its responsibilities for the year as set out in Treasury Regulation 27.2.
 - There were significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.
 - A risk assessment was not conducted on a regular basis and a risk management strategy,



which included a fraud prevention plan, was not documented and used as set out in Treasury Regulation 27.2.

3.3.2 LIMPOPO GAMBLING BOARD

Financially unqualified (with other matters)

Emphasis of matters

- Restatement of corresponding figures
 - The corresponding figures for 31 March 2009 were restated as a result of an error discovered during 2009 in the financial statements of the Limpopo Gambling Board at, and for the year ended, 31 March 2008.

Other matters

- Key governance responsibilities
 - The financial statements were subject to material amendments resulting from the audit.

3.3.3 ROADS AGENCY LIMPOPO

Financially unqualified (with other matters)

Other matters

- Key governance responsibilities
 - The financial statements were subject to material amendments resulting from the audit.
 - The annual report was not submitted for consideration prior to the tabling of the auditor's report.

3.3.4 LIMPOPO PARKS AND TOURISM BOARD

Disclaimer

- Property, plant and equipment
 - Due to material inconsistencies between the accounting records and financial statements, the board's records did not permit the application of adequate alternative audit procedures regarding property, plant and equipment. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the existence, valuation and completeness of property, plant and equipment aggregating to R63,87 million as disclosed in note 2 to the financial statements.
 - The board did not restate its prior year financial statements with respect to movable assets revalued with effect from 31 March 2007 as required by Generally Recognised Accounting Practice 3 *Accounting Policies, Changes in Accounting Estimates and Errors* and adjust the depreciation in accordance with International Accounting Standard 16 (AC 123) *Property, Plant and Equipment*. Additionally, the board did not depreciate its immovable property at year-end after revaluation.

- During the year the board revalued its assets. Contrary to IAS 36 *Impairment*, however, the impairment loss arising on revaluation was not recognised in the statement of financial performance.
- Deferred income and other income
 - The fixed asset register did not provide details distinguishing the assets bought through own revenue and assets financed through government grants. I could not obtain adequate evidence to determine the accuracy, completeness and occurrence of the amount recognised as other income aggregating to R4,39 million as disclosed in note 9 to the financial statements.
 - The board's records did not permit the application of adequate alternative audit procedures regarding deferred income. Consequently, I could not verify the valuation, existence, completeness as well as rights and obligations of the closing balance of deferred income aggregating to R51,36 million as disclosed in note 9 to the financial statements.
- Unauthorised expenditure
 - The board did not disclose unauthorised expenditure of R412 294 incurred during the financial year. This is contrary to section 55(2)(b) of the PFMA, which requires disclosure of unauthorised expenditure in the financial statements.
- Fruitless and wasteful expenditure
 - The board did not disclose fruitless and wasteful expenditure of R39 200 incurred during the financial year. This is contrary to section 55(2)(b) of the PFMA, which requires disclosure of fruitless and wasteful expenditure in the financial statements.

Other matters

- Key governance responsibilities
 - The financial statements were subject to material amendments resulting from the audit.
 - The annual report was not submitted for consideration prior to the tabling of the auditor's report.
 - The audit committee did not substantially fulfil its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8.
 - There were significant deficiencies in the design and implementation of internal control in respect of financial and risk management.
 - There were significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.

ANNEXURE 3.4 PROVINCIAL OTHER ENTITIES

3.4.1 URBAN TRANSPORT FUND

Financially unqualified with no other matters



ANNEXURE 4: Audit outcomes for the past five years

No.	Classification	Type of other entity	Institution	Sector	Audit opinion: 2008-09	Audit opinion: 2007-08	Audit opinion: 2006-07	Audit opinion: 2005-06	Audit opinion: 2004-05
1	PD		Agriculture	Agriculture	Qualified	Financially unqualified (with other matters)	Qualified	Financially unqualified (with other matters)	Financially unqualified (with other matters)
2	PD		Economic Development, Environment and Tourism	Economic Development	Financially unqualified (with other matters)	Qualified	Qualified	Qualified	N/A
3	PD		Education	Education	Qualified	Qualified	Qualified	Financially unqualified (with other matters)	Financially unqualified (with other matters)
4	PPE		Gateway Airport Authority Limited	Transport, Roads and Public Works	Qualified	Financially unqualified (with other matters)	**	**	**
5	PD		Health	Health	Qualified	Qualified	Qualified	Qualified	Financially unqualified (with other matters)
6	PPE		Limpopo Gambling Board	Economic Development	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Financially unqualified (with no other matters)	Financially unqualified (with other matters)

ANNEXURE 4: Audit outcomes for the past five years (continued)

No.	Classification	Type of other entity	Institution	Sector	Audit opinion: 2008-09	Audit opinion: 2007-08	Audit opinion: 2006-07	Audit opinion: 2005-06	Audit opinion: 2004-05
7	PPE		Limpopo Housing Board	Local Government and Housing	Audit outstanding	Audit outstanding	Audit outstanding	Audit outstanding	Audit outstanding
8	PPE		Limpopo Roads Agency	Transport, Roads and Public Works	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Financially unqualified (with no other matters)	Financially unqualified (with no other matters)
9	PPE		Limpopo Tourism and Parks Board	Economic Development	Disclaimer	Qualified	**	**	**
10	PD		Local Government and Housing	Local Government and Housing	Financially unqualified (with other matters)	Qualified	Qualified	Adverse	Financially unqualified (with other matters)
11	PD		Office of the Premier	Office of the Premier	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Qualified	Financially unqualified (with other matters)	Financially unqualified (with other matters)
12	PD		Provincial Legislature		Qualified	Qualified	Qualified	Financially unqualified (with other matters)	Financially unqualified (with other matters)

ANNEXURE 4: Audit outcomes for the past five years (continued)

No.	Classification	Type of other entity	Institution	Sector	Audit opinion: 2008-09	Audit opinion: 2007-08	Audit opinion: 2006-07	Audit opinion: 2005-06	Audit opinion: 2004-05
13	PD		Provincial Treasury	Treasury	Financially unqualified (with other matters)	Qualified	Qualified	Financially unqualified (with other matters)	N/A
14	PD		Public Works	Transport, Roads and Public Works	Qualified	Qualified	Qualified	Financially unqualified (with other matters)	Financially unqualified (with other matters)
15	PD		Roads and Transport	Transport, Roads and Public Works	Financially unqualified (with other matters)	Qualified	Qualified	Qualified	Qualified
16	PD		Safety, Security and Liaison	Community Safety	Financially unqualified (with other matters)	Financially unqualified (with no other matters)	Qualified	Financially unqualified (with other matters)	Financially unqualified (with other matters)
17	PD		Social Development	Social	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Qualified	Qualified	Financially unqualified (with other matters)
18	PD		Sports, Arts and Culture	Sports, Arts and Culture	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Qualified	Qualified	Qualified

ANNEXURE 4: Audit outcomes for the past five years (continued)

No.	Classification	Type of other entity	Institution	Sector	Audit opinion: 2008-09	Audit opinion: 2007-08	Audit opinion: 2006-07	Audit opinion: 2005-06	Audit opinion: 2004-05
19	POE	Trust account	Tribal and Trust Account	Treasury	Audit outstanding	Audit outstanding	Audit outstanding	Audit outstanding	Audit outstanding
20	POE	Fund account	Urban Transport Fund	Transport, Roads and Public Works	Financially unqualified (with no other matters)	Qualified	Financially unqualified (with other matters)	Qualified	Financially unqualified (with no other matters)

N/A – Until 2004-05 the Department of Economic Development, Environment and Tourism and the Provincial Treasury had operated as one department, namely Finance and Economic Development. In 2005 the department separated into two different votes, namely the Department of Economic Development, Environment and Tourism and the Provincial Treasury.

For 2004-05 the Department of Finance and Economic Development received a financially unqualified audit opinion with other matters.

** – The AG opted to perform the audit only from the 2007-08 financial year onwards.

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