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2010-11

GENERAL REPORT

on the provincial audit outcomes of **KWAZULU-NATAL**



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



100 YEARS
1911-2011



GENERAL REPORT
ON THE OUTCOMES OF THE
KWAZULU-NATAL PROVINCIAL GOVERNMENT
2010-11

PR 289/2011
ISBN: 978-0-621-40442-5



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

Auditor-General: Terence Nombembe

Our reputation promise/mission

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



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SECTION 1: FOREWORD

It is with pleasure that I present to the KwaZulu-Natal Provincial Legislature my 2010-11 general report summarising the audit outcomes of the provincial legislature, revenue fund, departments and public entities for the financial year ended 31 March 2011. The audit of the KwaZulu-Natal Provincial Revenue Fund was not finalised at the date of writing this report. The Kwanaloga public entity's year-end is 30 June and the audit was not finalised for inclusion.

Four departments and the KwaZulu-Natal Provincial Legislature received clean audits. Eight departments received unqualified audit reports with findings. Three big departments, namely Education, Health and Public Works, received qualified audit reports mainly due to weak internal control environments over assets and leave liabilities. Seven public entities received clean audits. Twenty-three public entities received financially unqualified audit reports with findings. Three public entities received qualified audit reports and one, the KwaZulu-Natal Business Rehabilitation Trust Fund, received a disclaimed audit report due to weaknesses relating to current assets, revenue and disclosure requirements. Overall, 86% of the 50 departments and public entities in the province achieved either a clean audit or a financially unqualified with other findings audit report. The Departments of Health and Education, both qualified, together represent a significant portion of the province's budget.

The five clean audits at departments include those of the Office of the Premier, the KwaZulu-Natal Provincial Legislature and the Department of Transport improving from financially unqualified with findings to clean audits, while the Department of Arts and Culture and the KwaZulu-Natal Provincial Treasury maintained their clean audit status. The seven clean audits at public entities include three entities that improved from financially unqualified with findings to clean audits, while two entities improved from qualified audit opinions to financially unqualified with findings. These outcomes can be attributed to strong leadership that had the desire to achieve clean administration and prepared action plans on previous year findings that were monitored and implemented by appropriately skilled employees.

The 11 departments that did not achieve clean audits include the Department of Community Safety and Liaison, which regressed, as well as the Department of Agriculture, Environmental Affairs and Rural Development and the Department

of Social Development, which improved from qualified to financially unqualified with findings. Twenty-seven public entities remained in this category. Great strides have been made in the area of performance reporting, as only five departments had findings in this area. However, there is still a need for proactive monitoring of compliance by management, internal audit and audit committee, which remains a critical obstacle in achieving clean administration, with 11 departments having findings in this area.

The executive and the legislature have committed to urgent actions that will apply to all entities, particularly those that have not yet achieved clean audit opinions. These actions include (i) regular monthly reporting and validation of financial information, service delivery information and compliance information, with specific emphasis on a vigorous and proactive approach to eliminate irregular expenditure. (ii) highly effective internal audit units and audit committees that will take ownership of verifying the credibility of internal controls that support these monthly reports, (iii) ensuring key positions remain staffed with personnel that possess the required skills (in this regard, the appointment of senior management should lessen the continual movement of leadership between departments, thereby creating stability and accountability), and (iv) regular interface between audit committees and the executive authority and the legislature.

The executive authority and oversight structures have committed to monitor and evaluate the status of the key controls and commitments each quarter in order to achieve sustainable clean audit outcomes. At a minimum, this will require a commitment by the executive authority of one hour every 90 days. This can then be followed by the sharing of the consolidated picture with the premier and the legislature. It will require the enhancement of the oversight model, which will include effective coordination between the provincial public accounts committee (PPAC) and portfolio committees. If all these governance and oversight structures work collectively in monitoring internal controls on a quarterly basis, it will place provincial governance at a higher level and contribute greatly to sustainable positive outcomes.

As part of its contribution towards clean administration, the leadership of the Auditor-General of South Africa (AGSA) in the province will continue to enhance its visibility and thereby provide proactive insights into the root causes of the status of internal controls. These engagements will also include providing timely feedback

and inputs on the adequacy of the guidance provided by coordinating role players. In this centenary year of the AGSA, I wish to thank the audit teams from my office and the audit firms that assisted for their diligent efforts towards fulfilling our constitutional mandate and the manner in which they continue to strengthen cooperation with the leadership of the province. It is particularly pleasing to note that both audit groups have understood that, in addition to producing audit opinions and findings, our purpose is to provide useful and relevant information and insights that promote oversight and accountability in government, thereby strengthening public confidence in our democracy.

Auditor-General

Auditor-General
Pretoria
December 2011



SECTION 2: AUDIT OUTCOMES

The KwaZulu-Natal Provincial Government comprises 16 provincial departments (including the provincial legislature), the provincial revenue fund and 35 public entities. This report presents the 2010-11 audit outcomes of 16 departments and 34 public entities, the audits of which were performed by the AGSA or auditors from the private sector. Although the AGSA has opted not to perform the audits of certain public entities, it has put oversight processes in place regarding the audit engagements at these entities. Specifically, the AGSA has prescribed certain requirements that included the appointment and discharge of such auditors, their duties and powers, requirements regarding their audit reports, and actions to be taken where the requirements are not met.

2.1 Audit opinions on financial statements

2.1.1 Audit outcomes for the year ended 31 March 2011

The audits of all 16 departments and 29 public entities (2009-10: 43 out of 45) that had submitted financial statements on time as well as two public entities that had submitted financial statements late were completed by 31 July 2011, while a further three audits of financial statements received late were completed by 30 September 2011, all within the legislated time frame of two months from receipt of the financial statements by the AGSA. The audits of the provincial revenue fund and one public entity had not been finalised as at 30 September 2011, the cut-off date set by the AGSA for inclusion of audit outcomes in this general report. The audit outcomes for the 2010-11 financial year and those of the previous year are presented in table 1 below, while section 2.1.2 gives a three-year history of audit outcomes for the province.

Table 1: Summary of audit outcomes

Audit outcomes	Audits conducted by the AGSA				Audits not conducted by the AGSA	
	Departments*		Public entities**		Public entities	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Financially unqualified with no findings on predetermined objectives or compliance with laws and regulations	5	4	6	6	1	0
Financially unqualified with findings on predetermined objectives and/or compliance with laws and regulations	8	9	13	11	10	11
Financially unqualified financial statements	81%	76%	83%	74%	100%	100%
Qualified opinion	3	4	3	6	0	0
Adverse opinion	0	0	0	0	0	0
Disclaimer of opinion	0	0	1	0	0	0
Financially qualified financial statements	19%	24%	17%	26%	0%	0%
Total number of audits reported on	16	17	23	23	11	11
Number of audit reports not issued by 30 September 2011	1	0	1	0	0	0
Total number of audits	17	17	24	23	11	11
Total number of auditees in which findings arose from the AGSA's other legal reporting responsibilities:						
Predetermined objectives findings only	0	0	0	0	2	0
Compliance with laws and regulations findings only	6	5	8	2	3	0
Findings on both predetermined objectives and compliance with laws and regulations	5	8	9	15	5	11

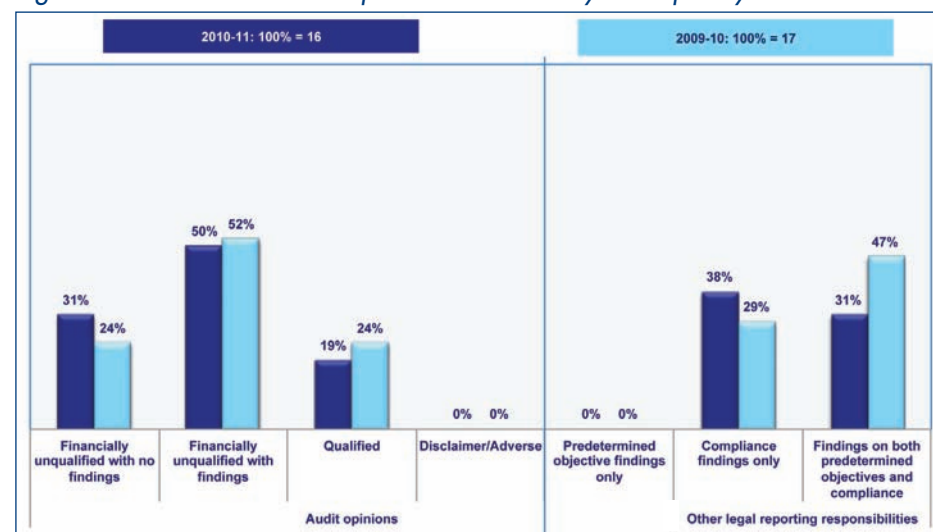
* Including legislature and provincial revenue fund ** Including trading and other types of entities

The financial statements of departments and public entities that were financially qualified contained material misstatements that caused them not to fairly present the financial position at 31 March 2011 or the financial results for the year then ended in respect of one or more areas. Financial statements were disclaimed when the information or documentation required by the auditors was not provided to enable them to reach an opinion on the financial statements.

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

Figure 1 depicts the audit outcomes of departments for the current and prior year.

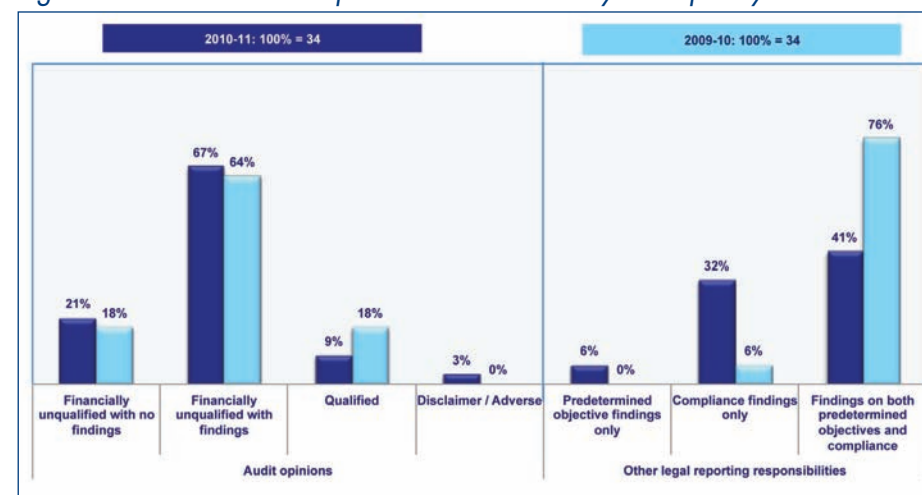
Figure 1: Audit outcomes of departments – current year vs prior year



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

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

Figure 2: Audit outcomes of public entities – current year vs prior year



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

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



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

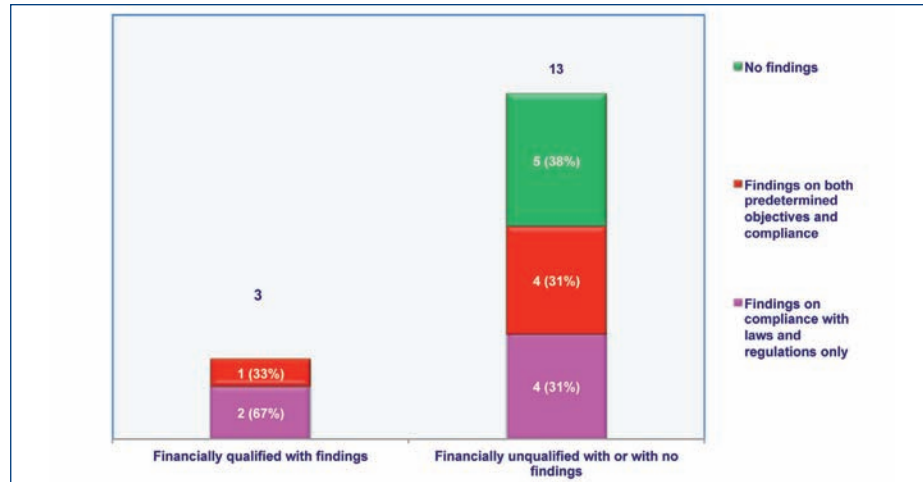
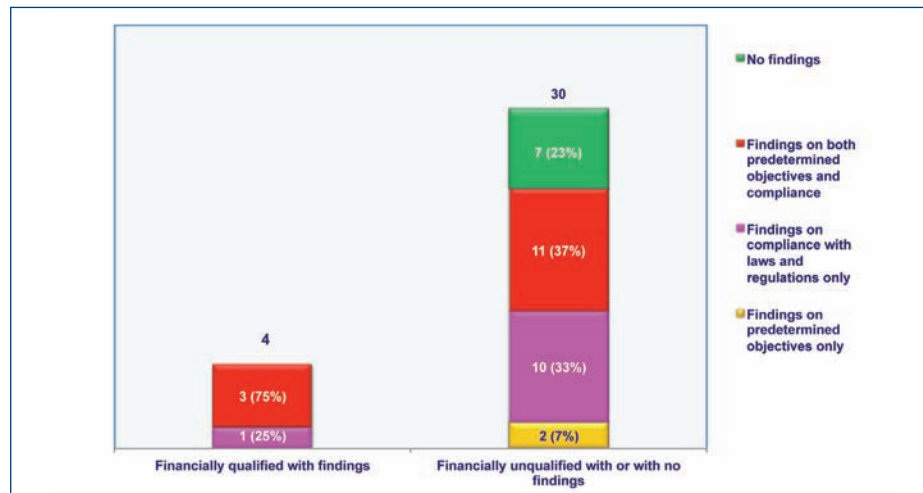


Figure 4: Public entities with findings on predetermined objectives and/or compliance with laws and regulations

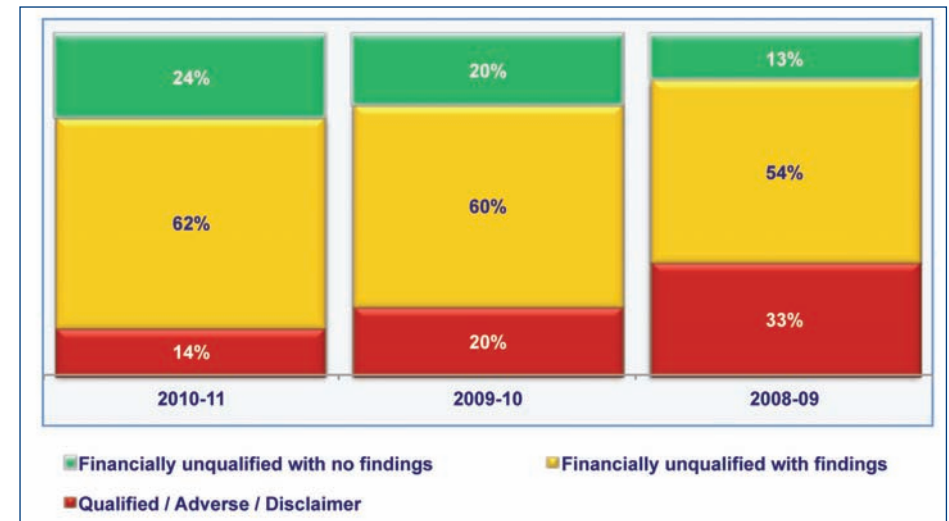


Findings on predetermined objectives are analysed in section 2.3, while an overview of auditees' compliance with laws and regulations is presented in section 2.4 of this report.

2.1.2 Three-year history of audit outcomes for the province

The audit outcomes for the province over the past three years are depicted below.

Figure 5: Three-year audit outcomes for the province



There has been a marginal improvement in audit outcomes, especially in the category of financially unqualified with findings. There has also been an increase in the number of audit opinions that were financially unqualified with no findings. However, this improvement has been offset by regressions at departments and public entities that have not sustained the progress made in prior years. During the 2010-11 financial year, departments and public entities in the province have moved progressively towards clean administration.

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

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

Table 2: Movements in audit outcomes of departments









Movement in audit outcome over 2009-10 – Departments						
Audit opinion	Improvement	Unchanged	Regressed	New departments	Total reported on	Prior year opinion on audits outstanding 2010-11
Financially unqualified with no findings		2			5	1
Financially unqualified with findings		5			8	0
Qualified		2			3	0
Disclaimer/Adverse					0	0
Total	5	9	2		16	1

Table 3: Movements in audit outcomes of public entities

Movement in audit outcome over 2009-10 – Public entities						
Audit opinion	Improvement	Unchanged	Regressed	New public entities	Total reported on	Prior year opinion on audits outstanding 2010-11
Financially unqualified with no findings		4			7	
Financially unqualified with findings		18		1	23	
Qualified		3			3	1
Disclaimer/Adverse					1	
Total	5	25	3	1	34	1

Highlights and major trends in audit opinions on financial statements for the year under review, with comparisons to the previous financial year, are presented below. Annexure 1 to this report lists the auditees together with their 2010-11 audit outcomes and those of the previous financial year.

Overall trends	<ul style="list-style-type: none"> The province achieved an overall improvement in audit outcomes for the 2010-11 financial year. It is pleasing to note that the province has maintained a position where no departments received disclaimed or adverse opinions for the 2010-11 financial year. However, one public entity, namely the KwaZulu-Natal Business Rehabilitation Trust Fund, regressed from a qualified to a disclaimed audit opinion. The overall audit outcomes for public entities have improved and the modified (i.e. qualified, adverse and disclaimed) audit opinions have reduced from six last year to four this year.
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Financially unqualified audit opinions with no findings	<ul style="list-style-type: none"> Departments with audit reports that were financially unqualified with no findings on predetermined objectives or compliance with laws and regulations improved from four in 2009-10 to five in 2010-11. This was achieved by the Department of Arts and Culture, KwaZulu-Natal Provincial Treasury, Office of the Premier, KwaZulu-Natal Provincial Legislature and Department of Transport. The number of public entities with audit reports that were financially unqualified with no findings on predetermined objectives or compliance with laws and regulations improved from six in the previous year to seven in the current year, namely Banzi Pan Devco (Pty) Ltd, KwaZulu-Natal Planning and Development Commission, KwaZulu-Natal Political Parties' Fund, Trade and Investment KZN, Natal Joint Municipal Pension Fund (Retirement), Natal Joint Municipal Provident Fund and Natal Joint Municipal Pension Fund (Superannuation). These outcomes can be attributed to strong leadership and the leadership's desire to achieve clean administration. A strong will, backed up by the ability to monitor action plans on previous year findings, appropriately skilled employees and communication with auditors, contributed to the achievement of these outcomes.
Notable improvements	<p>Departments (five)</p> <ul style="list-style-type: none"> The Office of the Premier, KwaZulu-Natal Provincial Legislature and Transport improved from financially unqualified with findings on predetermined objectives and/or compliance with laws and regulations to financially unqualified with no findings on predetermined objectives or compliance with laws and regulations. Agriculture, Environmental Affairs and Rural Development as well as Social Development improved from qualified to financially unqualified with findings on predetermined objectives and/or compliance with laws and regulations. <p>Public entities (five)</p> <ul style="list-style-type: none"> Amafa aKwaZulu-Natali and uMsekeli Municipal Support Services moved from a qualified opinion to financially unqualified with findings on predetermined objectives and/or compliance with laws and regulations; Banzi Pan Devco (Pty) Ltd, KwaZulu-Natal Political Parties' Fund as well as Trade and Investment KZN moved from financially unqualified with findings on predetermined objectives and/or compliance with laws and regulations to financially unqualified with no findings on predetermined objectives or compliance with law and regulations. These improvements were the result of strong leadership and the ability to address prior findings raised by the AGSA.

Disclaimed, adverse or qualified audit opinions	<ul style="list-style-type: none"> Two of the four departments qualified in 2009-10 were again qualified in 2010-11, namely Health and Public Works. Education regressed to a qualified audit opinion from financially unqualified with findings on predetermined objectives and/or compliance with laws and regulations. KwaZulu-Natal Business Rehabilitation Trust Fund received a disclaimer of audit opinion and three public entities again received a qualified audit opinion for 2010-11, namely KwaZulu-Natal Nature Conservation Board, KwaZulu-Natal Housing Fund and KwaZulu-Natal Traditional Levies and Trust Account.
Prior year qualification findings	<ul style="list-style-type: none"> The areas of qualification that led to the modified audit opinions obtained by Agriculture, Environmental Affairs and Rural Development, Social Development, Amafa aKwaZulu-Natali and uMsekeli Municipal Support Services were resolved and they received financially unqualified audit opinions with findings for the year under review.
Further qualification findings	<ul style="list-style-type: none"> Education regressed to a qualified audit opinion from financially unqualified with findings on predetermined objectives and/or compliance with laws and regulations.
Repeatedly qualified auditees	<ul style="list-style-type: none"> Two of the four departments qualified in 2009-10 were again qualified in 2010-11 on capital assets, namely Health and Public Works. Four public entities, namely KwaZulu-Natal Nature Conservation Board, KwaZulu-Natal Housing Fund and KwaZulu-Natal Traditional Levies and Trust Account (qualified audit opinions for 2010-11) as well as KwaZulu-Natal Business Rehabilitation Trust Fund (disclaimed audit opinion for 2010-11), had repeat findings on current assets and/or capital assets and/or revenue.
Financially unqualified, with findings/with no findings	<ul style="list-style-type: none"> Eighty-one per cent (2009-10: 76%) of the departments and 83% (2009-10: 74%) of the public entities received a financially unqualified audit opinion, with either no findings or findings on predetermined objectives and/or compliance with laws and regulations.
No further progress towards clean administration	<ul style="list-style-type: none"> Economic Development and Tourism, Human Settlements, Cooperative Governance and Traditional Affairs, Sport and Recreation and the Royal Household were again financially unqualified with findings on predetermined objectives and/or compliance with laws and regulations, while Health and Public Works remained qualified. With regard to the public entities, KwaZulu-Natal Housing Fund, KwaZulu-Natal Nature Conservation Board and KwaZulu-Natal Traditional Levies and Trust Account also remained qualified. Agri-Business Development Agency, Dube TradePort, KwaZulu-Natal Gambling Board, Growth Fund Managers, Ithala Development Finance Corporation Ltd, Ithala Ltd, KwaZulu-Natal Sharks Board, Mjindi Farming (Pty) Ltd, Cowslip Investments (Pty) Ltd, Durban Wharfside Trust, Mabibi Development Company (Pty) Ltd, Moses Kotana Institute, Nongoma Plaza, Richards Bay Industrial Development Zone, Rocktail Bay Devco (Pty) Ltd, Sibaya Conservation Projects (Pty) Ltd, Sundumbili Plaza and Ubiciko Twines and Fabric (Pty) Ltd again received an audit opinion of financially unqualified with findings on predetermined objectives and/or compliance with laws and regulations.

2.1.4 History of audit outcomes of auditees who obtained financially modified audit opinions for the year ended 31 March 2011

The history of audit outcomes of those auditees whose financial statements were disclaimed, adverse or qualified for the year under review is illustrated in the table below.

Table 4: History of audit outcomes of auditees with modified audit opinions

Auditee	Audit outcomes					
	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Education	Qualified	Financially unqualified with findings	Financially unqualified with findings	Financially unqualified with findings	Qualified	Qualified
Health	Qualified	Qualified	Financially unqualified with findings	Financially unqualified with findings	Qualified	Qualified
Public Works	Qualified	Qualified	Qualified	Qualified	Qualified	Financially unqualified with findings
KwaZulu-Natal Housing Fund	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified
KZN Business Rehabilitation Trust Fund	Disclaimer	Qualified	Qualified	Qualified	Qualified	Qualified
KZN Nature Conservation Board	Qualified	Qualified	Qualified	Adverse	Adverse	Qualified
KZN Traditional Levies and Trust Account – KZN	Qualified	Qualified	Adverse	Adverse	Adverse	Qualified

Two departments and three public entities of those listed above, again received qualified audit opinions. The Department of Education regressed to a qualified audit opinion after having received financially unqualified audit opinions for three consecutive years. This was because no adequate system existed to verify accruals of R1 17,1 million and the existence and valuation of leave entitlement and capped leave balances amounting to R2,9 billion, which were not supported by appropriate audit evidence.

Furthermore, the KwaZulu-Natal Business Rehabilitation Trust Fund regressed from a qualified audit opinion to a disclaimer of audit opinion as the fund could not

provide documentary audit evidence for investments of R2,2 million, accumulated funds of R2,5 million, receivables of R323 432, and revenue of R90 719.

2.1.5 Timeliness of the submission and audit of financial statements

Departments and public entities are required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) to submit their financial statements for auditing by 31 May each year. The AGSA is required to complete an audit within two months of receipt of the financial statements.

By the deadline of 31 May 2011, 16 (100%) departments (2009-10: 16 (100%)) and 29 (81%) public entities (2009-10: 34 (100%)) had submitted their financial statements for auditing.

The audits of a further five public entities, of which the financial statements were received after the deadline, have been completed and the outcomes are included in the analysis in this report, namely:

- Ubuciko Twines and Fabric (Pty) Ltd
- KwaZulu-Natal Business Rehabilitation Trust Fund
- Natal Joint Municipal Pension Fund (Retirement)
- Natal Joint Municipal Provident Fund
- Natal Joint Municipal Pension Fund (Superannuation)

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

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

Auditee	Latest financial year audit finalised	Reason for audit outstanding or not finalised at GR cut-off date			Expected date of finalisation
		Financial statements not yet received	Late receipt of financial statements	Audit still in progress due to other reasons	
Kwanaloga *	2009-10				Unknown
KwaZulu-Natal Provincial Revenue Fund	2009-10				29-Oct-11

* Kwanaloga has a financial yearend of 30 June.



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

From 30 September 2011, no further audits were finalised. The outcomes for the previous year relating to the outstanding audits are reflected in the table below.

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

Auditee	Audit opinion	Audit opinion
	2010-11	2009-10
Kwanaloga	Outstanding	Financially unqualified with findings
Provincial revenue fund KZN	Outstanding	Financially unqualified with no findings

2.2 Findings on financial management, including defects in financial statements

Matters relating to financial management presented in this analysis include progress by departments and public entities in addressing prior year financial statement qualification findings, material errors and omissions in the financial statements submitted for auditing, material losses incurred by auditees, underspending by auditees against their votes or conditional grants, and auditees facing financial sustainability concerns.

2.2.1 Auditees' progress in addressing prior year financial statement qualifications

Of the audits completed at 31 July 2011, two of the 16 (13%) departments had not addressed all of their 2009-10 qualification findings in order for their 2009-10 financial statements to be financially unqualified. The corresponding lack of progress for public entities is four out of 34 (12%).

Figures 6 and 7 depict those financial statement areas attracting qualification findings at departments and public entities, respectively. Corrective action taken by management to address prior year qualification findings is outlined in section 2.2.2, while details of current year qualifications are provided in section 2.2.3 of this report.

Figure 6: Transversal financial statement qualification areas – departments

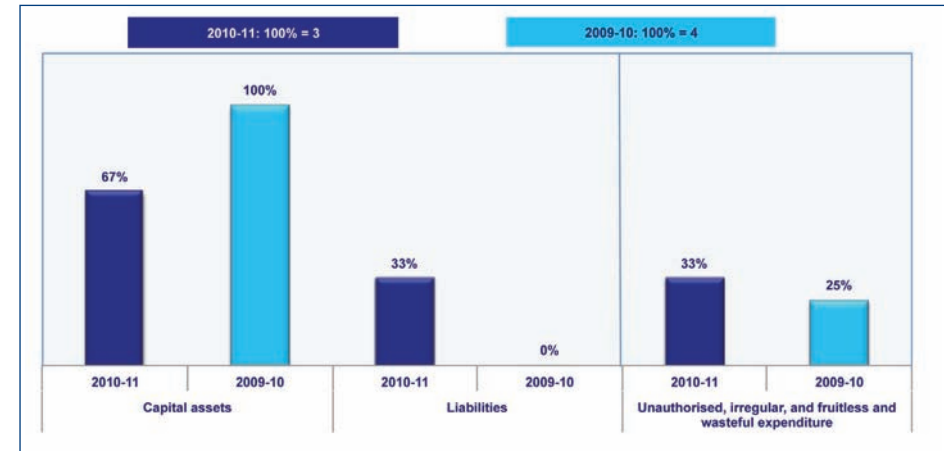
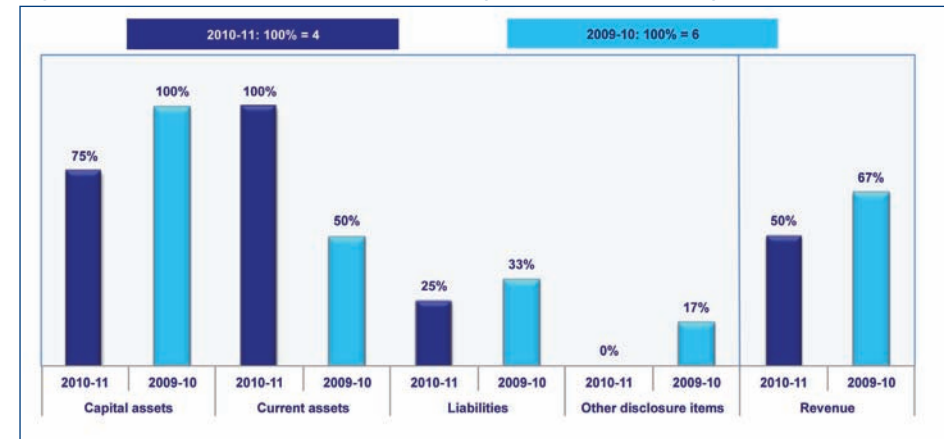


Figure 7: Transversal financial statement qualification areas – public entities



Tables 7 and 8 below show the movements in the financial statement qualification areas of those departments and public entities that obtained disclaimed, adverse or qualified audit opinions.

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

Department	Audit opinion 2010-11	Movement in addressing 2009-10 financial statement qualification findings						
		Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	UIF*
Agriculture	Financially unqualified with findings	Addressed						Addressed
Education	Qualified			New				
Health	Qualified	Repeat**						New
Public Works	Qualified	Repeat**						
Social Development	Financially unqualified with findings	Addressed						

* Unauthorised, irregular as well as fruitless and wasteful expenditure

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

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

Public entity	Audit opinion 2010-11	Movement in addressing 2009-10 financial statement qualification findings						
		Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	UIF*
Amafa aKwaZulu-Natali	Financially unqualified with findings	Addressed				Addressed		
KwaZulu-Natal Business Rehabilitation Trust Fund	Disclaimer	Addressed	Repeat**	Addressed		New		
KwaZulu-Natal Housing Fund	Qualified	Repeat**	Repeat					
KwaZulu-Natal Nature Conservation board	Qualified	Repeat**	New	New		Addressed		

Public entity	Audit opinion 2010-11	Movement in addressing 2009-10 financial statement qualification findings						
		Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	UIF*
KZN Traditional Levies and trust Account	Qualified	Repeat**	New			Repeat**		
uMsekeli Municipal Support Services	Financially unqualified with findings	Addressed	Addressed	Addressed		Addressed		

* Unauthorised, irregular as well as fruitless and wasteful expenditure

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

2.2.2 Outline of corrective action taken by management to address the 2009-10 qualification findings

As can be seen in tables 7 and 8 above, limited progress has been made in addressing qualification areas. The initiatives taken by auditees that were able to successfully address the 2009-10 qualification findings are indicated below with a view to highlighting good practices. These good practices should be replicated by auditees that still need to address qualification areas in the current audit reports. Improvements in audit outcomes can be attributed to corrective action taken by the leadership and management, which included the following specific interventions:

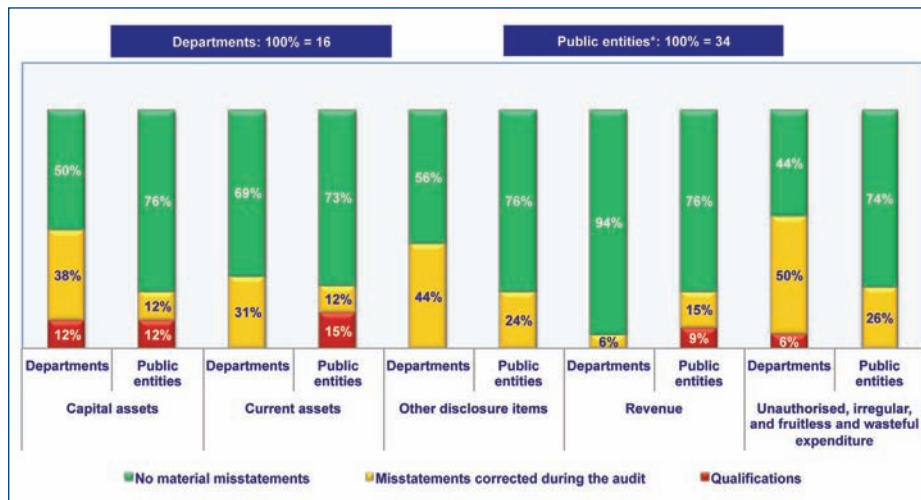
- The leadership made themselves available and committed to attend to audit issues and findings timeously.
- Action plans were compiled to address previously reported issues and monitor them for progress.
- Management improved its record keeping and record management as the importance of record keeping became quite clear.
- Reconciliations were prepared for all balances in the balance sheet.
- The audit team interacted very closely with management and the audit committee to obtain the correct output from the financial management systems, e.g. trial balance/general ledger.
- The leadership intervened to address prior year qualifications and interacted with the audit teams to resolve current year queries.



2.2.3 Analysis of areas in financial statements containing material misstatements

As in prior years, departments and public entities submitted financial statements for auditing that contained material misstatements in one or more areas of their financial statements. The areas misstated in the year under review are illustrated in figure 8 below.

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



* Includes audits not conducted by the AGSA

Uncorrected material misstatements (defects) in financial statements attracted qualified audit opinions, which are outlined in sections 2.2.4 and 2.2.5, while the incidence of material misstatements is analysed in section 2.2.6 of this report.

2.2.4 Defects in current year financial statements of departments resulting in qualified audit opinions

Some auditees did not, or were unable to, correct all the identified material misstatements in their financial statements. Below is a summary of the areas that resulted in financial statements receiving qualified audit opinions.

Capital assets

Capital assets principally consist of movable tangible capital assets, immovable tangible capital assets, and property, plant and equipment. Common matters attracting qualifications included the following:

- Adjustments of R496 million to prior and current year movable asset balances were not adequately supported.
- Significant weaknesses existed in the asset register regarding location, unique identification numbers and assets not removed when disposed of. This resulted in unsatisfactory physical verification procedures to confirm the existence and completeness of the register.
- There was insufficient appropriate audit evidence as to the completeness and valuation of immovable assets.

Liabilities

Liabilities principally consist of accruals, employee benefits, and trade and other payables. Common matters attracting qualifications included the following:

- An adequate system was not in place for the identification and recognition of accruals.
- There was a limitation on the scope of the audit as the existence and valuation of leave entitlement and capped leave balances could not be verified, as the department could not provide sufficient supporting evidence for these amounts. In addition, the Personnel and Salary System (Persal) was not updated timeously with the leave forms, and all leave balances tested could not be reconciled with the leave records.

Unauthorised, irregular as well as fruitless and wasteful expenditure

Common matters attracting qualifications included the following:

- The department's control system did not identify all irregular expenditure due to a breakdown in the system of control over procurement.

The audit findings resulting in qualified audit opinions mainly stemmed from the inability to verify the accuracy and completeness of amounts disclosed in the financial statements. Annexure 1 to this report lists the audit outcomes of all auditees in the province, together with their financial statement qualification areas.

2.2.5 Defects in current year financial statements of public entities resulting in disclaimed or qualified audit opinions

Some auditees did not, or were unable to, correct all the identified material misstatements in their financial statements. Below is a summary of the areas that resulted in financial statements receiving a disclaimed or qualified audit opinion.

Capital assets

Capital assets principally consist of movable tangible capital assets, immovable tangible capital assets, and property, plant and equipment. Common matters attracting qualifications included the following:

- The value of assets was not carried at cost less accumulated depreciation and accumulated impairment losses.
- The asset register was incomplete as items of furniture and equipment in use at various locations were not included.
- Properties transferred to legal owners were not removed from the fixed asset register; and properties to which the entity had a vested right were not included in the fixed asset register.
- A proper asset management system did not exist.
- The board did not assess the impairment of property, plant and equipment, as evidenced by identified assets that were not indicative of their net book value.
- Completed assets were not recognised and depreciated but were still included under work in progress.

Current assets

Current assets principally consist of accounts receivable, deferred income, receivables, and cash and cash equivalents. Common matters attracting qualifications included the following:

- Cash and cash equivalents were not included in the financial statements.
- Insufficient audit evidence existed as to the valuation of suspense sale debtors, deferred income and receivables.
- Insufficient audit evidence existed as to the existence of, rights pertaining to and value of investments.

Liabilities

Liabilities principally consist of accruals, employee benefits, and trade and other payables. Common matters attracting qualifications included the following:

- Insufficient appropriate audit evidence existed to support the balance disclosed as sundry payables.

Revenue

Revenue principally consists of amounts received for goods or services and admission fees. Common matters attracting qualifications included the following:

- Insufficient appropriate audit evidence existed to support the total revenue collected.
- There was no system of control over revenue.

2.2.6 Material misstatements in the financial statements submitted for auditing

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

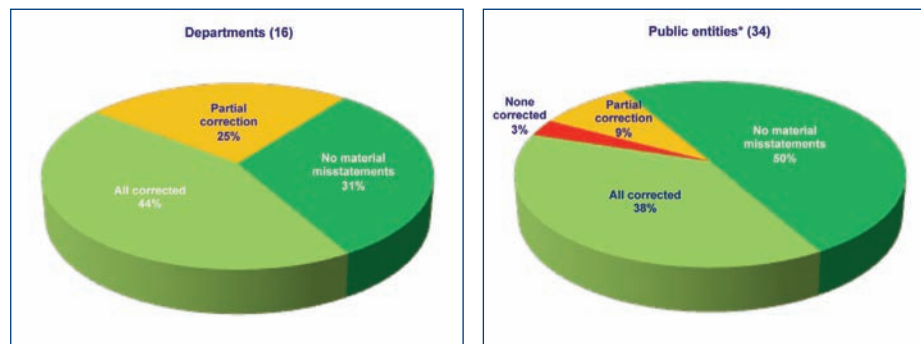
As in previous financial years, the financial statements submitted for auditing were of a poor quality and had to be materially adjusted during the audit process. Departments and public entities had significant deficiencies in the design and implementation of internal control in respect of financial reporting, which resulted in material corrections to the financial statements during the audit in the case of 11 departments (69%) and 17 public entities (50%). The corresponding level of



pervasive material misstatements in 2009-10 was 63% for departments and 44% for public entities.

Areas misstated in the financial statements submitted for auditing are listed in section 2.2.3. The figure below indicates the extent of pervasive material misstatements in the financial statements submitted for auditing, some of which were subsequently corrected by management as a result of audit findings. Where material misstatements were not corrected, the financial statements were qualified.

Figure 9: Material misstatements in the financial statements submitted for auditing



*Including audits not conducted by the AGSA

Internal control deficiencies that failed to prevent or timeously detect material misstatements in the financial statements were largely the same as in the previous year, and included the following:

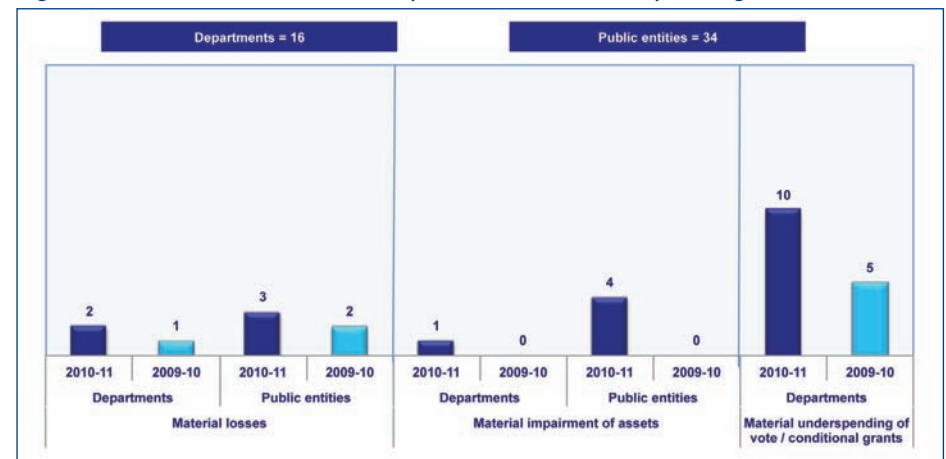
- Time frames remained an issue as departments and public entities tended to react to requirements late in the financial process. Accounting is a process that should begin on commencement of the financial year and management accounts should be produced on a monthly basis. Processes need to be in place early in order to prevent and detect problems. Furthermore, the standards should be applied on the basis that each line item in the financial statements is recognised as an element of the financial statements.
- Departments and public entities tended to recognise items according to their own limited understanding in the hope that the auditors would correctly classify the amount as per the standard.

- Financial statements were not prepared throughout the year and there was minimum review of accounts throughout the year, which resulted in errors not being detected and corrected early enough by management.
- Financial statements were often submitted simply to comply with the legislated deadline.
- There was a lack of skills to interpret and prepare financial statements in terms of the required framework, coupled with a lack of ongoing monitoring and supervision.
- Information was not captured in a form and time frame to support financial reporting, while disclosure notes were not system generated and were only produced once a year.
- Management provided poor guidance on financial reporting objectives to enable the identification of risks to reliable financial reporting.
- There was a lack of regular financial reports and audit committees did not adequately review financial statements.

2.2.7 Material losses, impairment of assets and material underspending of the vote or conditional grants

Figure 10 details material losses, asset impairments and underspending of the vote or conditional grants as disclosed in the financial statements of departments and public entities for the year ended 31 March 2011.

Figure 10: Material losses, asset impairments and underspending



Material losses

Departments – R88,4 million

Material losses incurred by two departments were due primarily to the following:

- The Department of Education incurred material losses of R86,6 million as a result of a write-off of irrecoverable staff debtors.
- The Department of Social Development incurred losses of R1,8 million as a result of assets written off.

Public entities – R102,7 million

Material losses incurred by three public entities were due primarily to the following:

- The KwaZulu-Natal Tourism Authority incurred a loss of R2,1 million as a result of the write-off of an irrecoverable debtor.
- Material losses amounting to R10,1 million were incurred by Ithala Limited as irrecoverable loans and advances were written off.
- Ithala Development Finance Corporation incurred material losses of R90,5 million as a result of the write-off of irrecoverable loans and advances. This included a R54,5 million write-off of capital and a further R36 million relating to non-realisable revenue.

Material impairment of assets

Departments – R7,1 million

The material impairment of assets incurred by the Department of Social Development was due primarily to the impairment of debtors to the value of R7,1 million, which were irrecoverable.

Public entities – R567,5 million

Material impairment of assets incurred by four public entities was due primarily to the following:

- Ithala Limited impaired intangible assets by R32,4 million and increased the credit impairment of loans and advances by R49 million.
- The KwaZulu-Natal Housing Fund impaired suspensive sale debtors of R365,3 million and rental debtors of R45 million.
- The KwaZulu-Natal Growth Fund Managers increased previously impaired loans and advances by R15 million due to further interest raised during the year under review.
- Investment property belonging to Ithala Development Finance Corporation was impaired due to the reassessment of the market value by R39,4 million and inventory by R21,4 million.

Material underspending of the vote or conditional grants

Departments – R3,1 billion

Ten departments, namely Agriculture, Environmental Affairs and Rural Development, Arts and Culture, Community Safety and Liaison, Economic Development and Tourism, Health, Human Settlements, KwaZulu-Natal Provincial Treasury, KwaZulu-Natal Provincial Legislature, Public Works and Social Development materially underspent their votes by an amount of R2,7 billion.

Reasons for the underspending included the following:

- Several lengthy tender appeals that delayed the implementation of large projects and the implementation of cost-cutting measures.
- Savings of interest on an overdraft account due to the favourable bank balance, the non-filling of vacant budgeted posts and the slow development of the Pietermaritzburg Airport.
- Cost-containment strategy for all procurement.
- Provincial treasury intervention in supply chain management (SCM) processes and rigorous vetting of non-profit organisations to ensure compliance with the PFMA.
- Delays in the construction of community art centres, camp sites and the library building project.

Furthermore, the Department of Health underspent conditional grants by R323 million. The impact of the underspending on the grant funding was that the



planned rationalisation and transformation of infrastructure and health technology were not realised in the 2010-11 financial year.

2.2.8 Auditees with concerns regarding funding of operations, financial sustainability or going concern

Concerns regarding the funding of operations or financial sustainability were identified at five (10%) auditees in the province (2008-09: 6%). Table 9 depicts the main reasons for such concerns.

Table 9: Reasons for funding and sustainability concerns at auditees

Auditee	Liquidation/Disestablishment	Current liabilities exceed current assets	Significant financial challenges	Number of concerns per auditee
Banzi Pan Devco (Pty) Ltd		1		1
KZN Business Rehabilitation Trust Fund	1			1
Mabibi Development Company (Pty) Ltd		1		1
Ubiciko Twines and Fabric (Pty) Ltd		1		1
uMsekeli Municipal Support Services	1	1	1	3
Total	2	4	1	7

Details regarding these concerns are as follows:

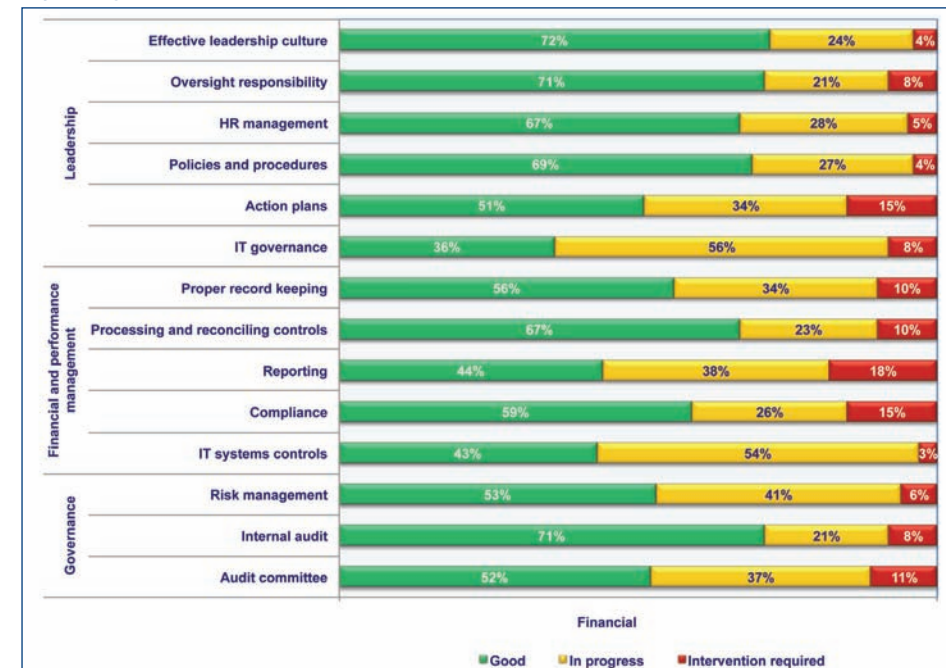
- As far as both Banzi Pan Devco (Pty) Ltd and Mabibi Development Company (Pty) Ltd are concerned, the companies' total liabilities exceeded their assets for the year ended 31 March 2011.
- Ubiciko Twines and Fabric (Pty) Ltd incurred a loss for the period under review and the company's total liabilities exceeded its total assets for the year ended 31 March 2011.
- The KwaZulu-Natal Business Rehabilitation Trust Fund is to be disestablished.
- uMsekeli Municipal Support Services incurred a net loss of R2,3 million and its total liabilities exceeded its total assets for the year ended 31 March 2011. The entity is to be disestablished in 2011-12.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the companies' ability to continue as going concerns.

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

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

Figure 11: Assessment of auditees' key controls over financial management and reporting



The above assessment highlights that although progress has been made by the leadership, those charged with governance and management to improve the audit opinions, this was not the case in all instances. Policies and procedures are in place, as evidenced by the assessment showing that many departments and entities are displaying good controls that have been designed and implemented. What remains a concern is the operating effectiveness of these controls over the entire period. This is reflected in the outcomes which show that 11 departments and 27 public entities had shortcomings in this regard, which stopped them from achieving clean audits. Initiatives to deliver on commitments have not yet proven to be effective, as not all areas were addressed and internal audit units did not adequately focus on the review of leadership oversight, the credibility of financial information and performance reporting. Generally, management oversight and the processing of information were inadequate, while sound internal control was not achieved due to a lack of staff commitment and discipline.

Departments and public entities still need to do a significant amount of work on information technology (IT) governance, which needs to be driven by the leadership. Management systems rely heavily on the output of these systems. If these systems do not process correctly or are accessed by unauthorised individuals, inaccurate and invalid data could be processed. Financial information should be reported on monthly, while internal audit units and audit committees should play a significant role in ensuring that the information produced by systems is indeed valid, accurate and complete.

For those public entities and departments with qualified audit opinions, policies and procedures must be implemented to guide the day-to-day activities needed for the record keeping and preparation of financial statements. The processing of monthly information and the reconciliation thereof are imperative to ensure the quality of monthly management information and, ultimately, year-end financial statements.

Most of the qualifications point to the leadership not monitoring the controls or reviewing and ensuring compliance with the relevant requirements of the financial reporting framework and the principles of good financial management. Management must hold all components involved in the financial reporting process accountable for the accuracy and completeness of the information used for financial reporting.

The AGSA's stakeholder interactions have to be intensified and sustained so as to bring about positive improvements in all audit outcomes until clean administration is achieved, as reflected by unqualified audit reports.

Risk management strategies need to be strengthened in order to allow for departments and public entities to identify risks early to enable processes and controls to be put in place to address these risks. The monitoring of compliance with laws and regulations needs to be improved to ensure that public entities comply with regulations affecting financial statements. In most cases, adequate systems are in place to ensure that public entities are aware of the legislation, but compliance with legislation governing financial reporting is not monitored.

2.2.10 Best practices, root causes of findings and way forward on financial statement qualifications and financial management

Best practices of auditees that can be replicated by those attracting findings

- With property, plant and equipment being the dominant qualification area for most public sector departments and public entities in 2010, management has gone the extra mile by obtaining supporting documentation to eliminate qualifications on property, plant and equipment and by improving control measures surrounding revenue. However, the existence, valuation and completeness of capital assets remained a challenge for the Department of Health, Department of Public Works, KwaZulu-Natal Housing Fund, KwaZulu-Natal Nature Conservation Board and KwaZulu-Natal Traditional Levies and Trust Account.
- Management implemented stricter controls to prevent the recurrence of non-compliance issues previously reported.
- Management devised and closely monitored action plans to ensure that issues raised in previous years' audits did not recur.
- Good financial management teams were appointed and performed reviews of the amounts disclosed and the presentation of the financial statements. For example, a qualified and experienced CFO was appointed at the Ithala group.
- At Dube TradePort, the management team performed a detailed review of the accuracy of the amounts disclosed in, and the presentation of, the financial statements. The entity maintained all supporting information in an appropriate manner. The risk and compliance officer ensured that the entity complied with



laws and regulations pertaining to financial reporting. The entity also engaged consultants to perform a consistency review of the financial statements.

- At Trade and Investment KZN, key accounts were reconciled monthly and management accounts were reviewed by the management committee and the audit committee.
- The underlying best practices can be ascribed to the leadership's commitment, firstly, to strive towards clean administration and, secondly, to equip finance teams with the appropriate skills, competencies and tools to be able to undertake their tasks effectively and efficiently.
- The director-general of KZN in the Office of the Premier regularly met with the different departmental heads to address, monitor and resolve issues of a transversal nature.
- The provincial treasury established a working committee of CFOs to proactively resolve potential accounting difficulties.

Root causes of matters reported

- The accounting authorities did not implement adequate controls over the collation, recording, processing and monitoring of financial information.
- Planning and controls were inadequate to ensure that the action plans developed in the prior year were properly implemented.
- Management did not adhere to the recommendations of the auditors to revisit entire populations and correct the root causes of findings.
- Proper systems did not exist to ensure that asset improvements and additions were regularly and timeously updated.
- Financial reports were not regular, accurate and complete and were not supported and evidenced by reliable information. Internal audit units and audit committees did not perform regular reviews.
- Finance staff were not adequately trained to prepare financial statements that complied with Generally Recognised Accounting Practice (GRAP).

Action plans to address qualification findings and financial management findings

- Though action plans existed at most auditees to address prior year findings, the auditors could not gain sufficient appropriate evidence that issues previously raised by the AGSA had been adequately addressed.

Way forward, including commitments received from the provincial leadership

- Where applicable, the boards have committed to ensuring that controls are implemented and maintained.
- Commitments were received that the automated systems will be fully implemented and all financial information produced will be in line with the accounting standards, as in the case of the Ithala group, where management will prepare monthly accounts from the new accounting package. The finance team will review the monthly records for accuracy and consistency with the applicable accounting standards.
- Audit committees and internal audit units will review financial statements prior to submission for audit purposes.
- Action plans have been implemented and progress will be monitored at monthly meetings with progress reports being submitted to the MEC for Health. The MEC will ensure that the department progresses towards achieving a clean audit opinion.
- The Department of Health will be receiving a new asset management system from the national Department of Health to assist with asset verification and control. This will be evaluated during the interim audit.
- The executive management has committed to ensure that the audit opinion remains the same for the forthcoming year in the case of clean administrations.
- The AGSA committed to perform interim audits where required in order for management to gain assurance that the implemented controls are in fact working the way they were originally designed.

2.3 Findings from the audit of predetermined objectives

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

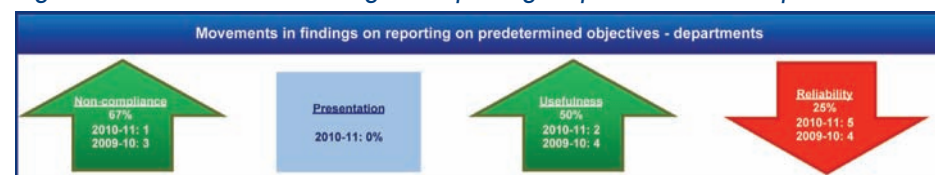
Departments and public entities are required to report against their predetermined objectives (service delivery) and to submit such annual performance reports for auditing together with the annual financial statements. The objective of an audit of predetermined objectives is to enable the auditor to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

The AGSA has since the 2005-06 financial year gradually been phasing in the audit of predetermined objectives and explaining to leaders within all spheres of government the importance of lending credibility to published service delivery information through the auditing thereof. Since the 2009-10 financial year, a separate audit conclusion, based on the results of the audit of predetermined objectives, was included in the management report. However, these conclusions have not yet been elevated to the level of the audit report.

2.3.2 Overall findings arising from the audit of predetermined objectives

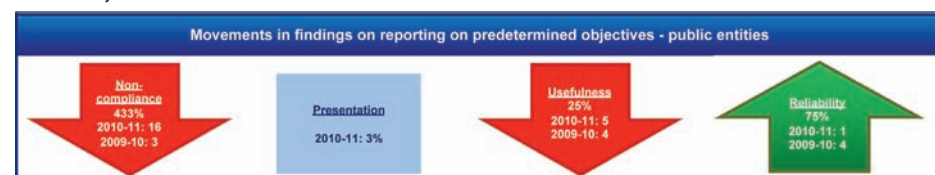
Progress by auditees in addressing prior year findings on predetermined objectives is depicted in figure 12 below. A summary of the regulatory requirements or criteria not met by auditees is provided in section 2.3.3.

Figure 12: Movements in findings on reporting on predetermined objectives



The extent of findings on usefulness and reliability is illustrated in figure 13.

Figure 13: Predetermined objectives – extent of findings on usefulness and reliability



2.3.3 Summary of regulatory requirements or criteria not met by auditees as well as trends in findings

Key trends in findings related to predetermined objective reporting are discussed below.

Non-compliance

Non-compliance with regulatory requirements refers to the preparation of the integrated development plan, strategic plan, corporate plan and annual performance plan; submission to those delegated for approval depending on the type of institution; the evaluation of the contents for achieving objectives and indicators; and the subsequent reporting. Findings related mainly to no reporting on information on performance against predetermined objectives; lack of effective, efficient and transparent systems and internal controls regarding performance management; and no or inadequate quarterly reporting on information on performance against predetermined objectives. Nonetheless, there has been an improvement in the level of compliance by both departments and public entities.

Annual performance report was not received for audit purposes

There has been a slight deterioration in the submission of annual performance reports by public entities. Of the 10 (33%) reports not submitted, six were in respect of audits not conducted by the AGSA. Information on performance against predetermined objectives was not received for review purposes from Cowslip Investments (Pty) Ltd, Durban Wharfside Trust, KwaZulu-Natal Business Rehabilitation Trust Fund, Nongoma Plaza Ltd, Sibaya Conservation Projects (Pty) Ltd, Sundumbili Plaza, KwaZulu-Natal Royal Household Trust, KwaZulu-Natal Traditional Levies and Trust Account, Ubiciko Twines and Fabric (Pty) Ltd, and uMsekeli Municipal Support Services.

For the 2010-11 financial year, the only outstanding report was that of Kwanaloga.

Strategic planning and performance management

One department (6%), namely Human Settlements, and six public entities (21%), namely Ithala Development Finance Corporation Ltd, Ithala Ltd, Agri-Business Development Agency, KwaZulu-Natal Nature Conservation Board, Mjindi Farming (Pty) Ltd and Richard's Bay Industrial Development Zone (Pty) Ltd, had findings on compliance and the quality of strategic planning and/or performance management.



Presentation

Major variances between the objectives set and the actual targets were not explained by one entity (3%), namely KwaZulu-Natal Tourism Authority.

Usefulness

Findings related to objectives not being measurable against indicators and targets as well as the absence of clear and logical links between objectives, outcomes, outputs, indicators and performance targets.

The audit focused on the consistency, relevance and measurability of planned and reported achievements against predetermined objectives.

The usefulness of reported information on performance against predetermined objectives refers to the reported performance information being consistent with the objectives and targets and whether the targets are clearly linked to the mandate and objective of the institution, specific and clearly identify the nature and the required level of performance, and measurable and time bound.

Consistency

- The two departments (13%) that had findings in this regard were Human Settlements and Social Development. The four public entities (13%) were Ithala Ltd, KwaZulu-Natal Conservation Board, KwaZulu-Natal Sharks Board and KwaZulu-Natal Tourism Authority.

Measurability

- The targets set by the Department of Social Development (6%) and three public entities (10%), namely Ithala Development Finance Corporation Ltd, Ithala Ltd and KwaZulu-Natal Tourism Authority, were not measurable.

Reliability

Findings on reliability included instances where the actual reported performance could not be verified.

The audit focused on whether the reported information on performance against predetermined objectives could be traced back to the source data or documentation and whether the reported information was accurate, complete and consistent in relation to the source data, evidence or documentation.

Findings related to a lack of sufficient appropriate audit evidence in relation to the reported information on performance against predetermined objectives, a lack of appropriate systems generating information on performance against predetermined objectives, and the source information or evidence provided to support the reported information on performance against predetermined objectives not adequately supporting the accuracy and completeness of the facts throughout.

Accuracy

- The performance information submitted by three departments (19%), namely Cooperative Governance and Traditional Affairs, Health and Social Development, and one entity (3%), namely Ithala Development Finance Corporation Ltd, was inaccurate.

Validity

- The performance information provided by three departments (19%), namely Cooperative Governance and Traditional Affairs, Economic Development and Tourism as well as Health, and one entity (3%), namely Ithala Development Finance Corporation Ltd, contained invalid information.

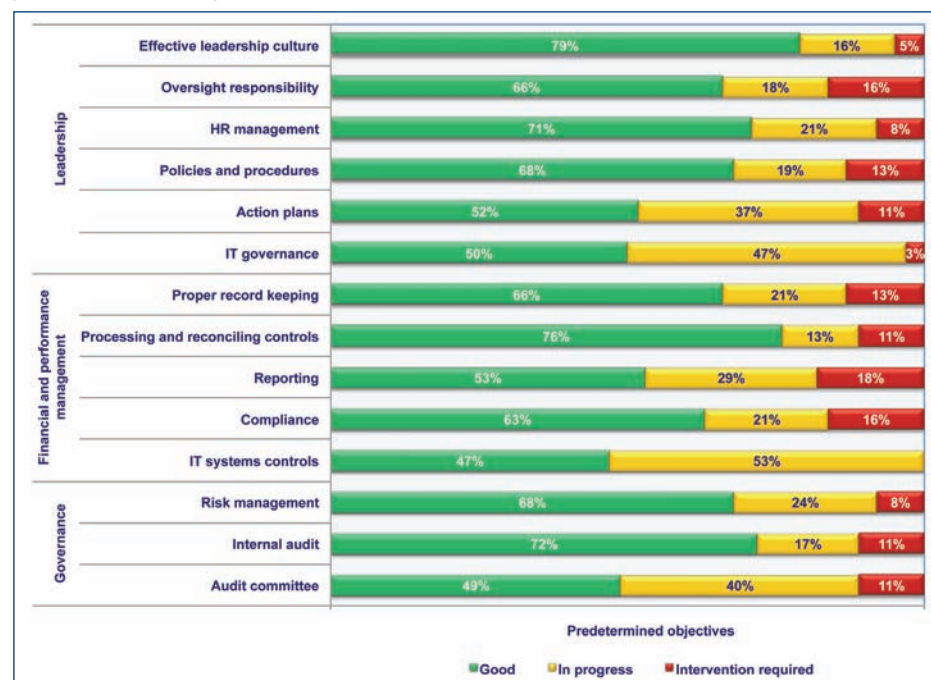
Completeness

- Four departments (25%), namely Cooperative Governance and Traditional Affairs, Health, Human Settlements and Social Development, and one entity (3%), namely Ithala Development Finance Corporation Ltd, prepared incomplete information.

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

Figure 14 provides an assessment at the time of the audits of the key drivers of internal control that should be in place to ensure that auditees produce performance reports that are useful, reliable and meet the regulatory requirements, including that of presentation.

Figure 14: Assessment of drivers of internal control over reporting on predetermined objectives



The above assessment highlights that progress has been made by the leadership, those charged with governance and management to address the findings on predetermined objectives. Processes are in place at most of the auditees, as shown by my assessment of the management of predetermined objectives and my findings on predetermined objectives detailed in figure 12 above. However, these

controls should be monitored over the entire financial year in order to ensure that inconsistencies between the reported information and what was actually undertaken by the departments and entities are prevented and detected by the departments' and entities' own processes. Reported information should be reconciled with source information to ensure that there is an audit trail and that information is credible.

The IT environment should enhance the integrity of information by ensuring that information is processed correctly. Twenty-one departments and public entities had findings on predetermined objectives due to a lack of documented policies and adequate systems for the collation, recording and reporting on performance information. Moreover, internal audit units and audit or performance audit committees did not effectively monitor compliance with regulations relating to predetermined objectives on an ongoing basis.

Oversight over performance reporting needs to occur at 8% of the departments and public entities that had findings on predetermined objectives. Oversight should be improved so that reliable performance information is reported that can be used as a basis for effective decision-making and improved service delivery.

The production of quality information on performance against predetermined objectives by dedicated staff that know and understand the requirements is a priority. The information must be evaluated by internal audit units and audit committees, and monitored at the appropriate leadership levels to enable quality decision-making and service delivery in support of government's mandated commitments to the public.

2.3.5 Best practices, root causes of findings and the way forward on predetermined objective reporting by auditees

Best practices of auditees that can be replicated by those attracting findings

- Action plans were devised and closely monitored by management to ensure that issues raised in previous years did not recur.
- Good management teams regularly monitored the achievement of objectives and targets and the taking of corrective action where there were variances. Each key strategic objective had a dedicated manager and officials responsible for overseeing that the objectives and targets were achieved. Monitoring was



performed on a quarterly basis and where there were deviations, corrective action was taken.

- At Trade and Investment KZN, which improved its opinion to financially unqualified with no findings on predetermined objects or compliance with laws and regulations, a performance management policy was implemented. There was ongoing monitoring of performance information by the chief executive officer and the company secretary.
- At the Department of Transport, actual site visits took place, while the manager reviewed monitoring and evaluation each month.
- Procedure manuals and guidance from the treasury were effectively communicated to staff at the Department of Public Works, which received findings for predetermined objectives reporting. Regular evaluations were done by general managers. The department had an immovable asset management plan and an action plan to address prior year findings, which was monitored regularly. The department implemented processes at regional offices where sites were inspected and reports were completed and submitted to head office for action.

Root causes at provincial level relating to auditees that received findings on predetermined objects

- There was a lack of dedicated resources (people and systems) to effectively report on predetermined objectives.
- Senior manager posts were vacant, resulting in the limited review of regular reporting on predetermined objectives.
- Internal audit units and audit or performance audit committees did not review performance management and reporting. In order to improve the current situation, executive authorities and the leadership must act on the information submitted on predetermined objectives.
- Where there was an internal audit unit and audit or performance audit committee, they did not focus on the problems raised in the quarterly reports. The leadership needs to take appropriate action to ensure that these oversight mechanisms are effective and that internal audit charters are amended to incorporate the oversight of predetermined objectives. There has to be regular interaction between the audit committees and the MECs regarding focus areas and deficiencies within departments and public entities

- The accounting authorities did not implement adequate controls over the collation, recording, processing and monitoring of predetermined objectives. For example, at the Ithala Development Finance Corporation, the person dedicated to dealing with performance was appointed late in the year. The situation regressed from the previous year.
- There was a lack of documented performance management policies.
- Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate performance information was accessible and available to support performance and financial reporting.
- There was a lack of leadership intervention at the Department of Health, which again received findings, as there was inadequate evidence to support the changes in information from the source to the final figures. Furthermore, data definitions were not clearly defined to ensure consistent interpretation and collation of information.

The way forward, including commitments received from the provincial leadership

- A policy on performance information must be drafted, implemented and monitored. Internal audit units should attest to the validity, accuracy and completeness of the information through self-assessments. The work of the external auditors should not be relied on to highlight deficiencies in the processes of determining accurate information for reporting purposes. Audit committees should review quarterly performance reports and track the progress made on action plans.
- The audit committee should amend the internal audit charter to include the oversight of predetermined objectives.
- At Ithala Development Finance Corporation Ltd where a dedicated person responsible for the collection, processing and reporting of predetermined objectives has been appointed, a workshop should be held for all management members (including subsidiaries) on the progress made thus far with predetermined objectives. The internal audit unit should review the quarterly performance reports to ensure that they are supported by reliable evidence.
- Accounting authorities should ensure that all quarterly reports for predetermined objectives are presented to the audit committees and the boards.
- The corporate plan should be maintained centrally at the head office of each department and public entity. Monthly supporting evidence against the targets

should be submitted to the dedicated individual responsible for verification purposes. Reasons for not achieving targets should be identified early in the year and corrective action should be taken.

- At the Department of Education, snap surveys that determine the number of learners in a school should be done before the annual performance plan is submitted for approval. The accounting officer should ensure that the reported information agrees to the snap surveys and that the surveys are done before March of each year.
- At the Department of Social Development, management is going to have more workshops and improve guidance. The MEC supports management processes and feedback needs to be provided to him on a monthly basis.
- Management committed to submit quarterly reports on the progress made in achieving measurable objectives and targets.
- At the Department of Health, management will implement an approved data management policy that details policies and procedures for the collection, validation, review, monitoring and evaluation of data for accurate performance reporting. Action plans have been put in place and progress is monitored at monthly meetings, while progress reports are submitted to the MEC. The MEC is committed to ensuring that the department progresses towards achieving a clean audit opinion.

2.4 Findings on compliance with laws and regulations

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

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

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

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

Details of identified instances of material non-compliance are included in the audit reports. The AGSA focused on the legislative requirements relating to the following areas for the financial year ended 31 March 2011:

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

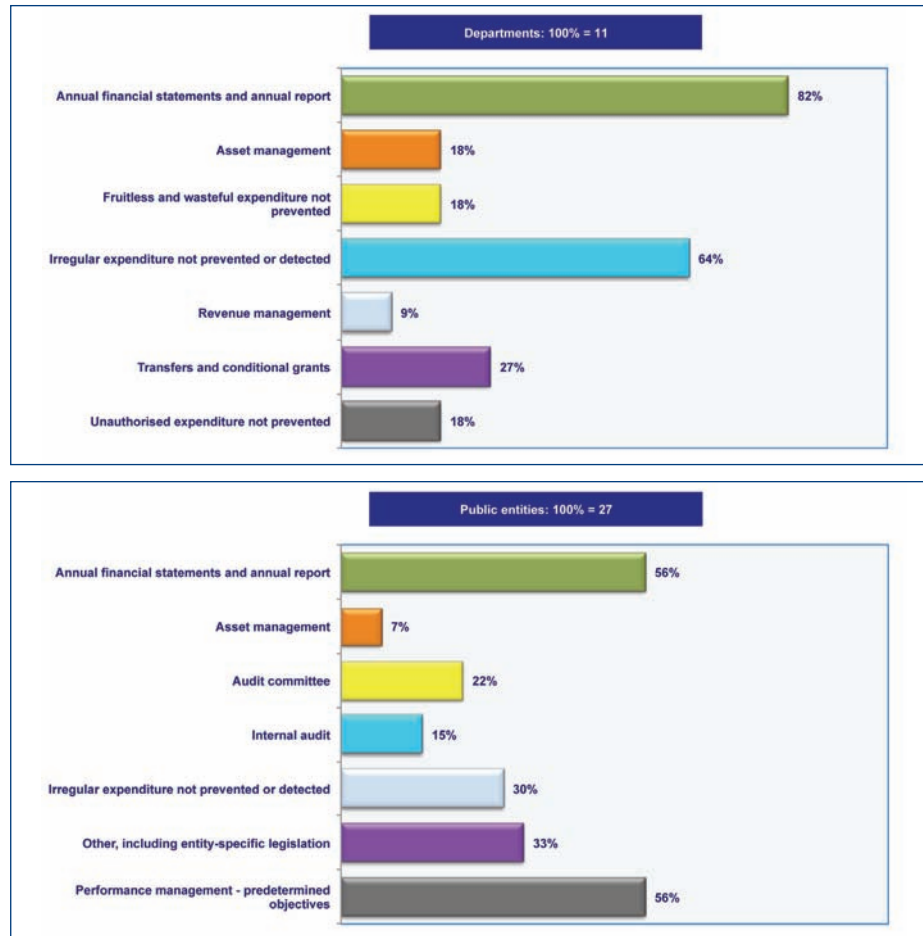
Although audits not performed by the AGSA also included compliance auditing, all the focus areas were not covered to the same extent.

2.4.2 Transversal findings on compliance with laws and regulations

The figure below illustrates the identified areas of material non-compliance that were most prevalent at departments and public entities.



Figure 15: Summary of findings arising from the audit of compliance with laws and regulations



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

Table 10: Common non-compliance findings relating to the AGSA's focus areas

Focus area	Summary of common findings	Departments	Public entities
Prevalent non-compliance areas: All auditees			
Annual financial statements and annual report	Submitted AFS not prepared in accordance with prescribed generally recognised accounting practices	64%	48%
Asset management	Proper control systems not implemented for safeguarding and maintenance of assets	18%	7%
Expenditure management	Fruitless and wasteful expenditure not prevented	18%	4%
	Irregular expenditure not detected	27%	4%
	Irregular expenditure not prevented	45%	30%
	Payments to creditors not settled within 30 days from receipt of an invoice	9%	4%
Prevalent non-compliance areas: Departments only			
Expenditure management	Unauthorised expenditure not prevented	18%	
Transfers and conditional grants	Appropriate measures not taken to ensure that transfers made were applied by the receiving entity for its intended purpose	27%	
Prevalent non-compliance areas: Public entities only			
Annual financial statements and annual report	AFS not submitted for auditing within two months after end of financial year		7%
	Annual report not submitted to executive authority within five months of end of a financial year		7%
Audit committees	No audit committee in place		15%
Internal audit	No internal audit function in place		11%
Other	Governance of entity not in accordance with entity specific legislation		15%
	Non-compliance with Companies Act		15%

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

Sections 2.2.4 and 2.2.5 of this report provides details of the financial statements submitted by accounting officers for auditing that had not been prepared, in all material aspects, in accordance with generally recognised accounting practice (and supported by full and proper records), as required by the PFMA.

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

Findings from the audit of procurement and contract management are analysed in section 2.4.4, while section 3.2.1 discusses non-compliance findings related to HR management at departments.

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

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

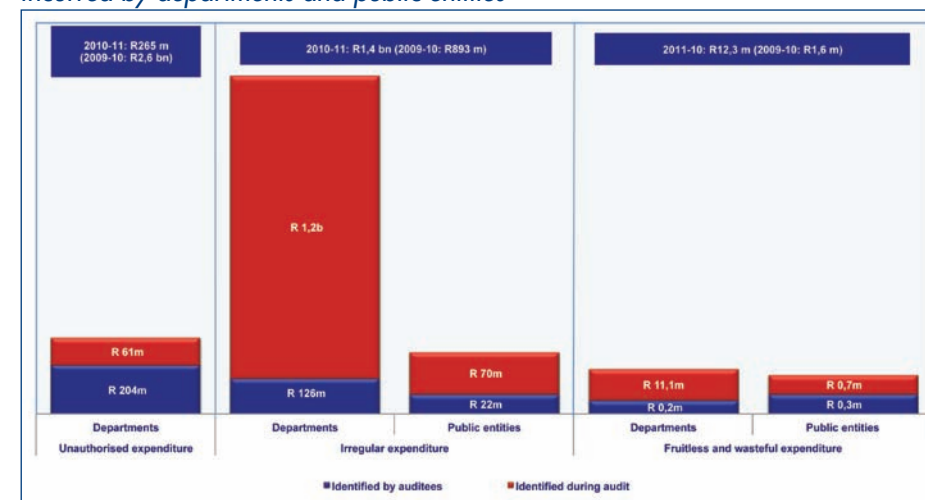
Unauthorised expenditure results from overspending on a vote or a main division within a vote or is expenditure that is not in accordance with the purpose of a vote or a main division within a vote.

Irregular expenditure is expenditure, other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with, a requirement of any applicable legislation, including the PFMA, the State Tender Board Act, 1968 (Act No. 86 of 1968) and any provincial legislation providing for procurement procedures in a provincial department.

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

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

Figure 16: Unauthorised, irregular as well as fruitless and wasteful expenditure incurred by departments and public entities



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

Table 11: Movements in unauthorised, irregular as well as fruitless and wasteful expenditure

Nature of movements	Departments			Public entities		
	Number of auditees	Amount	Movement over 2009-10	Number of auditees	Amount	Movement over 2009-10
Unauthorised expenditure (applicable to departments only)						
Nature – Overspending of vote/main division within vote	4	R265m	33%			
Nature – Expenditure not in accordance with vote			100%			
Number of departments incurring	4	R265m				
Identified during the audit – not detected by auditee	1	R61m	19%			
Incurred for two or more successive financial years	0					



Nature of movements	Departments			Public entities		
	Number of auditees	Amount	Movement over 2009-10	Number of auditees	Amount	Movement over 2009-10
Irregular expenditure						
Nature – SCM non-compliance	13	R1,3bn	44%	12	R92m	140%
Nature – Related to compensation of employees						
Nature – Other	1	R0,25m	100%	1	R0,05m	100%
Number of auditees incurring	13	R1,3bn	44%	12	R92m	140%
Identified during the audit – not detected by auditee	12	R1,2bn	3%	12	R70m	59%
Incurred for two or more successive financial years	9			4		
Fruitless and wasteful expenditure						
Number of auditees incurring	4	R11,3m	33%	3	R1m	200%
Identified during the audit – not detected by auditee	3	R11,1m	100%	2	R0,7m	100%
Incurred for two or more successive financial years	1			1		

Annexure 3 to this report lists the auditees who incurred the expenditure summarised in the above table.

2.4.4 Summary of findings from the audit of SCM conducted by the AGSA

The audits conducted by the AGSA included an assessment of procurement processes, contract management and the controls in place to ensure a fair, equitable, transparent, competitive and cost-effective SCM system that complies with legislation and minimises the likelihood of fraud, corruption, favouritism as well as unfair and irregular practices.

Findings were raised during the audit of SCM at 32 (82%) of the auditees relating to contracts that had been awarded and quotations that had been accepted (referred to as 'awards' in the rest of this report).

Significant findings relating to SCM are shown in figure 17 below.

Figure 17: Summary of findings on SCM

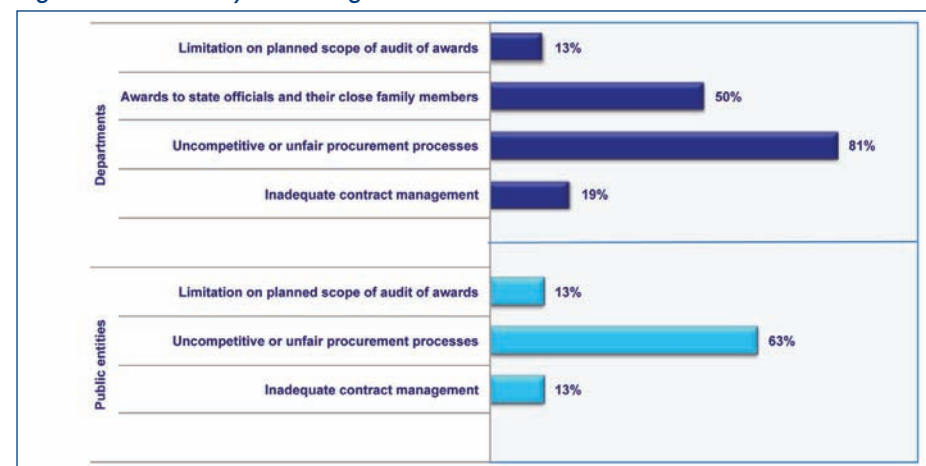
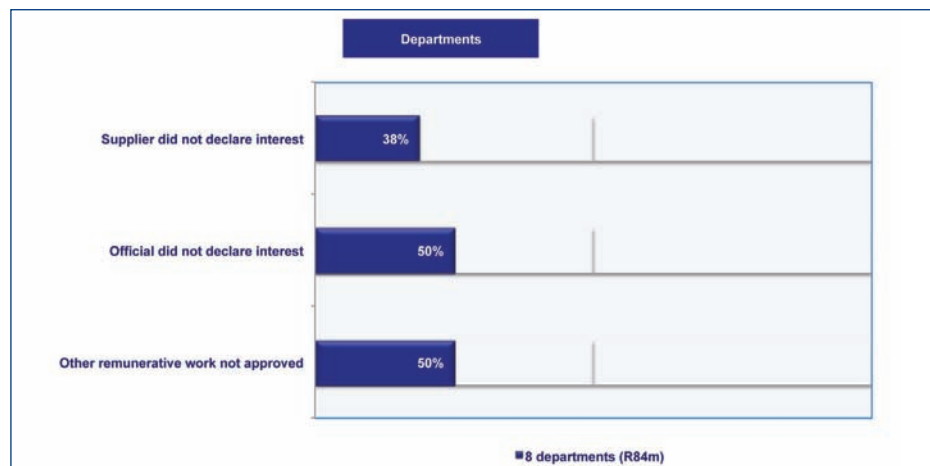


Figure 18 shows the awards made to state officials or their close family members.

Figure 18: Awards to state officials and/or their close family members



A summary of the significant findings is provided below. The names of auditees with SCM findings are listed in annexure 5 to this report, while detailed findings are presented in section 5.

Aspect audited	Summarised findings
Limitations on planned scope of audit of awards	Limitations were experienced at five auditees due to inadequate documentation on management systems and documentation seized by law-enforcement agencies.
Awards to state officials and their close family members	<ul style="list-style-type: none"> Awards were made to officials at eight departments. Awards were made to close family members of officials at three departments. Non-compliance relating to these awards included suppliers not declaring their interest, officials not declaring their interest and other remunerative work not approved.
Uncompetitive or unfair procurement processes	<p>The following were the most prevalent findings with regard to uncompetitive and unfair procurement processes:</p> <ul style="list-style-type: none"> Competitive bids were not invited and the deviation was not approved. Suppliers without South African Revenue Service (SARS) tax clearance certificates were used. Competitive bids were not invited and the approved emergency deviation was not reasonable or justified. Three written price quotations were not invited and the deviation was not approved. The prospective supplier list was not administered in accordance with requirements.

Aspect audited	Summarised findings
Inadequate contract management	<ul style="list-style-type: none"> Instances were identified where goods and services were procured without a signed contract or the contract was not signed by a delegated official. Contracts were extended or renewed to circumvent the bidding processes. Payments were also made in excess of the approved amount.
Inadequate controls	Irregular expenditure of R1,4 billion was incurred due to poorly operating SCM controls.

The findings pertaining to non-compliance with SCM should be viewed in a serious light as they related mainly to a lack of oversight by those charged with governance. There was an increase in the number of departments and public entities incurring irregular expenditure when compared to the prior year. In most instances the accounting officer or accounting authority failed to identify and disclose the irregular expenditure and SCM non-compliance before the commencement of the audit. This clearly indicates that the operating effectiveness of SCM controls needs to be a priority of those charged with governance.

The leadership has committed to:

- review SCM processes to improve them so that irregular expenditure can be prevented, detected and reported
- create an increased awareness of SCM requirements throughout the organisation
- develop and implement compliance checklists for SCM processes
- review and monitor compliance with SCM laws and regulations
- appoint personnel in critical vacant SCM-related posts.

Progress on the commitments made will be assessed during quarterly stakeholder interactions.

2.4.5 Investigations into SCM irregularities, fraud or other financial misconduct

There has been a 5% increase in the number of departments and public entities commissioning investigations from the previous financial year. Table 12 lists the investigations in progress or completed by 31 March 2011. Not all the investigations were conducted by the AGSA.



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

Auditee	SCM related	Fraud	Other financial misconduct	Number of investigations per auditee
Departments				
Agriculture, Environmental Affairs and Rural Development	2	2		4
Arts and Culture	1			1
Co-operative Governance and Traditional Affairs	1	1		2
Economic Development and Tourism	1	1		2
Education		91	72	163
Health	69	253	116	438
Human Settlements	7	76	1	84
Office of the Premier		1		1
Provincial Legislature	1			1
Provincial Treasury	5			5
Public Works	29			29
Social Development	12	4	4	20
Sport and Recreation	2		2	4
The Royal Household	1	1		2
Transport	2	1		3
Public entities				
Amafa aKwaZulu-Natali			1	1
Ithala Development Finance Corporation Ltd	5	144	39	188
Ithala Ltd		132	18	150
KwaZulu-Natal Housing Fund		3		3
KZN Traditional Levies and Trust Account			1	1
uMsekeli Municipal Support Services			1	1
Total	138	710	255	1103

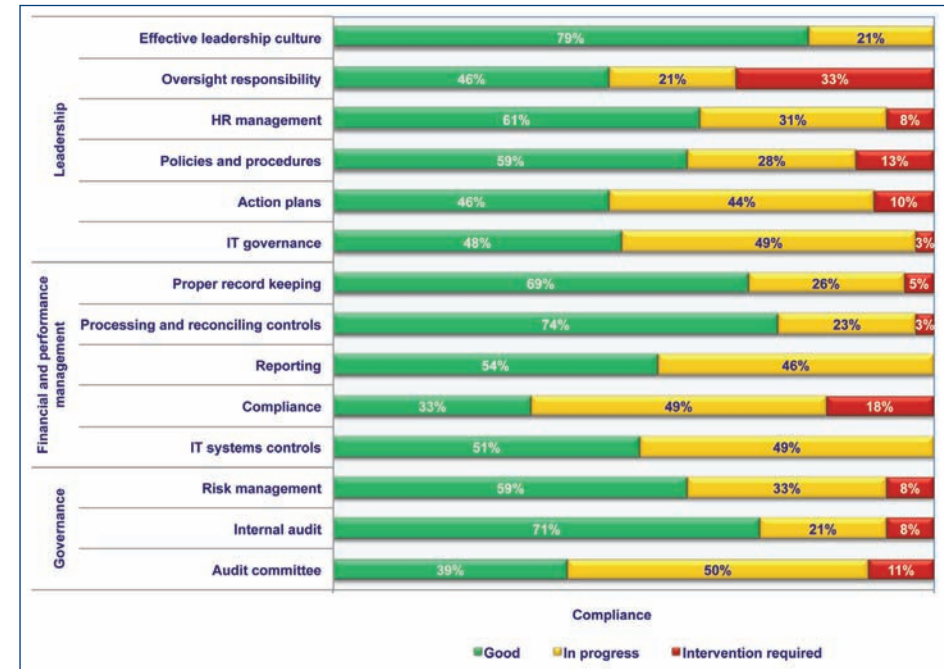
It would appear that the control environments of the above auditees are conducive to SCM-related irregularities, fraud and other financial misconduct. However, the fact that investigations are ongoing is encouraging, as it is the first step in implementing corrective measures. This should be followed by a reassessment of the control environment in order to implement further controls, where necessary, and

closely monitor the operating effectiveness of controls to prevent irregularities from recurring.

2.4.6 Assessment of drivers of internal control over compliance with laws and regulations

Figure 19 provides an assessment of the key drivers of internal control that should be in place to ensure compliance with laws and regulations.

Figure 19: Assessment of drivers of internal control over compliance with laws and regulations



The above assessment highlights the progress made by the leadership, those charged with governance and management to address the findings on compliance. A lack of oversight over compliance matters at departments and public entities remains an impediment to obtaining clean audits.

Of the departments and public entities being reported on, 59% had findings on non-compliance with laws and regulations. This can be attributed to the leadership not exercising oversight regarding expenditure and contracts entered into. There was also a lack of oversight over the entities' responsibilities to comply with the PFMA in respect of their financial statements.

Of the departments and public entities that had findings on non-compliance, 39% require intervention to ensure that they comply with all the relevant laws and regulations applicable to them. In most cases, adequate systems were not in place to ensure that departments and public entities monitored compliance with applicable laws and regulations.

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

Best practices of auditees that can be replicated by those attracting findings

Improvements were noted and in some instances there were no findings related to SCM, where one or more of the following best practices had been adopted:

- The leadership committed to clean administration. Management implemented controls to ensure that all instances of non-compliance from the prior year were eliminated.
- Management committed to tightening internal controls over SCM, comprising regular manager involvement and reviews.
- Strict management monitoring controls were implemented to ensure that procurement met all the SCM requirements. Payments were only processed if they complied with SCM regulations.
- The internal audit unit and the risk management section performed random audits.

Root causes of findings

- Management did not fully address the SCM findings previously raised.
- The leadership did not implement effective HR management to ensure that adequate and sufficiently skilled resources were in place to implement SCM policies and procedures.

- There was a lack of oversight by those charged with governance over the SCM processes.
- No compliance checklists were used for SCM processes.
- The audit committee did not act on findings raised by the internal audit unit on SCM processes.
- There was a lack of understanding of SCM processes and regulations.
- The provincial treasury did not communicate clearly to departments on matters relating to updates and amendments to SCM processes, especially regarding the latest practice notes issued by the National Treasury.

The way forward, including commitments received from the provincial leadership

The leadership has committed to the following:

- Review SCM processes to improve them so that irregular expenditure can be prevented, detected and reported.
- Create an increased awareness of SCM requirements throughout the organisation.
- Develop and implement compliance checklists for SCM processes.
- Review and monitor compliance with SCM laws and regulations.
- Appoint personnel in critical vacant SCM-related posts.

2.5 Outline of the way forward to improve audit outcomes

As is evident from the analysis of the audit outcomes presented in this section of the report, there are a number of areas that require focus and, in some instances, intervention to achieve clean administration. Such intensified focus and intervention are required principally from the following parties:

- Accounting authorities, accounting officers, CFOs and auditee management (analysed in section 3.1)
- Provincial executive leadership (analysed in section 4.1.2)

The AGSA's continuing initiatives to encourage clean administration are discussed in section 4.2 of this report, while other emerging matters that require attention to prevent a negative impact on future audit outcomes are discussed in section 4.3.



SECTION 3: DRIVERS OF AUDIT OUTCOMES – KEY CONTROLS

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

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

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

- Leadership
- Financial and performance management
- Governance

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

- Audit opinions on the financial statements
- Findings on predetermined objectives
- Findings on compliance with laws and regulations

Auditees that had improved their audit outcomes or maintained positive audit outcomes can attribute this to the implementation and effective monitoring of the three fundamentals of internal control. Similarly, auditees that had regressed or received negative audit outcomes can attribute this to not implementing and monitoring these fundamentals of internal control.

Annexure 4 to this report assesses the adequacy of key controls at auditees at the time of the audit. An assessment of these drivers over financial reporting, reporting on predetermined objectives as well as compliance with laws and regulations is provided in sections 2.2.9, 2.3.4 and 2.4.6, respectively.

Sections 3.2 and 3.3 provide an assessment of HR management and IT management as specific drivers of audit outcomes.

An overall assessment of the progress made by departments and public entities in implementing key controls is depicted in figure 20.

Figure 20: Progress in implementing key controls (all auditees)



Overall, there has been an improvement in the key internal controls implemented by departments and public entities in KwaZulu-Natal. The above assessment highlights the progress made by the province. However, in relation to the overall outcomes, the leadership, those charged with governance and management need to focus on monitoring adherence to the established controls and ensuring that these controls are working throughout the year to produce credible and reliable information; and in so doing, removing the stumbling blocks to achieving clean audit opinions.

Nineteen per cent of the departments and 17% of the public entities require intervention to produce reliable financial reports. Policies and procedures need to be implemented to guide the day-to-day activities related to record keeping and financial statement preparation. The processing of monthly information and the reconciliation thereof are imperative to ensure the quality of monthly management information and, ultimately, year-end financial statements. In the normal course of business, monthly management reports have to be monitored and year-end financial statements reviewed by the leadership as well as internal audit units and

audit committees prior to being used to support informed decision-making or being submitted for auditing; thus ensuring credible information. The staff that prepare financial reports must be adequately trained in the requirements of the applicable financial reporting framework and the principles of good financial management to support reliable financial reporting.

Most of the qualifications point to the leadership not monitoring, reviewing and ensuring compliance with the relevant requirements of the financial reporting framework and the principles of good financial management. Governance structures should ensure and attest to the credibility, accuracy and completeness of information over financial reporting processes. Vacant CFO positions should be filled to prevent situations where acting staff do not have the necessary skills to drive the quality of financial statements and to ensure continuity and accountability in key positions.

The AGSA's stakeholder interactions have to be intensified and sustained so as to influence positive improvements in all audit outcomes, and more so on compliance with laws and regulations and reporting on predetermined objectives, until clean administration is achieved.

The monitoring of compliance with laws and regulations needs to be improved through compliance checklists to ensure that entities comply with regulations affecting financial statements. In most cases, adequate systems are not in place to ensure that entities are aware of the legislation that they have to comply with and to ensure compliance.

3.2 HR management as specific driver of audit outcomes

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

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

- HR planning and organisation
- Management of vacancies
- Appointment processes

- Performance management
- Acting positions
- Management of leave, overtime and suspensions

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

3.2.1 Overall findings from the assessment of HR management

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

Figure 21: Identified HR management weaknesses – departments

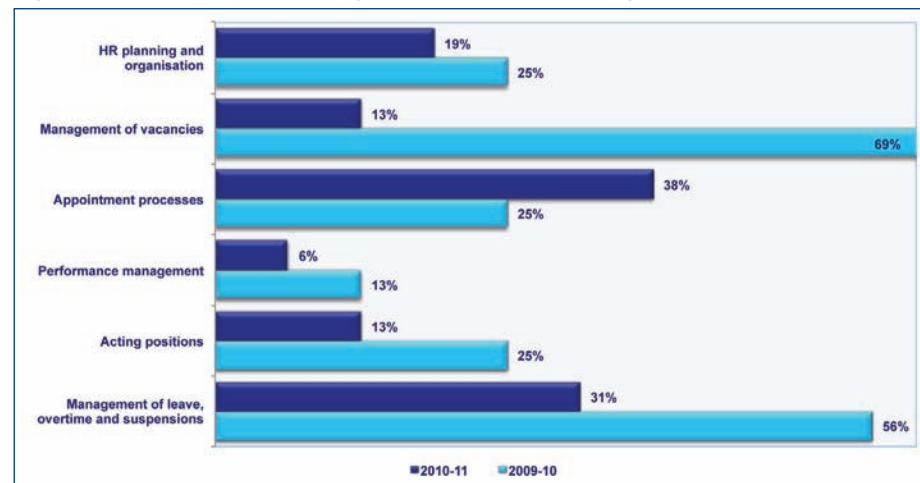




Figure 22: Identified HR management weaknesses – public entities



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

Table 13: Common findings relating to the AGSA's focus areas

Focus area	Summary of common findings	Departments	
		2010-11	2009-10
HR planning and organisation	HR plan did not adequately determine the gap between existing and required HR and actions necessary to address gap	10%	0%
	HR plan based on strategic plan not in place	5%	6%
Management of vacancies	Overall vacancies increased from previous year	5%	26%
	Senior management – positions vacant for more than 12 months	5%	24%
Appointment processes	Verification process for new appointments did not cover all verifications prescribed	14%	9%
	Verification process for new appointments did not always take place	10%	6%
Performance management	Senior managers did not sign performance agreements for current performance period *	5%	6%
Acting positions	Employees acted in positions for more than 12 months	9%	8%
	Senior managers acted in positions for more than six months	9%	0%
Management of leave, overtime and suspensions	Employees worked more than the maximum hours' overtime allowed	14%	9%
	Written authorisation not provided in advance for overtime to be worked	14%	6%
Total		100%	100%

* This was also a finding at one public entity in 2010-11

Note: The above table shows each common finding as a percentage of total findings.

3.2.2 Impact of staff vacancies on internal control

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

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

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

- Maintaining sound financial management, maintaining adequate records and preparing financial statements
- Setting performance targets and indicators; monitoring, recording and validating performance against predetermined objectives; investigating variances from set targets; and taking corrective action for deviations identified
- Enforcing compliance by officials with laws and regulations and ensuring obligations imposed by legislation on the organisation are timeously and fully discharged

Such activities include, but are not limited to:

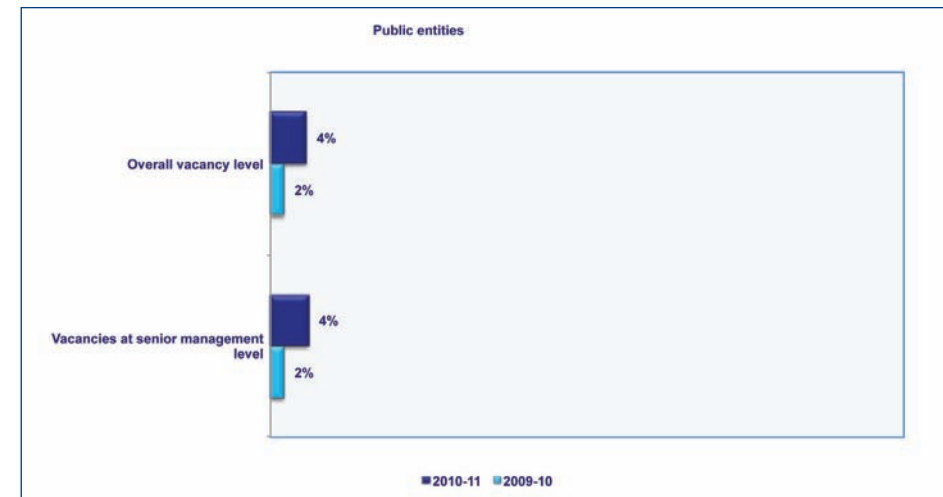
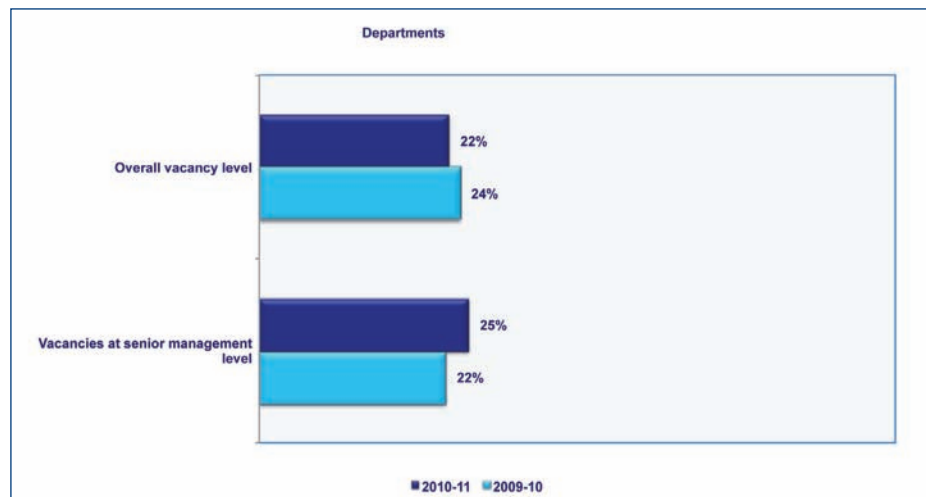
- approvals
- authorisations
- verifications
- reconciliations
- performance reviews
- maintenance of security
- creating and maintaining records and appropriate documentation.

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

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

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

Figure 23: Progress in filling vacancies



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

The leadership has not implemented effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored. The vacancies can also be attributed to the moratorium in place as a cost-cutting measure. However, critical posts need to be identified and filled.

The leadership has committed to the filling of vacant senior management positions with suitably qualified staff in line with the approved structures. This will assist in addressing the finding of officials acting in positions for longer than the allowed period. Action plans will also be prepared to address the HR management findings. These action plans will be closely monitored by senior management to ensure that issues do not recur. The commitments will be followed up during quarterly stakeholder interactions.



3.3 IT management as specific driver of audit outcomes

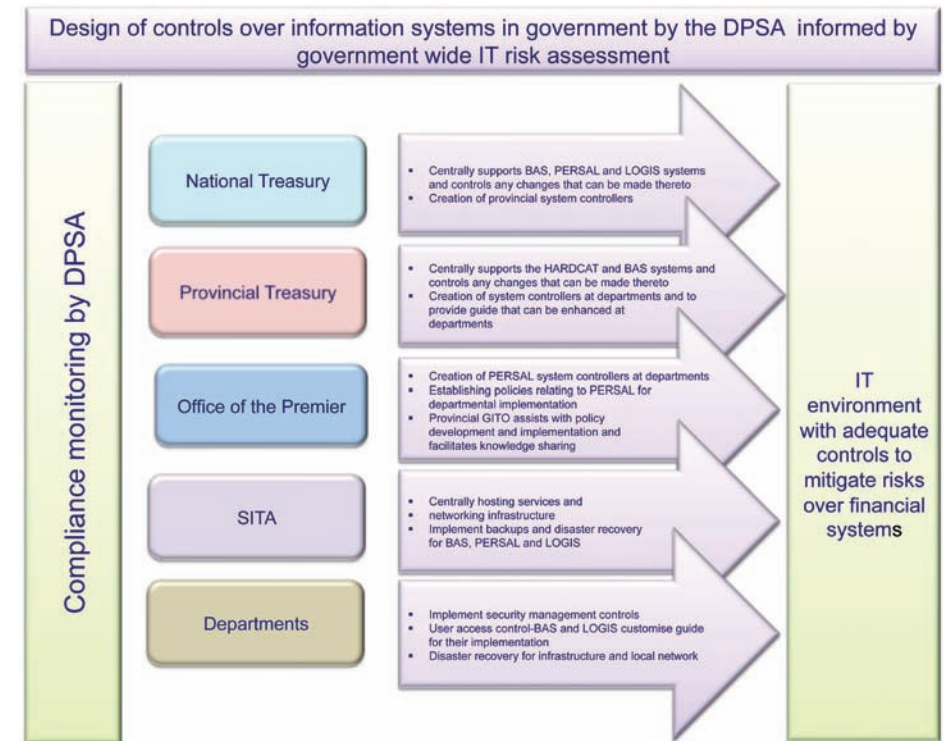
3.3.1 Computer systems in use and the management of IT

As in all other provinces, departments and public entities rely heavily on IT systems to perform their statutory financial management, reporting and administrative functions. Furthermore, these systems enable the automation of business processes and transaction processing, which contributes to effective internal control. The information processed and stored on IT systems is vital to the accuracy and reliability of the financial and performance information used by management for planning, monitoring and reporting.

Design of IT management

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

Figure 24: Design of IT management



Departments

Fifteen departments in the province utilise transversal systems (i.e. the Basic Accounting System (BAS), Persal, the Logistical Information System (Logis) and HARDCAT) to manage financial information. The Biometrics Access Control System (BACS) is used to enhance access control to Persal and BAS in addition to the existing security features within these systems.

Public entities

Although the IT environment was only formally reviewed at one public entity, the IT environment at the remaining public entities was assessed during key control assessments on a quarterly basis.

The public entity that was audited utilises SAP (FI), SAP (HR) and eRes (booking and reservation system) for processing financial and information systems. These are off-the-shelf packages that have been customised. These systems are maintained by vendors through service level agreements. The National Treasury and the State Information Technology Agency (SITA) do not play a role in maintaining the systems. The management of the public entity is responsible for designing controls as the entity is not subject to those controls designed by the Department of Public Service and Administration (DPSA). Although an IT governance framework and various IT policies and procedures were developed, they had not been formally approved and implemented at the time of the audit. Logical security parameter settings on the servers were not adequately set, access request documentation was not completed, reviews were not performed of the access rights and activities of users, and the disaster recovery plan (DRP) had not been formally approved.

It is against the roles and responsibilities outlined above that the following focus areas were selected for the auditing of IT in the province:

- IT governance
- Security management
- User access management

The following focus areas are transversally performed and were audited at the National Treasury and SITA:

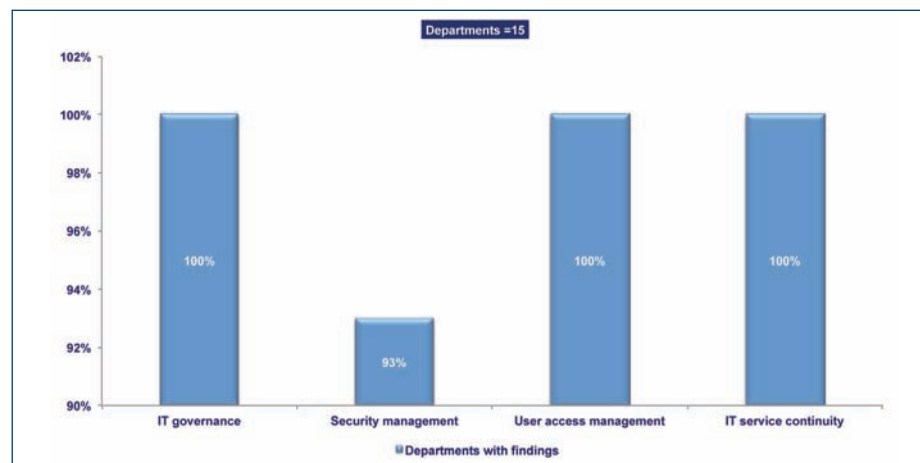
- Program change management
- Facilities management
- Data centre

3.3.2 Deficiencies identified in IT management

The IT management of financial systems was evaluated at 15 departments and one public entity in the province.

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

Table 14: Identified control deficiencies in the management of IT



Based on the above, it is evident that management did not design adequate controls over IT management. Furthermore, management and internal audit units did not monitor the implementation of controls and report progress to those charged with governance.

The incidence of control weaknesses is depicted in table 15.



Table 15: Control weaknesses identified in IT management

Focus area	Outline of aspects audited	Incidence of control weaknesses identified	
		Departments	
		Number audited	Percentage
IT governance	The structures, policies and processes through which the departments ensure that IT departments and public entities support and are in line with the business requirements	15	100%
Security management	Controls that prevent unauthorised access to the networks, operating systems and application systems that generate and prepare financial information	14	93%
User access management	Procedures through which the departments and public entities ensure that only valid, authorised users are allowed segregated access to initiate and approve transactions on the system	15	100%
IT service continuity	Processes of managing the availability of hardware, system software, application software and data to enable departments to recover or establish information system services in the event of a disaster	15	100%

Key issues in the province can be summarised as follows:

In the absence of a government-wide IT governance framework, which must be developed and rolled out by the DPSA, the provincial treasury developed a provincial IT governance framework, but this has not yet been approved and implemented. The following governance processes were therefore not addressed in all departments:

- IT steering committees were not established.
- IT strategic plans were not developed.
- Risk management processes were inadequate.
- Responsibilities for key IT positions were not delegated.
- IT policies and procedures were not formally established.
- Service level agreements were not formalised and monitored.

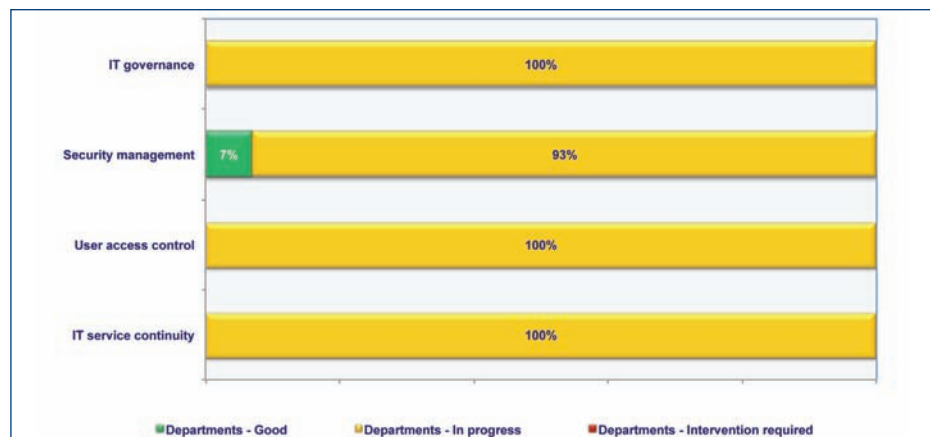
The provincial treasury issued a guide with minimum security controls for HARDCAT; however, not all departments implemented the guide, which resulted in the inadequate and inconsistent configuration of security parameter settings. As there is no security parameter setting guide for BAS, departments configured the settings inconsistently. Departments can change the security settings on BAS, unlike Persal and Logis that are centrally managed at SITA and the National Treasury.

The provincial treasury issued guidelines for user access management for BAS and HARDCAT and the Office of the Premier issued a policy for Persal. These guidelines and the policy were not adequately implemented, resulting in a lack of review and monitoring of system controller activities and users' access rights at all departments. There was inadequate segregation of duties (i.e. system controllers also performed normal user functions) at 40% of the departments, while inappropriate access had been granted to the systems due to a lack of supporting documentation at 33% of the departments.

Business continuity plans (BCPs) and DRPs had not been established at all departments to enable connection to SITA for the resumption of business operations in the event of a disaster.

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

Figure 25: Progress in addressing prior year IT findings



Some progress has been made in addressing previous year audit findings, but at the majority of departments the previous audit findings had not yet been fully addressed, as the corrective measures were still in progress. During follow-up audits, management provided new commitments to address these findings.

The following recommendations require immediate management intervention as they relate to repeat findings:

- IT governance – The provincial treasury, together with the provincial government information technology officer (GITO), should consult with the DPSA to ensure alignment with the draft government-wide IT governance framework.
- Security management – Departments that utilise HARDCAT should implement the procedures developed by the provincial treasury. The provincial treasury should develop similar procedures with respect to security parameter settings for BAS.
- User access management – The guidelines for user access management issued by the provincial treasury for BAS and HARDCAT and by the Office of the Premier for Persal should be implemented by departments to ensure the monitoring and review of system controller activities and users' access rights, segregation of duties as well as adequate supporting documentation for access granted.

- IT service continuity – The Office of the Premier should provide guidance to departments in order to establish BCPs in all departments.

3.3.3 Root causes of findings and the way forward on IT management

Root causes

The overall root cause is the leadership not implementing commitments as evidenced by the management commitments made in last year's management responses that have still not been fully implemented. However, departments were busy addressing the audit findings. In addition, there was no system for monitoring the implementation of commitments. The following are more specific root causes:

- IT governance – The DPSA did not develop and roll out an IT governance framework. The provincial treasury developed a provincial framework but this has not been implemented yet.
- Security management – Departments did not implement the guide for HARDCAT, while the provincial treasury did not issue formalised security parameter guidelines for BAS.
- User access management – Departments did not implement the guidelines developed by the provincial treasury and the Office of the Premier.
- IT service continuity – The leadership did not take responsibility for developing BCPs.

Way forward

- The provincial internal audit unit should become more involved in proactively and continuously tracking the progress with regard to the implementation of IT management commitments.
- The DPSA should obtain cabinet approval for the implementation and roll-out of the government-wide IT governance framework at all departments.
- The provincial GITO, with the assistance of the Office of the Premier, should align the provincial IT governance framework with the government-wide framework being developed by the DPSA. It should be presented at the head of department forum for adoption and implementation at all departments.



- The function to change security parameter settings should be disabled on BAS and HARDCAT, as in the case of Persal, to ensure consistency.
- Accounting officers should ensure that BCPs are established for each department and that the user access management guidelines and policies, developed by the provincial treasury and the Office of the Premier, are implemented.

Overall assessment of the design and implementation of IT management controls at provincial level

Controls were not adequate to mitigate the financial risks. Although the Office of the Premier and the provincial treasury developed user access management guidelines and policies, departments did not adequately implement Persal, BAS and HARDCAT procedures and certain key monitoring controls. Furthermore, although an IT governance framework had been developed for the province while waiting for the government-wide IT governance framework from the DPSA, the provincial framework had not yet been formally approved for implementation. This contributed to the province's failure to implement adequate IT governance practices, which also had an impact on the design of security management and IT continuity controls.

SECTION 4: INITIATIVES AND COMMITMENTS FROM KEY PROVINCIAL AND NATIONAL ROLE PLAYERS

4.1 The function of key provincial role players in audit outcomes

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

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

Table 16: Assessment of the monitoring capacity of key provincial role players to address audit outcomes at the time of the audit

	Role players	Supply chain management	Predetermined objectives	Financial management	Turnaround plans	IT controls	HR management	Governance structures
Oversight accountability	Provincial executive leadership (Premier and MEC Finance)	Intervention required	In progress	Good progress	In progress	In progress	In progress	Good progress
	Coordinated provincial oversight (provincial standing committees and provincial speaker's forum)	Intervention required	Intervention required	In progress	In progress	In progress	Intervention required	In progress
		Accounting officers, accounting authorities, CFOs and senior officials						
		Administrative accountability						
		Good progress	In progress	Intervention required				

Note: Responsibility for these focus areas varies among the role players

The tone at the top relating to governance structures and good financial management has been positive, in that the executive has realised the importance of these mechanisms in sustaining good audit outcomes. The province has a positive cash-flow position and employs saving measures.

However, the provincial leadership, together with the coordinating forums, needs to do a lot more to ensure that SCM policies and processes are strengthened and monitored by the leadership within departments and public entities. SCM continues to be a high-risk area in which taxpayer funds are being misappropriated, utilised inefficiently, and overexpended. This is evidenced by the excessive irregular expenditure of R1,4 billion incurred in the province by departments and public entities.

The coordinating forums should adopt this focus area as a priority. Designated teams should guide departments and public entities on how to set up systems and help formulate compliance checklists for SCM processes. The coordinating forums should regularly monitor and report back to the executive leadership on the status of SCM in the province.

The coordinating forums should adopt a similar approach to predetermined objectives and HR management. Most HR plans have been approved or are in the process of being approved.

There should be synergy between audit committee feedback and the coordinating forums to increase understanding and direct intervention where it is required.

On the issue of governance, internal audit units and audit committees were set up in the province. These structures increased the oversight capacity and enabled departments to identify and remedy weaknesses in their control environments. The audit committee charters have to be revised in order to include the oversight responsibility for predetermined objectives.

The remainder of the focus areas, namely turnaround plans and IT controls, are being addressed by both the executive and the coordinating forums.

The KZN director-general is heading up a committee with the heads of all departments to identify, resolve and monitor transversal issues within departments.

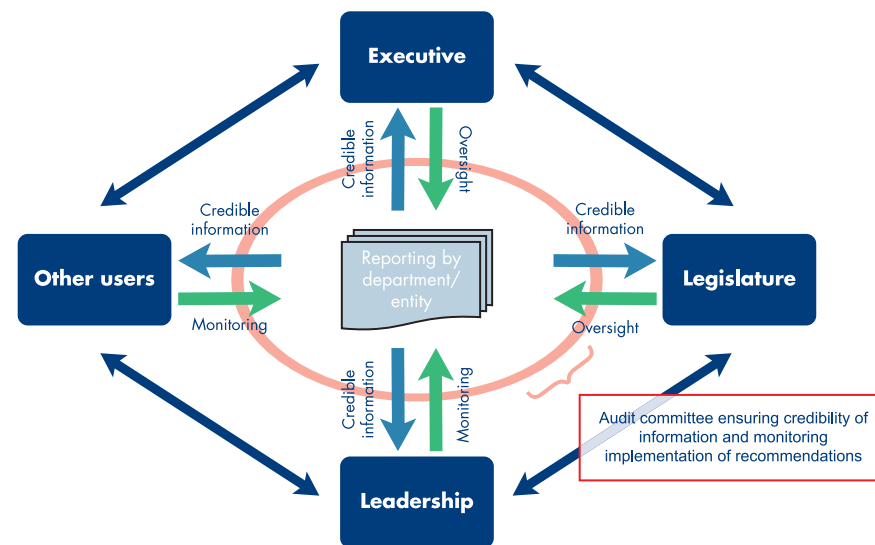
The provincial treasury established a working committee of CFOs to proactively deal with any accounting challenges.

4.1.2 Audit committees

In accordance with the Treasury Regulations, a major role of the audit committee is to review:

- the effectiveness of the internal control systems
- the effectiveness of the internal audit function
- the risk areas of the institution's operations to be covered in the scope of audits
- the adequacy, reliability and accuracy of financial information produced by the institution
- any accounting and auditing concerns identified as a result of audits
- the institution's compliance with laws and regulations
- the activities of the internal audit function, including its annual work programme, coordination with external auditors, reports of significant investigations, and the responses of management to specific recommendations.

Figure 26: Role of the audit committee in reporting





The audit committee should be an active link between external and internal audit. The focus and responsibilities of the audit committee should ensure that the leadership utilises credible, relevant and reliable information for decision-making purposes. These decisions are ultimately made by the users of the financial information, including the executive, legislature, PPACs and members of the public themselves who rely and depend upon credible information and reports on which to base their decisions. Hence, the role of the audit committee has evolved to one where committee members need to be actively involved in this task of ensuring that financial and non-financial information is valid, accurate and complete.

Figure 27 below depicts the current status and effectiveness of audit committees within the KwaZulu-Natal Provincial Administration, while the individual status per auditee is indicated in annexure 7 to this report.

Figure 27: Effectiveness of audit committees



All 16 departments and 19 public entities had audit committees for the period under review, as prescribed by the PFMA and related Treasury Regulations, while 16 (46%) of the audit committees complied with the letter of the law. However, there is a very distinct difference between having an audit committee and the audit committee being effective in its responsibilities. It is evident that only six (17%) of the audit committees had a direct impact on the audit outcomes of their auditees.

Reporting by audit committees

While the audit committees within the province have complied with the legislation and charters affecting them, they lack the ability to influence change and follow up on the recommendations they suggest to departments and entities. This perceived lack of teeth on their part has watered down their impact on influencing outcomes, as they report to the leadership of the departments and entities employing them. The most effective means to address this matter at provincial departments is for the audit committees to frequently interact with the portfolio executives (MECs) as well as with the legislature's portfolio committees. Despite legislation providing for audit committees to interact with the executive and the provincial treasury, only five audit committees (14%) had regular interactions with their MEC.

Effectiveness of audit committees

Although many audit committees were in place and complied with legislation, it is my view that they had a minimal impact on the overall audit outcomes and were thus not effective in fulfilling their roles and responsibilities as prescribed by legislation.

4.1.3 Commitments and actions by the provincial executive leadership and oversight committees

Responses and commitments emanating from the September to December 2011 interactions and roadshows are outlined below.

Table 17: Responses and commitments by the provincial executive leadership

Outline of role player commitment/ proposed action plans October 2011		Focus areas targeted by commitments and action plans						
		Supply chain management	Predetermined objectives	Financial management	Turnaround plans	IT controls	HR management	Governance structures
Provincial executive leadership								
1	Finance should play a prevalent role with regard to oversight in public entities							
2	Departments should conduct their own self-assessment of their finances and administration during the year, in order to prevent surprises in the year-end audit outcomes							
3	SITA service level agreements should be reviewed to ensure improvements in their information technology-related issues							
4	The appointment of senior management should lessen the continual movement of leadership between departments, thereby creating stability and accountability							
5	The adoption of a sector oversight model which will address resource allocation and support structures for each committee to have a dedicated committee coordinator, researcher, content advisor and budget analyst.							
Provincial treasury								
1	Provide support in the form of training, funding and capacity to those departments previously receiving qualified audit opinions							
2	Monitoring of action plans should be drawn up by departments to resolve negative audit findings							
3	Assisting the Department of Education on leave management and accruals							
4	Drive the filling of key positions at senior management levels at departments							

Outline of role player commitment/ proposed action plans October 2011		Focus areas targeted by commitments and action plans						
		Supply chain management	Predetermined objectives	Financial management	Turnaround plans	IT controls	HR management	Governance structures
5	Take action on non-compliance with SCM, analyse deviations and follow-up on inflated prices							
6	Set up a province wide performance management system, and monitor performance regarding service delivery and against budgets							
7	A vigorous and proactive approach to irregular expenditure which will include an analysis of basic financial management processes and procedures which include the identification of what risk areas and key control measures to mitigate potential risk. This will be accomplished by ensuring sustainable skills transfer, training and the monitoring of key controls and practices to address audit risks and key control							
Provincial public accounts committee								
1	A workshop to be convened for chairs of portfolios in order to educate them on interpretation of reports presented by AGSA							
2	To engage with the chair of audit committee to discuss progress with action plans set up by departments and entities to address audit findings and to obtain an update on the status of internal controls for departments and entities							
3	Getting departments and entities to account for non-compliance with supply chain management regulations and irregular expenditure incurred							
4	Ensure that all SCOPA resolutions are followed up to finality.							

Post-audit commitment/initiative (new) Commitment/initiative from prior year



Commitments arising from the 2009-10 roadshow of the auditor-general (AG)

The premier offered full cooperation to the AG in support of sustainable clean administration and noted the AG's comments on the audit of performance reporting and current challenges relating to systems of control and reporting, budgets aligned with service delivery requirements, and ongoing oversight of the entire process. The premier committed to the following:

- Take action on non-compliance with SCM regulations, analyse SCM policy deviations and follow up on the matter of inflated prices.
- Take action regarding allegations of fraud and corruption. The provincial treasury shares the internal audit function and the audit committee monitors this item.
- Set up a task team on asset management. The team is to oversee progress by way of quarterly reports.
- The provincial treasury established a movable asset HARDCAT forum for all departments, except Health that does not use HARDCAT.
- With regard to HR, fill senior management vacancies and scrap posts that had been vacant for more than two years.
- Set up a province-wide performance management system.
- Monitor performance regarding service delivery, expenditure against budgets and spending of capital budgets.
- Implore MECs to put pressure on the administration to provide relevant and reliable information. The premier acknowledged that greater cabinet oversight is required to ensure that audit outcomes do not hold any surprises when released. The premier further committed his leadership team to work together with the AGSA towards achieving clean administration.

Certain MECs participated in the PPAC public hearings of their departments, during which they pledged support to resolve negative audit findings. The MECs also undertook to follow up the commitments made by their management members to address qualified opinions and other matters raised in audit reports.

The MECs who attended the AG's briefing accepted responsibility for their audit opinions and undertook the following:

- Improve any negative audit opinions.

- Facilitate discussions with departments on repetitive audit findings.
- Monitor the implementation of action plans to eliminate qualified audit opinions.
- Oversee the process of filling key vacant positions with suitably skilled persons. This was not achieved, as cost-cutting measures and a moratorium were in place until January 2010. Going forward, the provincial treasury will drive the filling of key positions such as the CFO at the Royal Household and other support positions such as in asset management.
- Solicit full support in addressing the challenges faced by the Royal Household, including a review of the structures within which it functions. This was done and a trust was formed. The provincial treasury co-funded the appointment of consultants to set up the trust and monitored the financial management and budgets.
- Establish teams to address qualifications regarding capital assets at Public Works, Health and Social Development.

The collective leadership under the direction of the provincial cabinet, in conjunction with the provincial treasury, again committed to the initiatives of monitoring action plans drawn up by departments, providing technical support, compiling manuals on financial functions, providing training as well as regular reporting to the MEC for Finance on financial management in departments. Further to the above commitments, specific commitments were outlined regarding oversight over public entities, reviewing agreements between SITA and departments on IT-related functions as well as appointing senior management members in departments to prevent the continual movement between departments and public entities.

An integrity management meeting was convened with the provincial government and national institutions mandated to deal with fraud, corruption and maladministration in KwaZulu-Natal. This meeting represented strategic institutions supporting integrity in the province, the aim of which is to provide a single status report on fraud and corruption cases in the provincial administration. The AGSA, together with the provincial office of the National Intelligence Agency and the Office of the National Director of Public Prosecutions, will also be part of this committee. Ultimately, the strategic purpose of these meetings is to ensure that the premier delivers on the government's programme of action, by discharging his constitutional and legislative responsibilities relating to integrity, which links to the 12 outcomes or deliverables.

The progress of the provincial treasury on the above commitments is outlined below.

- The MEC for Finance advised that systems were being developed to prevent and detect irregular expenditure.
- Officials must attend a workshop on SCM issues, emergency deviations from SCM, and the movement of functions between departments.
- The internal audit unit should sign off on the SCM issues.
- Further practice notes on SCM requirements should be communicated timeously to departments.
- The provincial treasury supported the Department of Agriculture, Environmental Affairs and Rural Development with policies and procedures and facilitated the appointment of consultants.
- The KwaZulu-Natal Nature Conservation Board and KwaZulu-Natal Traditional Levies and Trust Account did not take adequate action to clear audit findings relating to asset management. The provincial treasury could not help these entities due to capacity constraints.
- The provincial treasury performed a support function at the Royal Household, including the review and oversight of the compilation and submission of financial statements.
- On developing and implementing a financial management improvement programme of support for all departments to help with preparations, pre-review and timely submission of financial statements to the AGSA, the provincial treasury:
 - arranged an update course based on new changes
 - promoted interim financial statements at departments
 - rolled out a monitoring tool for monthly reconciliations
 - rolled out a working paper file.
- On conducting readiness audits of performance information at departments, the provincial treasury will roll out training to all departments in October 2011.
- The provincial treasury issued and updated a standardised working paper file for the province to enhance the quality of the audit evidence submitted to the AGSA and facilitate a more effective and efficient consolidation process.
- On taking action on non-compliance with SCM regulations, analyse SCM policy deviations and follow up on the matter of inflated prices, the provincial treasury through the shared internal audit unit and centralised SCM unit, audits and monitors contract management. The provincial treasury took over the SCM function at the Department of Social Development in November 2010.
- The provincial treasury's shared internal audit unit and audit committee monitor the action taken regarding allegations of fraud and corruption.
- A task team on asset management is to oversee progress by way of quarterly reports.
- The provincial treasury established a movable asset HARDCAT forum for all departments, except Health that does not use HARDCAT.
- The provincial treasury attends the immovable asset task team of the Department of Public Works weekly and two-weekly. The provincial treasury will lead this task team going forward.
- To set up a province-wide performance management system, the provincial treasury has set up training from October 2011 in collaboration with the AGSA, the South African Institute of Chartered Accountants and the National Treasury for all departments, while a separate session will be held for specialised departments.
- The provincial treasury's budget office monitors departments' expenditure, appointed a task team for infrastructure comprising a panel of experts, monitors the in-year monitoring of all departments, and reviews suspense accounts of departments.
- The provincial treasury reports weekly to the provincial cabinet and monthly to the finance committee on the resolution to put pressure on the administration to provide relevant and reliable information.
- The provincial treasury monitors action plans drawn up by departments, provides technical support, compiles manuals on financial functions, provides training, and regularly reports to the MEC for Finance on financial management in departments.
- The provincial treasury focuses on departments that received qualifications and findings on predetermined objectives. Going forward, the provincial treasury will assist the Department of Education with the management of leave and accruals by focusing on the root causes. This is a transversal matter and will be addressed at all departments. The provincial treasury will also assist the Department of Health with asset management. A two-year plan will be put in place based on good practices in other provinces.
- Key vacant positions were not filled with suitably skilled persons, as cost-cutting measures and a moratorium were in place until January 2010. Going forward, the provincial treasury will drive the filling of key positions such as the CFO in the Royal Household and other support positions such as in asset management.



- The provincial treasury focused on clearing government debt through identifying properties owned by departments. Going forward, the provincial treasury has allocated R40 million for the implementation of the Government Immovable Asset Management Act, 2007 (Act No. 19 of 2007) (GIAMA).
- At the Department of Health, the provincial treasury made resources available and is implementing an integrated financial management system asset module.
- At the Department of Social Development, the provincial treasury made resources available and compiled the department's fixed asset register. The qualification was subsequently cleared.

In conclusion, there has to be a meaningful, coordinated effort by the provincial treasury and the provincial leadership with departments and public entities, to ensure that the ultimate aim of clean administration is achieved. A number of the initiatives are from the previous year, but have not led to clean administration in the current year. Auditees presume that the AGSA's function is to detect errors and correct financial statements to fairly reflect the administration of departments and public entities. The leadership, supported by the provincial treasury, should correct this perception and ensure that all departments and public entities take responsibility for their own financial administration through self-assessment processes, and ultimately for their own audit outcomes.

The provincial treasury should embrace the commitments outlined above as part of its strategic goals in order to help the departments and entities realise clean administration. The provincial treasury and the leadership of departments and public entities need to employ strategies as outlined by the AGSA, such as quarterly dashboard reports, action plan monitoring and performance management tools, to improve audit outcomes in the province. This strategy has the benefit of demanding output and results from the management of the provincial treasury with regular communication with stakeholders on ways to improve outcomes. The provincial treasury should hold regular meetings with audit committees and internal audit units on reported matters, follow up action plans set to address reported findings, and liaise with the provincial leadership where interventions are required. Milestones need to be set for senior staff members of the provincial treasury on their ability to influence departments' and public entities' outcomes and improving their current outcome status, and these milestones should be performance measured. The provincial treasury should own and proactively manage *Operation clean audit 2014* to shape the overall outcome for the province.

4.1.4 Status of PPAC oversight resolutions

At year-end, 34 PPAC resolutions out of a total of 57 had been resolved and 23 were in progress. The provincial treasury assists the PPAC in the evaluation of replies submitted by departments and public entities. The resolutions listed below as being outstanding are based on the evaluation by the PPAC on feedback received from departments and public entities. The efficient and effective implementation of resolutions has not been evaluated and will only be followed up during the next audit cycle.

Table 18: Status of implementation of PPAC resolutions

Auditee	Total number of resolutions	In progress from prior year	Number of resolutions resolved during 2010-11	Number of resolutions in progress	Number of resolutions not actioned
Departments					
Agriculture, Environmental Affairs and Rural Development	6		4	2	
Arts and Culture	3		2	1	
Co-operative Governance and Traditional Affairs	4		3	1	
Education	7		3	4	
Health	5	1	3	1	
Human Settlements	1	1			
Office of the Premier	1		1		
KwaZulu-Natal Provincial Treasury	2		2		
Public Works	4	2	2		
Social Development	5	1	3	1	
The Royal Household	4		3	1	
Public entities					
Amafa aKwaZulu-Natali	1		1		
KZN Housing Fund	1		1		
KZN Nature Conservation Board	3		1	2	
Ithala Development Finance Corporation Limited	6		3	3	
Trade and Investment KwaZulu-Natal	1			1	
uMsekeli Municipal Support Services	1			1	
Total	55	5	32	18	0

An estimated 58% of these resolutions directly or indirectly related to financial management, predetermined objective reporting or compliance with laws and regulations.

4.2 Initiatives taken by the AGSA to encourage clean administration

In support of an ultimate audit outcome of unqualified audit opinions with no reported findings on predetermined objectives or compliance with laws and regulations, the AGSA's leadership in the province embarked on an intensified programme to enhance its visibility with the objective of improving the effectiveness of the audit process and engaging with all role players that can influence clean administration. To this end, the audit teams were paid regular visits during the audits and meetings were held with those charged with governance on a quarterly basis, highlighting deficiencies in controls meant to address findings raised in the previous year's audit and management reports. The AGSA's engagements focused on the simplicity, clarity and relevance of the message to gain an understanding, get buy-in and seek commitment that will influence clean administration. This relationship, together with the receptive tone of the leadership within the province, resulted in an improvement in the understanding of the audit findings and their root causes.

As at 31 July 2011, the AGSA's leadership in the province had met with the MECs for all 15 departments as well as the speaker of the provincial legislature to discuss the 2011 outcomes of the PFMA audits. This initiative by the AGSA served to enlighten the MECs of their portfolios and to discuss the outcomes and key controls required of the departments and public entities under their jurisdiction. The results of this interaction were positive in more than one way, as the MECs were able to assess the root causes of the qualifications and findings of their portfolios. Moreover, they were able to understand the initiative by the AG behind the quarterly key control appraisals and the link to clean administrations, and that this would require follow-up by the AGSA.

The AGSA also engaged with the centralised audit committee for departments in the province to discuss matters arising in the draft audit reports prior to the audit reports being signed off.

A meeting was held with the MEC for Finance on 20 September 2011 to discuss the overall outcomes of the province as well as to gain commitments regarding the way forward to achieve clean administration.

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

This section deals with matters that did not have an impact in the current year, but could result in misstatements in the ensuing year if they do not receive attention.

Accounting and compliance matters

The requirement of departments to recognise inventory in their financial statements in 2012 will require accurate and complete disclosure of inventory levels at head office and in the regions. Possible difficulties around gathering sufficient and appropriate evidence for the opening balances may arise.

The Department of Public Works' practice notes affecting the rights of immovable property could prove a challenge for departments.

The implementation of GRAP 24 relating to budgets effective from 1 April 2012 could have an impact on entities required to comply with this standard.

A new GRAP standard on heritage assets is expected and could have an impact on entities.

Entities will further be required to comply with guidance on accounting for library books as assets.

The full impact of the new Companies Act, 2008 (Act No. 71 of 2008) has yet to be tested among entities that are required to comply.

Assets or liabilities could be susceptible to loss or fraud.

Significant transactions with related parties and contracts in which management or those charged with governance have an interest could have an impact on the outcomes of departments and public entities where non-compliance with SCM policies and regulations is uncovered.



SECTION 5: SIGNIFICANT FINDINGS FROM THE AUDIT OF SUPPLY CHAIN MANAGEMENT

5.1 Background

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

This assessment was not performed at the KwaZulu-Natal Housing Fund, KwaZulu-Natal Planning and Development Commission and KwaZulu-Natal Business Rehabilitation Trust Fund, as these public entities were in the process of closing down. It was also not performed at the KwaZulu-Natal Political Parties' Fund and Natal Joint Municipal Pension Funds (Provident, Retirement and Superannuation), as no procurement took place due to the nature of these public entities.

Many departments and public entities commissioned investigations in the current financial year. Refer to section 2.4.5 for an analysis thereof. Overall there was a 5% increase in the number of departments and public entities with investigations in progress or completed by 31 March 2011.

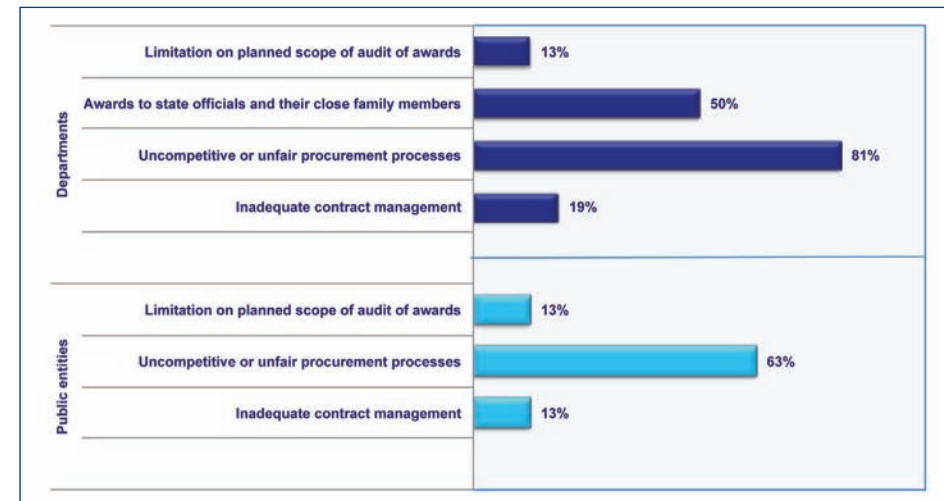
As is evident from the analysis of irregular expenditure in section 2.4.3, R1,4 billion (99,98%) of the irregular expenditure incurred by auditees was as a result of the contravention of SCM legislation. Eighty-nine per cent of the irregular expenditure was identified during the audit process. At the majority of the auditees, the incomplete identification of SCM irregular expenditure was as a result of:

- a lack of understanding of applicable legislation
- no adequate monitoring processes to detect contravention of legislation
- no adequate processes to identify irregular expenditure.

Figure 26 summarises the SCM findings. Details of the most prevalent findings are provided further down under the headings as depicted in the figure. The percentages are based on the number of auditees where findings were identified.

The SCM findings are included in annexure 5.

Figure 28: Summary of findings on SCM



5.2 Limitations on the planned scope of the audit of awards

Sufficient appropriate audit evidence could not be provided at all the auditees that awards had been made in accordance with the requirements of SCM legislation. No alternative audit procedures could be performed to obtain reasonable assurance that the expenditure incurred on these awards was not irregular. Table 19 depicts the limitations experienced.

Table 19: Limitations experienced

Auditee	Number of awards	Value of awards R'000	Reason for limitation
Departments			
Education	2	1 862	Inadequate document management system and documentation seized by law enforcement agencies
Health	11	5 200	Missing documentation
Public entities			
Dube TradePort	1	902	Inadequate document management system
Ithala Development Finance Corporation Ltd	2	30	Inadequate document management system
Total	16	7 994	

* Amounts spent on these awards at financial year-end have been included as we were unable to determine the awarded amount.

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

5.3 Awards to state officials and their close family members

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

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

Where interests were identified, compliance with SCM legislation and policies of the auditee was tested. The awards identified were also tested to pick up non-compliance or irregularities that could indicate that decisions or recommendations were unlawfully and improperly influenced.

The table below details audit findings relating to awards to state officials and their close family members.

Table 20: Awards to state officials and their close family members

Auditee	Awards made to				Non-compliance with regard to awards made					
	Officials		Close family members of officials		Supplier did not declare interest		Official did not declare interest		Other remunerative work not approved	
	Number	R'000	Number	R'000	Number	R'000	Number	R'000	Number	R'000
Departments										
Agriculture, Environmental Affairs and Rural Development	13*	1 490			13	1 490				
Economic Development and Tourism	9	791							9	791
Education	326	51 400	68	11 685	68	11 685	326	51 400		
Health	29	9 595	12	6 436			41	16 000		
Office of the Premier	1	18							1	18
Social Development	5	232	1	18			6	250	5	232
Sport and Recreation	2	391							2	391
Transport	37^	1 800			24	922	13	878		
Total	422	65 717	81	18 139	105	14 097	386	68 528	17	1 432
Percentage of auditees tested	82%		82%		82%		82%		82%	

* The declaration for 13 awards (R1 490 000) could not be provided for audit purposes.

^ The declaration for 37 awards (R1 800 000) could not be provided for audit purposes.

5.4 Uncompetitive or unfair procurement processes

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



The AGSA's audits also focus on whether the procurement processes followed were fair and competitive in that it provided all suppliers equal opportunity to compete for public sector contracts and that the process did not favour some suppliers above others.

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

The procurement processes of 857 contracts (R2,4 billion) and 1 905 quotations (R442 million) were tested. The most prevalent findings on non-compliance with SCM legislation that resulted in uncompetitive or unfair procurement processes are summarised in the table below.

Table 21: Findings on uncompetitive or unfair procurement processes

Auditee	Competitive bids not invited – no deviation approved		Procurement without SARS tax clearance		Competitive bids not invited – approved emergency deviation not reasonable/justified		Three written price quotations not invited – no deviation approved		Prospective supplier list not administered in accordance with requirements		Other findings	
	Number	R'000	Number	R'000	Number	R'000	Number	R'000	Number	R'000	Number	R'000
Departments												
Arts and Culture											y	
Agriculture, Environmental Affairs and Rural Development									x		30	4 922
Community Safety and Liaison			3	654								
Co-operative Governance and Traditional Affairs					3	18 500					9	2 344
Economic Development and Tourism					3	25 083					275	119 630
Education											1	2 100
Health			19	27 343	20	113	40	29 861			1	1 200

Auditee	Competitive bids not invited – no deviation approved		Procurement without SARS tax clearance		Competitive bids not invited – approved emergency deviation not reasonable/justified		Three written price quotations not invited – no deviation approved		Prospective supplier list not administered in accordance with requirements		Other findings	
	Number	R'000	Number	R'000	Number	R'000	Number	R'000	Number	R'000	Number	R'000
Human Settlements	6	380 776					4	735				
Office of the Premier									x		6	19 613
Public Works	1	3 577										
Sport and Recreation			540	67 576			6	911			77	22 382
The Royal Household									x			
Transport	1	657										
Public entities												
Agri-Business Development Agency			18	10 527			12	365			107	87 586
Amafa aKwaZulu-Natali											5	1 869
Dube TradePort											1	902
Growth Fund Managers	1	783									3	269
KwaZulu-Natal Sharks Board											14	2 126
KZN Tourism Authority							1	227				
Ithala Development Finance Corporation Ltd									x		1	4 229
Ithala Ltd	4	4 572									3	300
The KwaZulu-Natal Royal Household Trust	3	1 580					15	1 097				
Total	16	391 945	580	106 100	26	43 696	78	33 196			533	269 472

x = Prospective supplier list not administered in accordance with requirements

y = No prospective supplier list for inviting price quotations

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

Finding	Detail
Competitive bids not invited – no deviation approved	A competitive bidding process should be followed for the procurement of goods and services above a prescribed value. Competitive bids were not always invited and the deviations were not approved by a properly delegated official or committee.
Procurement from suppliers without SARS tax clearance	Awards were made to suppliers who failed to provide written proof from SARS that their tax matters were in order.
Competitive bids not invited – deviations not reasonable or justifiable	A competitive bidding process should be followed for the procurement of goods and services above a prescribed value. Instances were identified of deviations from the competitive bidding process being approved even though it was not impractical or impossible to follow such a process. A common reason for a deviation was that it was an emergency, but such a deviation was not always justifiable as a lack of proper planning does not constitute a reason for dispensing with prescribed bidding processes. Accounting officers or authorities should put in place their own control measures to deal with foreseeable cases of emergency that occur within their area of functionality. These measures may include the arrangement of strategic or specific term contracts with suitable service providers, with a view to ensuring that the required goods or services are available immediately in cases of emergency.
Written price quotations not invited – no deviation approved	A price quotation process should be followed for the procurement of goods and services of a lower value. The required number of price quotations was not always obtained and the deviations were not approved by a properly delegated official or committee.
Prospective supplier list not administered in accordance with requirements	A price quotation process should be followed for the procurement of goods and services of a lower value. In order to provide prospective suppliers with an opportunity to take part in this process, prospective supplier lists are kept by auditees and should be administered in a fair and competitive manner in accordance with prescribed requirements. Some auditees did not administer the list in accordance with the requirements.

Finding	Detail
Other findings	<p>The other findings identified were as follows:</p> <ul style="list-style-type: none"> • Requests for quotations did not include evaluation criteria. • Competitive bids not invited and approved deviation based on other reasons not reasonable/justified. • Competitive bids not invited and approved sole supplier deviation not reasonable/justified. • Deviations above R1 million not reported to the AGSA. • Awards to contractors not registered with the Construction Industry Development Board (CIDB). • No declaration of interest submitted (e.g. SBD4). • Bids advertised for shorter period and no justification for deviation. • Points incorrectly allocated/calculated and incorrect bidder won award. • Total payment of different quotations exceeded original quoted amount. • Three written quotations not invited and approved deviation not reasonable/justified. • Invitations/calls for expression not done via CIDB website. • Preference point system not applied.

5.5 Inadequate contract management

Shortcomings in the manner that contracts are managed result in delays, wastage as well as fruitless and wasteful expenditure, which have a direct impact on service delivery to the citizens.

Findings on contract management are summarised in the table below.

Table 22: Findings on contract management

Auditee	Contract extended or renewed to circumvent bidding processes		Payment in excess of approved amount		No signed contract or not signed by delegated official		Contract amended or extended without approval by a delegated official	
	Number	R'000	Number	R'000	Number	R'000	Number	R'000
Departments								
Community Safety and Liaison			4	3 400	4	2 300		
Health	438	376 000			2	2 500		
Social Development			7	13 909				



Auditee	Contract extended or renewed to circumvent bidding processes		Payment in excess of approved amount		No signed contract or not signed by delegated official		Contract amended or extended without approval by a delegated official	
	Number	R'000	Number	R'000	Number	R'000	Number	R'000
Public entities								
KwaZulu-Natal Sharks Board							1	422
Provincial Pharmaceutical Supply Depot	7	22 300						
Total	445	398 300	11	17 309	6	4 800	1	422

Further details on the findings are as follows:

Finding	Detail
Contracts extended or renewed to circumvent competitive bidding processes	It is normal business practice to extend or renew contracts, but at some auditees it was done to the extent that competitive bidding processes were circumvented, resulting in a procurement practice that was unfair, uncompetitive or not transparent.
Payments made in excess of approved contract price (with further approved extensions)	A contract prescribes the prices, terms and maximum values, which can be increased through approved extensions and variations. Instances were identified where payments were made to suppliers in excess of these approved contract prices.
No signed contract or contract not signed by delegated official	Goods and services were received and payment was made to suppliers without written, signed contracts.
Contracts amended or extended without approval by a delegated official	Instances were identified of contracts that were amended or extended in the favour of the supplier without the approval of a properly delegated official or committee.

5.6 SCM controls

SCM controls have been correctly designed and implemented at the departments and public entities. However, irregular expenditure of R1,4 billion was incurred due to the poor operating effectiveness of these controls.

5.7 Overall conclusion on SCM matters

The findings pertaining to non-compliance with SCM should be viewed in a serious light as they relate mainly to a lack of oversight by those charged with governance. There was an increase in the number of departments and public entities incurring irregular expenditure when compared to the prior year. In most instances, the accounting officer or authority failed to identify and disclose the irregular expenditure and SCM non-compliance before the commencement of the audit. This clearly indicates that the operating effectiveness of SCM controls needs to be a priority of those charged with governance.

The leadership has committed to:

- review SCM processes to improve them so that irregular expenditure can be prevented, detected and reported
- create an increased awareness of SCM requirements throughout the organisation
- develop and implement compliance checklists for SCM processes
- review and monitor compliance with SCM laws and regulations monthly
- appoint personnel in critical vacant SCM-related posts.

Progress on these commitments will be assessed during quarterly stakeholder interactions.

SECTION 6: CONSOLIDATED FINANCIAL STATEMENTS

In terms of section 19 of the PFMA, the provincial treasury is required to prepare consolidated financial statements for each financial year in respect of departments, public entities and the provincial legislature. At this time, the provincial treasury has not yet been able to prepare the required consolidation. The provincial treasury continues to prepare separate financial statements that aggregate the financial results of the departments and the provincial legislature, and another set that aggregates the financial results of the public entities. This practice does not conform to the PFMA and the provincial treasury is urged to put processes in place to rectify this non-compliance.

Due to the above, the AGSA is not able to issue an audit report on the fair presentation of the financial statements, but instead separate factual finding audit reports are issued for the departments and the legislature, and for the public entities. The status of the agreed-upon procedure engagements as at 31 March 2011 is reflected in table 23 below.

Table 23: Status of the audit of consolidated financial statements

Departments – audits completed		Public entities – audits completed	
2010-11	2009-10	2010-11	2009-10
Y / N	Y / N	Y / N	Y / N
N	Y	N	Y

The consolidated financial statements of departments for the 2010-11 year were received on 8 September 2011 and those of public entities on 1 September 2011. The engagements are in progress and the anticipated reporting date is 31 October 2011 for the consolidations of both departments and public entities.

SECTION 7: STATUS OF TABLING OF ANNUAL REPORTS

The PFMA requires the executive authorities responsible for departments or public entities to table in the provincial legislature an annual report, annual financial statements and audit report relating to the financial statements. Such reports must be tabled within one month of the audit report having been received by the executive authorities.

The status of the tabling of annual reports is summarised below.

Table 24: Annual reports tabled by departments, public entities and other entities

Auditee type	Percentage of reports tabled at 31 August 2011	
	2010-11	2009-10
Departments	69%	100%
Public entities	52%	59%
Other entities	11%	18%
Provincial consolidations	0%	0%
Total	24	31

Details of the annual reports not tabled are listed below.



Table 25: Annual reports not tabled

Auditee	Reason (s)	Expected tabling date
Departments		
Social Development	Late submission	27/10/2011
Education	Late submission	06/09/2011
Human Settlements	Late submission	01/09/2011
Public Works	Late submission	01/09/2011
Royal Household	Late submission	08/09/2011
Public entities		
Agri-Business Development Agency	Late submission	27/10/2011
KwaZulu-Natal Business Rehabilitation Trust Fund	Not submitted	Unknown
KwaZulu-Natal Housing Fund	Late submission	01/09/2011
KwaZulu-Natal Political Parties' Fund	Not submitted	Unknown
Natal Joint Municipal Pension Fund (Provident)	Not submitted	Unknown
Natal Joint Municipal Pension Fund (Retirement)	Not submitted	Unknown
Natal Joint Municipal Pension Fund (Superannuation)	Not submitted	Unknown
Royal Household Trust	Not submitted	Unknown
uMsekeli Municipal Support Services	Not submitted	Unknown
KZN Traditional Levies and Trust Account	Late submission	06/10/2011
Banzi Pan Devco (Pty) Ltd	Not submitted	Unknown
Cowslip Investment (Pty) Ltd	Not submitted	Unknown
Durban Wharfside Trust	Not submitted	Unknown
Mabibi Development Company (Pty) Ltd	Not submitted	Unknown
Nongoma Plaza Ltd	Not submitted	Unknown
Richards Bay IDZ (Pty) Ltd	Late submission	08/09/2011
Rocktail Bay Devco (Pty) Ltd	Not submitted	Unknown
Sibaya Conservation Projects (Pty) Ltd	Not submitted	Unknown
Sundumbili Plaza Ltd	Not submitted	Unknown
Ubuciko Twines and Fabric (Pty) Ltd	Not submitted	Unknown

In the majority of cases, annual reports were submitted by the departments and public entities on 31 August 2011, one month after receipt of the audit report. Where reports were received after the deadline, they are shown as outstanding. As can be seen from the above table, a number of entities had not submitted reports for tabling. For the above purposes it is accepted that reports are tabled when received in the speaker's office. The reports are subsequently formally tabled at the first possible sitting of the legislature.

CONCLUSION TO THE 2010-11 GENERAL REPORT

The AGSA has embarked on a drive to positively influence the audit outcomes of departments and public entities by promoting the practice of institutionalising on a daily basis decisive leadership, quality financial and performance management, and strong governance.

The matters highlighted throughout this report relate to these three fundamentals, which should be addressed to achieve sustained clean administration.

As highlighted in this general report, KwaZulu-Natal has achieved an improvement in its overall audit outcomes. This can be attributed to the active participation of all role players, including the AGSA senior leadership increasing its visibility during the audit process and then with the stakeholder intervention meetings, to influence those charged with governance in an attempt to improve the audit outcomes. However, the province does face a number of challenges relating to the commitment of the leadership, the strengthening of finance units and the effectiveness of the governance and oversight functions, which will require a coordinated effort and commitment by the strategic leadership of the province, with the support of the provincial treasury, to maintain positive outcomes and improve negative ones.

The support provided by the provincial treasury as well as the roles and responsibilities of the internal audit unit, in conjunction with the audit committee in attesting to accurate and complete information, as outlined in my report, would go a long way in realising the goal of clean administration. Departments and public entities need to assess their state of affairs and be in a position to inform the users of financial statements of their outcomes for the year. The AGSA merely attests to this outcome by virtue of its audit process, which would be a confirmation of this self-assessment status exercise by departments and public entities. The provincial treasury needs to own and proactively manage *Operation clean audit 2014* to shape the overall outcome for the province.

The critical message we are leaving with the executive of the province in this report is that it is possible to obtain a clean administration if the negative audit findings are addressed through appropriate action plans by departments and public entities.

These plans must assign responsibilities, time frames and measurable milestones to clear all audit findings, while the leadership must constantly monitor the progress of these action plans. We remain confident that departments and public entities can overcome their challenges and obtain clean audit opinions by focusing on the following three basic focus areas:

Leadership – It is imperative to improve the adequacy of leadership oversight over the content and quality of financial reporting and performance information by taking ownership of the related results, acting decisively to implement corrective measures, addressing non-performance and assessing the effectiveness of the structures of the finance unit, internal audit unit, audit committee and risk management unit. By setting the right tone at the top, an example is set that others can follow. The leadership needs to hold people accountable for not doing what they were put in places of trust and accountability to do. Failure to act decisively on non-performance sends the wrong message to those who work hard, embrace the ideal of clean administration as a reality, and take ownership of their actions.

Financial and performance management – The finance units' capacity must be enhanced to produce reliable monthly financial statements and performance information that must be evaluated and monitored by the leadership at all levels to enable its reliability and to support decision-making on finances and service delivery. To improve the effectiveness of the financial and performance system, structured, periodic and relevant training for all staff is required, especially with regard to Standards of GRAP, new National Treasury circulars and guidelines, and measuring performance against predetermined objectives. In addition, systems around SCM need to be improved and monitored in order to prevent the high level of non-compliance with SCM regulations and the PFMA. The provincial treasury should roll out the good practices of well-performing departments and entities to other departments and entities that still need to improve.

Governance arrangements – The effectiveness of audit committees and internal audit functions must be strengthened through the employment of competent persons to effectively discharge the responsibilities as set out in the PFMA, to promote independent accountability to the executive authority on all matters of risk relating to financial management and service delivery. The role of internal audit would then be invaluable in attesting to the credibility of financial information produced monthly for decision-making purposes and annually for the external auditors. This would further

be strengthened by the audit committees' review of monthly and annual information. Risk assessment must be improved through the establishment of risk management strategies, including fraud prevention, with reporting by the audit committee to the executive on the residual risks and how such risks should be mitigated.

The challenges are certainly not insurmountable and the move to clean audit administrations is well within the reach of most of the departments and public entities within a short period of time. All it entails is a structured, systematic and simple monitoring approach by the executive and the will to achieve this goal of clean administration. We are encouraged by the level of commitment evident in the interactions that we have had so far with the provincial executive.

The AGSA remains committed to assisting the leadership of all departments and public entities to improve their oversight effectiveness by creating an effective control environment conducive to good financial management and service delivery, and ultimately achieving clean audit administrations.



ANNEXURES TO THE GENERAL REPORT

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

No.	Auditee	2010-11 Audit year			2009-10 Audit year			Financial statement qualification areas								Findings on predetermined objectives			
		Audit outcome 2010-11	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Capital assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Presentation	Reported information not useful	Reported information not reliable
Departments																			
1	Agriculture, Environmental Affairs and Rural Development	Financially unqualified with findings			Qualified														
2	Arts and Culture	Financially unqualified with no findings			Financially unqualified with no findings														
3	Community Safety and Liaison	Financially unqualified with findings			Financially unqualified with no findings														
4	Co-operative Governance & Traditional Affairs	Financially unqualified with findings			Financially unqualified with findings														
5	Economic Development and Tourism	Financially unqualified with findings			Financially unqualified with findings														
6	Education	Qualified			Financially unqualified with findings														
7	Health	Qualified			Qualified														
8	Human Settlements	Financially unqualified with findings			Financially unqualified with findings														
9	KwaZulu-Natal Provincial Treasury	Financially unqualified with no findings			Financially unqualified with no findings														

No.	Auditee	2010-11 Audit year			2009-10 Audit year			Financial statement qualification areas								Findings on predetermined objectives			
		Audit outcome 2010-11	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Capital assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Presentation	Reported information not useful	Reported information not reliable
10	Office of the Premier	Financially unqualified with no findings			Financially unqualified with findings														
11	KwaZulu-Natal Provincial Legislature	Financially unqualified with no findings			Financially unqualified with findings														
12	Provincial Revenue Fund	Audit not finalised at legislated date			Financially unqualified with no findings														
13	Public Works	Qualified			Qualified														
14	Social Development	Financially unqualified with findings			Qualified														
15	Sport and Recreation	Financially unqualified with findings			Financially unqualified with findings														
16	The Royal Household	Financially unqualified with findings			Financially unqualified with findings														
17	Transport	Financially unqualified with no findings			Financially unqualified with findings														
Public entities																			
18	Agri-Business Development Agency	Financially unqualified with findings			Financially unqualified with findings														
19	Amafa aKwaZulu-Natali	Financially unqualified with findings			Qualified														
20	Dube TradePort	Financially unqualified with findings			Financially unqualified with findings														



No.	Auditee	2010-11 Audit year			2009-10 Audit year			Financial statement qualification areas								Findings on predetermined objectives			
		Audit outcome 2010-11	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Capital assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Presentation	Reported information not useful	Reported information not reliable
21	KwaZulu-Natal Gambling Board	Financially unqualified with findings			Financially unqualified with findings														
22	KwaZulu-Natal Growth Fund Managers (Pty) Ltd	Financially unqualified with findings			Financially unqualified with findings														
23	KZN Housing Fund	Qualified			Qualified														
24	Ithala Development Finance Corporation Ltd	Financially unqualified with findings			Financially unqualified with findings														
25	Ithala Limited	Financially unqualified with findings			Financially unqualified with findings														
26	Kwanaloga	Audit not finalised at legislated date			Financially unqualified with findings														
27	KwaZulu-Natal Sharks Board	Financially unqualified with findings			Financially unqualified with findings														
28	KwaZulu-Natal Business Rehabilitation Trust Fund	Disclaimer			Qualified														
29	KwaZulu-Natal Nature Conservation Board	Qualified			Qualified														
30	KwaZulu-Natal Planning & Development Commission	Financially unqualified with no findings			Financially unqualified with no findings														
31	KZN Political Parties' Fund	Financially unqualified with no findings			Financially unqualified with findings														
32	KwaZulu-Natal Tourism Authority	Financially unqualified with findings			Financially unqualified with no findings														

No.	Auditee	2010-11 Audit year			2009-10 Audit year			Financial statement qualification areas								Findings on predetermined objectives			
		Audit outcome 2010-11	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Capital assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Presentation	Reported information not useful	Reported information not reliable
33	Mjindi Farming (Pty) Ltd	Financially unqualified with findings			Financially unqualified with findings														
34	Natal Joint Municipal Pension Fund (Provident)	Financially unqualified with no findings			Financially unqualified with no findings														
35	Natal Joint Municipal Pension Fund (Retirement)	Financially unqualified with no findings			Financially unqualified with no findings														
36	Natal Joint Municipal Pension Fund (Superannuation)	Financially unqualified with no findings			Financially unqualified with no findings														
37	KwaZulu-Natal Provincial Pharmaceutical Supply Depot	Financially unqualified with findings			Financially unqualified with no findings														
38	The KwaZulu-Natal Royal Household Trust	Financially unqualified with findings			New public entity														
39	Trade and Investment KwaZulu-Natal	Financially unqualified with no findings			Financially unqualified with findings														
40	KZN Traditional Levies and Trust Account	Qualified			Qualified														
41	uMsekeli Municipal Support Services	Financially unqualified with findings			Qualified														
Public entities (Not audited by the AGSA)																			
42	Banzi Pan Devco (Pty) Ltd	Financially unqualified with no findings			Financially unqualified with findings														



No.	Auditee	2010-11 Audit year			2009-10 Audit year			Financial statement qualification areas								Findings on predetermined objectives			
		Audit outcome 2010-11	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Capital assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Presentation	Reported information not useful	Reported information not reliable
43	Cowslip Investments (Pty) Ltd	Financially unqualified with findings			Financially unqualified with findings														
44	Durban Wharfside Trust	Financially unqualified with findings			Financially unqualified with findings														
45	Mabibi Development Company (Pty) Ltd	Financially unqualified with findings			Financially unqualified with findings														
46	Moses Kotana Institute	Financially unqualified with findings			Financially unqualified with findings														
47	Nongoma Plaza Ltd	Financially unqualified with findings			Financially unqualified with findings														
48	Richards Bay Industrial Development Zone (Pty) Ltd	Financially unqualified with findings			Financially unqualified with findings														
49	Rocktail Bay Devco (Pty) Ltd	Financially unqualified with findings			Financially unqualified with findings														
50	Sibaya Conservation Projects (Pty) Ltd	Financially unqualified with findings			Financially unqualified with findings														
51	Sundumbili Plaza	Financially unqualified with findings			Financially unqualified with findings														
52	Ubiciko Twines and Fabric (Pty) Ltd	Financially unqualified with findings			Financially unqualified with findings														

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

No.	Auditee	Areas of non-compliance												
		Annual financial statements and annual report	Asset management	Audit committees	Budgets	Expenditure management	Financial misconduct	Internal audit	Revenue management	Strategic planning and performance management	Transfer and conditional grants	Other	Procurement and contract management	HR management and compensation
Departments														
1	Agriculture, Environmental Affairs and Rural Development													
2	Arts and Culture													
3	Community Safety and Liaison													
4	Co-operative Governance & Traditional Affairs													
5	Economic Development and Tourism													
6	Education													
7	Health													
8	Human Settlements													
9	KwaZulu-Natal Provincial Treasury													
10	Office of the Premier													
11	KwaZulu-Natal Provincial Legislature													
12	Public Works													
13	Social Development													
14	Sport and Recreation													
15	The Royal Household													
16	Transport													
Public entities														
17	Agri-Business Development Agency													
18	Amafa aKwaZulu-Natali													
19	Dube TradePort													
20	KwaZulu-Natal Gambling Board													
21	KwaZulu-Natal Growth Fund Managers (Pty) Ltd													
22	KZN Housing Fund													
23	Ithala Development Finance Corporation Ltd													
24	Ithala Limited													
25	KwaZulu-Natal Sharks Board													
26	KwaZulu-Natal Business Rehabilitation Trust Fund													
27	KwaZulu-Natal Nature Conservation Board													
28	KwaZulu-Natal Planning & Development Commission													



No.	Auditee	Areas of non-compliance												
		Annual financial statements and annual report	Asset management	Audit committees	Budgets	Expenditure management	Financial misconduct	Internal audit	Revenue management	Strategic planning and performance management	Transfer and conditional grants	Other	Procurement and contract management	HR management and compensation
29	KZN Political Parties' Fund													
30	KwaZulu-Natal Tourism Authority													
31	Mjindi Farming (Pty) Ltd													
32	Natal Joint Municipal Pension Fund (Provident)													
33	Natal Joint Municipal Pension Fund (Retirement)													
34	Natal Joint Municipal Pension Fund (Superannuation)													
35	KwaZulu-Natal Provincial Pharmaceutical Supply Depot													
36	The KwaZulu-Natal Royal Household Trust													
37	Trade and Investment KwaZulu-Natal													
38	KZN Traditional Levies and Trust Account													
39	uMsekeli Municipal Support Services													
Public entities (Not audited by the AGSA)														
40	Banzi Pan Devco (Pty) Ltd													
41	Cowslip Investments (Pty) Ltd													
42	Durban Wharfside Trust													
43	Mabibi Development Company (Pty) Ltd													
44	Moses Kotana Institute													
45	Nongoma Plaza Ltd													
46	Richards Bay Industrial Development Zone (Pty) Ltd													
47	Rocktail Bay Devco (Pty) Ltd													
48	Sibaya Conservation Projects (Pty) Ltd													
49	Sundumbili Plaza													
50	Ubiciko Twines and Fabric (Pty) Ltd													

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

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/ conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	Supply chain management related	Compensation of employees related	Other	Total				
Departments													
1	Agriculture, Environmental Affairs and Rural Development					17,849,877			17,849,877				
2	Arts and Culture	900,000			900,000								
3	Community Safety and Liaison					6,354,000			6,354,000				
4	Co-operative Governance & Traditional Affairs					5,515,000			5,515,000				
5	Economic Development and Tourism					38,141,000			38,141,000	487,665			
6	Education					84,412,000			84,412,000		86,571,000		
7	Health					562,329,402			562,329,402				
8	Human Settlements	199,508,000			199,508,000	381,511,000			381,511,000	192,000			
9	KwaZulu-Natal Provincial Treasury												
10	Office of the Premier					18,000			18,000				
11	KwaZulu-Natal Provincial Legislature					34,392,000			34,392,000				
12	Public Works					3,576,809			3,576,809	10,418,619			
13	Social Development					89,975,000		249,000	90,224,000	237,000	1,825,000	7,143,000	
14	Sport and Recreation					73,987,741			73,987,741				
15	The Royal Household	3,488,000			3,488,000								
16	Transport	61,141,000			61,141,000	12,454,000			12,454,000				
Public entities													
17	Agri-Business Development Agency					23,200,000			23,200,000				
18	Amafa aKwaZulu-Natali												
19	Dube TradePort					902,000			902,000				
20	KwaZulu-Natal Gambling Board												
21	KwaZulu-Natal Growth Fund Managers (Pty) Ltd					1,100,000			1,100,000			15,000,000	
22	KZN Housing Fund											410,269,000	



No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/ conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	Supply chain management related	Compensation of employees related	Other	Total				
23	Ithala Development Finance Corporation Ltd					19,890,000			19,890,000	408,000	90,500,000	139,200,000	
24	Ithala Limited					14,565,463			14,565,463	8,889	10,100,000	35,400,000	
25	KwaZulu-Natal Sharks Board					2,500,000			2,500,000				
26	KwaZulu-Natal Business Rehabilitation Trust Fund												
27	KwaZulu-Natal Nature Conservation Board					404,000		52,000	456,000	611,000			
28	KwaZulu-Natal Planning & Development Commission												
29	KZN Political Parties' Fund												
30	KwaZulu-Natal Tourism Authority					226,816			226,816		2,100,000		
31	Mjindi Farming (Pty) Ltd												
32	Natal Joint Municipal Pension Fund (Provident)												
33	Natal Joint Municipal Pension Fund (Retirement)												
34	Natal Joint Municipal Pension Fund (Superannuation)												
35	KwaZulu-Natal Provincial Pharmaceutical Supply Depot					22,256,000			22,256,000				
36	The KwaZulu-Natal Royal Household Trust					2,677,000			2,677,000				
37	Trade and Investment KwaZulu-Natal												
38	KZN Traditional Levies and Trust Account					821,341			821,341				
39	uMsekeli Municipal Support Services												

No.	Auditee	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	Material under-spending of vote/ conditional grant (finding only)
		Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	Supply chain management related	Compensation of employees related	Other	Total				
Public entities (not audited by the AGSA)													
40	Banzi Pan Devco (Pty) Ltd												
41	Cowslip Investments (Pty) Ltd												
42	Durban Wharfside Trust												
43	Mabibi Development Company (Pty) Ltd												
44	Moses Kotana Institute					3,491,361			3,491,361				
45	Nongoma Plaza Ltd												
46	Richards Bay Industrial Development Zone (Pty) Ltd												
47	Rocktail Bay Devco (Pty) Ltd												
48	Sibaya Conservation Projects (Pty) Ltd												
49	Sundumbili Plaza												
50	Ubiciko Twines and Fabric (Pty) Ltd												



ANNEXURE 4: Assessment of auditees' key controls at the time of the audit

No.	Auditee	Leadership																		Financial and performance																		Governance								
		Effective leadership culture			Oversight responsibility			HR Management			Policies & procedures			Action plans			IT governance			Proper record keeping			Processing and reconciling controls			Reporting			Compliance			IT Systems controls			Risk management			Internal audit			Audit committee					
		F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C									
Departments																																														
1	Agriculture, Environmental Affairs and Rural Development																																													
2	Arts and Culture																																													
3	Community Safety and Liaison																																													
4	Co-operative Governance & Traditional Affairs																																													
5	Economic Development and Tourism																																													
6	Education																																													
7	Health																																													
8	Human Settlements																																													
9	KwaZulu-Natal Provincial Treasury																																													
10	Office of the Premier																																													
11	KwaZulu-Natal Provincial Legislature																																													
12	Public Works																																													
13	Social Development																																													
14	Sport and Recreation																																													
15	The Royal Household																																													
16	Transport																																													
Public entities																																														
17	Agri-Business Development Agency																																													
18	Amafa aKwazulu-Natali																																													
19	Dube TradePort																																													
20	KwaZulu-Natal Gambling Board																																													
21	KwaZulu-Natal Growth Fund Managers (Pty) Ltd																																													

No.	Auditee	Leadership																		Financial and performance																		Governance																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
		Effective leadership culture			Oversight responsibility			HR Management			Policies & procedures			Action plans			IT governance			Proper record keeping			Processing and reconciling controls			Reporting			Compliance			IT Systems controls			Risk management			Internal audit			Audit committee																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
		F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
22	KZN Housing Fund	█		█	█		█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		█	█		

Legend					
Good		In Progress		Intervention Required	
Financial	F	Performance	P	Compliance	C



ANNEXURE 5: Auditees with key findings on supply chain management

No.	Auditee	Limitation on planned scope of audit of awards	Awards to state officials and their close family members	Uncompetitive or unfair procurement processes	Inadequate contract management	Inadequate SCM controls
Departments						
1	Agriculture, Environmental Affairs and Rural Development					
2	Arts and Culture					
3	Community Safety and Liaison					
4	Co-operative Governance & Traditional Affairs					
5	Economic Development and Tourism					
6	Education					
7	Health					
8	Human Settlements					
9	KwaZulu-Natal Provincial Treasury					
10	Office of the Premier					
11	KwaZulu-Natal Provincial Legislature					
12	Public Works					
13	Social Development					
14	Sport and Recreation					
15	The Royal Household					
16	Transport					
Public entities						
17	Agri-Business Development Agency					
18	Amafa aKwaZulu-Natali					
19	Dube TradePort					
20	KwaZulu-Natal Gambling Board					
21	KwaZulu-Natal Growth Fund Managers (Pty) Ltd					
22	KZN Housing Fund					
23	Ithala Development Finance Corporation Ltd					
24	Ithala Limited					
25	KwaZulu-Natal Sharks Board					

No.	Auditee	Limitation on planned scope of audit of awards	Awards to state officials and their close family members	Uncompetitive or unfair procurement processes	Inadequate contract management	Inadequate SCM controls
26	KwaZulu-Natal Business Rehabilitation Trust Fund					
27	KwaZulu-Natal Nature Conservation Board					
28	KwaZulu-Natal Planning & Development Commission					
29	KZN Political Parties' Fund					
30	KwaZulu-Natal Tourism Authority					
31	Mjindi Farming (Pty) Ltd					
32	Natal Joint Municipal Pension Fund (Provident)					
33	Natal Joint Municipal Pension Fund (Retirement)					
34	Natal Joint Municipal Pension Fund (Superannuation)					
35	KwaZulu-Natal Provincial Pharmaceutical Supply Depot					
36	The KwaZulu-Natal Royal Household Trust					
37	Trade and Investment KwaZulu-Natal					
38	KZN Traditional Levies and Trust Account					
39	uMsekeli Municipal Support Services					



ANNEXURE 6: Auditees with key findings on IT focus areas

No.	Auditee	Focus Areas			
		IT governance	Security management	User access management	IT service continuity
Departments					
1	Agriculture, Environmental Affairs and Rural Development				
2	Arts and Culture				
3	Community Safety and Liaison				
4	Co-operative Governance & Traditional Affairs				
5	Economic Development and Tourism				
6	Education				
7	Health				
8	Human Settlements				
9	KwaZulu-Natal Provincial Treasury				
10	Office of the Premier				
11	KwaZulu-Natal Provincial Legislature				
12	Public Works				
13	Social Development				
14	Sport and Recreation				
15	Transport				
Public entities					
16	KwaZulu-Natal Nature Conservation Board				

ANNEXURE 7: Audit committees

No.	Auditee	Province	Audit committees				
			Audit committee in place	New audit committee appointed during the year (disbanding of shared service)	Compliant with legislation	Impact on outcome	Interaction with executive
Departments							
1	Agriculture, Environmental Affairs and Rural Development	KZN		N/A			
2	Arts and Culture	KZN		N/A			
3	Community Safety and Liaison	KZN		N/A			
4	Co-operative Governance & Traditional Affairs	KZN		N/A			
5	Economic Development and Tourism	KZN		N/A			
6	Education	KZN		N/A			
7	Health	KZN		N/A			
8	Human Settlements	KZN		N/A			
9	KwaZulu-Natal Provincial Treasury	KZN		N/A			
10	Office of the Premier	KZN		N/A			
11	KwaZulu-Natal Provincial Legislature	KZN		N/A			
12	Public Works	KZN		N/A			
13	Social Development	KZN		N/A			
14	Sport and Recreation	KZN		N/A			
15	The Royal Household	KZN		N/A			
16	Transport	KZN		N/A			
Public entities							
17	Agri-Business Development Agency	KZN		N/A			
18	Amafa aKwaZulu-Natali	KZN		N/A			
19	Dube TradePort	KZN		N/A			
20	KwaZulu-Natal Gambling Board	KZN		N/A			



No.	Auditee	Province	Audit committees				
			Audit committee in place	New audit committee appointed during the year (disbanding of shared service)	Compliant with legislation	Impact on outcome	Interaction with executive
21	KwaZulu-Natal Growth Fund Managers (Pty) Ltd	KZN		N/A			
22	KZN Housing Fund	KZN	N/A – Department's audit committee	N/A			
23	Ithala Development Finance Corporation Ltd	KZN		N/A			
24	Ithala Limited	KZN		N/A			
25	KwaZulu-Natal Sharks Board	KZN		N/A			
26	KwaZulu-Natal Business Rehabilitation Trust Fund	KZN		N/A			
27	KwaZulu-Natal Nature Conservation Board	KZN		N/A			
28	KwaZulu-Natal Planning & Development Commission	KZN	Entity deregistered	N/A			
29	KZN Political Parties' Fund	KZN	N/A – Legislature's audit committee	N/A			
30	KwaZulu-Natal Tourism Authority	KZN		N/A			
31	Mjindi Farming (Pty) Ltd	KZN		N/A			
32	Natal Joint Municipal Pension Fund (Provident)	KZN		N/A			
33	Natal Joint Municipal Pension Fund (Retirement)	KZN		N/A			
34	Natal Joint Municipal Pension Fund (Superannuation)	KZN		N/A			
35	KwaZulu-Natal Provincial Pharmaceutical Supply Depot	KZN		N/A			
36	The KwaZulu-Natal Royal Household Trust	KZN		N/A			
37	Trade and Investment KwaZulu-Natal	KZN		N/A			
38	Traditional Levies and Trust Account	KZN		N/A			
39	uMsekeli Municipal Support Services	KZN	Entity deregistered	N/A			

PR 289/2011
ISBN: 978-0-621-40442-5