

SECTION 10: CONSOLIDATED FINANCIAL STATEMENTS

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

The status of the preparation of consolidated financial statements as at 31 October 2009 is reflected in table 5 below.

Table 5: Status of preparation of consolidated financial statements as at 31 October 2009

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

The 2008-09 revenue fund audit is anticipated to be completed in early November 2009 and the consolidated financial information audit by 30 November 2009. The delay in finalising the audit of consolidated information is related to the late finalisation of audit reports, as reported elsewhere in this report.

An annual report was compiled and tabled for the 2007-08 consolidated financial information, but not for the revenue fund. The revenue fund received no significant findings.

SECTION 11: STATUS OF TABLING OF ANNUAL REPORTS

In accordance with section 65 of the PFMA, the executive authority responsible for a department must table in the provincial legislature the annual report and annual financial statements as well as the audit report on those statements, within one month of receipt of the audit report. All departments, public entities and other entities tabled their annual reports for the year ended 31 March 2009.

Table 6: Status of tabling annual reports by executive authorities

No.	Name of department/ constititional institution/ entity	Tabled (Y/N)	Date submitted to legislature	Date tabled in House	Reasons for annual report not tabled
1	Agriculture	Y	30 Sep 09	30 Sep 09	
2	Community Safety	Y	30 Sep 09	30 Sep 09	
3	Cultural Affairs and Sport	Y	30 Sep 09	30 Sep 09	
4	Economic Development and Tourism	Y	30 Sep 09	30 Sep 09	
5	Education	Y	30 Sep 09	30 Sep 09	
6	Environmental Affairs and Development Planning	Y	30 Sep 09	30 Sep 09	
7	Health	Y	30 Sep 09	30 Sep 09	
8	Local Government and Housing	Y	30 Sep 09	30 Sep 09	
9	Provincial Premier	Y	30 Sep 09	30 Sep 09	
10	Provincial Treasury	Y	30 Sep 09	30 Sep 09	
11	Social Development	Y	30 Sep 09	30 Sep 09	
12	Transport and Public Works	Y	30 Sep 09	30 Sep 09	
13	Provincial Legislature	Y	30 Sep 09	30 Sep 09	
14	Destination Marketing Organisation	Y	30 Sep 09	30 Sep 09	
15	Western Cape Cultural Commission	Y	30 Sep 09	30 Sep 09	
16	Western Cape Gambling and Racing Board	Y	30 Sep 09	30 Sep 09	
17	Western Cape Investment and Trade Promotion Agency	Y	30 Sep 09	30 Sep 09	
18	Western Cape Language Committee	Y	30 Sep 09	30 Sep 09	
19	Western Cape Nature Conservation Board	Y	30 Sep 09	30 Sep 09	
20	Western Cape Provincial Development Council	Y	30 Sep 09	30 Sep 09	
21	Western Cape Liquor Board	Y	30 Sep 09	30 Sep 09	



No.	Name of department/ constittional institution/ entity	Tabled (Y/N)	Date submitted to legislature	Date tabled in House	Reasons for annual report not tabled
22	Western Cape Provincial Youth Commission	Y	30 Sep 09	30 Sep 09	
23	Western Cape Housing Development Fund	Y	30 Sep 09	30 Sep 09	
24	Cape Medical Depot	Y	30 Sep 09	30 Sep 09	
25	Government Motor Transport	Y	30 Sep 09	30 Sep 09	
26	Heritage Western Cape	Y	30 Sep 09	30 Sep 09	

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

12.1 Performance audits conducted

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

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

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

The actual dates of submission of performance audit reports are provided in the table below.

Table 7: Performance audits conducted and the actual dates of tabling of reports

No.	Entity	Report description	Actual date of tabling
1	Education	Investment in infrastructure	September 2009
2	Health	Investment in infrastructure	September 2009
3	Local Government and Housing	Allocation of housing subsidies to municipal employees and the administration of low-cost housing projects by the department	May 2008
4	Transversal	Entities that are connected with government employees doing business with the departments in the Western Cape Government Administration	May 2009

12.2 Investigations conducted

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



- (a) considers it to be in the public interest
- (b) receives a complaint relating to such institution or its affairs
- (c) receives a request relating to such institution or its affairs
- (d) deems it appropriate.

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

No investigations were undertaken by the AGSA for the year under review. Investigations performed by parties other than the AGSA are reflected in the respective audit reports, where it has come to my attention.

12.3 Special audits conducted

No special audits were performed by the AGSA for the year under review.

ANNEXURES TO THE GENERAL REPORT

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

Annexure 1: 2008-09 audit outcomes

1a Listing of entities' audit opinions and qualification findings

1b Listing of entities with emphasis of matters and other matters findings

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

Annexure 3: Listing of special purpose entities, linked to auditees, not consolidated and/or not audited by the AGSA

Annexure 4: Audit reports summaries

Annexure 5: Audit outcomes: five-year review of audit outcomes



ANNEXURE 1 α: Listing of entities' audit opinions and qualification findings

No.	Classification	Type of other entity	Department / Institution / Entity	Audit opinion: 2008-09	Audit opinion: 2007-08	Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payable and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Frustrated and wasteful expenditure	Irregular expenditure	Other general issues
1	PD	Department	Agriculture	Financially unqualified (with other matters)	Financially unqualified (with other matters)																
2	POE	Trading entity	Cape Medical Depot	Financially unqualified (with other matters)	Financially unqualified (with other matters)																
3	PD	Department	Community Safety	Financially unqualified (with other matters)	Financially unqualified (with other matters)																
4	PD	Department	Cultural Affairs and Sport	Financially unqualified (with other matters)	Financially unqualified (with other matters)																
5	PPE	Public entity	Destination Marketing Org (TA Cape Town Routes Unlimited)	Financially unqualified (with other matters)	Financially unqualified (with other matters)																
6	PD	Department	Economic Development and Tourism	Financially unqualified (with other matters)	Financially unqualified (with no other matters)																
7	PD	Department	Education	Financially unqualified (with other matters)	Financially unqualified (with other matters)																
8	PD	Department	Environmental Affairs and Development Planning	Financially unqualified (with other matters)	Financially unqualified (with other matters)																



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

No.	Classification	Type of other entity	Department / Institution / Entity	Audit opinion: 2008-09	Audit opinion: 2007-08	Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payable and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Other general issues
9	POE	Trading entity	Government Motor Transport	Financially unqualified (with other matters)	Financially unqualified (with other matters)																
10	PD	Department	Health	Financially unqualified (with other matters)	Financially unqualified (with other matters)																
11	PD	Department	Local Government and Housing	Financially unqualified (with other matters)	Financially unqualified (with other matters)																
12	PL	Department	Provincial Legislature	Financially unqualified (with other matters)	Financially unqualified (with other matters)																
13	PD	Department	Provincial Premier	Financially unqualified (with other matters)	Financially unqualified (with other matters)																
14	PD	Department	Provincial Treasury	Financially unqualified (with other matters)	Financially unqualified (with other matters)																
15	PD	Department	Social Development	Financially unqualified (with other matters)	Financially unqualified (with no other matters)																
16	POE	Unlisted public entity	Heritage Western Cape	Financially unqualified (with other matters)	Financially unqualified (with no other matters)																



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

No.	Classification	Type of other entity	Department / Institution / Entity	Audit opinion: 2008-09	Audit opinion: 2007-08	Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payable and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorized expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Other general issues
17	PD	Department	Transport and Public Works	Qualified	Qualified																
18	PPE	Public entity	Western Cape Cultural Commission	Financially unqualified (with other matters)	Adverse																
19	PPE	Public entity	Western Cape Gambling and Racing Board	Financially unqualified (with other matters)	Financially unqualified (with other matters)																
20	POE	Unlisted public entity	Western Cape Housing Development Fund	Disclaimer	Qualified																
21	PPE	Public entity	Western Cape Investment and Trade Promotion Agency	Financially unqualified (with other matters)	Financially unqualified (with other matters)																
22	PPE	Public entity	Western Cape Language Committee	Financially unqualified (with other matters)	Qualified																
23	PPE	Public entity	Western Cape Liquor Board	Qualified	Qualified																
24	PPE	Public entity	Western Cape Nature Conservation Board	Financially unqualified (with other matters)	Qualified																



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

No.	Classification	Type of other entity	Department / Institution / Entity	Audit opinion: 2008-09	Audit opinion: 2007-08	Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payable and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Other general issues
25	PPE	Public entity	Western Cape Provincial Development Council	Financially unqualified (with other matters) Qualified	Financially unqualified (with other matters)																
26	PPE	Public entity	Western Cape Provincial Youth Commission	Qualified	Financially unqualified (with other matters)																



ANNEXURE 1b: Listing of entities with emphasis of matters and other matters findings												
No.	Classification	Department / Institution / Entity	Audit opinion: 2008-09	Audit opinion: 2007-08	Material losses / Impairments	Unauthorized expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Material underspending of the budget	PFMA / Treasury Regulations	Supply chain management	Material misstatements corrected
1	PD	Agriculture	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Red	Green	Red	Red	Red	Green	Green	Red
2	POE	Cape Medical Depot	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Green	Green	Green	Green	Green	Red	Green	Red
3	PD	Community Safety	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Red	Green	Green	Red	Green	Red	Green	Green
4	PD	Cultural Affairs and Sport	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Red	Green	Green	Red	Green	Red	Green	Green
5	PPE	Destination Marketing Org (TA Cape Town Routes Unlimited)	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Red	Green	Red	Green	Green	Green	Green	Red
6	PD	Economic Development and Tourism	Financially unqualified (with other matters)	Financially unqualified (with no other matters)	Green	Green	Green	Green	Green	Green	Green	Red
7	PD	Education	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Green	Green	Green	Red	Green	Green	Green	Red
8	PD	Environmental Affairs and Development Planning	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Red	Green	Green	Red	Green	Green	Green	Red
9	POE	Government Motor Transport	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Green	Green	Green	Green	Green	Green	Green	Red
10	PD	Health	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Red	Green	Green	Red	Red	Green	Green	Red



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

No.	Classification	Department / Institution / Entity	Audit opinion: 2008-09	Audit opinion: 2007-08	Material losses / Impairments	Unauthorized expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Material underspending of the budget	PFMA / Treasury Regulations	Supply chain management	Material misstatements corrected
11	PD	Local Government and Housing	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Red			Red				Red
12	PL	Provincial Legislature	Financially unqualified (with other matters)	Financially unqualified (with other matters)				Red				Red
13	PD	Provincial Premier	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Red			Red	Red	Red		Red
14	PD	Provincial Treasury	Financially unqualified (with other matters)	Financially unqualified (with other matters)	Red							Red
15	PD	Social Development	Financially unqualified (with other matters)	Financially unqualified (with no other matters)					Red			Red
16	POE	Heritage Western Cape	Financially unqualified (with other matters)	Financially unqualified (with no other matters)						Red		Red
17	PD	Transport and Public Works	Qualified	Qualified	Red			Red				Red
18	PPE	Western Cape Cultural Commission	Financially unqualified (with other matters)	Adverse						Red		Red
19	PPE	Western Cape Gambling and Racing Board	Financially unqualified (with other matters)	Financially unqualified (with other matters)								Red
20	POE	Western Cape Housing Development Fund	Disclaimer	Qualified	Red							Red



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

No.	Classification	Department / Institution / Entity	Audit opinion: 2008-09	Audit opinion: 2007-08	Material losses / Impairments	Unauthorized expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Material underspending of the budget	PFMA / Treasury Regulations	Supply chain management	Material misstatements corrected
21	PPE	Western Cape Investment and Trade Promotion Agency	Financially unqualified (with other matters)	Financially unqualified (with other matters)								
22	PPE	Western Cape Language Committee	Financially unqualified (with other matters)	Qualified								
23	PPE	Western Cape Liquor Board	Qualified	Qualified								
24	PPE	Western Cape Nature Conservation Board	Financially unqualified (with other matters)	Qualified								
25	PPE	Western Cape Provincial Development Council	Financially unqualified (with other matters)	Financially unqualified (with other matters)								
26	PPE	Western Cape Provincial Youth Commission	Qualified	Financially unqualified (with other matters)								

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

Entities registering improved audit outcomes

No.	Entity	Audit opinion: 2008-09	Audit opinion: 2007-08
1	Western Cape Cultural Commission	Financially unqualified (with other matters)	Adverse
2	Western Cape Language Committee	Financially unqualified (with other matters)	Qualified
3	Western Cape Nature Conservation Board	Financially unqualified (with other matters)	Qualified

Entities registering deteriorated audit outcomes

No.	Department / Entity	Audit opinion: 2008-09	Audit opinion: 2007-08
1	Economic Development and Tourism	Financially unqualified (with other matters)	Financially unqualified (with no other matters)
2	Social Development	Financially unqualified (with other matters)	Financially unqualified (with no other matters)
3	Heritage Western Cape	Financially unqualified (with other matters)	Financially unqualified (with no other matters)
4	Western Cape Housing Development Fund	Disclaimer	Qualified
5	Western Cape Provincial Youth Commission	Qualified	Financially unqualified (with other matters)

ANNEXURE 3: listing of special purpose entities, linked to auditees, not consolidated and/or not audited by the agsa

No.	Name of entity	Portfolio	Reason / Causes for non-inclusion in 2008-09 general report	Date of completion	Audit opinion: 2008-09	Audit opinion: 2007-08
1	CASIDRA (Pty) Ltd	WC Agriculture	The AG opted not to audit CASIDRA in terms of section 4(3) (a) of the PAA	31 Jul 09	Financially unqualified (with no other matters)	Financially unqualified (with no other matters)

ANNEXURE 4: AUDIT REPORT SUMMARIES

SUMMARY OF AUDIT REPORTS: PROVINCIAL DEPARTMENTS AND THE PROVINCIAL LEGISLATURE

1. Provincial legislature

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. EMPHASIS OF MATTERS

- **Irregular expenditure**
 - Irregular expenditure to the amount of R317 000 was incurred, as services were procured without prior approval by a delegated authority.

C. OTHER MATTERS

- **Key governance responsibilities**
 - The financial statements were subjected to material amendments resulting from the audit.
 - A risk assessment was not conducted on a regular basis and a risk management strategy, which included a fraud prevention plan, was not documented and used as set out in the Treasury Regulations.

2. Department of the Premier

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. EMPHASIS OF MATTERS

- **Irregular expenditure**
 - Irregular expenditure to the amount of R1 090 000 was incurred as a result of various transactions that had been entered into without the required authority.
- **Material underspending of the budget**
 - The department materially underspent the budget on programme 3 to an amount of R17 439 000. As a consequence, the department did not meet its objectives in connection with the upgrading of the Philippi Stadium.



C. OTHER MATTERS

• Non-compliance with applicable legislation

Public Finance Management Act and Treasury Regulations

- Accruals amounting to R11 255 656 were outstanding for periods of more than 30 days, which exceeded the payment terms of 30 days.
- The Western Cape Youth Commission did not demonstrate the use of effective, efficient and transparent financial management and internal control systems, yet the department continued to transfer funds without applying sanctions in terms of the PFMA.

• Key governance responsibilities

- Significant difficulties were experienced during the audit concerning delays or the availability of requested information.
- The financial statements were subjected to material amendments resulting from the audit.
- There were significant deficiencies in the design and implementation of internal control in respect of financial and risk management.
- The prior year audit findings had not been substantially addressed.
- Adequate control processes and procedures were not designed and implemented to ensure the accuracy and completeness of reported performance information.

• Investigations

- Assets with a cost of R163 700 could not be accounted for during the physical verification process of assets. These assets were under investigation in terms of the department's theft and losses processes.
- Three fraud investigations took place during the year under review. One resulted in money to be recovered from an official and a particular supplier being blacklisted. The other two did not uncover any fraudulent activity.

• Late finalisation of audit report

- In terms of section 40(2) of the PFMA, I am required to submit my report to the accounting officer within two months of the receipt of the financial statements. Due to internal processes as well as significant difficulties experienced during the audit process, particularly in the area of assets, I delayed the finalisation of my report, although the financial statements were received by 31 May 2009.

D. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

• Report on performance information

Non-compliance with regulatory requirements

- Lack of effective, efficient and transparent systems and internal controls regarding performance management

§ The accounting officer did not ensure that the department had and maintained an effective, efficient and transparent system and internal controls regarding performance management.



3. Provincial Treasury

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. EMPHASIS OF MATTERS

- **Restatement of corresponding figures**
 - As disclosed in the financial statements, the corresponding figures for 31 March 2008 were restated as a result of an error discovered during the 2008-09 financial year in the financial statements of the Western Cape Provincial Treasury at, and for the year ended, 31 March 2008.

C. OTHER MATTERS

- **Key governance responsibilities**
 - The financial statements submitted for auditing were subjected to material amendments resulting from the audit.

D. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- **Report on performance information**

Reported performance information not relevant

- The indicators for subprogrammes 3.2.2 and 3.3.3 under asset and liabilities management and the first objective under immovable asset management were not measurable in identifying the required performance. Targets were set as percentages without clarifying or quantifying which step and/or phase of the indicators would result in compliance with the specific target.

Reported performance information not reliable

- Sufficient appropriate evidence in relation to the reported performance information of the third quarter's review session and the minutes of the first session of the annual performance plan held in October 2008 could not be obtained, as the relevant source documentation could not be provided for audit purposes.

4. Community Safety

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. EMPHASIS OF MATTERS

- **Irregular expenditure**



- Irregular expenditure to the amount of R431 000 was incurred, as a proper tender process had not been followed.

C. OTHER MATTERS

Non-compliance with applicable legislation

Treasury Regulations

- Accruals amounting to R731 277 were outstanding for periods that exceeded the payment terms of 30 days, as set out in the Treasury Regulations. This amount, in turn, exceeded the voted funds to be surrendered for the year by R251 277. Had the department paid the amounts due as required, an equivalent amount of unauthorised expenditure would have been incurred.

Key governance responsibilities

- The information systems were not appropriate to facilitate the preparation of a performance report that was accurate and complete.
- Adequate control processes and procedures were not designed and implemented to ensure the accuracy and completeness of reported performance information.

• Late finalisation of the audit report

- § In terms of section 40(2) of the PFMA, I am required to submit my report to the accounting officer within two months of the receipt of the financial statements. In the interest of improving accountability and finalising internal processes to ensure that high-quality standards of reporting were maintained, I delayed the finalisation of my report, although the financial statements were received by 31 May 2009.

D. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

- Inadequate management process
 - The internal policies and procedures of the department did not adequately address the process of collection, collation, recording, processing and reporting on performance information at a programme level.

Non-compliance with regulatory requirements

- **Content of strategic plan**
 - The strategic plan of the department did not include targets of the entity's programmes, as required.
- **Inconsistently reported performance information**
 - The department did not report on its performance with regard to its objectives as per the



approved annual performance plan. For example, 18 predetermined objectives and 33 predetermined indicators for certain programmes in the five-year strategic plan were materially inconsistent with the predetermined objectives as per the annual performance plan.

- **Reported performance information not relevant**

- Six (4%) targets with regard to programmes 2 and 4 were neither specific nor clearly identified the nature and the required level of performance.

- **Reported performance information not reliable**

- § **Lack of source documents**

- Sufficient appropriate evidence in relation to the reported performance information of programmes 2 and 4 could not be obtained for 11 (7%) of the objectives reported on.

- § **Source information not accurate and complete**

- The source information or evidence provided to support the reported performance information with regard to programmes 2 and 4 was inaccurate in 21 (15%) instances.

5. Education

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. EMPHASIS OF MATTERS

- **Infrastructure projects**

- The department may have to account for write-offs in terms of alleged fruitless and wasteful expenditure relating to infrastructure projects. The ultimate outcome of the matter cannot currently be determined, and no provision for any fruitless and wasteful expenditure that may result had been made in the financial statements.

C. OTHER MATTERS

- **Key governance responsibilities**

- Significant difficulties were experienced during the audit concerning delays or the availability of requested information.
- The financial statements were subjected to material amendments resulting from the audit.
- SCOPA resolutions had not been substantially implemented.

- **Late finalisation of the audit report**

- In terms of section 40(2) of the PFMA, I am required to submit my report to the accounting officer within two months of the receipt of the financial statements. In the interest of improving



accountability and finalising internal processes to ensure that high-quality standards of reporting were maintained, the finalisation of the audit report was delayed.

D. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- **Report on performance information**

Reported performance information not reliable

- Lack of source documentation

§ Sufficient appropriate evidence could not be provided in relation to PM206 'Expenditure on maintenance as a percentage of the value of school infrastructure' for the valuation of R15 052 800 000 (R15 billion) for the replacement value of all immovable school infrastructure made by the quantity surveyors.

E. OTHER REPORTS

- **Performance audits**

- At the time of the audit, a performance audit of the department's infrastructure delivery process was in progress. The performance audit focused on the following key elements of the infrastructure delivery process: (i) demand management, (ii) acquisition management, (iii) project management and information, and (iv) commissioning and utilisation. It is anticipated that the report will be tabled by 30 November 2009.
- A performance audit was conducted at the department of entities that are connected with government employees and doing business with this and other departments of the Western Cape Provincial Government. This report was issued in August 2008 and tabled in June 2009.

6. Health

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. EMPHASIS OF MATTERS

- **Infrastructure projects**

- The department may have to account for write-offs in terms of alleged fruitless and wasteful expenditure relating to infrastructure projects. The ultimate outcome of the matter cannot be determined at present, and no provision for any fruitless and wasteful expenditure that may result had been made in the financial statements.

- **Unauthorised expenditure**

- Unauthorised expenditure totalling R89 179 000 was incurred on programmes 2 and 3 as a result of increased patient activity, the use of agency staff, a decision to provide anti-retroviral treatment to patients with HIV/Aids and the appointment of additional emergency practitioners at emergency medical services to assist during the FIFA Soccer World Cup tournament.



- **Irregular expenditure**

- Irregular expenditure totalling R4 293 000 was incurred as a result of non-compliance with the financial delegations issued by the accounting officer, as well as not following proper procurement processes.

- **Material underspending of the budget**

- The department materially underspent the budget on programmes 2 and 8 to the amount of R214 960 000.

C. OTHER MATTERS

- **Non-compliance with applicable legislation**

Treasury Regulations

- The department's fraud prevention plan, the first one since 2005-06, was approved by the accounting officer on 23 March 2009, but it was not implemented during the year under review.

- **Key governance responsibilities**

- The financial statements were subjected to material amendments resulting from the audit.
- There were significant deficiencies in the design and implementation of internal control in respect of financial and risk management.
- A risk assessment was not conducted on a regular basis and a risk management strategy, which included a fraud prevention plan, was not used as set out in the Treasury Regulations.
- The prior year audit findings had not been substantially addressed.
- The information systems were not appropriate to facilitate the preparation of a performance report that was accurate and complete.
- Adequate control processes and procedures were not designed and implemented to ensure the accuracy and completeness of reported performance information.

- **Late finalisation of the audit report**

- In terms of section 40(2) of the PFMA, I am required to submit my report to the accounting officer within two months of the receipt of the financial statements. In the interest of improving accountability and finalising internal processes to ensure that high-quality standards of reporting were maintained, the finalisation of the audit report was delayed.

D. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- **Report on performance information**

- **Incomplete reporting on actual achievements in the annual report**

- The actual progress on one indicator relating to programme 2, which was prescribed by the national Department of Health, was not reported on in the annual report, as data and



- evidence in relation to this indicator were not collected by the department during the year.
- Four indicators evaluated for programme 2 were listed in the annual performance plan, but targets were not specified.
- **Usefulness and reliability of reported performance information**
- Inconsistently reported performance information
 - § The data element/indicator definition provided by the national Department of Health was not applied for eight indicators.
 - § The indicators for 43 provincial and national indicators and seven provincial indicators were not defined to allow for data to be collected consistently.
 - Reported performance information not relevant
 - § The targets set for 11 performance indicators under programme 2 and six performance indicators under programme 4 did not appear to be relevant in relation to the department's actual performance over the past two to three financial years.
 - § Explanations for variances of more than 10% between the planned and actual performance in the annual report, as specified by the department's internal guidelines, were not provided for 37 indicators under programme 2 and 12 indicators under programme 4.
- **Reported performance information not reliable**
- Sufficient appropriate evidence could not be obtained in all cases as the relevant source documentation could not be provided for audit purposes, for example:
 - § The number of facilities managed by the department and reported on in the annual report differed from the number of facilities quoted in the annual performance plan in respect of seven performance measures/indicators.
 - § Formal data sources were not identified for 10 indicators under programme 2.
 - § The information entered on the provincial information management database was not always consistent when compared to the monthly summaries. Furthermore, information entered on the database for two forms was inconsistent compared to the data on the hospital throughput form.
 - § For certain indicators the actual achievement reported in the annual report differed from that reported in the monitoring and evaluation report and the quarterly performance report.

E. OTHER REPORTS

- **Performance audits**

- A performance audit of the department's infrastructure delivery process is in progress. The



performance audit is focusing on the following key elements of the infrastructure delivery process: (i) demand management, (ii) acquisition management, (iii) project management and information, and (iv) commissioning and utilisation. It is anticipated that the report will be tabled by 30 November 2009.

- A performance audit was also conducted at the department on entities that are connected with government employees and doing business with this and other departments of the Western Cape Provincial Government. This report was issued in August 2008 and tabled in June 2009.

7. Social Development

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. EMPHASIS OF MATTERS

- **Material underspending of the budget**
 - The department materially underspent the budget on programme 2: social welfare services to the amount of R16,8 million. As indicated in note 4.1 to the appropriation statement, this was mainly due to the delay in the payment of the occupation-specific dispensation for social workrelated posts, which was still being considered in the bargaining chambers, as well as the retention of fees from the contractors for the building of a drug abuse centre.

C. OTHER MATTERS

- **Key governance responsibilities**
 - The financial statements were subjected to material amendments resulting from the audit.
- **Investigations**
 - Eight of the 15 cases referred to the provincial forensic investigative unit during the year were still being investigated at the end of the financial year. Three cases related to alleged financial mismanagement; one to alleged irregularities; one to alleged unfair labour practices; two to alleged procurement corruption; and one to alleged non-compliance with transfer funding.
- **Late finalisation of audit report**
 - In terms of section 40(2) of the PFMA, I am required to submit my report to the accounting officer within two months of the receipt of the financial statements. Due to internal processes to ensure that quality standards were maintained as well as the resolution of audit findings, particularly in the area of incomplete asset registers and late adjustments made to the financial statements, I delayed the finalisation of my report, although the financial statements were received by 31 May 2009.



D. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- **Report on performance information**

- There were no significant findings.

E. OTHER REPORTS

- **Performance audit**

- A transversal performance audit was undertaken and finalised during the year under review regarding entities that are connected with government employees and doing business with departments of the Western Cape Provincial Administration. A separate audit report was tabled in this regard [PR 249/2008].

8. Local Government and Housing

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. EMPHASIS OF MATTERS

- **Blocked housing projects**

- The department will investigate whether any fruitless and wasteful expenditure was incurred in the payments to complete the previously blocked housing projects.

C. OTHER MATTERS

- **Key governance responsibilities**

- The financial statements submitted for auditing were subjected to material amendments resulting from the audit.
- Adequate control processes and procedures were not designed and implemented to ensure the accuracy and completeness of reported performance information.

- **Investigations**

- Forensic investigations are being performed by the provincial forensic investigative unit to probe irregularities in respect of two cases of alleged procurement fraud.
- At the date of this report, the special investigating unit was still investigating various cases of alleged irregularities. Additional detail is disclosed in the accounting officer's report.

- **Late finalisation of audit report**

- In terms of section 40(2) of the PFMA, I am required to submit my report to the accounting officer within two months of the receipt of the financial statements. Due to internal processes to ensure that quality standards were maintained as well as the late resolution of audit findings and final adjustments that had to be made to the financial statements, I have delayed the



finalisation of my report, although the financial statements were received by 31 May 2009.

D. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- **Report on performance information**

Reliability of reported performance information

- The evidence provided to support the performance information as reported in the draft annual report was in a number of instances materially inconsistent with the reported performance information. This was subsequently adjusted in the annual report.

E. OTHER REPORTS

- **Performance audits**

- A transversal performance audit was undertaken and finalised during the year under review relating to entities that are connected with government employees doing business with departments of the Western Cape Provincial Administration [PR 249/2008].
- A transversal performance audit is currently being conducted concerning the use of consultants by the department. A separate report will be issued in this regard by 30 November 2009.

9. Environmental Affairs and Dev

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. OTHER MATTERS

- **Key governance responsibilities**

- Significant difficulties were experienced during the audit concerning delays or the availability of requested information.
- The financial statements submitted for auditing were subjected to material amendments resulting from the audit.
- Adequate control processes and procedures were not designed and implemented to ensure the accuracy and completeness of reported performance information.

- **Investigations**

- Due to a break-in at the store of the department, assets with a cost of R631 284 were damaged. The total value of the damages could not be reliably estimated. The incident was reported to the South African Police Service.
- Assets with a cost of R494 381 could not be accounted for during the physical verification process of assets. The whereabouts of these assets were under investigation in terms of the department's theft and losses processes.
- Two investigations are being conducted by the forensic investigative unit regarding alleged irregularities in the procurement of folders/files and in the payment of air travel accounts without the necessary authorisation. The investigations were still in progress at the reporting date.



C. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

• Report on performance information

Non-compliance with regulatory requirements

- Lack of effective, efficient and transparent systems and internal controls regarding performance management

The accounting officer did not ensure that the department had and maintained an effective, efficient and transparent system and internal controls regarding performance management.

Usefulness and reliability of reported performance information

- Reported performance information not relevant

With regard to the compliance and enforcement as well as the impact management subprogrammes, the following targets were not specific in clearly identifying the nature and required level of performance: (i) respond to and investigate all complaints, (ii) four sector-based enforcement operations, and (iii) monitor the quality of applications and accept 90% of all applications on first submission.

With regard to the impact management as well as the pollution and waste management subprogrammes, the following targets were not time bound in specifying the time period or deadline for delivery: (i) continue the development of the Western Cape Land Management Law, and (ii) further roll out of the waste management in education programme.

10. Transport and Public Work

A. AUDIT OPINION

• Qualified

B. BASIS FOR QUALIFIED OPINION

• Receivables for departmental revenue

- Significant weaknesses were identified in the management of debtor files. As a consequence, the information on the debtors management system could not be relied on. Alternative procedures were performed on the immovable asset register to determine the extent of properties being leased by the department; however, sufficient appropriate audit evidence in respect of the completeness of the information on the debtors management system could not be obtained. As a result, I was unable to satisfy myself as to the completeness of the property debtors disclosed in note 22: receivables for departmental revenue.

C. EMPHASIS OF MATTERS

• Basis of accounting

- On 31 March 2009, the National Treasury granted the department exemption from including in the annual financial statements those immovable assets where there is uncertainty regarding its ownership. Consequently, the financial statements did not assert the completeness of immovable assets.

• Roads capital account

- I did not express an opinion on the roads capital account, because an approved accounting framework did not exist for the capital account. The accounting treatment of the capital account was therefore not certain. Details on the income and current assets relating to the capital account were disclosed in the accounting officer's report, while the compensation of employees and payments for goods and services relating to the capital account were incorporated in the voted fund's expenditure of the department.

• Chapman's Peak

- The financial impact of a concession agreement concluded for the design, construction, financing, operation and maintenance of Chapman's Peak Drive as a toll road, resulted in the department incurring expenditure of R28 182 000 (2007-08: R12 745 000). At the time of signing this report, a report on the joint investigation by the Provincial Treasury, the National Treasury and the department into its sustainability, financial viability and possible impropriety was outstanding.

• Exceeding contract values

- Alleged fruitless and wasteful expenditure incurred on infrastructure projects, including the Western Cape Nurses College, Valkenberg High Care Nurses Admission Unit and various schools, was identified. The process of determining whether the expenditure should be recovered from the guarantor or written off as irrecoverable fruitless and wasteful expenditure was still in progress at the time of finalising this report.
- The contract value for the construction of the Table View Primary, Samora Machel and Kuyasa Schools was exceeded. The excess may be considered fruitless and wasteful expenditure. At the time of finalising this report, the determination had not been concluded.

• Irregular expenditure

- According to the accounting officer's report and disclosure notes to the financial statements, the department was investigating the regularity of expenditure incurred amounting to R14 171 221.

• Material underspending of the budget

- The department materially underspent its budget by R313 933 000. This was primarily due to underspending the national transport disaster management grant amounting to R273 650 777, which affected the roads infrastructure as well as the public works programmes.



D. OTHER MATTERS

• Key governance responsibilities

- Significant difficulties were experienced during the audit concerning delays or the availability of requested information.
- The financial statements were subjected to material amendments resulting from the audit.
- Key officials were not always available throughout the audit process.
- There were significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.
- The information systems were not appropriate to facilitate the preparation of the financial statements.
- A risk assessment was not conducted on a regular basis and a risk management strategy, which included a fraud prevention plan, was not documented and used as set out in the Treasury Regulations.
- The prior year audit findings were not substantially addressed.
- SCOPA resolutions were not substantially implemented.
- Adequate control processes and procedures were not designed and implemented to ensure the accuracy and completeness of reported performance information.

• Investigations

- The forensic investigative unit within the Department of the Premier was investigating 23 cases of alleged irregular expenditure amounting to R22 463 770 and alleged fruitless and wasteful expenditure amounting to R478 167.
- The department was investigating 25 cases of alleged irregular expenditure amounting to R37 984 524 and alleged fruitless and wasteful expenditure amounting to R229 565.

Certain of the reports on these cases were brought to the attention of the accounting officer in the 2005-06 financial year and to date the actions to finalise these reports are at various stages of completion.

• Delay in the finalisation of the audit

- In terms of section 40(2) of the PFMA, I am required to submit my report to the accounting officer within two months of the receipt of the financial statements. Due to internal processes to ensure that quality standards were maintained as well as the late resolution of audit findings, particularly in the area of capital assets, I delayed the finalisation of my report, although the financial statements were received on 31 May 2009.

E. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

• Report on performance information

Reported performance information not reliable

- Sufficient appropriate audit evidence in relation to the reported performance information of programme 4 (public transport) and programme 5 (traffic management) could not be obtained, as the relevant source documentation could not be provided for audit purposes.



F. OTHER REPORTS

- **Performance audit**

- A performance audit is currently being conducted concerning the department's utilisation of consultants. A separate report will be issued in this regard.

11. Agriculture

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. EMPHASIS OF MATTERS

- **Material underspending of the budget**

- The department materially underspent the budget by R20 945 000. The underspending related to disaster fund schemes that were not finalised for the year under review and which did not have a negative effect on the service delivery of the department.

C. OTHER MATTERS

- **Key governance responsibilities**

- The financial statements submitted for auditing were subjected to material amendments resulting from the audit.
- The information systems were not appropriate to facilitate the preparation of a performance report that was accurate and complete.
- Adequate control processes and procedures were not designed and implemented to ensure the accuracy and completeness of reported performance information.

- **Investigations**

- An investigation was conducted by an independent consulting firm on request of the department. The investigation was initiated based on an allegation of a possible conflict of interest by an employee. The investigation resulted in criminal proceedings being instituted against an employee and dismissal.

D. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- **Report on performance information**

Non-compliance with regulatory requirements

- The accounting officer did not ensure that the department had and maintained an effective, efficient and transparent system and internal controls regarding performance management, as required in terms of the PFMA.



12. Economic Development and Tourism

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. EMPHASIS OF MATTERS

- **Departmental revenue and receivables**
 - Tax revenue amounting to R4 844 000 was included in departmental revenue. This related to income from the Liquor Board.

C. OTHER MATTERS

- **Key governance responsibilities**
 - The financial statements submitted for auditing were subjected to material amendments resulting from the audit.
- **Delay in the finalisation of the audit**
 - In terms of section 40(2) of the PFMA, I am required to submit my report to the accounting officer within two months of the receipt of the financial statements. Due to internal processes to ensure that quality standards were maintained, I delayed the finalisation of my report, although the financial statements were received on 31 May 2009.

13. Cultural Affairs and Sport

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. OTHER MATTERS

- **Non-compliance with applicable legislation**
 - Total accruals included an amount of R1 146 000 that had been outstanding for periods in excess of the payment term of 30 days.
- **Key governance responsibilities**
 - Significant difficulties were experienced during the audit concerning delays or the availability of requested information.
 - The prior year audit findings were not substantially addressed.
 - The information systems were not appropriate to facilitate the preparation of a performance report that was accurate and complete.
 - Adequate control processes and procedures were not designed and implemented to ensure the accuracy and completeness of reported performance information.



C. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- **Report on performance information**

Non-compliance with regulatory requirements

- The accounting officer did not ensure that the department had and maintained an effective, efficient and transparent system and internal controls regarding performance management.



SUMMARY OF AUDIT REPORTS – PROVINCIAL PUBLIC ENTITIES

1. Destination Marketing Organisation

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. EMPHASIS OF MATTERS

- **Claim against the Destination Marketing Organisation**
 - The entity received a claim amounting to R2,7 million on 5 June 2009.

C. OTHER MATTERS

- **Key governance responsibilities**
 - The financial statements were subjected to material amendments resulting from the audit.
- **Late finalisation of audit report**
 - In terms of section 55(1)(d)(iii) of the PFMA, I am required to submit my report to the accounting authority within two months of the receipt of the financial statements. In the interest of improving accountability and finalising internal processes to ensure that high-quality standards of reporting were maintained as well as the late resolution of audit findings and final adjustments that had to be made to the financial statements, I delayed the finalisation of my report, although the financial statements were received by 31 May 2009.

2. Western Cape Cultural Commission

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. OTHER MATTERS

- **Non-compliance with applicable legislation**

Public Finance Management Act

- The accounting authority did not develop and agree a framework of acceptable levels of materiality and significance with the executive authority, in contravention of the Treasury Regulations read in conjunction with the PFMA.
- **Key governance responsibilities**
 - The financial statements were subjected to material amendments resulting from the audit.



3. Western Cape Gambling and Racing Board

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. OTHER MATTERS

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

4. Western Cape Investment and Trade Promotion Agency

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. OTHER MATTERS

- **Key governance responsibilities**
 - Significant difficulties were experienced during the audit concerning delays or the availability of requested information.
 - The financial statements were subjected to material amendments resulting from the audit.
 - The prior year audit findings were not substantially addressed.
 - The information systems were not appropriate to facilitate the preparation of a performance report that was accurate and complete.
- **Delay in finalisation of the audit**
 - In terms of section 55(1)(d)(iii) of the PFMA, I am required to submit my report to the accounting officer within two months of the receipt of the financial statements. Due to internal processes to ensure that quality standards were maintained as well as the late finalisation of audit queries, particularly around the valuation of the available-for-sale investment, I delayed the finalisation of my report, although the financial statements were received on 31 May 2009.

D. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- **Report on performance information**

Reported performance information not reliable

- Sufficient appropriate evidence with regard to the reported performance information of the trade and investment promotion programmes could not be obtained, as the information system used for generating performance information was not appropriate to facilitate the preparation of accurate and complete actual performance information.



E. OTHER REPORTS

- **Special audit**

- An independent review, requested by the City of Cape Town, is being conducted to evaluate WESGRO on governance, alignment, performance and stakeholder satisfaction for the 2007-08 financial year.

5. Western Cape Language Committee

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. OTHER MATTERS

- **Non-compliance with applicable legislation**

- The accounting authority did not develop and agree a framework of acceptable levels of materiality and significance with the executive authority, in contravention of the Treasury Regulations read in conjunction with the PFMA.

- **Key governance responsibilities**

- The financial statements were subjected to material amendments resulting from the audit.
- The prior year audit findings were not substantially addressed.

6. Western Cape Liquor Board

A. AUDIT OPINION

- **Qualified**

B. BASIS FOR QUALIFIED OPINION

- **Other income and receivables**

- The Liquor Board remained unable to accurately and completely account for the revenue and receivables raised in respect of liquor licences due to the fact that liquor licence income was collected by SARS in an agency relationship, and SARS paid the money over in a lump sum. SARS did not supply the Liquor Board with a complete and detailed breakdown of the income collected. The board could therefore not determine which debtors had settled their debts in respect of liquor licences at year-end. The above-mentioned situation was as a result of the legislation pertaining to this matter not having been finalised.

C. OTHER MATTERS

- **Key governance responsibilities**

- The financial statements were subjected to material amendments resulting from the audit.



- The information systems were not appropriate to facilitate the preparation of a performance report that was accurate and complete.
- The prior year audit findings were not substantially addressed.

- **Delay in finalisation of the audit**

- In terms of section 55(1)(d)(iii) of the PFMA, I am required to submit my report to the accounting officer within two months of the receipt of the financial statements. Due to internal processes to ensure that quality standards were maintained as well as the late finalisation of audit queries, I delayed the finalisation of my report, although the financial statements were received on 31 May 2009.

7. Western Cape Nature Conservation Board

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. EMPHASIS OF MATTERS

- **Contingent liabilities**

- The public entity is the respondent in five cases brought against it for fire damage, flood damage or personal injury, of which the outcomes are uncertain.

C. OTHER MATTERS

- **Non-compliance with applicable legislation**

- The entity did not, in all cases, pay their suppliers within 30 days of receipt of invoices.

- **Key governance responsibilities**

- Significant difficulties were experienced during the audit concerning delays or the availability of requested information.
- The financial statements were subjected to material amendments resulting from the audit.
- The internal audit function did not operate in terms of an approved internal audit plan.

- **Investigations**

- An investigation was conducted after year-end into the alleged fraudulent activities of a member of staff who has since vacated his position. The matter was reported to the South African Police Service.

- **Late finalisation of audit report**

- In terms of section 55(1)(d)(iii) of the PFMA, I am required to submit my report to the accounting authority within two months of the receipt of the financial statements. Due to internal processes to ensure that quality standards were maintained, as well as the late

submission of the adjusted financial statements during the audit, I delayed the finalisation of my report, although the financial statements were received by 31 May 2009.

D. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- **Report on performance information**

§ Non-compliance with regulatory requirements

- The internal audit plans of the entity did not include reference to the auditing of performance information.

8. Western Cape Provincial Development Council

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. EMPHASIS OF MATTERS

- Irregular expenditure
 - Irregular expenditure to the amount of R119 000 was incurred during the financial year under review, as a proper supply chain management process had not been followed.

C. OTHER MATTERS

- **Non-compliance with applicable legislation**

Public Finance Management Act

- The public entity did not have a formal PFMA implementation plan and also did not appoint an official responsible to oversee compliance with the PFMA.

Treasury Regulations

- Various aspects of Treasury Regulation 16A were contravened due to a lack of a formal supply chain management policy.

- **Key governance responsibilities**

- The financial statements were subjected to material amendments resulting from the audit.
- The entity did not have an audit committee or an internal audit function in operation throughout the financial year.
- There were significant deficiencies in the design and implementation of internal control in respect of financial and risk management.
- There were significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.
- Powers and duties had not been assigned, as set out in the PFMA.
- The prior year audit findings were not substantially addressed.



- The information systems were not appropriate to facilitate the preparation of a performance report that was accurate and complete.
- Adequate control processes and procedures were not designed and implemented to ensure the accuracy and completeness of reported performance information.
- There was no functioning performance management system and performance bonuses were not always paid after proper assessment and approval by those charged with governance.

- **Delay in finalisation**

- Due to internal processes to ensure that quality standards were maintained, the audit report of the Western Cape Provincial Development Council was not finalised by the legislative deadline.

D. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- **Report on performance information**

Non-compliance with regulatory requirements

- The accounting authority did not ensure that the public entity had and maintained an effective, efficient and transparent system and internal controls regarding performance management.

A. AUDIT OPINION

- **Qualified**

B. BASIS FOR QUALIFIED OPINION

- **Subsistence and travel**

- Included in subsistence and travel were claims totalling R205 493 that had been paid to officials of the Youth Commission for which valid supporting documentation could not be provided.

- **Other operating expenditure**

- Included in other operating expenditure were amounts totalling R126 996. It could not be determined whether these transactions had been conducted in the normal course of business.

C. EMPHASIS OF MATTERS

- **Going concern**

- The Western Cape Provincial Youth Commission Act, 2004 (Act No. 5 of 2004) was repealed via the Repeal Bill B5 of 2009 issued in *Government Gazette No. 6619 of 7 April 2009*. The commission ceased to operate with effect from 31 May 2009.



- **Irregular expenditure**

- Irregular expenditure to the amount of R4 271 299 was incurred, as the entity had deviated from Treasury Regulations and supply chain management principles.

- **Fruitless and wasteful expenditure**

- Fruitless and wasteful expenditure to the amount of R251 554 was incurred, as the entity's policies regarding limits on the usage of cellphones and telephones were not complied with and the approved classes of hired motor vehicles were disregarded.

D. OTHER MATTERS

- **Non-compliance with applicable legislation**

Public Finance Management Act and Treasury Regulations

- Members of the accounting authority did not declare their business interests.
- The entity did not have a formal fraud prevention plan or risk management policy.
- The accounting authority did not take effective and appropriate steps to prevent fruitless and wasteful expenditure.
- The Treasury Regulations require that unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, from the date of settlement or court judgement. However, accruals to the amount of R269 648 had been outstanding for longer than 30 days.
- The entity did not follow proper procurement procedures.
- The entity's strategic plan did not comply with essential elements.
- The entity effected a significant number of cash cheque payments, all in excess of R2 000, and did not obtain the relevant treasury approval.

- **Key governance responsibilities**

- Significant difficulties were experienced during the audit concerning delays or the availability of requested information.
- The financial statements were subjected to material amendments resulting from the audit.
- Key officials were not available throughout the audit process.
- There were significant deficiencies in the design and implementation of internal control in respect of financial and risk management.
- There were significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.
- A risk assessment was not conducted on a regular basis and a risk management strategy, which included a fraud prevention plan, was not documented and used.
- The prior year audit findings were not substantially addressed.
- SCOPA resolutions were not substantially implemented.
- The information systems were not appropriate to facilitate the preparation of a performance report that was accurate and complete.
- Adequate control processes and procedures were not designed and implemented to ensure the accuracy and completeness of reported performance information.
- A strategic plan was not prepared and approved for the financial year under review for

purposes of monitoring the performance in relation to the budget and delivery against its mandate, predetermined objectives, outputs, indicators and targets.

- **Investigations**

- An investigation was concluded by the forensic audit division of the Western Cape Provincial Government into alleged procurement irregularities. The investigation resulted in expenditure being classified as irregular and the process of recovering the money from an ex-official has been instituted by the Department of the Premier.
- An investigation was concluded by the forensic audit division of the Western Cape Provincial Government into alleged travel and subsistence and procurement corruption. The investigation resulted in the suspension of three employees of the entity and recovery of monies.

E. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- **Report on performance information**

Non-compliance with regulatory requirements

- Lack of effective, efficient and transparent systems and internal controls regarding performance management
- The accounting authority did not ensure that the Western Cape Provincial Youth Commission had and maintained an effective, efficient and transparent system and internal controls regarding performance management.

Usefulness and reliability of reported performance information

- Reported performance information not relevant

With regard to the programme and events programme, none of the targets were well defined or specific in clearly identifying the nature and required level of performance, for example: (i) advocating for a number of national youth service programmes, (ii) work related training of staff, and (iii) reports.

Twenty of the 37 targets selected for review were not measurable in identifying the required performance, for example: (i) the volunteer recruitment for the 2010 FIFA Soccer World Cup tournament, and (ii) awareness campaign.

None of the targets selected for review were time bound in specifying the time period or deadline for delivery, as timelines were neither established nor documented in the annual performance plan.

SUMMARY OF AUDIT REPORTS – PROVINCIAL OTHER ENTITIES

1. Cape Medical Depot

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. EMPHASIS OF MATTERS

- **Irregular as well as fruitless and wasteful expenditure**
 - Irregular expenditure to the amount of R109 440 and R242 344 were incurred during the 2006-07 and 2007-08 financial years, respectively, in respect of equipment that was not purchased in accordance with supply chain management rules and a payment that was inappropriately authorised. The expenditure in both cases has to date not been condoned or recovered.
 - Fruitless and wasteful expenditure amounting of R10 742 was incurred during the 2005-06 financial year for rental payments in respect of equipment that had not been in use since the 2002-03 financial year. The expenditure has not been condoned or recovered to date.

C. OTHER MATTERS

- **Non-compliance with Treasury Regulations**
 - The entity did not comply with the requirements of the Treasury Regulations, as payments amounting to R2 442 410 due to creditors were not settled within 30 days of receipt of an invoice.
- **Key governance responsibilities**
 - Significant difficulties were experienced during the audit concerning delays or the availability of requested information.
 - The financial statements were subjected to material amendments resulting from the audit.
 - Key officials were not available throughout the audit process.
 - There were significant deficiencies in the design and implementation of internal control in respect of financial and risk management.
 - The information systems were not appropriate to facilitate the preparation of financial statements.
 - The prior year audit findings were not substantially addressed.
- **Late finalisation of the audit report**
 - In terms of section 40(2) of the PFMA, I am required to submit my report to the accounting officer within two months of the receipt of the financial statements. Due to internal processes to ensure that quality standards were maintained, as well as the late submission of the adjusted financial statements during the audit, I delayed the finalisation of my report, although the financial statements were received by 31 May 2009.

2. Government Motor Transport

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. EMPHASIS OF MATTERS

- **Contingent liability**
 - The financial statements indicated that the trading entity is a party to claims instituted against it by third parties, relating to accidents involving state vehicles. The outcome of these claims cannot presently be determined. Consequently, no provision had been made for any liability that might result.

C. OTHER MATTERS

- **Key governance responsibilities**
 - Significant difficulties were experienced during the audit concerning delays or the availability of requested information.
 - The financial statements were subjected to material amendments resulting from the audit.
 - There were significant deficiencies in the design and implementation of internal control in respect of financial and risk management.
 - The information systems were not appropriate to facilitate the preparation of financial statements.
 - The prior year audit findings were not substantially addressed.
 - Adequate control processes and procedures were not designed and implemented to ensure the accuracy and completeness of reported performance information.
- **Delay in the finalisation of the audit**
 - In terms of section 40(2) of the PFMA, I am required to submit my report to the accounting officer within two months of the receipt of the financial statements. Due to internal processes to ensure that quality standards were maintained as well as the late resolution of audit findings, I delayed the finalisation of my report, although the financial statements were received on 31 May 2009.

D. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- **Report on performance information**

Non-compliance with regulatory requirements

- Lack of effective, efficient and transparent systems and internal controls regarding performance management

The accounting officer did not ensure that the entity had and maintained an effective, efficient and transparent system and internal controls regarding performance management.



Usefulness and reliability of reported performance information

- Reported performance information not relevant

The targets for all of the objectives were not specific in clearly identifying the nature and the required level of performance and were not measurable in identifying the required performance.

3. Heritage Western Cape

A. AUDIT OPINION

- **Financially unqualified with other matters**

B. OTHER MATTERS

- **Non-compliance with applicable legislation**

- The accounting authority did not develop and agree a framework of acceptable levels of materiality and significance with the executive authority.

- **Key governance responsibilities**

- The financial statements were subjected to material amendments resulting from the audit.

4. Western Cape Housing Development Fund

A. AUDIT OPINION

- **Disclaimer of opinion**

B. BASIS FOR DISCLAIMER OF OPINION

- **Property**

- There was a lack of appropriate accounting records of the initial transactions that transferred various properties to the present owners as stated in the title deeds. Consequently, I could not satisfy myself that the fund had rights and ownership to all the properties as listed in the property register. Alternative audit procedures could not be performed in this regard.
- Furthermore, in respect of properties for which rights and ownership had been established, the latest municipal valuations had not been updated at 31 March 2009 in the financial statements.

C. EMPHASIS OF MATTERS

- **Basis of accounting**

- The entity's policy is to prepare financial statements on the entity-specific basis of accounting, as set out in note 1 to the financial statements.



D. OTHER MATTERS

- **Key governance responsibilities**

- The financial statements were subjected to material amendments resulting from the audit.
- There were significant deficiencies in the design and implementation of internal control in respect of financial and risk management.
- The information systems were not appropriate to facilitate the preparation of financial statements.
- The prior year audit findings were not substantially addressed.
- SCOPA resolutions were not substantially implemented.

- **Late finalisation of audit report**

- I am required to submit my report to the accounting officer within two months of the receipt of the financial statements. Due to internal processes to ensure that quality standards were maintained as well as the late resolution of audit findings and adjustments that had to be made to the financial statements, I delayed the finalisation of my report, although the financial statements were received by 31 May 2009.

E. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- **Report on performance information**

- The entity did not report performance against predetermined objectives, as it is currently dormant and all objectives are reported in the annual report of the Western Cape Department of Local Government and Housing.



ANNEXURE 5: AUDIT OUTCOMES: FIVE-YEAR REVIEW OF AUDIT OUTCOMES

Audit outcomes of the provincial legislature for the previous five years

Department	2008-09	2007-08	2006-07	2005-06	2004-05
Provincial Parliament	FU (with other matters)	FU (with other matters)	FU	FU	FU

Audit outcomes of provincial departments for the previous five years

Department	2008-09	2007-08	2006-07	2005-06	2004-05
Agriculture	FU (with other matters)	FU (with other matters)	FU (with other matters)	FU (with other matters)	FU (with other matters)
Community Safety	FU (with other matters)	FU (with other matters)	Q	Q	FU (with other matters)
Cultural Affairs and Sport	FU (with other matters)	FU (with other matters)	FU	FU (with other matters)	FU (with other matters)
Economic Development and Tourism	FU (with other matters)	FU	FU (with other matters)	FU (with other matters)	FU (with other matters)
Education	FU (with other matters)	FU (with other matters)	Q	D	Q
Environmental Affairs and Development Planning	FU (with other matters)	FU (with other matters)	FU (with other matters)	FU	FU (with other matters)
Health	FU (with other matters)	FU (with other matters)	FU (with other matters)	FU (with other matters)	FU (with other matters)
Housing	FU (with other matters)	N/A	N/A	N/A	FU (with other matters)
Local Government	FU (with other matters)	N/A	N/A	N/A	FU (with other matters)

Audit outcomes of provincial departments for the previous five years (continued)

Department	2008-09	2007-08	2006-07	2005-06	2004-05
Local Government and Housing ¹	FU (with other matters)	FU (with other matters)	FU (with other matters)	FU (with other matters)	N/A
Premier	FU (with other matters)	FU (with other matters)	Q	FU (with other matters)	FU (with other matters)
Provincial Treasury	FU (with other matters)	FU (with other matters)	FU	FU	FU (with other matters)
Social Development	FU (with other matters)	FU	FU (with other matters)	FU (with other matters)	FU (with other matters)
Transport and Public Works	Q	Q	Q	FU (with other matters)	FU (with other matters)

Audit outcomes of provincial public entities for the previous five years

Public entity	2008-09	2007-08	2006-07	2005-06	2004-05
Western Cape Provincial Youth Commission	Q	FU (with other matters)	FU (with other matters)	Adverse	N/A
Western Cape Nature Conservation	FU (with other matters)	Q	FU (with other matters)	FU (with other matters)	Q
Western Cape Provincial Development Council	FU (with other matters)	FU (with other matters)	FU (with other matters)	FU (with other matters)	FU
Western Cape Gambling and Racing Board	FU (with other matters)	FU (with other matters)	FU	FU	FU
Western Cape Cultural Commission	FU (with other matters)	A	FU	FU	Q

¹ Prior to 2005-06, the Department of Local Government and Housing consisted of two separate departments, namely the Department of Local Government and the Department of Housing, as indicated in table 2 above.



Audit outcomes of provincial public entities for the previous five years (continued)

Public entity	2008-09	2007-08	2006-07	2005-06	2004-05
Western Cape Language Committee	FU (with other matters)	Q	FU	FU	FU (with other matters)
Destination Marketing Organisation	FU (with other matters)	FU (with other matters)	FU (with other matters)	FU	FU (with other matters)
Western Cape Investment and Trade Promotion Agency	FU (with other matters)	FU (with other matters)	FU (with other matters)	FU	FU (with other matters)
Western Cape Liquor Board	Q	Q	Q	Q	N/A

Audit outcomes of provincial other entities for the previous five years

Public entity	2008-09	2007-08	2006-07	2005-06	2004-05
Western Cape Housing Development Fund	D	Q	D	D	D
Cape Medical Depot	FU (with other matters)	FU (with other matters)	FU (with other matters)	FU (with other matters)	FU (with other matters)
Government Motor Transport	FU (with other matters)	FU (with other matters)	FU (with other matters)	FU (with other matters)	FU (with other matters)
Heritage Western Cape	FU (with other matters)	FU	FU	FU	FU (with other matters)

Key

A = Adverse	D = Disclaimer	Q = Qualified	FU (with other matters) = Financially unqualified (with other matters)	FU = Financially unqualified (with no other matters)
--------------------	-----------------------	----------------------	---	---

