

REPORT OF THE AUDITOR-GENERAL TO THE MPUMALANGA PROVINCIAL LEGISLATURE
ON THE FINANCIAL STATEMENTS OF VOTE 1 - OFFICE OF THE PREMIER
FOR THE YEAR ENDED 31 MARCH 2005

1. Audit assignment

The financial statements as set out on pages 158 to 197 for the year ended 31 March 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 40(2) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. Nature and Scope

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

I believe that the audit provides a reasonable basis for my opinion.

3. Audit Opinion

In my opinion, the financial statements fairly present, in all material respects, the financial position of Vote 1 - the Office of the Premier at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with prescribed accounting practice and in the manner required by the PFMA.

4. Emphasis of Matter

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

4.1 Net Assets

Net assets to the value of R43 000 as disclosed in the Statement of Changes in Net Assets could not be substantiated for accuracy and completeness as no registers were kept for debts raised and recovered.

4.2 Contingent liabilities

Contingent liabilities include capped leave to the amount of R7 722 000. Capped leave was calculated until June 2000, but was only captured on the Personnel and Salary System (PERSAL) during 2002. Capped leave taken between these periods was not processed resulting in capped leave being overstated. This fact was disclosed in note 17 to the annual financial statements.

4.3 Transfer payments

Levies payable to the Regional Services Council (RSC) and vehicle licensing fees amounting to R199 000 were incorrectly classified as transfer payments according to the newly accepted standard chart of accounts (SCoA).

It was noted that this was a template-related problem and that it will be adjusted in the current year to ensure that RSC levies and vehicle licensing fees will be classified in appropriate accounts.

4.4 Audit committee

The audit committee must consist of at least three members. For the last part of the financial year the committee consists of only two members and therefore did not meet the requirements of section 77(a) of the PFMA.

4.5 Information technology (IT) and controls

Although an IT strategy for the province existed, it had not been adopted by the Office of the Premier, neither has the Office of the Premier implemented its own IT strategy. An off-site workspace was available in case a disaster should occur, but the Office of the Premier had not developed a disaster recovery plan or business continuity plan.

4.6 Vehicle fleet management

First Auto exception reports were not scrutinised by transport officers and exceptions were therefore not regularly followed up to ensure the efficient operation of the fleet. Furthermore the reconciliations and control over the management of log books and trip authorities was inadequate. Consequently, the use of vehicles had not been evaluated against predetermined standards to ensure the cost effectiveness and optimal utilisation of the department's vehicle fleet.

4.7 Subsidised vehicles

The management of the subsidised vehicle scheme was not adequate in terms of the independent checking of log sheets, tariffs claimed and other information on claim forms, while the minimum kilometres to be travelled in a year were also not monitored.

It was noted that a monitoring system was implemented during the financial year.

4.8 Inventory

Independent checks, reconciliations and updating of inventory records, for items purchased during the year, were not always performed timeously. Inventory records were therefore inaccurate and incomplete, and the safeguarding of inventory was not ensured.

5. Special Audits

A special audit was conducted at the Mpumalanga Provincial Administration on government employees and their spouses who were members or directors of private organisations. This audit will be reported on separately.

6. Submission of Audit Report

Due to the delay in the submission of crucial information and the financial statements that had to be amended resulting from audit findings, the audit process was delayed. The information was required to enable the appropriate audit opinion to be expressed. The completion of the audit process and submission of the audit report to the Office of the Premier therefore delayed beyond 31 July 2005 as stipulated by section 41(c) of the PFMA.

7. Appreciation

The assistance rendered by the staff of the Office of the Premier during the audit is sincerely appreciated.

S. A. Faki

SA FAKIE
Auditor-General
Pretoria

15 August 2005



AUDITOR-GENERAL