

NATIONAL ELECTRONIC MEDIA INSTITUTE OF SOUTH AFRICA**REPORT OF THE AUDITOR-GENERAL
for the year ended 31 March 2006****1. AUDIT ASSIGNMENT**

The financial statements as set out on pages 29 to 46, for the year ended 31 March 2006, 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). These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 544 of 2006, issued in Government Gazette no. 28723 of 10 April 2006 and General Notice 808 of 2006, issued in Government Gazette no. 28954 of 23 June 2006. 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.

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

3. BASIS OF ACCOUNTING

The entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as described in note 1 to the financial statements.

4. QUALIFICATION

Due to the lack of an updated policy framework, non-compliance to the requirements of Generally Accepted Accounting Practices (GAAP) occurred:

4.1 Lease agreements**Finance lease**

The entity has not disclosed the finance leases in terms of AC105/IAS17. If these lease obligations were capitalised, the net book value of property, plant and equipment would increase by R 816 717 (2004/05: R 564 101), and long-term liabilities would also increase by R 902 467 (2004/05: R 600 420) as at 31 March 2006. Additionally, net profits would decrease by R 49 431 (2004/05: R 38 320) for the year then ended.

Operating lease

The entity did not straight line the operating lease expenses in terms of AC105/IAS17 as retrospective adjustments were not made. If the lease expense were correctly straight lined, long-term liabilities would increase by R3 311 957 (2004/05: R4 473 784) and the net profit would decrease by R148 051 (2004/05: increase by R219 768) and the opening accumulated surplus for 2004/05 would decrease by R4 693 551.

4.2 Property, plant and equipment

The entity did not review the useful life of property, plant and equipment in terms of AC123/IAS16. Assets still in use with a cost price of R 11 680 002, have a zero book value as at 31 March 2006. The effect on the financial statements could not be determined.

5. QUALIFIED AUDIT OPINION

In my opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the National Media Institute of South Africa at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in note 1 to the financial statements, and in the manner required by Public Finance Management Act (Act No 1 of 1999).

6. EMPHASIS OF MATTER

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

6.1 Lack of monitoring

The accounting officer is responsible for the implementation of effective, efficient and transparent systems of financial and risk management and internal controls as required by section 38(1) (a) of the PFMA. As a result of a lack of monitoring the following non-compliance with the following laws and regulations were noted:

6.1.1 Adjusted financial statements

Section 55(1) of the PFMA and Treasury Regulations 28.1.6. The financial statements submitted on 31 May 2006 for audit purposes did not comply with Statements of GAAP. This is evident from a number of audit adjustments and disclosure changes made as a result of the audit.

The adjusted financial statements were received on 11 August 2006 resulted in the audit report to be signed late.

6.1.2 Supply Chain Management (SCM)

Treasury Regulation 16A. The requirements of the SCM were not fully adhered to.

6.2 Lack of Policy Framework

The inadequate policies and procedures also resulted in the following non-compliance to the requirements of the GAAP and the Treasury Regulations:

6.2.1 Financial Statements

- AC123/IAS16. Property, plant and equipment were not depreciated to residual value.
- AC105/IAS17. The disclosure of future lease commitments does not include finance lease commitments.
- AC130/IAS 37. No disclosure made for the movement in provisions.
- AC125/IAS32. Long outstanding debtors were not present valued.
- AC133/IAS39. No disclosure of financial instruments.
- IAS 24. No disclosures were made for related parties or related party transactions.

6.2.2. Strategic plan

- Treasury regulations 30.1.1 and 30.1.2. The strategic/corporate plan for 2005/2006 was not approved and implemented.
- NEMISA has no human resource management plan in place.

6.3 Performance information

Section 20(2)(c) of the Public Audit Act, 2004. The information related to performance against predetermined objectives was subjected to audit by the Auditor-General. The entity does not have an adequate policy and procedure framework to manage the process to finalise their performance information for audit purposes.

7. APPRECIATION

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

AH Muller for Auditor-General
Pretoria. 24/08/2006

AH Muller



AUDITOR-GENERAL

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