
REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE ELECTORAL COMMISSION FOR THE YEAR ENDED 31 MARCH 2007

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Electoral Commission which comprise the statement of financial position as at 31 March 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 52 to 76.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Statements of General Accepted Accounting Practice (GAAP) including any interpretations of such statements issued by the Accounting Practice Board, with the effective Standards of General Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent statements of GAAP and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa 1996, read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 13(3) of the Electoral Act, 1996 (Act No. 51 of 1996), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 647 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

The constitutional institution's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in the accounting policy note I.

Opinion

8. In my opinion the financial statements present fairly, in all material respects, the financial position of the Electoral Commission as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as set out in the accounting policy note I and in the manner required by the PFMA.

OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

9. Internal control

Transactions and other significant events were not properly classified and promptly recorded as indicated in paragraph 10.

10. Material corrections made to the financial statements submitted for auditing.

The financial statements, approved by the accounting officer as submitted for auditing on 31 May 2007, have been significantly revised in respect of the following misstatements identified during the audit:

- Property, plant and equipment, excluding the amount of R8,4 million transferred to intangible assets, were understated by R7,1 million
- Invalid prepayments of R1 million were included in the financial statements
- Provisions were overstated by R3,7 million
- Accounts receivable were overstated by R1 million
- Software purchased for R8,4 million was incorrectly classified as part of tangible assets with an indefinite useful life.

11. Material non-compliance with the PFMA:

The Electoral Commission did not obtain the National Treasury's approval to insure movable assets for a premium of greater than R250 000. The premium paid amounted to R437 582 in terms of Regulation 12.1.

12. General controls in the information technology environment

The information systems audit was completed in June 2007.

The most significant weaknesses identified were the following:

- The security policy, user account management procedures and network security management policies and practices for the information and communication technology (ICT) environment had not been approved and communicated to users to prevent the integrity, availability and confidentiality of data from being compromised.
- The disaster recovery plan (DRP) and the business continuity plan had not been approved and were not in all instances complete. The DRP had furthermore not been tested during the period under review to ensure that key business processes would be promptly recovered after a disastrous event.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

13. I have audited the performance information as set out on pages 16 to 39.

Responsibilities of the accounting officer

14. The accounting officer has additional responsibilities as required by section 40(3)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the constitutional institution.

Responsibility of the Auditor-General

15. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007*.

16. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
17. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings

Content of strategic plan

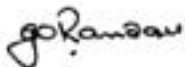
18. The strategic plan of the Electoral Commission did not include the measurable objectives and targets of the commission's programmes as required by Treasury Regulation, chapter 5, section 5.2.3(d)

Objectives reported in the annual report not measurable

19. The format and presentation of the performance information in the annual report does not provide users with information to assess that the commission is comparing and monitoring its performance against its objectives.

APPRECIATION

20. The assistance rendered by the staff of the Electoral Commission during the audit is sincerely appreciated.



G O Randall for Auditor-General

Pretoria

31/07/2007



