

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE ANNUAL FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE NATIONAL ARTS COUNCIL OF SOUTH AFRICA FOR THE YEAR ENDED 31 MARCH 2007

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the accompanying annual financial statements of the National Arts Council of South Africa (NAC) 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 20 to 39

### Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice 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 17(1) of the National Arts Council Act, 1997 (Act No. 56 of 1997), 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 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 judgment, 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

8. The National Arts Council's policy is to prepare financial statements on the basis of accounting determined by the National Treasury as set out in accounting policy note.

### Opinion

9. In my opinion, the financial statements present fairly, in all material respects, the financial position of The National Arts Council of South Africa as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting as described in note 1 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:

### Internal control

10. The current NAC Board was only appointed in August 2006. The NAC had an acting CEO for almost two years after which the CEO was appointed. The late finalisation of the governance structure had a negative impact on the implementation of the HR strategy and the process of filling vacancies.

### Value for money

11. As reported in the previous financial year, the vacancy rate at NAC was still high. At the end of the financial year, the vacancy rate was 25%. The optimal staff complement to ensure efficient and effective functioning of the NAC was 28. Although some of the vacant positions were filled on a temporary basis, various control functions could not be adequately segregated due to staff capacity.

## OTHER REPORTING RESPONSIBILITIES

### Reporting on performance information

12. The performance information for the NAC was not audited as this was not set out in the annual report in the manner required by Treasury Regulations 28.2.2.

### Responsibilities of the accounting authority for public entities

13. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

## Responsibility of the Auditor-General

14. 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.

15. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgment.

16. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings.

### Audit finding

17. I was unable to obtain sufficient appropriate audit evidence in relation to the performance information of NAC because the system relevant for generating information on strategic objectives of NAC could not provide adequate information for the purposes of the evaluation.

## APPRECIATION

18. The assistance rendered by the staff of the National Arts Council of South Africa during the audit is sincerely appreciated.



MR P STAMPER for Auditor-General

Johannesburg, 31 July 2007



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