

**Department of Correctional Services (DCS) 2007/2008
Executive summary**

The audit of DCS is performed 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). The audit was conducted in accordance with the International Standards on Auditing read with *General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008.*

For the 2007/08 financial year a **qualified audit opinion** was expressed on the financial statements of DCS. The following issues are the main reasons for the qualification:

Qualification:

Tangible capital assets

The accuracy, completeness and valuation of the assets could not be verified due to unavailability of proper records on assets as required by section 40(1)(a) of the PFMA and Treasury Regulation 17.2.3. Thus assets were mistated by a material amount which cannot be accurately determined. Some of the deficiencies relate to the following:

- No evidence was provided for the amounts of R162 million (buildings and fixed structure) and R805 million (machinery and equipment) relating to adjustments made to the opening balances.
- Included in note 29.1 to the financial statements on page 134 of the Annual Report, are additions to machinery and equipment to the value of R87 million whereas the fixed asset register amount for additions is R55 million. No reconciliation was provided for the difference of R32 million.
- No evidence was provided concerning the accuracy of the amounts disclosed in note 29.1 relating to work in progress on buildings and other fixed structures in the amount of R261 million.
- A difference of R108 million exists between the amounts as reflected on the closing balance of the tangible capital assets note 29 to the financial statements and the fixed asset register.

OTHER MATTERS

Internal controls

- Control activities
 - Internal Control on all transactions and other significant events were not always clearly documented.
 - All documentation and records were not properly managed, maintained, and periodically updated.
 - Appropriate control activities are not employed, such as reconciliations of summary information to supporting detail.
 - The documentation was not readily available for examination.
 - Excessive adjustments to numbers or account classification were made prior to finalisation of financial reports.

- Transactions and events were not appropriately classified and promptly recorded so that they maintain their relevance, value, and usefulness to management in controlling operations and making decisions.
- Information and communication
 - Assets not captured on WAT resulted in information not being available on a timely basis to allow effective monitoring of events, activities and transactions to allow prompt reaction.
- Monitoring of controls
 - Data recorded by information and financial systems were not periodically compared and discrepancies were not examined.
 - Assets recorded on the financial systems were not reconciled to the fixed asset register.
 - Management did have a strategy in place to ensure that ongoing monitoring is effective but this was not being applied effectively with regards to asset management.

Non-compliance with applicable legislation

Correctional centres remain overcrowded resulting in non-compliance with section 7 of the Correctional Services Act, 1998 (Act No.111 of 1998), which requires that prisoners be detained under condition of human dignity. Also refer to paragraph 4, page 81 of the annual report.

Matters of governance

- The financial statements submitted for audit were subject to material amendments resulting from the audit.
- Significant difficulties were experienced during the audit concerning delays or the unavailability of expected information.
- Prior year's external recommendations have not been substantially implemented.
- SCOPA resolutions have not been substantially implemented on asset management and medical aid contribution for continuation members.

OTHER REPORTING RESPONSIBILITIES

Report on performance information

No significant findings were identified.

Other Reports

Investigations

- The SIU presented their report to parliament on 20 May 2008 on their findings regarding corruption at correctional centres and abuse at the department's medical aid scheme by suppliers and members during the period when Medcor was still a sick fund, carrying all medical expenses.
- The departments extended its memorandum of agreement with the SIU until March 2009 to conduct investigations on the following:
 - Procurement;
 - Repairs and Maintenance Projects (RAMP);
 - Asset managements at Correctional Centre farms;
 - Outstanding Medical Aid matters; and
 - Correctional Centre Pharmacies.

Performance audits

A performance audit was completed during the year under review concerning the entity's repair and maintenance of correctional centres. The report was tabled during the 2008-09 financial year.