

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE NO. 24: DEPARTMENT OF COMMUNICATIONS FOR THE YEAR ENDED 31 MARCH 2009

## REPORT ON THE FINANCIAL STATEMENTS

### INTRODUCTION

1. I have audited the accompanying financial statements of the Department of Communications which comprise the appropriation statement, the statement of financial position as at 31 March 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 131 to 163.

### THE ACCOUNTING OFFICER'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the modified cash basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### THE AUDITOR-GENERAL'S RESPONSIBILITY

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) (PAA), 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 read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### OPINION

7. In my opinion these financial statements present fairly, in all material respects, the financial position of the Department of Communications as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with the modified cash basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 and in the manner required by the PFMA.

### EMPHASIS OF MATTER

Without qualifying my opinion, I draw attention to the following matters:

#### BASIS OF ACCOUNTING

8. The department's policy is to prepare financial statements on the modified cash basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1

#### IRREGULAR EXPENDITURE

9. As disclosed in disclosure note 34 to the financial statements, irregular expenditure to the amount of R5 111 000 was incurred during the year ended 31 March 2009, as proper procurement procedures had not been followed.

#### OTHER MATTERS

Without qualifying my opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

#### GOVERNANCE FRAMEWORK

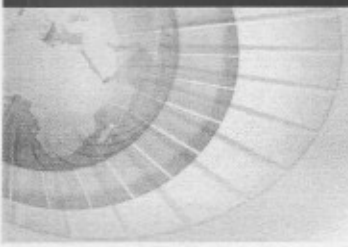
10. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the key governance responsibilities addressed below.

#### KEY GOVERNANCE RESPONSIBILITIES

11. The PFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
<b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	✓	
<b>Quality of financial statements and related management information</b>			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	
<b>Timeliness of financial statements and management information</b>			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines [section 40 of the PFMA].	✓	
<b>Availability of key officials during audit</b>			
5.	Key officials were available throughout the audit process.	✓	
<b>Development and compliance with risk management, effective internal control and governance practices</b>			

6.	Audit Committee		
	<ul style="list-style-type: none"> <li>The Department had an audit committee in operation throughout the financial year</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The audit committee operates in accordance with approved, written terms of reference</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 3.1.10.</li> </ul>	✓	
7.	Internal audit		
	<ul style="list-style-type: none"> <li>The Department had an internal audit function in operation throughout the financial year.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The internal audit function operates in terms of an approved internal audit plan.</li> </ul>		✓
	<ul style="list-style-type: none"> <li>The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 3.2</li> </ul>		✓
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management	✓	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	✓	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 3.2	✓	
12.	Powers and duties have been assigned, as set out in section 44 of the PFMA.	✓	
<b>Follow-up of audit findings</b>			
13.	The prior year audit findings have been substantially addressed.	✓	
14.	SCOPA resolutions have been substantially implemented.	✓	
<b>Issues relating to the reporting of performance information</b>			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	✓	
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	✓	
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the department of communications against its mandate, predetermined objectives, outputs, indicators and targets Treasury Regulations 5.1, 5.2 and 6.1.	✓	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	



12. The governance framework of the department is functioning, except for the internal audit department which is not functioning effectively due to vacant positions. This matter has been highlighted in the audit report for the past two financial years. Material amendments were made to ensure the complete disclosure of minor assets, accruals and irregular expenditure.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### REPORT ON PERFORMANCE INFORMATION

13. I have reviewed the performance information as set out on pages 10 to 56.

### THE ACCOUNTING OFFICER'S RESPONSIBILITY FOR THE PERFORMANCE INFORMATION

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 department.

### THE AUDITOR-GENERAL'S RESPONSIBILITY

15. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, Issued in *Government Gazette No. 31057 of 15 May 2008*.
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.

### FINDINGS (PERFORMANCE INFORMATION)

17. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

## OTHER REPORTS

### PERFORMANCE AUDITS

18. A performance audit was conducted concerning entities that are connected with government employees and doing business with national departments. The report covered the Period April 2005 to March 2006 and was tabled on 20 April 2009.

### APPRECIATION

19. The assistance rendered by the staff of the Department of Communications during the audit is sincerely appreciated.

Auditor-General

Pretoria  
27 July 2009



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*