

Portfolio Committee of Communications

11 October 2011

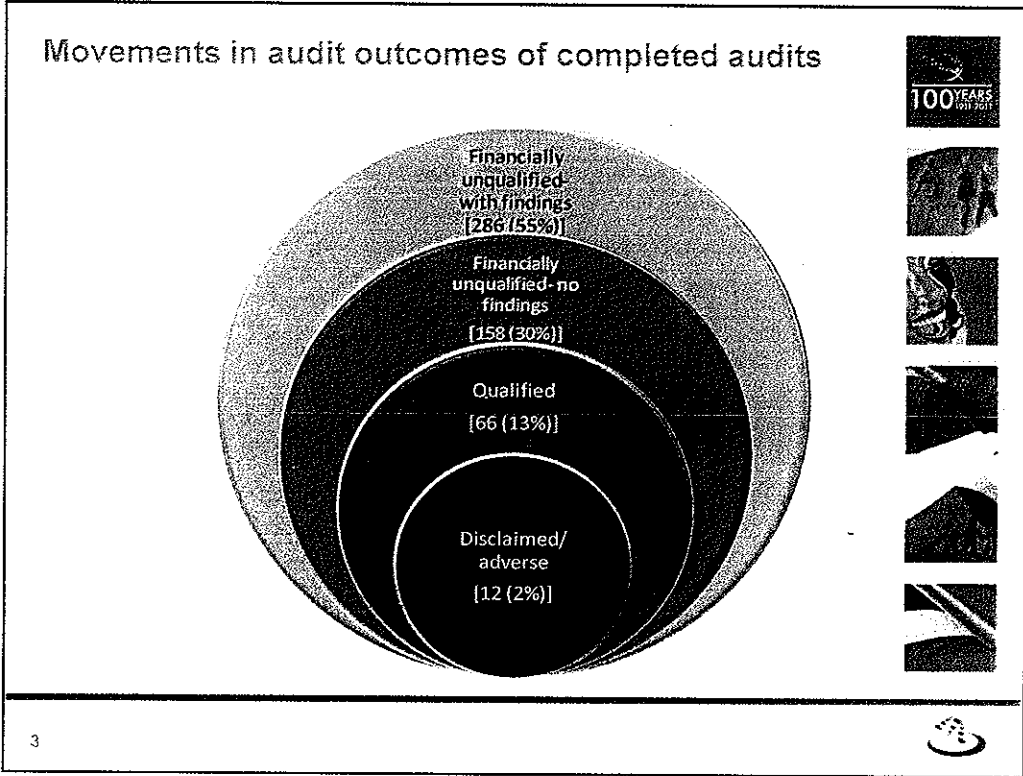

100 YEARS
1911-2011


**AUDITOR GENERAL
SOUTH AFRICA**
Auditing to build public confidence

Reputation promise/mission

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.





The total picture as per the General Report

PFMA Audit outcome 2010-2011

Audit outcomes	Audits conducted by the AGSA			
	Department		Public entities & S 4(3) entities	
	2010-11	2009-10	2010-11	2009-10
Financially unqualified with no findings on predetermined objectives or compliance with laws and regulations	0	0	1	2
Financially unqualified with findings on predetermined objectives and/or compliance with laws and regulations				1
Financially unqualified financial statements	100%	0%	11%	100%
Qualified opinion	0	1	2	0
Adverse opinion	0	0	0	0
Disclaimer of opinion	0	0	0	0
Financially qualified financial statements	0%	100%	89%	0%
Total number of audits reported on	1	1	7	7
Number of audit reports not issued by 31 August 2011	0	0	0	0
Total number of audits	1	1	7	7
Total number of auditees in which findings arose from the AGSA's other legal reporting responsibilities:				
Predetermined objectives findings only	0	0	0	0
Compliance with laws and regulations findings only	0	0	3	1
Findings on both predetermined objectives and compliance with laws and regulations	1	1	3	4



Notes

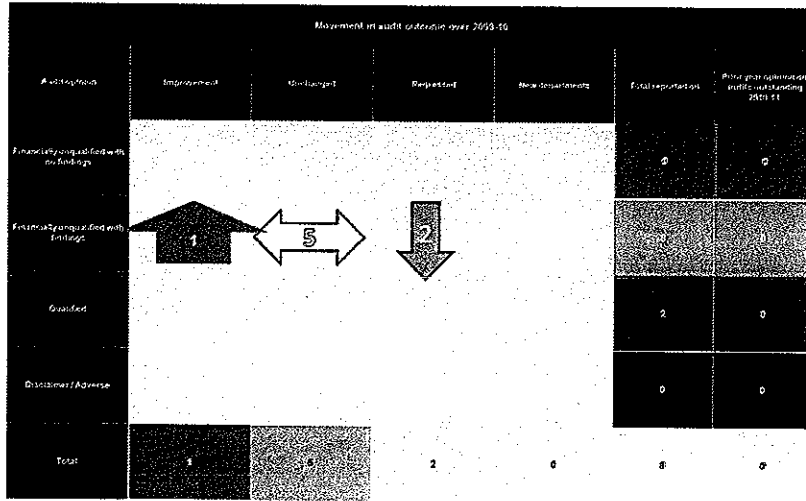
Communications Sector – PFMA audit outcomes 2010-11 Summary of audit outcomes

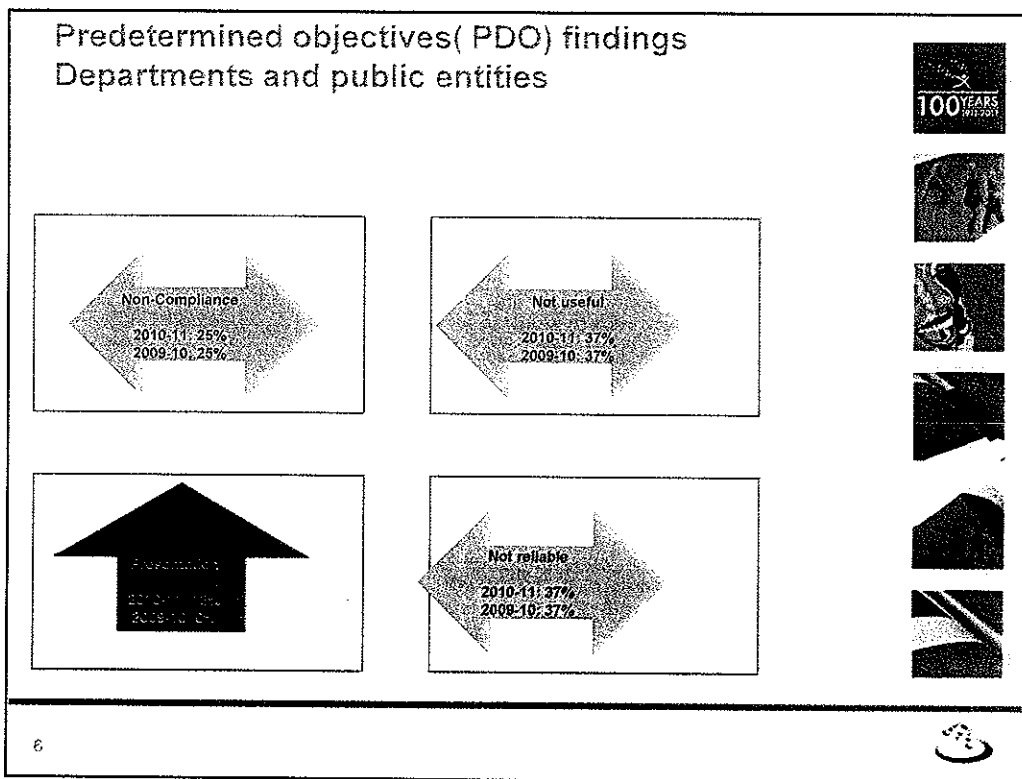


Audit	09/10 outcome	10/11 outcome	Improvement/Regression
DEPARTMENT			
Department of Communication	Qualified	Unqualified	Improvement
PUBLIC ENTITIES			
Independent Communication Authority of South Africa (ICASA)	Qualified	Qualified	Unchanged
National Electronic Media Institute of South Africa (NEMISA)	Unqualified	Unqualified	Unchanged
Universal Service and Access Agency of South Africa (USAASA)	Unqualified	Unqualified	Unchanged
Universal Service and Access Fund (USAF)	Unqualified	Unqualified	Unchanged
SECTION 4(3)			
South African Broadcasting Corporation (SABC)	Unqualified	Qualified	Regression
Sentech Ltd	Qualified	Unqualified	Improvement
Telkom Ltd	Unqualified	Unqualified	Unchanged
South African Post Office Ltd	Unqualified	Unqualified with	Regression



Movement in audit outcomes from 2009-10 to 2010-11 Departments and Public Entities





ICASA, SABC – Non Compliance

USAASA, SABC and ICASA – Usefulness

USAASA-SABC, ICASA- Reliability

ICASA- Presentation

2010-11

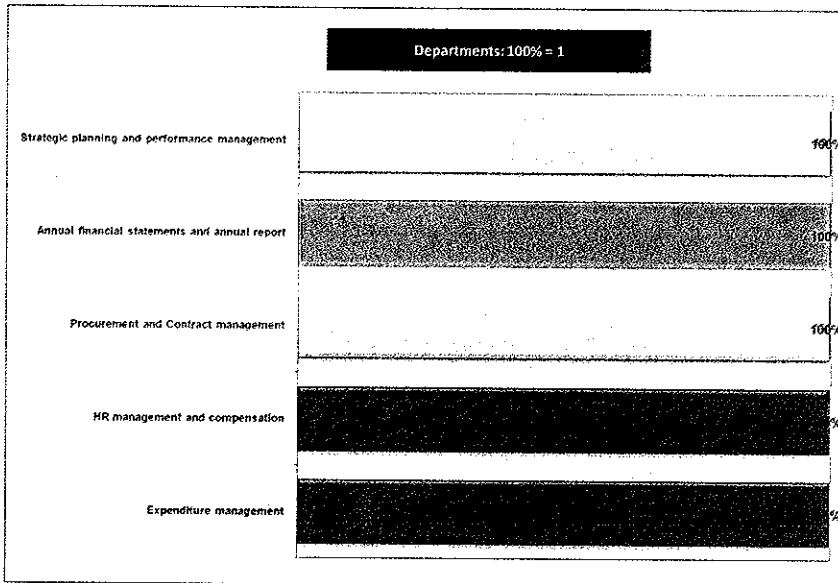
Summary of audit outcomes

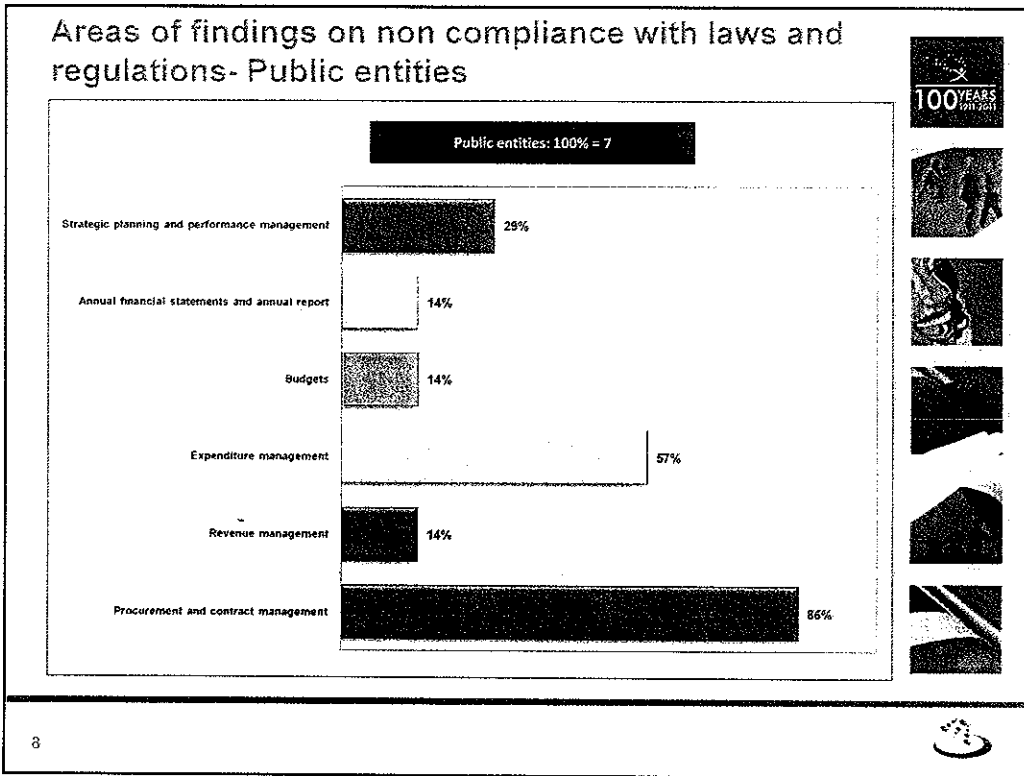


Audit	Findings on predetermined objectives
DEPARTMENT	
Department of Communication	None
PUBLIC ENTITIES	
Independent Communication Authority of South Africa (ICASA)	Usefulness, Reliability, Presentation
National Electronic Media Institute of South Africa (NEMISA)	None
Universal Service and Access Agency of South Africa (USAASA)	Usefulness, Reliability
Universal Service and Access Fund (USAF)	None
SECTION 4(3)	
South African Broadcasting Corporation (SABC)	Non-compliance, Usefulness, Reliability
Sentech Ltd	Non-compliance
Telkom Ltd	Exempted from compliance
South African Post Office Ltd	None



Areas of findings on non-compliance with laws and regulations- Department





SABC, Sentech, - 29%

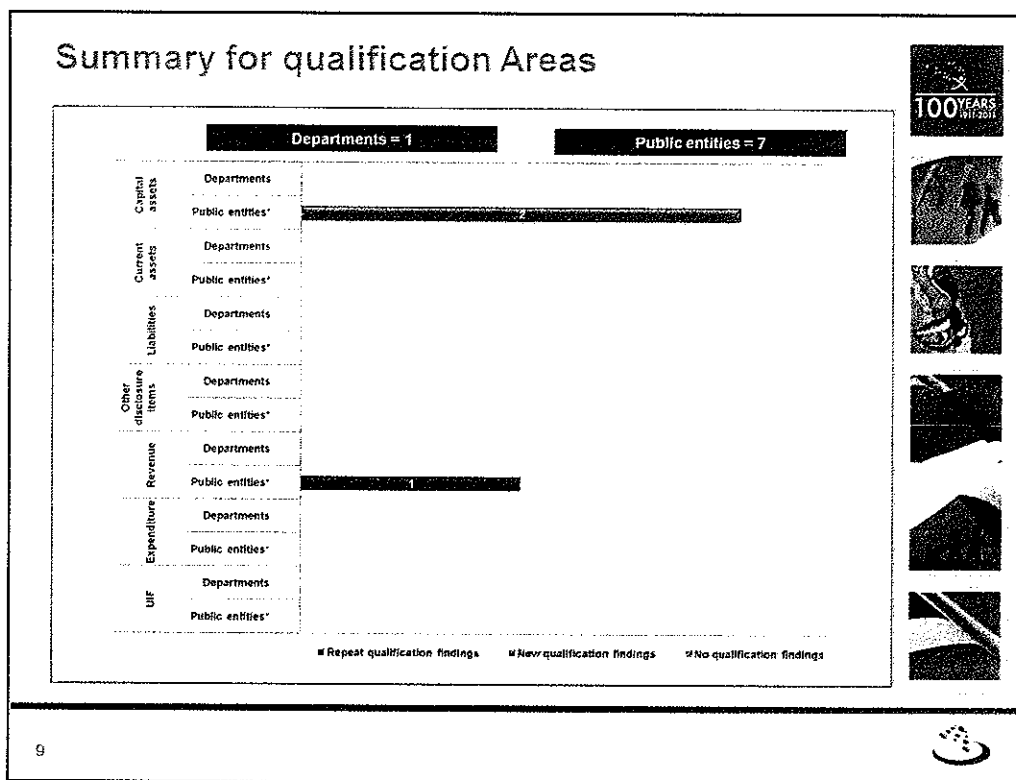
AFS- USAASA

Budgets- SABC

Expenditure(all except Telkom and USAF

Revenue- SABC

Procurement and contract management- (all except for Telkom)



SABC

-Included in programme, film and sports rights disclosed in the statements of financial position is the following category: originated programme, film and sports rights with a carrying amount of R310 595 000 and work in progress of R332 954 000. We were not provided with supporting documentation to substantiate the carrying amount of R296 975 000 relating to originated programme and film rights included in originated programme, film and sports rights and work in progress of R312 589 000. Consequently, we were unable to determine whether the cost price of fully amortised assets is materially misstated and the corresponding amounts included in commitments and trade and other payables.

ICASA

I was unable to verify the National Revenue Fund receivable and resulting payable balances amounting to R899 906 346 and R906 839 654 respectively as disclosed in note 15 and 19 to the financial statements, due to the lack of control over the invoicing and collection of license fees. The entity's records did not permit the application of alternative audit procedure regarding the amount receivable and resulting payable. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation and allocation of and rights and obligations pertaining to the National Revenue Fund Receivable and resulting payable.

As a result of the above, I am also unable to conclude on the valuation, rights and obligations, completeness, classification and understandability of the financial instrument disclosure made in note 27 to the financial statements.

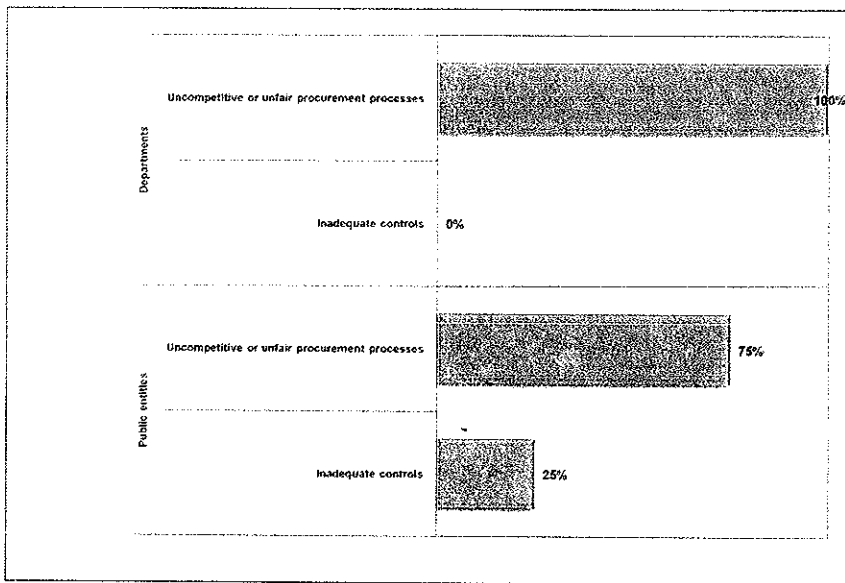
Property, plant and equipment and Intangible assets

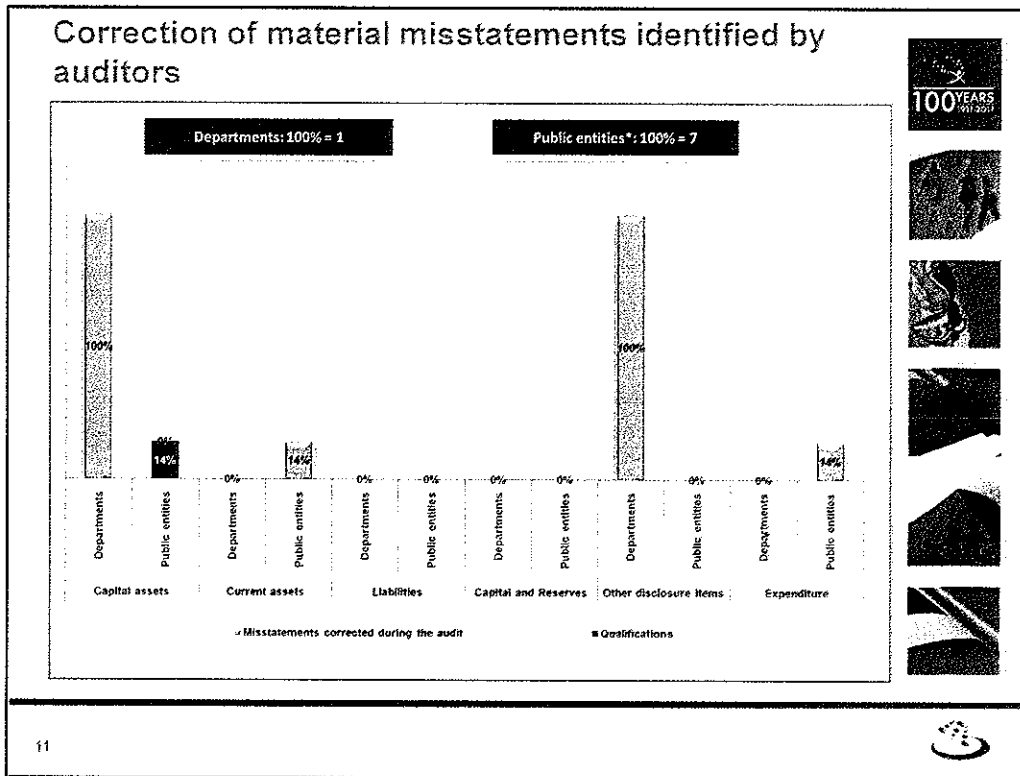
Standard of Generally Recognised Accounting Practices, GRAP 3, *Accounting policies, changes in accounting estimates and errors* requires that the entity correct material prior period errors retrospectively. If the error occurred before the earliest period presented, the restatement has to be made against the earliest prior period presented which in the entity's case is 1 April 2009.

The entity used the incorrect method of calculating their depreciation and amortisation when a change in estimate occurred in the prior years. This error has been corrected and disclosed in note 3.1 to the financial statements. However management did not adjust the opening balance of property, plant and equipment and intangible assets as at 1 April 2009 to comply with GRAP 3. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that the opening balances as at 1 April 2009 are fairly stated.

As a consequence of my inability to satisfy myself as to the valuation of the opening balance of property, plant and equipment and intangible assets as at 1 April 2009, I was not able to satisfy myself as to the accuracy, occurrence and completeness of the **depreciation and amortisation** as disclosed in the statement of financial performance for the current and comparative year.

Summary of findings on supply chain management





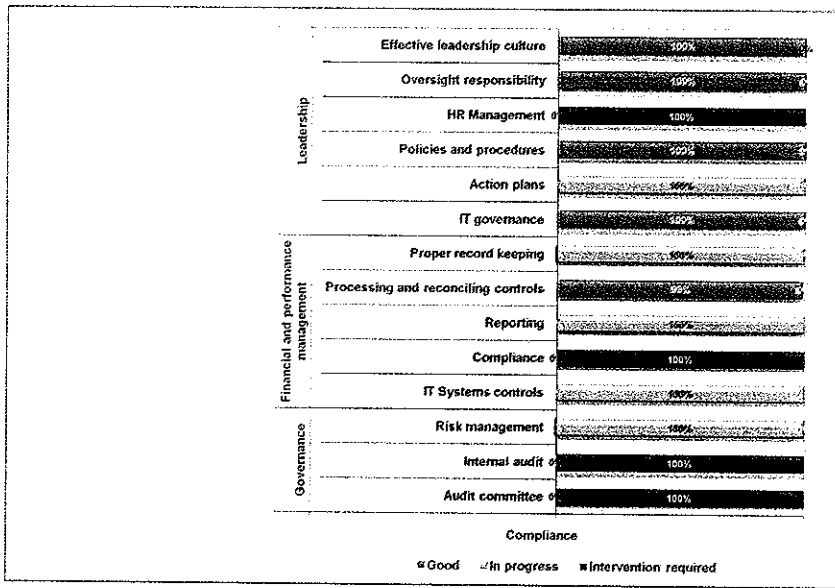
DOC- SCM

Public entity- SABC(software rights)

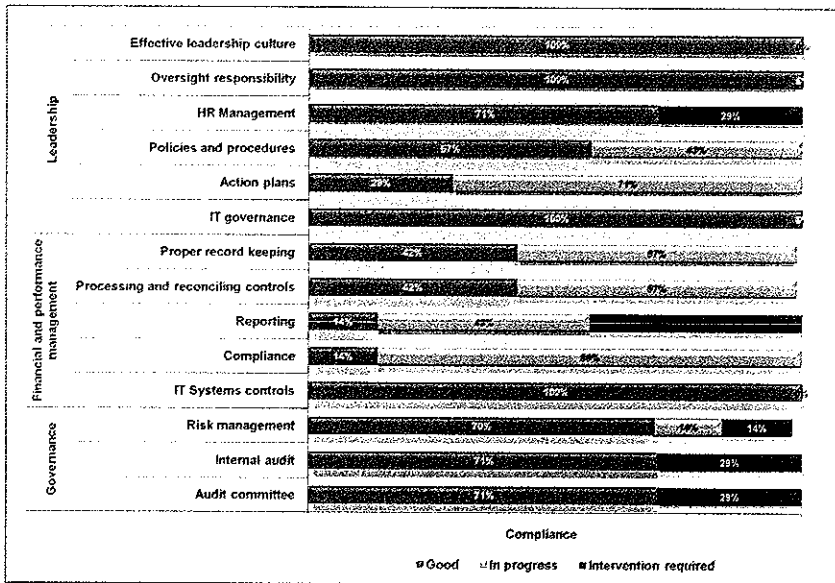
Current assets(PPE- USAASA)

Disclosure- DOC- Irregular expenditure

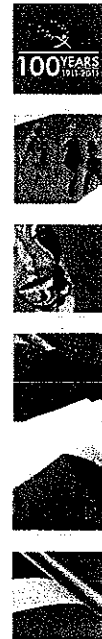
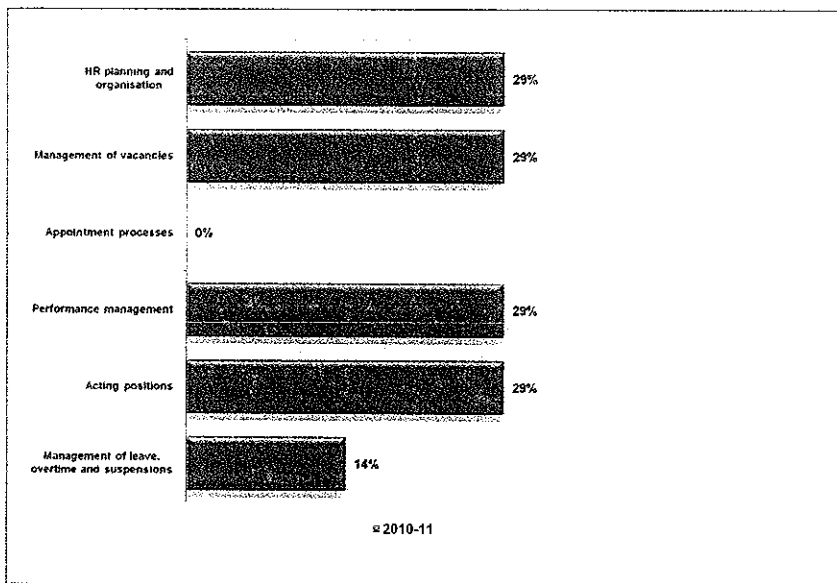
Findings on Internal control root cause- Department



Findings on Internal control root causes- Entities



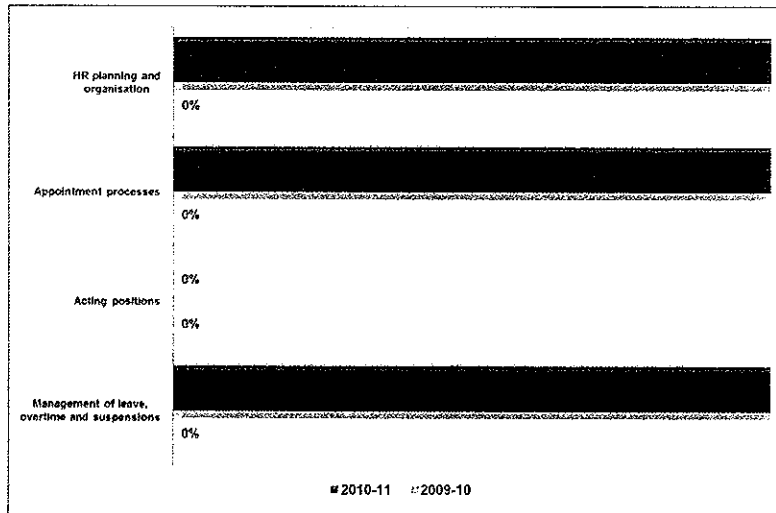
Summary of HR Findings- Public Entities



29 % is SABC and sentech(only two entities with HR findings)
14 % is SABC alone

Summary of HR findings - Department

- Summary of HR findings - departments



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Some employees were not provided with a written contract of employment upon appointment, as per the requirements of Public Service Regulation (PSR) 1/VII/B.1 (g).

Appointments were made into posts which are not approved and funded as per requirements of PSR 1/III/ F (a) and F (d).

A process was not followed for all appointments to verify the claims in their applications for a post as per the requirements of PSR 1/VII/D.8.

The executive authority did not engage in HR planning with a view to meeting the human resource needs as per the requirements of PSR 1/III/B.2(d).

Overtime paid exceeded 30% of the basic salaries in some instances contrary to the requirement of the PSR 1/V/D2 (b).

Funded vacant posts were not advertised within six months after becoming vacant and were not filled within 12 months after becoming vacant as per the requirements of PSR 1/VII/C.1A.2.

The executive authority did not plan within the available budgeted funds, including funds for the remaining period of the relevant medium-term expenditure framework, for the recruitment, retention, deployment and development of human resources to address the department's needs, as per the requirements of chapter 1, part III B2(d) and D1 of the Public Service Regulations, 2001.

Sufficient appropriate audit evidence could not be obtained that appointments were made in posts that were advertised as per the requirements of PSR 1/VII/C.2.