

DRAFT REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF SOUTH AFRICAN NATIONAL ACADEMY OF INTELLIGENCE FOR THE YEAR ENDED 31 MARCH 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

- 1 I have audited the accompanying financial statements of the South African National Academy of Intelligence 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/equity and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, and the accounting officer's, as set out on pages [ix] to [xx]

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the accrual basis of accounting and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the Secret Service Act 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) and section 3 of the Secret Service Act, 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 816 of 2008 issued in Government Gazette No. 31657 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 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. An audit also includes evaluating the appropriateness of accounting policies used and the

Other matters

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

Non-compliance with applicable legislation

- 10 PFMA requires that the Accounting Officer must keep full and proper records of the financial affairs of the department, in accordance with any prescribed norms and standards; the Academy does not perform monthly creditors reconciliation.
- 11 The Academy does not have adequate policies and procedures to sustain a process to ensure the completeness of related party transactions as required by PFMA 38(1) (b).

Governance framework

12. 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 managers and are reflected key governance responsibilities addressed below.

Key governance responsibilities

- 13 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
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	✓	
Quality of financial statements and related management information			
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.	✓	
Timeliness of financial statements and management information			
4	The annual financial statements were submitted for auditing as per the legislated deadlines section 40 of the PFMA.	✓	

No.	Matter	Y	N
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> The Department of Safety and Security had an audit committee in operation throughout the financial year. 	✓	
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 	✓	
	<ul style="list-style-type: none"> 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. 	✓	
7.	Internal audit		
	<ul style="list-style-type: none"> The Department of Safety and Security had an internal audit function in operation throughout the financial year. 	✓	
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 	✓	
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 3.2. 	✓	
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.	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	✓	

No.	Matter	Y	N
14	JSCI resolutions have been substantially implemented.	✓	
Issues relating to the reporting of performance information			
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 Safety and Security against its mandate, predetermined objectives, outputs, indicators and targets Treasury Regulations 5.1, 5.2 and 5.1	✓	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	

Investigations

14. The Deputy Principal, whose services were terminated on 31 December 2007, has instituted an application for review of his dismissal for possible reinstatement.
15. Judgement has been handed down allowing external legal representation to the suspended CFO. The disciplinary hearing is proceeding.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**Report on performance information**

16. I have reviewed the performance information as set out on pages xx to xx.

The accounting officer's responsibility for the performance information

17. 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 South African National Academy of Intelligence.

The Auditor-General's responsibility

18. 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*.

19. 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.

20. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the review findings reported below

Findings (performance information)

Non-compliance with regulatory requirements

Treasury Regulations 5.3: Quarterly reports

21. Treasury Regulations requires the Accounting Officer to quarterly submit performance information reports to the Executive Authority. For the period reviewed it was found that the Accounting Officer did not submit the following quarterly reports to the Executive Authority:

- October - December 2008
- January- March 2009

APPRECIATION

22. The assistance rendered by the staff of the South African National Academy of Intelligence during the audit is sincerely appreciated

Pretoria

July 2009