

# Report of the Auditor-General

## REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF VOTE 13 - HEALTH - FOR THE YEAR ENDED 31 MARCH 2001

### 1. AUDIT ASSIGNMENT

The financial statements as set out on pages 67 to 81, for the year ended 31 March 2001, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No 12 of 1995). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements and the compliance with relevant laws and regulations, applicable to financial matters, based on the audit.

### 2. REGULARITY AUDIT

#### 2.1 Nature and scope

##### 2.1.1 Financial audit

The audit was conducted in accordance with generally accepted government auditing standards which incorporate generally accepted auditing standards. These standards require the audit to be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- Assessing the accounting principles used and significant estimates made by management, and
- Evaluating the overall financial statement presentation.

Due to the nature of the prescribed accounting practise, the audit was preformed within a financial reporting framework which does not at this stage necessarily result in a fair presentation of the results of operation, financial position and cash flows for any financial period.

I believe that the audit provides a reasonable basis for my opinion.

##### 2.1.2 Compliance audit

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

## 2.2 Audit opinion

### 2.2.1 Financial audit

In my opinion, the financial statements fairly present, in all material respects, the financial position of the department at 31 March 2001 and the results of its operations for the year then ended in accordance with prescribed accounting practice and in the manner required by the relevant Act.

### 2.2.2 Compliance audit

Based on the audit work performed, nothing has come to my attention that causes me to believe that material non-compliance with laws and regulations, applicable to financial matters, has occurred.

## 3. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

### 3.1 Financial management

#### Internal audit

As mentioned in paragraph 3.1.2 on page 2 of the previous report [RP 124/200], internal audit did not conclude their audit work plan for the previous financial year. In respect of the 2000-01 financial year the internal audit work plan included 16 projects, only five of which were concluded and received by this office. In view of the limited number of projects concluded we could only place limited reliance on the work of internal audit.

Despite a staff shortage and projects not being concluded, the Director: Internal Audit has been seconded to the Department of Public Service and Administration for two days per week for a period of six months (40% of available time) to establish an internal audit component in the said department.

### 3.2 Irregular expenditure: R1 893 823

During the 2000-01 financial year the department reported irregular expenditure of R1 893 823. The department has developed and inserted a pamphlet on AIDS in various newspapers. Proper tender procedures were not followed. This expenditure is considered as irregular expenditure in terms of section 38(1)(g) of the Public Finance Management Act, 1999 (Act No. 1 of 1999). At the time of compiling this report, the department was still in the process of approaching the State Tender Board for ex post facto approval.

### 3.3 Sarafina II

In paragraph 3.3 on page 4 of the previous report [RP 124/200], it was mentioned that no significant progress has yet been made. However, there are indications that the special investigating unit and the Office of the State Attorney are working on a proposal to abandon the matter and to recommend writing off the funds involved.



# Report of the Auditor-General

## 3.4 Integrated Nutrition Programme

With reference to paragraph 3.5 on page 4 of the previous report [RP 124/2000], the audit in KwaZulu-Natal has now been concluded and the final report is being considered by officials of the department.

### Inquiry into the Protein Energy Malnutrition Scheme

It was mentioned in paragraph 3.5 on page 4 of the previous report [RP 124/2000] that at that stage, the department had not received a copy of the report from a commission of inquiry into the scheme that was submitted to the President. The department received a copy of the report on 12 April 2001 and the officials of the department are at present working through the document to enable the accounting officer to make a recommendation to the Minister.

The commission concluded its work in May 2000 and the total cost incurred in respect of this commission amounts to R9 431 126.

## 4. GENERAL

### Audits at the provinces

This report does not include the audit findings at the nine provincial Departments of Health, details of which appear in the separate reports to the provincial legislatures.

## 5. APPRECIATION

The assistance rendered by the staff of the department during the audit is sincerely appreciated.

**SA FAKIE**  
**Auditor-General**  
**Pretoria**  
**27/07/2001**



## The Health Donation Fund and the King George V Fund

Both of which hold small amounts of money - are separately audited. A financial report on each of these funds, including the Auditor-General's statement, is available from the Department of Health's Chief Financial Officer on request.

# Management Report

for year ended 31 March 2001

## Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa

### 1 General review of the state of financial affairs

	2000/2001 R'000	1999/2000 R'000
Amount appropriated	6 327 753	5 961 336
Plus: Improvement of conditions of service	0	4 093
Plus: Adjustments estimate	437 392	481 863
Rollover funds from previous year	422 207	486 863
Additional funds	15 185	0
Less suspensions included in adjustments estimates	0	5 000
Subtotal	6 765 145	6 447 292
Less: Total expenditure	6 666 810	5 858 644
Authorised programme	6 666 573	5 858 549
Authorised losses	237	95
Surplus	98 335	588 648
Amount to be surrendered	98 335	588 648
Less: Rolled over funds requested	95 911	443 207
Amount not to be utilised	2 424	145 441

### 2. Services rendered by the Department and Public Entities

#### 2.1 Tariff Policy

The tariffs are revised annually and the tariff increases are market related.

#### 2.2 Public Entities

The SA Medical Research Council is the only Public Entity under control of the Department. The purpose of the SA Medical Research Council is to undertake medical research. An amount of R108 661 000,00 was transferred during the 2000/01 financial year.

### 3. Risk management and fraud prevention

#### 3.1 Approach

The Internal Audit facilitates the risk assessment and derives the three-year and annual internal audit work plan from the prioritisation of the risks.

The risks that are to be managed are identified in the strategic plans of the individual programmes. The operational plans identify the controls necessary to manage the risks to ensure that objectives will be attained.



# Management Report

## 3.2 Policies

Management is responsible for establishing policies.

## 3.3 Governance structures

The governance structure available is the internal audit and audit committee. The Department also has a quality control and/or assurance and project management units.

## 3.4 Fraud prevention plan

A fraud prevention plan has been developed and presented to top management for approval.

## 4. Approval

The financial statements set out hereafter have been approved by the Accounting Officer.



**Dr Ayanda Ntsaluba**  
**Director-General: Health**  
**Accounting Officer**