



AUDITOR - GENERAL

REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL PARLIAMENT OF THE WESTERN CAPE ON THE FINANCIAL STATEMENTS OF THE DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM (VOTE 13) FOR THE YEAR ENDED 31 MARCH 2004

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 86 to 123, for the year ended 31 March 2004, 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, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit 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.

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.

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the department at 31 March 2004 and the results of its operations and cash flows for the year then ended in accordance with prescribed accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No 1 of 1999).

4. EMPHASIS OF MATTER

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

4.1 COMPLETENESS OF LIQUOR LICENSE INCOME

The department was unable to monitor the completeness of the income collected by the South African Revenue Services (SARS) on behalf of the department, as SARS did not supply the department with a complete and detailed breakdown of the income recovered. It could therefore not be ascertained whether all the income for liquor licenses issued and renewed had been received by the department, as only the actual income received from SARS could be verified during the audit. The department is awaiting the approval of new Western Cape liquor legislation through which the collecting processes of liquor license income would be changed.



4.2 ASSET MANAGEMENT

Asset management at the department was found to be inadequate to safeguard its assets and to comply with the requirements of section 38(1)(d) of the PFMA. Due to capacity constraints and the non-availability of an asset management system, the department did not have a proper asset register in place through which all its assets can be controlled, identified and verified.

4.3 WESTERN CAPE LIQUOR BOARD

The Western Cape Liquor Board, a listed schedule 3C Provincial Public Entity, did not keep full and proper records of its financial affairs and did not prepare and submit financial statements on its activities in accordance with the requirements of section 55 of the PFMA. The Liquor Board could not adhere to these requirements due to the implications of the provisions of the Liquor Act, 1989 (Act No 27 of 1989) that does not enable the Liquor Board to have an allocated budget and an independent

staffing component separate from the department. Adherence to the provisions of the PFMA by the Liquor Board, as far as accountability and reporting is concerned, is currently the responsibility of the accounting officer of the department.

4.4 FRAUD PREVENTION PLAN

The department, due to capacity constraints, did not develop and implement a fraud prevention plan during the financial year under review as required by the PFMA.

5. APPRECIATION

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

W.J. Swart
for Auditor-General

Cape Town

30 July 2004

