

COURT ONLINE COVER PAGE

IN THE HIGH COURT OF SOUTH AFRICA
Gauteng Division, Pretoria

CASE NO: 2025-240916

In the matter between:

ORGANISATION UNDOING TAX ABUSE Plaintiff / Applicant / Appellant
NPC

and

**MINISTER OF HIGHER EDUCATION AND
TRADING, MEMBERS OF THE INSETA
ACCOUNTING
AUTHORITY, DEPARTMENT OF HIGHER
EDUCATION, INSURANCE SECTOR
EDUCATION AND TRADING
AUTHORITY, IGNATIA GUGU MKHIZE**
Defendant / Respondent

Annexure 10

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ELECTRONICALLY SIGNED BY:

Registrar of High Court of South
Africa , Gauteng Division, Pretoria

Auditor's report

31 March 2022

Report of the auditor-general to Parliament on the Insurance Sector Education and Training Authority

Report on the audit of the financial statements

Qualified opinion

- I have audited the financial statements of the Insurance Sector Education and Training Authority, set out on pages 65 to 109, which comprise the statement of financial position as at 31 March 2022, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
- In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Insurance Sector Education and Training Authority as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa Act 1 of 1999 (PFMA) and the Skills Development Act of South Africa Act 97 of 1998 (SDA).



Basis for qualified opinion

Administration expenses

- The public entity did not properly account for administration expenses in accordance with GRAP 1, *Presentation of financial statements due to inadequate processes and systems*, which resulted in invoices for goods and services received in the current financial year not being recognised as expenditure. I was unable to determine the full extent of the understatement of the administration expenses stated at R45 275 000 in note 19 to the financial statements as it was impracticable to do so.

Payables from non-exchange transactions

- The public entity did not account for project creditors in accordance with GRAP 1, *Presentation of financial statements*. Payments made to suppliers during the financial year were included in the payables balance at year end, this was due to inadequate review controls. I was unable to determine whether any adjustments were necessary to payables from non-exchange transactions stated at R32 706 000 in note 9 to the financial statements as it was impracticable to do so.
- In addition, the public entity did not perform an assessment of the levies payable as required by GRAP 19, *Provisions, contingent liabilities and contingent assets*. As a result, I was unable to determine whether the balance for other levies stated at R 3 613 000 in note 9 to the financial statements required any adjustments. I was unable to determine the full extent of the misstatements as it was impracticable to do so.

Context for the opinion

- I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
- I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
- I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Responsibilities of the accounting authority for the financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of PFMA and SDA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

11. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

13. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
14. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the public entity's annual performance report for the year ended 31 March 2022:

PROGRAMME	PAGES IN THE ANNUAL PERFORMANCE REPORT
Programme 3 – learning programmes	17-24
16. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.	
17. The material findings on the usefulness and reliability of the performance information of the selected programme are as follows:	

Programme 3 – learning programmes: number of unemployed learners granted bursaries (continuing)

18. I was unable to obtain sufficient appropriate audit evidence for the achievement of the number of unemployed learners granted bursaries (continuing) reported against a target of 225 in the annual performance report, due to lack of accurate and complete records.

Other matter

19. I draw attention to the matters below.

Achievement of planned targets

20. Refer to the annual performance report on pages 15 to 25 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 18 of the report.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of programme 3 – learning programmes. As management subsequently corrected only some of the misstatements, I raised material findings on the reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

22. In accordance with the PM and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

23. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

24. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and as required by section 55(1)(b) of the PFMA. Material misstatements of cash and cash equivalents, related parties, project administration expenses, irregular expenditure and fruitless and wasteful expenditure identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified opinion.

Expenditure management

25. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R18 175 000 as disclosed in note 31 to the annual financial statements, as required by section 51(1) (b) (ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management prescripts.

26. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R768 000, as disclosed in note 30 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA.



Other information

27. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

28. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

29. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

30. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.



Internal control deficiencies

31. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

32. The accounting authority did not exercise adequate oversight responsibility regarding financial and performance reporting and compliance, as the controls in place did not prevent or detect internal control deficiencies that resulted in material misstatements in the financial and performance reports as well as non-compliance with applicable laws and regulations.

33. The public entity developed an audit action plan to address the internal control deficiencies; however, the plan was not adequately monitored to ensure the effective implementation of corrective measures to address these weaknesses and therefore improve the overall audit outcome.

34. Management did not implement proper recordkeeping to ensure that complete, relevant and accurate information was accessible and available in a timely manner.

35. Management did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information. This is evidenced by the material misstatements identified, some of which were corrected during the audit.

36. The controls for the daily and monthly processing and reconciliation of transactions were not effective in preventing and detecting material misstatements.

Auditor - General

Auditor-General
Pretoria
31 July 2022



AUDITOR - GENERAL
SOUTH AFRICA

Annexure – Auditor-general's responsibility for the audit

- As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with respect to the selected subject matters.

Financial statements

- In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit 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 public entity's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
 - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Insurance Sector Education and Training Authority to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Communication with those charged with governance

- I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.