

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

"FA10.2"

AUDITOR'S REPORT

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY (INSETA)

Report on the audit of the financial statements

Qualified opinion

- I have audited the financial statements of the financial statements of the Insurance Sector Education and Training Authority, set out on pages 64 to 116, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information 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 on the basis of the 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 2023, and its financial performance and cash flows for the year then ended in accordance with the Generally Recognised Accounting Practice (GRAP), and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Skills Development Act 97 of 1998 (SDA).

Basis for qualified opinion

Payables from exchange and non-exchange transactions

- The public entity did not account for payables from exchange transactions in accordance with GRAP 1, *Presentation of financial statements*. Project creditors were incorrectly accounted for as trade payables, disclosed in note 7 to the financial statements. Consequently, trade payables stated at a balance of R17 744 000 is overstated by R7 469 838, and project creditors stated at a balance of R68 720 000 in note 8 to the financial statements, is understated by the same amount.

Commitments

- The public entity did not account for commitments in accordance with GRAP 1, *Presentation of financial statements*, as discretionary grant contracts awarded in the prior year were cancelled without sufficient appropriate audit evidence. Consequently, the discretionary grant commitments corresponding figure was understated by R29 286 120 in note 25 and annexure A to the financial statements.
- In addition, the restatement included recognition of discretionary expenditure payments relating to the prior year in the commitment schedule but not in the corresponding figures for discretionary grants expenditure stated at a balance of R234 037 000 disclosed in note 20 to the financial statements. I was unable to obtain sufficient

appropriate evidence that the discretionary expenditure was correctly accounted for as supporting evidence was not provided for the recorded transactions. The discretionary grants commitment corresponding figure was further understated by R2 410 650 in note 25 and annexure A to the financial statements.

Context for opinion

- I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the Auditor-General 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.

Emphasis of matter

- I draw attention to the matter below. My opinion is not modified in respect of this matter.



Note 26: Prior-year adjustments

10. As disclosed in note 28: prior year adjustments to the annual financial statements, the corresponding figures for 31 March 2022 have been restated as a result of errors discovered during 2022-23 in the financial statements of INSETA.

Other matters

11. I draw attention to the matters below. My opinion is not modified in respect of these matters.

National Treasury Instruction Note No. 4 of 2022-23: PFMA Compliance and Reporting Framework

12. On 23 December 2022, National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure (UIFW expenditure). Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed, is no longer disclosed in the disclosure notes of the annual financial statements. Only the current year and prior year's figures are disclosed in note 34 to the financial statements. Furthermore, the movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of the Insurance Sector Education and Training Authority. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now included

as part of other information in the annual report of the Insurance Sector Education and Training Authority. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Retention of surplus funds

13. There are current deliberations with the National Treasury and the Department of Higher Education and Training regarding the appropriate approval processes for the retained surplus of R572 663 000, for the financial year 2021-22, disclosed in note 26. The ultimate outcome of the matter could not be determined and no provision for any liability was disclosed in the financial statements.

Responsibilities of the accounting authority for the financial statements

14. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the 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.

15. 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 a 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.

**Responsibilities of the Auditor-General for the audit of the financial statements**

16. 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.

17. 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

18. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, the Auditor-General of South Africa must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programmes presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

19. I selected the following programmes presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected programmes that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Programme	Page numbers	Purpose								
Programme 2 - skills planning	13	To promote relevance of support provided by INSETA through implementation of innovative and impactful programmes.								
Programme 3 - learning programmes	13	The learning interventions are INSETA's contribution to the achievement of the NDP five-year implementation plan, the monitoring framework for the NDP five-year implementation plan.								
20. I evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery of its mandate and objectives.		<p>• the reported performance information is presented in the annual performance report in the prescribed manner; and</p> <p>• there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.</p>								
21. I performed procedures to test whether:		<ul style="list-style-type: none"> • the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives; • the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements; • the targets can be linked directly to the achievement of the indicators and are specific, time-bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance, as well as how performance will be evaluated; • the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents; 								
22. I performed the procedures for the purpose of reporting material findings only, and not to express an assurance opinion.		23. The material findings on the performance information of the selected programme 3 - learning programme are as follows:								
Programme 3 - learning programmes										
24. For the indicators listed below, the achievements reported in the annual performance report materially differed from the supporting evidence provided, as skills programmes were reported as bursaries for workers continuing; and workers granted bursaries completed, were reported under both the indicator number of bursaries continuing and number of workers granted bursaries completed their studies.		<p>Indicator</p> <table border="1"> <thead> <tr> <th>Indicator</th> <th>Reported achievement</th> </tr> </thead> <tbody> <tr> <td>Number of workers granted bursaries (continuing)</td> <td>238</td> </tr> <tr> <td>Number of workers enrolled skills programmes</td> <td>3 025</td> </tr> <tr> <td>Number of workers completed skills programmes</td> <td>1 640</td> </tr> </tbody> </table>	Indicator	Reported achievement	Number of workers granted bursaries (continuing)	238	Number of workers enrolled skills programmes	3 025	Number of workers completed skills programmes	1 640
Indicator	Reported achievement									
Number of workers granted bursaries (continuing)	238									
Number of workers enrolled skills programmes	3 025									
Number of workers completed skills programmes	1 640									
25. I draw attention to the matters below.		<p>Other matters</p> <p>26. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and under achievements. This information should be considered in the context of the material findings on the reported performance information in paragraph 27 of this report.</p> <p>27. The public entity plays a key role in delivering services to South Africans. The annual performance report includes the following service delivery achievements against planned targets:</p>								



Key service delivery indicators not achieved	Planned target	Reported achievement
Programme 3- learning programmes		
Targets achieved: 75% Budget spent: 40%		
Number of TVET students completed their WIL	700	339
Number of unemployed learners enrolled for internships	1 240	1 179
Number of unemployed learners completed internships	870	491
Number of workers completed skills programmes	2 058	1 640

28. Reasons for the underachievement of targets are included in the annual performance report on pages 17 to 24.

Material misstatements

29. 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. Management did not correct the misstatements and I reported material findings in this regard.

Report on compliance with legislation

30. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

31. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

32. Through an established AGSA process, I selected requirements in key legislation for compliance testing that

are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

Annual financial statements

33. 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.

34. Material misstatements of administration expenses, receivables from non-exchange transactions, property, plant and equipment, discretionary expenditure, other operational commitments, statement of change in net assets, statement of comparison of budget and actual amounts and statement of cash flow 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

35. Effective and appropriate steps were not taken to prevent irregular expenditure of R5 006 000 as disclosed in note 34 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.



Other information in the annual report

36. The public entity is responsible for the other information included in the annual report. The other information referred to 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 on in this auditor's report.

37. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

38. My responsibility is to read this other information and, in doing so, consider whether it 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.

39. 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 inconsistency therein, I am required to communicate to those charged with governance and request that the 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

40. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation. However, my objective was not to express any form of assurance on it.

41. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the material findings on the annual performance report, and the material findings on compliance with legislation included in this report.

42. The accounting authority did not adequately exercise oversight responsibility regarding financial reporting, monitoring compliance with laws and regulations and related internal controls to ensure that the financial statements submitted for audit are free from material misstatements and are of the required quality as per the GRAP requirements and supported by reliable, complete and credible financial information.

43. The public entity developed an audit action plan to address the internal control deficiencies. However the plan did not adequately address the significant deficiencies on the controls for financial information. This resulted in repeat findings being identified during the audit.

44. Management did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information. This is evidenced by material misstatements that were detected on the submitted annual financial statements and performance report during the audit.

45. Management did not implement adequate controls over the daily processing/recording of transactions, and month-end-closure controls could not ensure that the financial records were complete and accurate.

46. Management could not retrieve supporting evidence timely due to lack of systematic filing and record-keeping which resulted in unforeseen delays in the audit process.

ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- the Auditor-General's responsibility for the audit
- The selected legislative requirements for compliance testing.

Auditor-General's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement 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 selected requirements in key legislation.

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.
- Conclude on the appropriateness of the use of the going

Auditor - General



Auditing to build public confidence

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 public entity 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.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 53(4) Section 54(2)(c'); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56(1); 56(2) Section 57(b); Section 66(3)(c'); 66(5)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Treasury Regulation 8.2.1; 8.2.2 Treasury Regulation 16A 3.1; 16A 3.2; 16A 3.2(a); 16A 6.1; 16A 6.2(a) & (b); 16A 6.2(e); 16A 6.3(a); 16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A 6.3(d); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; TR 16A.7.1; 16A.7.3; 16A.7.6; 16A.7.7; 16A.8.2(1); 16A.8.2(2); 16A 8.3; 16A 8.3(d); 16A 8.4; 16A9.1; 16A9.1(b)(i); 16A9.1(c); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2; 16A 9.2(a)(ii); TR 16A 9.2(a)(iii) Treasury Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Treasury Regulation 31.1.2(c) Treasury Regulation 31.2.1; 31.2.5; 31.2.7(a) Treasury Regulation 31.3.3 Treasury Regulation 32.1.1(a); 32.1.1(b); 32.1.1(c') Treasury Regulation 33.1.1; 33.1.3 Public Service Regulation 13(c); 18; 18 (1) and (2); Section 34(1)
Public Service Regulation Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1)
CIDB Regulations	CIDB Regulation 17:25(1); 25 (5) & 25(7A)



Legislation	Sections or regulations	REGISTRAR OF THE HIGH COURT OF SOUTH AFRICA GAUTENG DIVISION, PRETORIA Private Bag X67, Pretoria 0001
PPPFA	Section 1(i); 2.1(a); 2.1(b); 2.1(f)	
PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2	
PPR 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4 Paragraph 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6 Paragraph 3.1; 4.1; 4.2 Paragraph 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4 (c) -(d); 4.6 Paragraph 5.4 Paragraph 7.2; 7.6 Paragraph 6 Par 5.5.1(vi); Paragraph 5.5.1(x); Paragraph 3.1; 3.4 (a) and (b); 3.9; 6.1; 6.2; 6.7 Paragraph 3.2.1; 3.2.2; 3.2.4(a) and (b); 3.3.1; 3.2.2 Paragraph 4.1 Paragraph 4(1); 4(2); 4(4) Paragraph 3.3 Paragraph 3.2 Par 4.3.2; 4.3.3 Paragraph 3.4 Paragraph 4.8; 4.9 ; 5.1 ; 5.3 Paragraph 1 Paragraph 2 Paragraph 4.1.2 Paragraph 4.1	REGISTRAR OF THE HIGH COURT OF SOUTH AFRICA GAUTENG DIVISION, PRETORIA Private Bag X67, Pretoria 0001
PFMA SCM Instruction no. 09 of 2022/2023		
National Treasury Instruction No.1 of 2015/16		
NT SCM Instruction Note 03 2021/22		
NT SCM Instruction 4A of 2016/17		
NT SCM Instruction Note 03 2019/20		
NT SCM Instruction Note 11 2020/21		
NT SCM Instruction Note 2 of 2021/22		
PFMA SCM Instruction 04 of 2022/23		
Practice Note 5 of 2009/10		
PFMA SCM Instruction 08 of 2022/23		
NT Instruction Note 4 of 2015/16		
Second amendment of NTI 05 of 2020/21		
Erratum NTI 5 of 202/21		
Erratum NTI 5 of 202/21		
Practice Note 7 of 2009/10		
NT Instruction Note 1 of 2021/22		

