

# Report of the Auditor-General

to Parliament on the Financial Statements of the Human Sciences Research Council  
for the year ended 31 March 2007

## Report on the Financial Statements

### Introduction

1. I have audited the accompanying financial statements of the Human Sciences Research Council which comprise the statement of financial position as at 31 March 2007, statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 150 to 181.

### Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and section 13(3) of the Human Sciences Research Council Act, 1968 (Act No. 23 of 1958). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

### Responsibility of the Auditor-General

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) and section 13(3) of the Human Sciences Research Council Act 1968 (Act No. 23 of 1968), 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 and *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007* and *General Notice 647 of 2007* issued in *Government Gazette No 29919 of 25 May 2007*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 controls 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 controls.
6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Basis of accounting

8. The public entity's policy is to prepare financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice and in the manner required by the PFMA, as set out in page 154 to 158 of the financial statements.

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## Opinion

9. In my opinion the financial statements present fairly, in all material respects, the financial position of the Human Sciences Research Council as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act, 1999 (Act No 1 of 1999)

## Other matters

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

10. **Non-compliance with legislation**

Adequate systems of supply chain management policies, processes and internal controls have been developed; however, several instances of non-compliance with these policies and processes have been noted.

11. **Matters of governance**

There was inadequate monitoring of controls to ensure that all policies and procedures were adhered to at all times.

12. **Special investigations completed during the year**

An investigation was conducted into a deposit and refund fraud relating to the Telkom account. The Human Sciences Research Council was defrauded of an amount of R50 790.

13. **Special investigations in progress**

A forensic audit is in progress to establish the nature and amount of payroll fraud involving third party payment.

A forensic investigation, within the SAHA research programme, is in progress with respect to travel claims.

## Other reporting responsibilities

### Reporting on performance information

14. I have audited the performance information as set out on pages 145 to 149.

### Responsibilities of the accounting authority

15. The accounting authority has additional responsibilities as required by section 55(2) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

### Responsibility of the Auditor-General

16. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007* and *General Notice 647 of 2007* issued in *Government Gazette No. 29919 of 25 May 2007*.
17. 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.
18. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

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## Audit findings

19. I have not observed any matter that requires inclusion in my opinion.

## Appreciation

20. The assistance rendered by the staff of the Human Sciences Research Council during the audit is sincerely appreciated.



**AH Muller** for Auditor-General

Pretoria

31 July 2007



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