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ANNUAL FINANCIAL STATEMENTS

Report of the Audit Committee for the financial year ended 31 March 2010

The Audit Committee is are pleased to present its report for the financial year ended 31 March 2010.

Audit Committee Members and Attendance

The Audit current Committee consisted of three members*. Attendance of meetings during the 2009-10 financial year was as follows:

<table>
<thead>
<tr>
<th>Name of Member</th>
<th>Number of Meetings Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Mr. AC Coombe (Independent Chairperson resigned July 2009)</td>
<td>2</td>
</tr>
<tr>
<td>2. Mr. K Buthelezi (Chairperson)</td>
<td>3</td>
</tr>
<tr>
<td>3. Mr T Mageza</td>
<td>3</td>
</tr>
<tr>
<td>4. Mr G Ndlovu</td>
<td>4</td>
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</tbody>
</table>

* Three additional members were appointed by Council in March 2010. However, their first meeting took place in the new financial year.

Audit Committee Responsibility

The Audit Committee hereby reports that it has complied with its responsibilities arising from section 38(1) (a) of the Public Finance Management Act (PFMA) and Treasury Regulation (TR) 3.1. The Committee has adopted formal terms of reference by way of the Audit Committee Charter and has discharged all of its responsibilities as contained therein.

Effectiveness of Internal Control

The system of internal control applied by the Museum over financial risk and risk management is ineffective, inadequate and not transparent. This deficiency, together with crucial shortages of key position staff, contributed to significant errors and misstatements.

In line with the PFMA and King III Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are adequate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the control processes. From the various reports of the Internal Auditors, it was noted that matters were reported indicating deficiencies to the system of internal control. Where deviations pertaining to internal controls were observed, this usually also gave rise to instances of material findings in respect of the Museum’s assets not being effectively safeguarded, supply chain processes not being properly adhered to, lack of effective and efficient contract management, accounting records not properly maintained, and resources in certain instances not utilised efficiently.

It is however also important to reflect that although there were some improvements noted during the year under review, there is still adequate space for improvement. The Audit Committee however has reason to believe that the appointment of the CEO and top management is critical. This will be a positive turning point whereby all staff and systems will perform up to expectations.

It is the Audit Committee’s resolute viewpoint that this poses a major risk that should be dealt with as a high priority within the Museum’s strategic plan and risk profile.
Matters for specific focus by the Audit Committee (2010-11)

It is of crucial importance that the following most significant issues within the financial domain of the Museum should receive ongoing attentive focus in order to effect qualitative administration and financial management within the Museum:

- Approval of all policies and procedures
- Contract management
- Asset maintenance
- Predetermined objectives information management
- Risk management.

The Quality of In-Year Management and Quarterly Reports submitted in terms of the PFMA and the Division of Revenue Act

The Audit Committee was not always satisfied with the content and quality of quarterly reports prepared and issued by the Interim Accounting Officer and the Museum during the year under review. It was however noted that there was a gradual improvement starting from the middle of the financial year. Improvement on the quarterly performance reporting, especially the timing and the alignment to the annual performance plan and implementation plan, still remains essential.

Evaluation of Financial Statements

The Audit Committee has:

- Reviewed deviations and discussed the audited annual financial statements to be included in the annual report with the Auditor-General and the Accounting Officer;
- Reviewed the Auditor-General’s management report and management’s response thereto;
- Reviewed the Museum’s compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the Auditor-General’s conclusion on the annual financial statements, and is of the opinion that the audited annual financial statements should be accepted, when read together with the Report of the Auditor-General.

Internal audit

The Audit Committee is satisfied that the outsourced internal audit function is operating effectively and that it has addressed the risks pertinent to the Museum in its audits.

Auditor-General South Africa

We have met with the Auditor-General South Africa to ensure that all issues have come to our attention for further control and management towards rectification.

K Buthelezi
Chairperson of the Audit Committee
30 July 2010