

AUDIT REPORT

REPORT OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE COUNCIL ON HIGHER EDUCATION FOR THE YEAR ENDED 31 MARCH 2006

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 73 to 94, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 18 of the Higher Education Act, 1997 (Act No. 101 of 1997). These financial statements are the responsibility of the Council on Higher Education (CHE). My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with *General Notice 544 of 2006*, issued in *Government Gazette* no. 28723 of 10 April 2006 and *General Notice 808 of 2006*, issued in *Government Gazette* no. 28954 of 23 June 2006. 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
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

3. BASIS OF ACCOUNTING

The entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as described in note 1.1 to the financial statements.

4. AUDIT OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of Council on Higher Education at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in note 1.1 to the financial statements, and in the manner required by the Public Finance Management Act, 1999 (Act No.1 of 1999).

5. APPRECIATION

The assistance rendered by the staff of Council on Higher Education during the audit is sincerely appreciated.



K Naicker for Auditor General

Pretoria

11 August 2006



AUDITOR - GENERAL

AUDIT REPORT

REPORT OF THE AUDIT COMMITTEE

Audit Committee members

Mr Andrè de Wet	University of Witwatersrand, Chairperson
Mr SBA Isaacs	CHE Council member
Prof G Lenyai	Tshwane University of Technology
Dr R Stumph	HEQC Board member

The Audit Committee established in terms of Treasury Regulations 27.1, met twice during the year under review i.e. on 6 March and 27 July 2006. The Committee reports that it has reviewed the formal terms of reference that was adopted and wishes to confirm the ongoing relevance of its charter. The Committee further confirms that it has satisfied its responsibilities for the year, in compliance with its terms of reference.

The internal audit function was performed by the Internal Audit section of the Department of Education. Their report was tabled and discussed by the Audit Committee. An action plan with time schedule was approved for issues following from this audit, that have to be addressed.

The Audit Committee wishes to record its satisfaction with the CHE that, for the period under review, it has maintained:

- Effective, efficient and transparent systems of financial and risk management and internal control
- An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective
- A system for properly evaluating all major capital projects prior to a final decision on the project
- Effective and appropriate steps to
 - Collect all revenue due to the CHE
 - Prevent irregular expenditure, fruitless and wasteful expenditure, and losses
 - Manage available working capital efficiently and economically.

The Committee has reviewed and discussed with the Auditor-General the audited financial statements to be included in the annual report as well as the Auditor-General's letter and management report.

The Committee noted that the implementation of the prescribed Standards of Generally Recognised Accounting Practices (GRAP) resulted in significant changes in the presentation of the financial statements in general. These changes occasioned a considerable number of audit queries, some of which required a fundamental revision of certain accounting procedures within the CHE. The Committee is satisfied that management's responses to the queries raised in the Auditor's management report reflect the remedies that are required.

The Auditor-General issued the CHE with an unqualified report for 31 March 2006. The Audit committee has therefore recommended that the Executive Committee of the CHE Council adopts the annual financial statements at its meeting held on 29 July 2006.



Mr André de Wet
Chairperson
11 August 2006