Report of the Audit Committee
We are pleased to present our report for the financial year ended 31 March 2008.

Audit Committee members and attendance
The audit committee consists of the members listed hereunder and meets 4 times per annum as per its approved terms of reference. During the financial year 4 meetings were held.

<table>
<thead>
<tr>
<th>Name of member</th>
<th>Number of meetings attended</th>
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<tbody>
<tr>
<td>P. Mzizi (Chairperson)</td>
<td>3</td>
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<tr>
<td>R. Theunissen</td>
<td>4</td>
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Audit Committee responsibility
The Audit Committee reports that it has complied with its responsibilities arising from section 38(1)(a) of the PFMA and Treasury Regulation 3.1.13.

The Audit Committee also reports that it has adopted an audit committee charter, regulates its affairs in compliance with its charter and will discharge its responsibilities as contained therein.

The effectiveness of internal control
The system of control is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with regular feedback regarding the appropriateness and effectiveness of internal controls. This is achieved by means of a risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors and the Audit Report on the Annual Financial Statements it was noted that no significant or material noncompliance with prescribed policies and procedures have been reported. Accordingly, we can report that the system of internal control for the period under review was effective and efficient.

The Audit Committee is, however, concerned that Internal Audit is inadequately resourced and funded, thereby adversely affecting the reliance that the Committee is able to place on the functions of Internal Audit. It is also of concern that the Audit Committee comprises only 2 persons from outside the department and believes that additional representation of appropriately experienced persons on the Committee is required.

Cognisance should be taken of significant transfer payments and subsidies by the department where no control is exercised by the department after payment is effected. The transfers and subsidies of the Department comprise 73 % of the total actual expenditure.

Evaluation of Financial Statements
The Audit Committee has

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General; and
- Reviewed the Auditor-General’s management letter and management’s response thereto.
The Audit Committee concurs and accepts the Auditor-General’s conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

Ms P. Mzizi
CHAIRPERSON OF THE AUDIT COMMITTEE
31 May 2008