



ANNEXURE E

Audit Action Plan

ANNEXURE E

SENQU LOCAL MUNICIPALITY

AUDIT ACTION PLAN 2011/2012

FINDINGS	CORRECTIVE ACTION	RESPONSIBLE PERSON	DUUE DATE
Performance against predetermined objective is to be reported using the National Treasury guideline. Sufficient appropriate evidence in relation to the selected objectives for presentation could not be obtained from the municipality as the annual performance report was not aligned to SDBIP and IDP. There were no satisfactory audit procedures that we could perform to obtain the required assurance as to the validity, accuracy and completeness of the reported performance against predetermined objectives	Action is to utilise the national treasury guideline The municipality is in the process of realigning the SDBIP and IDP to correct this problem in the next financial year	D.P.Agyemang B.Viedge	End of FY 31-Jan-12
Consistency: Objectives and targets are not consistent between planning and reporting documents Measurability: Indicators are not well defined and/or verifiable and targets are not specific and/or time bound Reported performance against predetermined indicators is not consistent with the approved IDP.	Being addressed in new SDBIP Being addressed in new SDBIP Being addressed in new SDBIP	B.Viedge B.Viedge B.Viedge	31-Jan-12 31-Jan-12 31-Jan-12
Validity, accuracy and completeness of the performance information could not be audited as actual outputs were not available for inspection.	Being addressed in new SDBIP	B.Viedge	31-Jan-12
The mayor did not table, in council, the 2009-10 annual report of the municipality, within seven months after the end of the financial year, as required by section 127(2) of the MFMA.	Being addressed in the new FY	D.P.Agyemang	30-Jun-12
The annual performance report did not contain a comparison of the performance of the municipality and of each external service provider with development priorities, objectives and performance indicators set out in its integrated development plan IDP as required by section 46 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).	Being addressed in the new FY	D.P.Agyemang	30-Jun-12
The municipality does not have reliable information systems for the recording and reporting of performance information as there were inconsistencies identified between the IDP, SDBIP and the annual report.	Inconsistencies being addressed	D.P.Agyemang	30-May-12
The performance audit committee or another committee functioning as the performance audit committee did not review the municipality's performance management system and make recommendations in this regard to the council as required by Municipal Planning and Performance Management Regulation 14.	The Audit Committee has already committed to reviewing all performance information every quarter	MM's Office	Already in progress
The accounting officer did not monitor the implementation of action plans to address internal control deficiencies in ensuring that a proper control system exists for assets in order to eliminate losses.	Compliance register has already been drawn up for all legislation and policies governing the municipality	MM's Office	Already in progress
The audit committee did not effectively exercise oversight by reviewing annual performance reports to confirm accuracy, completeness and validity of the information relating to predetermined objectives before submission for audit purposes.	The Audit Committee has already committed to reviewing all performance information every quarter	MM's Office	Already in progress

Audit Action Plan (cont.)

FINDINGS	CORRECTIVE ACTION	RESPONSIBL E PERSON	DU E DATE
Management's philosophy is positive; however, oversight responsibilities over reporting, compliance with laws and regulations and internal control are not exercised and the accounting officer does not evaluate whether management has implemented effective internal controls, risk management and performance management.	Compliance register has already been drawn up for all legislation and policies governing the municipality, there is also a Management resolution chart to ensure implementation of resolutions	MM's Office	Already Done
The risk assessment on the SCM system was not done during the year under review.	already performed, annually reviewed	MM's Office	Already done
The audit committee did not promote accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment, including financial and performance reporting as required by section 166(2) of the MFMA as the annual performance report was found to be unreliable and inadequate for audit purposes.	The Audit Committee has already committed to reviewing all performance information every quarter	MM's Office	Already done
Disclosed in notes 42.2 and 43.1 to the financial statements is unauthorised expenditure of R358 350 incurred during the current year as a result of overspending on waste management. The expenditure of R2 million incurred in the previous years was condoned by the council during the year as set out in note 43.1 to the financial statements.	Implement controls on the Financial System to prevent, fruitless and wasteful and irregular expenditure and ensure that all supporting documentation accompanying payments are complete and valid and agree with all applicable legislation	SCM Manager	Monthly
The municipality incurred expenditure that was not budgeted for and incurred expenditure in excess of the limit of the amount provided for in the vote in the approved budget, in contravention of section 15 of the MFMA.	Implement controls on the Financial System to prevent, irregular and unauthorised expenditure and ensure that all supporting documentation accompanying payments are complete and valid and agree with all applicable legislation and have been budgeted for and that sufficient money is available in selective vote	SCM Manager	Monthly
The financial statements submitted for auditing were not prepared, in all material respects, in accordance with the requirements of section 122 of the MFMA. Material misstatements of expenditure and disclosure items identified by the auditors were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.	The financial statements will be submitted in accordance with the requirements of section 122 of the MFMA to prevent material misstatements of expenditure and disclosure items.	BTO	31-Aug-12
Invitations for competitive bidding were not always advertised for a required minimum period of days as per the requirements of supply chain management (SCM) regulation 22(1) and 22(2).	Invitations for competitive bidding will be advertised for a required minimum period of days as per the requirements of supply chain management (SCM) regulation 22(1) and 22(2). All tenders above 10 Million will now be advertised for 30 Days	SCM Manager	Monthly
The accounting officer did not take reasonable steps to prevent unauthorised, irregular e expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA	Implement controls on the Financial System to prevent, irregular and unauthorised expenditure and ensure that all supporting documentation accompanying payments are complete and valid and agree with all applicable legislation and have been budgeted for and that sufficient money is available in selective vote to ensure compliance with section 62(1)(d) of the MFMA	SCM Manager	Monthly

Audit Action Plan (cont.)

FINDINGS	CORRECTIVE ACTION	RESPONSIBLE PERSON	DU DATE
Revenue received by the municipality was not always reconciled at least on a weekly basis , as required by section 64(2)(h) of the MFMA.	Revenue received by the municipality will be reconciled on a weekly basis , as required by section 64(2)(h) of the MFMA.	Revenue Manager	Weekly
The council did not approve the disposal of capital assets as required by municipal asset transfer regulation 5(b)iii/ 8(b)(ii)(GNR 878 of 22 August 2008) with a carrying value of R277 632. Furthermore, the asset management policy was not adhered too as it stipulates that every head of department shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in question is promptly reported in writing to the municipal manager (MM), chief financial officer (CFO), to the internal auditor, and – in cases of suspected theft or malicious damage – also to the South African Police Service (SAPS).	All assets to be disposed will be presented to council for approval according to by municipal asset transfer regulation 5(b)iii/ 8(b)(ii)(GNR 878 of 22 August 2008). All managers will ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in question is promptly reported in writing to the municipal manager (MM), chief financial officer (CFO), and to the internal auditor. In cases of suspected theft or malicious damage – it will also be reported to the South African Police Service (SAPS).	SCM Manager	AS Required
ACHIEVEMENT OF INTERNAL CONTROLS OBJECTIVES:			
Leadership: The accounting officer did not monitor the implementation of action plans to address internal control deficiencies in ensuring that a proper control system exists for assets in order to eliminate losses.	Each department will implement an effective system of internal controls to mitigate losses and risks associated thereof	CFO	As Required
Procurement and Contract Management: Three quotations were not obtained from eight suppliers on procurement of goods and services worth more than R2 000 each, totalling to R46 506 as required by paragraph 12 of the SCM policy .	The SCM unit will ensure that three quotations are obtained for all goods and services procured worth more than R2 000 but less than R 30 000 as required by paragraph 12 of the SCM policy .	SCM Manager	AS Required
The two tenders awarded to contractors amounting to R24,4 million were advertised for only 22 days. This is in contravention of SCM Regulation 22(1)(b), which requires the tenders worth more than R10 million to be advertised for at least 30 days.	Invitations for competitive bidding will be advertised for a required minimum period of days as per the requirements of supply chain management (SCM) regulation 22(1) and 22(2). All tenders above 10 Million will now be advertised for 30 Days	SCM Manager	AS Required
One tender was awarded to a joint venture for an amount of R24,4 million in which the previous mayor is a related party to the transaction as his spouse is a director of one of the companies in the joint venture. This award was not disclosed in the financial statements as required by SCM Regulation 45.	MBD forms will be attached, and also will monitor and adhere to all the necessary requirements as per SCM regulations.	SCM Manager	AS Required
The accounting officer does not publish the bid register on the municipality's website as required by SCM Regulations 23 (c) (iii) and (d) (iii).	The Bid Register will be published on the municipality's website as required by SCM Regulations 23 (c) (iii) and (d) (iii).	SCM Manager	Monthly

Audit Action Plan (cont.)

FINDINGS	CORRECTIVE ACTION	RESPONSIBLE PERSON	DU DATE
LEADERSHIP			
Oversight responsibility regarding reporting and compliance	Management will ensure that proper oversight over reporting and compliance with laws and regulations including internal control are exercised and the accounting officer evaluates the effectiveness over such internal controls, risk management and performance management issues.	CFO	Monthly
Effective human resource management	Actual processes and procedures implemented were not in accordance with the documented policies and procedures as leave days were not captured on the system and leave was approved after it had already been taken.	Going forward we will monitor the process and adhere to applicable procedures.	Corporate
Implementation of policies and procedures	The asset management policy was not fully implemented as there were asset losses for which there was no evidence of any investigations and reports to the MM, CFO and SAPS as per the policy.	The asset management policy will be fully implemented and investigations and reports to the MM, CFO and SAPS as per the policy will be done.	SCM Manager
Establishment of an IT governance framework	The disaster recovery plan used by the municipality is in a draft format, it has not been tested for effective operation and it has not been approved by the council.	The disaster recovery plan used by the municipality will be approved by council and be tested for effectiveness..	IT Manager
Controls over daily and monthly processing and reconciling of transactions	Controls over daily and monthly processing and reconciling of transactions were not implemented as interdepartmental expenses incurred were not eliminated and the processing of revenue amounts to the general ledger were not appropriately accounted for monthly as the amounts were processed inclusive of VAT and a lump sum journal was processed at year-end to correct the error.	The Municipality will implement a system of internal control to ensure that interdepartmental expenses incurred are eliminated and the processing of revenue amounts to the general ledger are done in an accurate manner, appropriately accounted for on a monthly basis with monthly VAT recons being done	Revenue Manager
Formal control over IT systems	There are no controls in place over IT systems as all the ledger users have the function of adding and deleting suppliers on the supplier master file.	Access Controls will be placed on ledger users to ensure that only the IT Manager have the function of adding and deleting suppliers on the supplier master file.	IT Manager/CFO

Audit Action Plan (cont.)

FINDINGS	CORRECTIVE ACTION	RESPONSIBL E PERSON	DU DATE
Use of consultants for financial statement preparation The financial statements of the municipality were prepared by consultants however there appears to be no necessary skills transfers to the employees of the municipality as the municipality continually relies on the use of consultants each year. The municipality did not initially appropriately account for and disclose all the related-party transactions. This was subsequently corrected.	Skills transfers will take place in the future and the municipality will ensure that the use of consultants are reduced as those skills transferred are absorbed	CFO BTO	AS required AS required
GOVERNANCE	The municipality will appropriate an account for and disclose all the related-party transactions.		
Risk management	The risk assessment on the SCM system will be done during the year under review.	SCM Manager	End January 2012

