

CHAPTER
6

AUDITOR GENERAL
AUDIT FINDINGS

FIRST DRAFT

COMPONENT A: PERFORMANCE ISSUES OF 2010/2011

- ANNEXURE C: AUDIT ACTION PLAN TO ADDRESS ISSUES RAISED 2010/2011

This Chapter is required to provide required detail regarding :

- issues raised during the previous financial year (2010/2011); and
- remedial action taken to address the above and preventative measures.

Accordingly the Audit Action Plan for 2010/2011 is provided to illustrate the issues raised and addressed during this timeframe. It is suggested that the Audit Action Plan for 2011/2012 be read together with this and all audit reports for 2011/2012 so that actual progress, growth and challenges can be clearly understood.

For the period 2011/2012 the following documents are provided:

- Auditor General's Report 2011/2012
- Audit Committee Report 2011/2012
- MPAC Oversight Report 2011/2012
- Audit Action Plan 2011/2012

COMPONENT B: ISSUES OF AUDIT RELATING TO 2011/2012

- ANNEXURE D: THE AUDITOR GENERAL'S REPORT FOR 2011/2012
- ANNEXURE E: AUDIT ACTION PLAN 2011/2012
- ANNEXURE F: AUDIT COMMITTEE REPORT 2011/2012
- ANNEXURE G: MPAC REPORT FOR 2011/2012

ANNEXURE
C

AUDIT ACTION PLAN 2010/2011

FIRST DRAFT



SENQU LOCAL MUNICIPALITY

AUDIT ACTION PLAN 2010/2011(Prevouis Fiancial Year)ANNEXURE: D

FINDINGS	CORRECTIVE ACTION	Responsible Person	Due Date	Status To Date
Performance against predetermined objective is to be reported using the National Treasury guideline.	Action is to utilise the national treasury guideline	D.P. Agyemang (IPME Director)	End of FY	Ongoing
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	The municipality is in the process of realigning the SDBIP and IDP to correct this problem in the next financila year	B. Viedge (IDP Officer)	31-Jan-12	Not Addressed
Consistency: Objectives, indicators and targets are not consistent between planning and reporting documents	Being addressed in new SDBIP	B. Viedge (IDP Officer)	31-Jan-12	Not Addressed
Measurability: Indicators are not well defined and/or verifiable and targets are not specific and/or time bound.	Being addressed in new SDBIP	B. Viedge (IDP Officer)	31-Jan-12	Not Addressed
Reported performance against predetermined indicators is not consistent with the approved IDP.	Being addressed in new SDBIP	B. Viedge (IDP officer)	31-Jan-12	Not Addressed
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 (IDP Officer)	31-Jan-12	Not Addressed

AUDIT ACTION PLAN 2010/2011 ANNEXURE: D (Cont.)

FINDINGS	CORRECTIVE ACTION	Responsible Person	Due Date	Status To Date
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 (IPME Director)	30-Jun-12	Addressed, the draft annual report was tabled on the Exco meeting on the 25 Jan 2012 and Special council – 31 Jan 2012.
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 (IPME Director)	30-Jun-12	Partially Addressed.
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 (IPME Director)	30-May-12	Not Addressed, The service provider has been appointed and has reworked on the document to ensure that the alignment and consistency between IDP and SDBIP.
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	Addressed.

AUDIT ACTION PLAN 2010/2011 ANNEXURE: D (Cont.)

FINDINGS	CORRECTIVE ACTION	Responsible Person	Due Date	Status To Date
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	Addressed.
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	Addressed
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	Ongoing
The risk assessment on the SCM system was not done during the year under review.	already performed, annually reviewed	MM's Office	Already done	Addressed, Risk assessment on SCM system was done and annually reviewed.

AUDIT ACTION PLAN 2010/2011 ANNEXURE: D (Cont.)

FINDINGS	CORRECTIVE ACTION	Responsible Person	Due Date	Status To Date
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	Addressed.
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	CFO	Monthly	Partially Addressed, The controls are put in place its up to the directors to adhere.
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 controls is when the vote has insufficient funds the orders should not be issued AND On the Sebata system the warning sign appears that the vote is over spenden when processing the order.

AUDIT ACTION PLAN 2010/2011 ANNEXURE: D (Cont.)

FINDINGS	CORRECTIVE ACTION	Responsible Person	Due Date	Status To Date
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	As Required.
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	Partially addressed, Finance Department indicated that this F/Y they have not yet issued a tender above R10 million but they are aware of that.
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	CFO	Monthly	The controls are put in place its up to the directors to adhere.
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	Addressed.

AUDIT ACTION PLAN 2010/2011 ANNEXURE: D (Cont.)

FINDINGS	CORRECTIVE ACTION	Responsible Person	Due Date	Status To Date
The council did not approve the disposal of capital assets as required by municipal asset transfer regulation 5(b)(ii)/ 8(b)(ii)(GNR 878 of 22 August 2008) with a carrying value of R277 632. Furthermore, the asset management policy was not adhered to 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)(ii)/ 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	Addressed
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	MM's Office	As Required	Addressed

AUDIT ACTION PLAN 2010/2011 ANNEXURE: D (Cont.)

FINDINGS	CORRECTIVE ACTION	Responsible Person	Due Date	Status To Date
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	Partially addressed, the travelling agent has been appointed relating to accommodation issue, Catering the department have to select their own caterer.
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	Partially addressed, Finance Department indicated that in this F/Y they have not yet issued a tender above R10 million.
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.	CFO	AS Required	Addressed.
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).	IT Manager	Monthly	Addressed, Bid Register is published on the municipality's website.

AUDIT ACTION PLAN 2010/2011 ANNEXURE: D (Cont.)

FINDINGS	CORRECTIVE ACTION	Responsible Person	Due Date	Status To Date
LEADERSHIP				
Oversight responsibility regarding reporting and compliance				
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.	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.	MM's Office	Monthly	Compliance register and risk register are monitored every month.
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	Monthly	Addressed.
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	AS Required	Addressed, the asset management & insurance policy was approved by the council on the 22 February 2012.

AUDIT ACTION PLAN 2010/2011 ANNEXURE: D (Cont.)

FINDINGS	CORRECTIVE ACTION	Responsible Person	Due Date	Status To Date
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	30-Jun-12	Addressed, was approved by the council on the 22 February 2012.
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	BTO	Daily	Vat reconciliation is done daily on the system and end of the month then reconciled.
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	AS required	Addressed.
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.	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	AS required	Partially addressed, Skills are transferred is taking place.

AUDIT ACTION PLAN 2010/2011 ANNEXURE: D (Cont.)

FINDINGS	CORRECTIVE ACTION	Responsible Person	Due Date	Status To Date
The municipality did not initially appropriately account for and disclose all the related-party transactions. This was subsequently corrected.	The municipality will appropriate an account for and disclose all the related-party transactions.	BTO	AS required	The appropriate account will be disclosed on this F/Y's financial statement.
GOVERNANCE				
Risk management				
The risk assessment on the SCM system was not done during the year under review.	The risk assessment on the SCM system will be done during the year under review.	SCM Manager	End January 2012	Addressed.

**ANNEXURE
D**

**AUDITOR GENERAL'S REPORT
2011/2012**

**REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL
LEGISLATURE AND THE COUNCIL ON SENQU MUNICIPALITY**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of Senqu Municipality set out on pages 343 to 463 which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation of these financial statements in accordance with South African Standard of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act 2010 (Act No. 1 of 2010) and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. 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 control relevant to the entity's preparation 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Senqu Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with GRAP and the requirements of the MFMA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 39 to the financial statements, the corresponding amounts included in the financial statements for the financial year ended 30 June 2012 have been restated for the purposes of corrections of errors in the prior year. These corrections arose as a result of the indication of the discontinuation of water services provided by the district municipality, as well as compliance with GRAP 13 in regard to the classification of the three year lease contract; and the VAT implication on prior year debts written off by the council in the current year.

Material losses

9. As disclosed in note 45.4 to the financial statements, the municipality suffered an electricity loss of 3,7 million kilowatts in the current year (2011: 5,6 million kilowatts) amounting to R2,2 million (2011: R3 million).

Additional matter

I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited Supplementary Schedules

10. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. We have not audited these schedules and, accordingly, we do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages XX to XX of the annual report.

13. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts.

The material findings are as follows:

Usefulness of information

Presentation

14. During the performance of predetermined objectives, the following weaknesses were identified: the municipality did not prepare a performance report that entails performance of each external service provider, a comparison of the performance with targets set for and performances in the previous financial year were not included in the performance report, in addition the mechanism and measures to improve the performance were also not included in the performance report.

Consistency

15. During the audit of the predetermined objectives, it was noted that the indicators, targets and strategies reflected in the SDBIP/IDP are not aligned to the annual report, thus the consistency between the planning and reporting documents could not be verified.

Measurability

16. It was noted during the execution of the pre-determined objectives that the key performance indicators are not well defined. It was also noted that there are some focus areas which have no set targets and/or key performance indicators.

Reliability of information

Validity

17. During the audit of the predetermined objectives it was noted that the municipality did not provide the training of the councilors for the purpose of developing their skills to be able to oversee their roles in monitoring and evaluation.

Additional matter

I draw attention to the matter below. My conclusion is not modified in respect of this matter:

Achievement of planned targets

18. Of the total of 127 planned targets, only 39 were achieved during the year under review. This represents 69% of total planned targets that were not achieved during the year under review. This was as a result of the municipality not

considering relevant systems and evidential requirements during the annual strategic planning process.

Compliance with laws and regulations

19. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Strategic Planning and Performance management

20. The municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players as required by sections 38, 39, 40 and 41 of the Municipal Systems Act (MSA) and Municipal Planning and Performance Management Regulations (PPMR) 7 and 8.

Budget

21. The mayor did not submit all quarterly reports to council on the implementation of the budget and the financial state of affairs of the municipality within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.
22. The mayor did not take all reasonable steps to ensure that the municipality's service delivery and budget implementation plan is approved within 28 days after the approval of the budget, as per requirement of section 53 1 (c) (ii) of the MFMA.

Financial statements, performance and annual report

23. 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 were identified by the auditors.
24. 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 IDP as required by section 46 of the MSA.

Procurement and contract management

25. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of Supply Chain Management (SCM) regulation 17(a) and (c).
26. The register of bids received on time and the bid results were not published on the website of the municipality as per the requirement of SCM regulation 23(c).
27. Awards were made to suppliers based on criteria that were not similar to those stipulated in the original bid documents as per the requirements of SCM regulation 21(b).

28. Awards were made to suppliers who did not submit a declaration of their employment by the state or their relationship to a person employed by the state as per the requirements of Municipal SCM regulation 13(c).
29. The contract performance measures and methods whereby they are monitored were insufficient to ensure effective contract management as per the requirements of section 116(2) (c) of the MFMA.
30. Awards were made to providers who are persons in service of other state institutions in contravention of the requirements of SCM regulations 44. Furthermore the providers failed to declare that they are in the service of the state as required by SCM regulation 13(c).

Internal control

27. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

Leadership

- The accounting officer did not exercise the oversight responsibilities over adherence to the SCM Regulations to ensure compliance with laws and regulations as well as effective internal controls.
- Material misstatements were identified in commitments. Material transfers of disallowed internal funds and reserves were made from the accumulated surplus and disclosed as a separate line item in the statement of net assets.

Financial and performance management

- The accounting officer did not design and implement adequate systems for predetermined objectives, as documented policies and procedure manuals were not implemented, as a result, significant deficiencies were identified in the annual performance report.

East London

30 November 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE
E

**AUDIT ACTION PLAN
2011/2012**



SENQU LOCAL MUNICIPALITY

AUDIT ACTION PLAN 2011/2012

FINANCE DEPARTMENT

#	AUDIT FINDINGS	SECTION WHERE REPORTED IN THE AUDIT REPORT	CORRECTIVE ACTION	RESPONSIBLE PERSON	DUE DATE
1.	During our audit of procurement and contract management, it was noted that a register of bids received on time as well as bid results were not published on the municipality's website.(EX 6)	Number 24 under compliance with laws & regulation "Procurement and contract management"	The issue has been rectified	CFO	Done
2.	During the walkthrough performed for supply chain management, it was noted that quotations to procure goods and services were obtained from related suppliers owned by same members. It was further noted while inspecting companies' letter heads that all three quotations received are from the same supplier as these companies have the same contact details (telephone numbers and fax no) whereas they do not share the same building. (Ex 9)	Number 23 under compliance with laws & regulation "Procurement and contract management"	Once quotations are obtained, they must be checked by the responsible director before submission to the SCM section.	CFO/All directors	Immediate

AUDIT ACTION PLAN 2011/2012 (Cont.)

#	AUDIT FINDINGS	SECTION WHERE REPORTED IN THE AUDIT REPORT	CORRECTIVE ACTION	RESPONSIBLE PERSON	DUE DATE
3.	<p>During the performance of predetermined objectives, the following weaknesses were identified:</p> <ul style="list-style-type: none"> the municipality did not prepare a performance report that entails performance of each external service provider. a comparison of the performance with targets set for and performances in the previous financial year were not included in the performance report. <ul style="list-style-type: none"> mechanism and measures to improve the performance were also not included in the performance report. (Ex 21) 	Number 27 under compliance “Financial statements, performance and annual report”	<p>(Each department must do own assessment based on drafted SLA (SLAs must be ready before an order is issued), SCM should compile a report and IPME should get a report for inclusion in the performance reports)</p> <p>To look at the details of the exception</p>	CFO	28 February 2013/Immediate
4.	<p>During the audit of compliance, it was noted that the comparison of each external service provider with development priorities, objectives and performance indicators set out in the municipality's IDP has not been included in the annual performance report submitted for audit purposes. (Ex 17)</p>	Number 22 under compliance “Financial statements, performance and annual report”	The matter would be corrected in the new financial year	CFO/IPME Director	June 2013

AUDIT ACTION PLAN 2011/2012 (Cont.)

CORPORATE SERVICES DEPARTMENT

#	AUDIT FINDINGS	SECTION WHERE REPORTED IN THE AUDIT REPORT	CORRECTIVE ACTION	RESPONSIBLE PERSON	DUE DATE
1	During the audit of predetermined objectives, it was noted that there is no evidence indicating that animals are frequently degraded and no evidence was obtained to confirm that live stock on the camps are counted by the supervisor to ensure that money paid by owners of livestock is correct.(EX 66)	Number 18 under pre-determined objectives "Achievement of planned targets"	Supervisors have been instructed to supply figures of animals in the camps in their monthly reports.	Community Services Director	End January 2013
2	During the audit of the predetermined objectives, no evidence obtained to confirm that quarterly reports on the maintenance of the cemeteries. (Ex 93)	Number 18 under pre-determined objectives "Achievement of planned targets"	Quarterly reports are being submitted	Community Services Director	Immediately

AUDIT ACTION PLAN 2011/2012 (Cont.)

COMMUNITY SERVICES DEPARTMENT

#	AUDIT FINDINGS	SECTION WHERE REPORTED IN THE AUDIT REPORT	CORRECTIVE ACTION	RESPONSIBLE PERSON	DUE DATE
1	During the audit of predetermined objectives, it was noted that there is no evidence indicating that animals are frequently degraded and no evidence was obtained to confirm that live stock on the camps are counted by the supervisor to ensure that money paid by owners of livestock is correct.(EX 66)	Number 18 under pre-determined objectives "Achievement of planned targets"	Supervisors have been instructed to supply figures of animals in the camps in their monthly reports.	Community Services Director	End January 2013
2	During the audit of the predetermined objectives, no evidence obtained to confirm that quarterly reports on the maintenance of the cemeteries. (Ex 93)	Number 18 under pre-determined objectives "Achievement of planned targets"	Quarterly reports are being submitted	Community Services Director	Immediately

IPME DEPARTMENT

#	AUDIT FINDINGS	SECTION WHERE REPORTED IN THE AUDIT REPORT	CORRECTIVE ACTION	RESPONSIBLE PERSON	DUE DATE
1.	<p>During the audit of the predetermined objectives, it was noted that the indicators, targets and strategies reflected in the SDBIP/IDP are not aligned to the annual report, thus the consistency between the planning and reporting documents could not be verified. (Ex 51)</p> <p>(1) The following are the examples of inconsistent indicators between the approved five year IDP and the Performance Information report.</p> <p>(2) The following are the examples of the inconsistent targets between the IDP and the Performance Information (PI).</p> <p>(3) The following are the examples of inconsistency between the IDP strategies, PI report and reported information in the Annual Report.</p>	<p>Number 16 under pre-determined objectives</p> <p>“Consistency”</p>	<p>The new(2012/13) SDBIP and IDP are now aligned</p>	IPME Director	Done

AUDIT ACTION PLAN 2011/2012 (Cont.)

#	AUDIT FINDINGS	SECTION WHERE REPORTED IN THE AUDIT REPORT	CORRECTIVE ACTION	RESPONSIBLE PERSON	DUE DATE
2.	<p>During the performance of predetermined objectives, the following weaknesses were identified:</p> <ul style="list-style-type: none"> a comparison of the performance with targets set for and performances in the previous financial year were not included in the performance report. mechanism and measures to improve the performance were also not included in the performance report. (Ex 21) 	Number 15 under pre-determined objectives "Presentation"	<p>(Each department must do own assessment based on drafted SLA (SLAs must be ready before an order is issued), SCM should compile a report and IPME should get a report for inclusion in the performance reports)</p> <p>To look at the details of the exception</p>	IPME Director	28 February 2013/Immediate
3.	During the audit of KPIs per performance agreement against SDBIP 2011/12 financial year of Community Services Manager, it was identified that SDBIP does not include output and outcome indicators. (Ex 24)	Number 16 under pre-determined objectives "Consistency"	The new (2012/13) score card has been corrected and includes input, output and outcome indicator.	IPME Director	Done
4.	During the audit of predetermined objectives, it was noted that the key performance area "Spatial analysis and rationale" contained in the IDP was not included in the SDBIP. (Ex 25)	Number 16 under pre-determined objectives "Consistency"	The SDF KPA was taken off as it is not the prescribed Performance Regulations KPA's. It has now been removed from the 2012/13 IDP.	IPME Director	Done
5.	<p>During the audit of pre-determined objectives the following discrepancies were identified between budget and the IDP:</p> <p>Key performance areas per IDP could not be easily aligned with key performance areas as on the budget. (Ex 26)</p>	Number 16 under pre-determined objectives "Consistency"	The matter was rectified (2012/13) and the IDP and Budget are now aligned	IPME Director	Done

AUDIT ACTION PLAN 2011/2012 (Cont.)

#	AUDIT FINDINGS	SECTION WHERE REPORTED IN THE AUDIT REPORT	CORRECTIVE ACTION	RESPONSIBLE PERSON	DUE DATE
6.	During the audit of Pre-determined Objectives, it was noted that focus areas and strategies contained in the SDBIP are not aligned to the IDP(EX 31)	Number 16 under pre-determined objectives "Consistency"	The matter is corrected in the new Financial year (2012/13)	IPME Director	Done
7.	During the audit of predetermined objectives, it was noted that key performance indicators are not well defined. It was further noted that some focus areas have no set targets and/or key performance indicators. (EX 32)	Number 17 under pre-determined objectives "Measurability"	The matter is corrected in the new Financial year	IPME Director	Done
8.	During the audit of predetermined objectives, it was noted that inputs sources and outputs for some targets and indicators could not be verified. (EX 37)	Number 18 under pre-determined objectives "Achievement of planned targets"	The matter has been rectified	IPME Director	Done
9.	During the audit of the predetermined objectives, it was noted that the municipality does not keep evidence to support achievements reported in the annual performance report. (Ex 48)	Number 18 under pre-determined objectives "Achievement of planned targets"	Quarterly assessments will be carried out as from January 2013	IPME Director	End of January 2013 for first half year assessment & 2 nd will be included in s46 report on 31/08/2013

AUDIT ACTION PLAN 2011/2012 (Cont.)

#	AUDIT FINDINGS	SECTION WHERE REPORTED IN THE AUDIT REPORT	CORRECTIVE ACTION	RESPONSIBLE PERSON	DUE DATE
10.	During the audit of pre determined objectives, it was noted that some strategies outlined in the IDP are not included in the SDBIP. (Ex 52)	Number 16 under pre-determined objectives "Consistency"	Corrected in the new financial year	IPME Director	Done
11.	During the audit of the predetermined objectives, it was noted that no explanations or corrective measures were indicated in the annual report where the set targets were not achieved. (Ex. 54)	Number 20 under compliance with laws & regulation "Strategic planning and performance management"	To be corrected in the new year (2012/13)	IPME Director	31 August 2013
12.	As per inspection of the SDBIP it was noted that timeframes to achieve set targets for certain development priorities were not stated and some targets were not set. (EX 64)	Number 17 under pre-determined objectives "Measurability"	Would be corrected in the new financial year	IPME Director	31 March 2013

AUDIT ACTION PLAN 2011/2012 (Cont.)

#	AUDIT FINDINGS	SECTION WHERE REPORTED IN THE AUDIT REPORT	CORRECTIVE ACTION	RESPONSIBLE PERSON	DUE DATE
13	<p>During the audit of the pre-determined objectives, evidence to confirm that job creations focus area as per page 120 of the IDP could not be obtained:</p> <ul style="list-style-type: none"> Council meetings where the resolution was taken to transfer the Plastics Projects to the Joe Gqabi District Municipality (JGDM); Evidence that the municipality works with the Department of Water Affairs to co-ordinate the working for water project; and Evidence that the youth job creation plan has been developed. (EX 68) 	Number 18 under pre-determined objectives “Achievement of planned targets”	Corrected on a new IDP.	IPME Director	Done
14	<p>During the audit of the predetermined objectives, it was noted that small town regeneration has not yet commenced and the small town regenerations plans could not be obtained for audit purposes. (EX 69)</p>	Number 18 under pre-determined objectives “Achievement of planned targets”	It has been rectified. Monies with provincial approval were moved from small town regeneration to the LED strategy development.	IPME Director	Done
15	<p>During the audit of the predetermined objectives, it was noted that targets which were planned to be achieved in the current financial year - 2011/12 were not met as no evidence was obtained to support these achievements(Ex 76)</p>	Number 18 under pre-determined objectives “Achievement of planned targets”	This has been rectified as quarterly reporting will be instilled	IPME Director	January 2013

AUDIT ACTION PLAN 2011/2012 (Cont.)

#	AUDIT FINDINGS	SECTION WHERE REPORTED IN THE AUDIT REPORT	CORRECTIVE ACTION	RESPONSIBLE PERSON	DUE DATE
16	During the audit of the predetermined objectives, it was noted that the municipality has targets in the IDP which are not reported in its annual performance report, no explanation for variances was indicated and measures to ensure that these targets are achieved are also not documented in the annual performance report. (Ex 77)	Number 15 under pre-determined objectives "Presentation"	This has been rectified	IPME Director	Done
17	During the audit of the predetermined objectives, it was noted that the first three quarterly performance reviews for Section 57 Managers were not submitted for audit, therefore, we could not confirm whether quarterly reviews did actually take place(Ex 78)	Number 18 under pre-determined objectives "Achievement of planned targets"	This has been rectified	IPME Director	Done and ongoing
18	During the audit of the predetermined objectives, it was noted the councillors were not provided training on the anti-corruption code of ethics as no evidence was obtained to confirm that the training did actually takes place. (Ex 83)	Number 18 under pre-determined objectives "Achievement of planned targets"	Training of councillors and staff will be conducted in February 2013.	IPME Director	28 February 2013
19	During the audit of the predetermined objectives, it was noted that the website upgrade is not fully implemented and on enquiry of the management, it was indicated that the municipal website issues will be fully resolved in the 2012/13 financial year. (Ex 84)	Number 18 under pre-determined objectives "Achievement of planned targets"	Will be fully functional by the end of April 2013.(Design is complete and training to be provided).	IPME Director	30 April 2013

AUDIT ACTION PLAN 2011/2012 (Cont.)

#	AUDIT FINDINGS	SECTION WHERE REPORTED IN THE AUDIT REPORT	CORRECTIVE ACTION	RESPONSIBLE PERSON	DUE DATE
20.	During the audit of the predetermined objectives, it was noted that there are targets which appeared in the service delivery and budget implementation plan (SDBIP) which were not reported in the annual performance report. (Ex 94)	Number 18 under pre-determined objectives "Achievement of planned targets"	It will be corrected in next financial year	IPME Director	30 June 2013
21.	During the audit of the predetermined objectives, evidence to confirm that hawkers association and LED forum have been established and functional was not made available for inspection. (Ex 96)	Number 18 under pre-determined objectives "Achievement of planned targets"	The matter would be fixed	IPME Director	Done & Ongoing
22.	During the audit of compliance, it was noted that the comparison of each external service provider with development priorities, objectives and performance indicators set out in the municipality's IDP has not been included in the annual performance report submitted for audit purposes. (Ex 17)	Number 22 under compliance "Financial statements, performance and annual report"	The matter would be corrected in the new financial year	CFO/IPME Director	June 2013
23.	During the audit of the predetermined objectives, it was noted that business forums and co-operative development have not yet commenced as supporting documents could not be obtained with regard to the following:(1) Hawkers Associations; and (2) Functioning LED forum. (Ex 70)	Number 18 under pre-determined objectives "Achievement of planned targets"	It will be rectified	IPME Director	Immediate

AUDIT ACTION PLAN 2011/2012 (Cont.)

TECHNICAL SERVICES DEPARTMENT

#	AUDIT FINDINGS	SECTION WHERE REPORTED IN THE AUDIT REPORT	CORRECTIVE ACTION	RESPONSIBLE PERSON	DUE DATE
1	During the audit of the predetermined objectives, it was noted that of the target of 1000 houses to be built in the year under review, only 802 houses were actually built, per inspection of the progress report it confirmed that 194 houses being built in Lady Grey area were still in progress in October 2012 (Ex 92)	Number 17 under pre-determined objectives "Measurability"	1000 houses in Lady Grey are complete. 802 in Barkley East is also complete. 194 in Lady Grey are still in progress to be completed end of June 2013.	Technical Director	Done Done June 2013
2	During the audit of the predetermined objectives, supporting documentation in respect of EPWP was not provided for audit purposes. (Ex 95)	Number 17 under pre-determined objectives "Measurability"	Reports are being submitted to the council & Public Works	Technical Director	Done

**ANNEXURE
F**

**AUDIT COMMITTEE 'S REPORT
2011/2012**

REPORT OF THE AUDIT COMMITTEE TO THE EXECUTIVE COMMITTEE AND COUNCIL OF THE SENQU MUNICIPALITY

We are pleased to present our report for the financial year ended 30 June 2012

Audit Committee Members and Attendance

The Audit Committee was established during 2004 and consists of the following members:

Name of Member	Number of Meetings attended for the financial year ended 30 June 2012
Mr. D Du Plessis(Chairperson)	4
Mr. G De Jager	4
Mr. .J. Hattingh	4
Mr. Spofana	4

Audit Committee Responsibility

The Audit Committee reports that it has adopted appropriate formal terms of reference via the Audit Committee Charter, which have been approved by the Municipal Manager.

Evaluation of Annual Financial Statements

These financial statements are prepared in accordance with the basis of accounting determined by the National Treasury as set out in the accounting policy and in a manner required by the MFMA.

The Audit Committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General and Council;
- Reviewed the Auditor-General report and management’s response thereto;
- Reviewed the selection of accounting policies and practices;
- Reviewed the effectiveness of the internal control systems;
- Reviewed the effectiveness of internal audit;
- Reviewed the risk areas of the Municipality’s operations to be covered in the scope of internal and external audits;
- Reviewed the adequacy, reliability and accuracy of financial information provided to management and other users of such information;
- Reviewed the accounting and auditing concerns identified as a result of internal and external audits;
- Reviewed the Municipality’s compliance with legal and regulatory provisions;
- The activities of the internal audit function, including its annual work programme, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.

The Audit Committee concurs, accepts the Auditor General 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.

Performance Measurement

The Audit Committee notes an improvement in the method of reporting the performance of the Municipality.

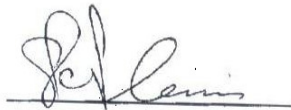
Risk Management

Whilst progress has been made in respect of the establishment of the risk management structure and framework, a risk management function and process has also been established and implemented for the year under review. The Risk Committee is acknowledged to be the Audit Committee in which risk management reports have been tabled.

Facilitation of the strategic and operational risk assessments has been conducted. Notwithstanding, it is acknowledge that there are still areas where improvement in risk management is required and it is suggested that Department conduct their own risk assessments and put in place the appropriate controls within which to mitigate risk .

Conclusion

The Committee recognizes the unqualified audit opinion received by Senqu Municipality and wishes to place on record their acknowledgement of this and the role that the Budget and Treasury Department played in these regard. Overall improvements were noted and it is appreciated that areas raised by the Auditor General under "emphasis of matter" will be addressed moving forward. The Audit Action plan represents a comprehensive list of all details that are required to be attended to within the new financial year. Ensuring that Senqu Municipality moves forward in the strategized manner in order to optimize financial efficiency and controls.



Mr. D Du Plessis
Chairperson of the Audit Committee

FIRST DRAFT

ANNEXURE
G

MPAC OVERSIGHT REPORT 2011/2012

To be finalized and included in the final Draft March 2013