

Long term liabilities are expected to decrease within the future financial period as initial loans are redeemed and no additional loans are expected to be undertaken

## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### Introduction to Spending against Capital Budget

- Capital expenditure relates mainly to construction projects that will have lasting value over many years.
- Capital expenditure is funded from grants, and the municipality's capital replacement reserve.

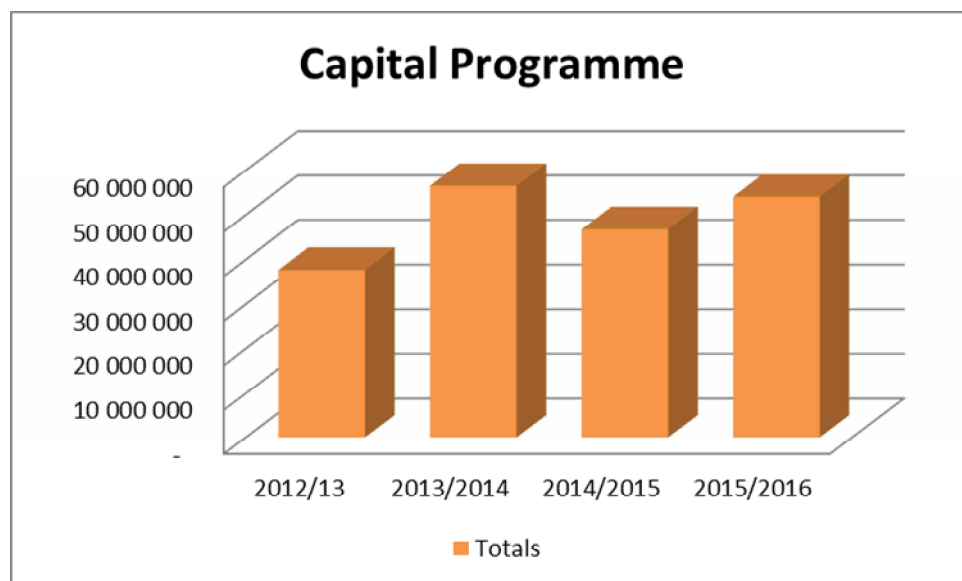
**TABLE: SENQU MUNICIPALITIES CAPITAL ACQUISITION PROGRAMME**

<b>Senqu Municipality Capital Acquisition Programme</b>	Actual Results		Budget year 1		Budget year 2		Budget year 3	
	2012/13		2013/2014		2014/2015		2015/2016	
	New	Renewal	New	Renewal	New	Renewal	New	Renewal
<b>INFRASTRUCTURE</b>								
Roads, Pavements, Bridges & Storm Water	8 494 936	-	20 054 224	-	21 988 352	-	15 689 450	-
Car Parks, Bus Terminals and Taxi Ranks	1 027 478	-	500 000	-	500 000	-	-	-
Electricity Reticulation	703 847	-	3 400 000	-	2 000 000	-	4 000 000	-
Street Lighting	-	-	1 508 176	-	4 202 048	-	2 800 000	-
Refuse sites	-	-	1 250 000	-	-	-	-	-
Sub-total Infrastructure	10 226 261	-	26 712 400	-	28 690 400	-	22 489 450	-
<b>COMMUNITY</b>								
Establishment of Parks & Gardens	-	-	-	-	-	-	-	-
Sports fields	2 780 560	-	4 792 950	-	5 379 450	-	11 909 550	-
Community Halls	1 954 286	438 596	2 850 000	2 100 000	3 000 000	2 500 000	6 600 000	3 000 000
Other	285 832	-	3 400 000	-	1 500 000	-	1 000 000	-
Sub-total Community	5 020 678	438 596	11 042 950	2 100 000	9 879 450	2 500 000	19 509 550	3 000 000

<b>Senqu Municipality Capital Acquisition Programme (cont.)</b>	Actual Results		Budget year 1		Budget year 2		Budget year 3	
	2012/13		2013/2014		2014/2015		2015/2016	
	New	Renewal	New	Renewal	New	Renewal	New	Renewal
<b>OTHER ASSETS</b>	-	-	-	-	-	-	-	-
Other motor vehicles	9 677 935	-	8 500 000	-	4 605 000	-	8 000 000	-
Plant & equipment	643 196	-	60 000	-	1 050 000	-	1 020 000	-
Office equipment	1 411 585	-	2 665 000	-	-	-	-	-
Civic Land and Buildings	-	-	4 000 000	-	-	-	-	-
Other Land and Buildings	9 368 652	854 308	-	1 400 000	-	-	-	-
Sub-total Other Assets	21 101 368	854 308	15 225 000	1 400 000	5 655 000	-	9 020 000	-
<b>TOTAL ASSETS</b>	<b>36 348 307</b>	<b>1 292 904</b>	<b>52 980 350</b>	<b>3 500 000</b>	<b>44 224 850</b>	<b>2 500 000</b>	<b>51 019 000</b>	<b>3 000 000</b>
<b>SOURCE OF FINANCE</b>	-	-	-	-	-	-	-	-
External Loans	-	-	-	-	-	-	-	-
Asset Financing Reserve	16 403 350	1 094 812	22 625 000	3 500 000	10 155 000	2 500 000	14 520 000	3 000 000
Public contributions/ donations	-	-	-	-	-	-	-	-
National Government Transfers and Grants	19 944 957	198 092	30 355 350	-	34 069 850	-	36 499 000	-
<b>TOTAL FINANCING</b>	<b>36 348 307</b>	<b>1 292 904</b>	<b>52 980 350</b>	<b>3 500 000</b>	<b>44 224 850</b>	<b>2 500 000</b>	<b>51 019 000</b>	<b>3 000 000</b>

## 5.5 CAPITAL EXPENDITURE

The following graph indicates the Capital Expenditure over the next 3 years



## 5.6 SOURCES OF FINANCE

The table below shows the sources of finances to be used for Capital Acquisitions for Senqu Municipality. It must be noted that the municipality mainly uses the MIG Grant Funding and it's Capital Replacement Reserves to fund capital acquisitions:

<b><u>Senqu Municipality Capital Acquisition Program</u></b>	<b>Actual Results</b>		Budget year 1		Budget year 2		Budget year 3	
	<b>2012/13</b>		<b>2013/2014</b>		<b>2014/2015</b>		<b>2015/2016</b>	
	<b>New</b>	<b>Renewal</b>	<b>New</b>	<b>Renewal</b>	<b>New</b>	<b>Renewal</b>	<b>New</b>	<b>Renewal</b>
<b>SOURCE OF FINANCE</b>	-	-	-	-	-	-	-	-
External Loans	-	-	-	-	-	-	-	-
<b>Asset Financing Reserve</b>	<b>16 403 350</b>	<b>1 094 812</b>	<b>22 625 000</b>	<b>3 500 000</b>	<b>10 155 000</b>	<b>2 500 000</b>	<b>14 520 000</b>	<b>3 000 000</b>
Public contributions/ donations	-	-	-	-	-	-	-	-
<b>National Government Transfers and Grants</b>	<b>19 944 957</b>	<b>198 092</b>	<b>30 355 350</b>	-	<b>34 069 850</b>	-	<b>36 499 000</b>	-
<b>TOTAL FINANCING</b>	<b>36 348 307</b>	<b>1 292 904</b>	<b>52 980 350</b>	<b>3 500 000</b>	<b>44 224 850</b>	<b>2 500 000</b>	<b>51 019 000</b>	<b>3 000 000</b>

The following table aims to highlight the infrastructure assets and progress regarding these assets during the financial year in question:

Amount	Retention	Project	Status
285 831.64	-	Barkly East Cemetery	WIP
5 503 023.64	303 124.47	Transwilger access road and bridge & ward 5 bridge	WIP. Complete, Retention
2 174 393.72	165 495.00	Construction of gravel roads in ward 7,8,9 & 12, Phase 4	WIP
2 585 890.31	-	Design and supervision of renovations and additions to sports field, Sterkspruit	WIP
348 899.15	-	Construction of access roads in ward 1,3,4 and 19	WIP
1 895 892.63	58 393.33	Construction of new Rhodes community hall	Completed
1 027 478.33	-	Sterkspruit taxi rank and hawker facilities	WIP
7 273 915.34	-	Kwezi-Naledi node development Phase 1	Completed
87 601.50	9 733.50	Construction of sport field in Kwa Gcina	WIP
87 601.50	9 733.50	Construction of sport field in Naledi	WIP
727 884.55		Electrical Infrastructure (Inventory working paper)	
<b>21 998 412.31</b>	<b>546 479.80</b>		

## COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

### Introduction to Cash Flow Management and Investments

Having displayed exceptionally good financial management and investment practices, it must be noted that the municipality is currently experiencing an extremely favourable cash flow and finds itself in a position to meet its long and short term commitments in a timely manner. The council of the municipality is regarded as the trustee of the public revenues, which it collects and it therefore has an obligation to the community to ensure that the municipality's cash resources are managed effectively and efficiently. Under these circumstances, the Council has a responsibility to invest these public revenues knowledgeably and judiciously, and must be able to account fully to the community in respect of these investments. The overall responsibility of investments lies with the Municipal Manager. However, it must be noted that the day-to-day handling of investments remains the responsibility of the Chief Financial Officer or his/hers delegates.

As part of the Cash Management Programme, the Chief Financial Officer prepares an annual estimate of the municipality's cash flow divided into calendar months and updates this estimate on a monthly basis. This estimate shall indicate when and for what periods and amounts surplus revenues may be invested, when and for what amounts investments will have to be liquidated, and when (if applicable) either long-term or short-term debt must be incurred.

## 5.9 CASH FLOW

The table that follows will detail comparisons regarding Senqu Municipalities Cash Flow for 2012/13 financial year:

SENQU MUNICIPALITY  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013  
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2012 R (Actual)	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances (10% of line-item with a minimum of R1m)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
1 Ratepayers and other	29 569 773	35 066 252	24 668 408	10 397 844	42%
Government	123 562 445	134 390 321	138 162 698	(3 772 377)	-3%
Interest	6 790 249	7 476 031	8 074 032	(598 001)	-7%
<b>Payments</b>					
2 Suppliers and Employees	(80 610 013)	(71 317 490)	(132 201 148)	22 921 394	-17%
2 Employees	(28 513 293)	(37 962 263)	(2 119 720)	972 618	
Transfers and Grants	(731 837)	(333 000)	(333 000)	-	0%
3 Finance Charges	(1 259 394)	(1 147 102)	(2 119 720)	972 618	-46%
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>48 807 931</b>	<b>66 172 749</b>	<b>36 251 270</b>	<b>-</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Receipts</b>					
Proceeds on disposal of Assets	212 979	236 209	-	236 209	
Decrease/(increase) in non-current receivables	13 695	-	-	-	
Decrease/(increase) in non-current investments		-	-	-	
<b>Payments</b>					
4 Capital assets	(39 028 731)	(37 665 261)	(59 727 082)	22 061 821	-37%
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(38 802 056)</b>	<b>(37 429 052)</b>	<b>(59 727 082)</b>	<b>22 298 029</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Receipts</b>					
Borrowing	281 615	-	-	-	
Increase/(decrease) in consumer deposits	190 938	416 509	-	416 509	
<b>Payments</b>					
Repayment of borrowing	(727 712)	(804 570)	(798 132)	(6 438)	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(255 159)</b>	<b>(388 061)</b>	<b>(798 132)</b>	<b>410 071</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>9 750 715</b>	<b>28 355 635</b>	<b>(24 273 944)</b>	<b>22 708 101</b>	
Cash and Cash Equivalents at the beginning of the year	116 146 583	125 897 298	125 897 298	-	0%
5 Cash and Cash Equivalents at the end of the year	125 897 298	154 252 933	101 623 354	52 629 579	52%

Explanations



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1 - Effect of transfer of Water and Sanitation function  
2 - Effect of grants not spent in the financial year  
3 - Restatement on Interest on Landfill Site - Recalculated to area contaminated

4 - Municipal Infrastructure Grant not spent in the financial year  
5 - Effect of under-expenditure on grants

## 5.10 BORROWING AND INVESTMENTS

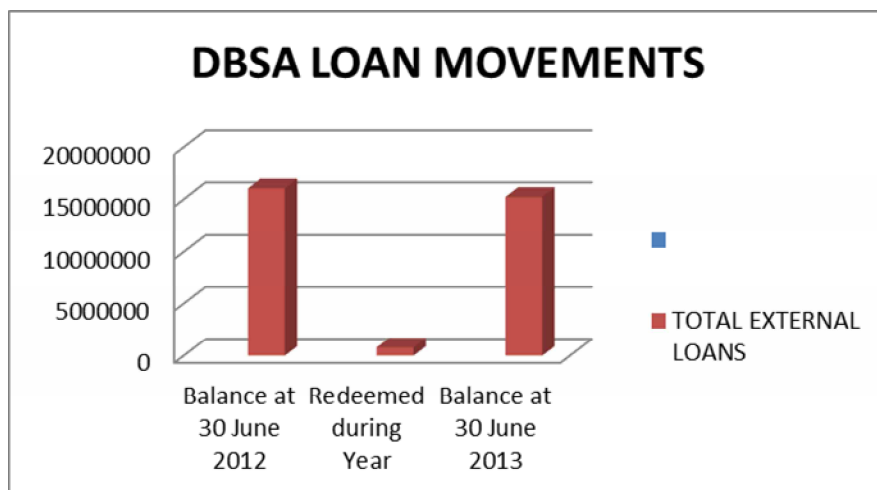
### Introduction to Borrowing and Investments

The Municipality currently has 2 long term borrowing commitments both payable to the Development Bank of South Africa.

One loan relates to the extension of the Senqu Municipality office building and the second loan relates to the purchase of electrical infrastructure to reduce electricity losses and improve service delivery.

APPENDIX A - Audited						
SENQU MUNICIPALITY						
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013						
EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2012	Redeemed written off during the period	Balance at 30 JUNE 2013
<b>ANNUITY LOANS</b>						
DBSA loan	Floating	103126/1	2029	11 057 553	631 860	10 425 693
DBSA loan	Fixed	103126/2	2030	4 933 649	140 281	4 793 367
<b>Total Annuity Loans</b>				<b>15 991 202</b>	<b>772 142</b>	<b>15 219 060</b>
<b>LEASE LIABILITY</b>						
Finance Leases			2013	43 938	32 429	11 510
<b>Total Lease Liabilities</b>				<b>43 938</b>	<b>32 429</b>	<b>11 510</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>16 035 140</b>	<b>804 570</b>	<b>15 230 570</b>

**Table: DBSA LOAN MOVEMENTS**



### 5.11 PUBLIC PRIVATE PARTNERSHIPS

#### Public Private Partnerships

Council has not entered into any private public partnerships during this financial year.

## COMPONENT D: OTHER FINANCIAL MATTERS

### 5.12 SUPPLY CHAIN MANAGEMENT

#### Introduction to Supply Chain Management

The Council and management remain committed to ensuring that all SCM legislation and regulations are complied with in order to ensure that fair and transparent tender processes are followed at all times and to ensure full compliance with the applicable legislation. In support of this, the Municipal SCM policy has been reviewed and approved by council on the 28<sup>th</sup> of May 2013 as part of the review of all budget related policies.

In order to comply with section 119 of the MFMA all members serving on Bid Specification, Evaluation and Adjudication Committees and all SCM staff are attending National Treasury approved training to ensure that they meet the prescribed minimum competency levels relating to SCM.

Various other control measures are also being implemented to ensure that SCM practices are effected in a fair, equitable and transparent manner. Supply Chain Management continues to be seen as an area of priority for top management.\

### 5.13 GRAP COMPLIANCE

## Introduction to GRAP Compliance

GRAP is the acronym for **G**enerally **R**ecognized **A**ccounting **P**ractice and it provides the rules by which municipalities are required to maintain their financial accounts. The Municipality is currently in full compliance with all provisions of GRAP.

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The Municipality has resolved to adopt the following GRAP standards at their earliest convenience. While these have been issued they are not yet effective.

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

## **CHAPTER 6**

### **AUDITOR GENERAL AUDIT FINDINGS**

# CHAPTER 6

## CHAPTER 6: AUDITOR GENERAL AUDIT FINDINGS

### Introduction

It must be noted that the Auditor General's Report for 2012/2013 was received during December 2013 and made available to the Audit Committee and management in January 2014. Under these circumstances there has not been sufficient time within January to hold the necessary meetings in which to discuss the issues raised within the Auditor General's Report – nor to determine the related Audit Action Plan.

While these issues will be formally addressed by the Audit Committee (with input from directors) in the subsequent draft of this Annual Report, the issues raised within the Auditor General's Report are detailed below and tentative recommendations made regarding the manner in which to address these. Both the 2011/2012 and the 2012/2013 years are provided.

### COMPONENT A: AUDITOR GENERAL OPINION OF FINANCIAL STATEMENTS 2011/2012

#### 6.1 AUDITOR GENERAL REPORTS YEAR 2011/2012

#### Auditor-General Report on Service Delivery: June 2012

Auditor-General Report Service Delivery : June 2012		
Audit Report Status*:Unqualified report with other matters		
#	Non-Compliance Issues	Remedial Action Taken
1	<p>Paragraph number 18 under pre-determined objectives “<b>Achievement of planned targets</b>” of the audit report.</p> <p>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)</p>	<p><b>Partially Addressed</b></p> <p>Through discussion with Accountant Income on 17/04/2013 it was confirmed that the vote for income from commonages has been opened however it will start operating next financial year (2013/14).</p>
2	<p>Paragraph number 18 under pre-determined objectives “<b>Achievement of planned targets</b>” of the audit report.</p> <p>During the audit of the predetermined objectives, no evidence obtained to confirm that quarterly reports on the maintenance of the cemeteries. (Ex 93)</p>	<p><b>Addressed</b></p> <p>Selected a sample of months and confirmed through inspection of November 2012 - January 2013 monthly report that was submitted to the Community standing Committee on the 11 February 2013 and February monthly report submitted to the community services standing committee on the 11 March 2013 that reporting on maintenance of the cemeteries is conducted every quarter.</p>

**Auditor-General Report Service Delivery : June 2012**

<b>Auditor-General Report Status*:Unqualified report with other matters</b>		
<b>#</b>	<b>Non-Compliance Issues</b>	<b>Remedial Action Taken</b>
3	<p>Paragraph number 18 under pre-determined objectives  <b>“Achievement of planned targets”</b> of the audit report.</p> <p>During the audit of the predetermined objectives, it was noted through discussion with the SDO that the employment equity plan was not fully implemented in the current year. (EX 72)</p>	<p><b>Addressed</b></p> <p>Confirmed by inspecting Employment Equity Plan for 2012-2016 approved by acting municipal manager on the 01 October 2012, Acknowledgement of successful completion of employment equity report for the 2012 reporting period from Department of Labour Ref no: 6014 dated 4 January 2013 and monthly reports submitted to standing committees on the 11 March 2013 item no 8.5 and item 7.4 dated 15 April 2013.</p>
4	<p>Paragraph number 18 under pre-determined objectives  <b>“Achievement of planned targets”</b> of the audit report.</p> <p>During the audit of the predetermined objectives, it was noted that the municipality did not workshop the new HR Strategy to employees as planned. (Ex 90)</p>	<p><b>Partially Addressed</b></p> <p>Confirmed by inspecting SALGA Report on the Development of Local Government Human Resource strategy dated 27 November 2012 that HR strategy has not yet been finalised and has not yet been workshopped to employees.</p>
5	<p>Paragraph number 18 under pre-determined objectives  <b>“Achievement of planned targets”</b> of the audit report.</p> <p>During the audit of the predetermined objectives, it was noted the councillors were not provided with skills development training as planned. (Ex 85)</p>	<p><b>Partially Addressed</b></p> <p>Director Corporate services indicated that In the strategic session they resolved that in the beginning of financial year the training budget will be centralised.</p> <p>Further confirmed through inspection of registration forms and payments made on behalf of three (3) Councillors i.e. Ms N Mtyali, Mr J Constable and Mr M Mpelwana in respect of CPMD course.</p>
6	<p>Paragraph number 18 under pre-determined objectives  <b>“Achievement of planned targets”</b> of the audit report.</p> <p>During the audit of the predetermined objectives, it was noted that there were no trainings conducted to the first aiders and incident officers as no evidence was obtained to support the occurrence of these trainings. (Ex 80)</p>	<p><b>Addressed</b></p> <p>Confirmed by inspecting the signed attendance register dated 19-20 March 2013 that first aiders and incident officers have been trained.</p>
7	<p>Paragraph number 18 under pre-determined objectives  <b>“Achievement of planned targets”</b> of the audit report.</p> <p>During the audit of the predetermined objectives, it was noted that there is no information kept for the Local Labour Forum (LLF) meetings that were held during the year. The minutes for the meetings held in the first and second quarter are the examples of the LLF meetings information that were not received. (Ex 81)</p>	<p><b>Addressed</b></p> <p>Confirmed by inspecting minutes for the third quarter dated 15 March 2013 that LLF minutes of meetings are now kept and filed safely.</p>

**Auditor-General Report Service Delivery : June 2012**

<b>Audit Report Status*:Unqualified report with other matters</b>		
<b>#</b>	<b>Non-Compliance Issues</b>	<b>Remedial Action Taken</b>
8	<p>Paragraph number 18 under pre-determined objectives <b>“Achievement of planned targets”</b> of the audit report.</p> <p>During the audit of the predetermined objectives, it was noted that certain policies were not reviewed during the year as planned. (Ex 82)</p>	<p><b>Addressed</b></p> <p>Confirmed by inspecting top management minutes for management inputs dated 05 February 2013, LLF Minutes dated 15 March 2013, attendance register for councillors workshop dated 18 March 2013 and council resolution for adoption dated 27 March 2013, item 10.5. Adopted policies 1. Cellular phones &amp; 3 G Policy 2.Recruitment &amp; selection Policy 3.Relocation Policy 4.Telephone usage policy 5.Central registry manual 6.Records management policy 7.Access to information manual 8.Housing policy 9.Promotion, Demotion and Transfer policy 10.Subsistence &amp; Travelling Policy.</p>
9	<p>Paragraph number 18 under pre-determined objectives <b>“Achievement of planned targets”</b> of the audit report.</p> <p>During the audit of the predetermined objectives, it was noted that the implemented process of the Work Place Skills Plan is not appropriately followed. The following deficiencies were identified:</p> <p>The letter requesting the departmental directors to identify the areas that requires training of their staff could not be obtained. Evidence that monthly reports are prepared for submission to the Local Government Sector Education and Training SA (LGSETA) was not obtained; and</p> <p>Minutes of the meeting where the discussions regarding the areas in which employees requires training was not available for inspection. (EX 74)</p>	<p><b>Partially Addressed</b></p> <p>Confirmed by inspecting skills audit questioners, monthly reports submitted to LGSETA and signed training committee minutes for quarter 1 and quarter 2, however, it was noted that attendance register for August 2012 was not attached to the report of August 2012.</p>
10	<p>Paragraph number 18 under pre-determined objectives <b>“Achievement of planned targets”</b> of the audit report.</p> <p>During the audit of the predetermined objectives, it was noted that some achievements reported in the annual performance report are not valid and accurate. Per inspection of the supporting documentation obtained from the skills development officer (SDO), it was observed that 189 employees went for training in the current year, this does not constitute 100% of the employees for the year ended 2011/12 as indicated in the table below. Furthermore, it was confirmed through discussion with the SDO that none of the councillors attended the training during the year under review; however, it has been reported in the annual performance report that 100% of councillors attended the training. (Ex 86)</p>	<p><b>Not Yet Audited</b></p> <p>This will be followed up after S46 report is prepared.</p>
11	<p>Paragraph number 24 under compliance with laws &amp; regulation <b>“Procurement and contract management”</b> of the audit report.</p> <p>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)</p>	<p><b>Partially Addressed</b></p> <p>Confirmed through review of the municipal website on 22/04/2013 that the register of bids received on time and bid results were placed on the website, however, while performing an SCM audit it was confirmed that certain bid results were not placed on the municipal website. Refer to finding no 13 of CoAF 1 of 2013.</p>



**Auditor-General Report Service Delivery : June 2012**

<b>Auditor-General Report Status*:Unqualified report with other matters</b>		
<b>#</b>	<b>Non-Compliance Issues</b>	<b>Remedial Action Taken</b>
12	<p>Paragraph number 27 under compliance “<b>Financial statements, performance and annual report</b>” of the audit report.</p> <p>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. (Ex 21)</p>	<p><b>Not addressed</b></p> <p>Confirmed through discussion with SCM logistics and disposal officer that the report on performance of external service providers was not prepared.</p> <p>Subsequently enquired from the manager governance compliance and monitoring on 23/04/2013 and it was confirmed that the IPME section has undertaken the task and it is still in process, however, the report will be ready for inclusion in the annual performance report at year end.</p>
13	<p>Paragraph number 22 under compliance “<b>Financial statements, performance and annual report</b>” of the audit report.</p> <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>	<p>Refer to the response provided in item number 62 above as the exception is similar to Ex 21.</p>
14	<p>Paragraph number 23 under compliance with laws &amp; regulation “<b>Procurement and contract management</b>” of the audit report.</p> <p>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)</p>	<p><b>Not Addressed</b></p> <p>Per enquiry of the accountant expenditure, it was indicated that the SCM official receives quotations from users and checks them, all fictitious quotations are eliminated, then those quotations are submitted to the CFO, the CFO compiles a non-compliance report and submit it to the Municipal Manager. However, during the audit of SCM, instances were identified where three quotations were obtained from different suppliers and those three quotations were used to procure catering services for three different transactions. Refer to SCM internal audit report issued in June 2013.</p>
15	<p>Paragraph number 16 under pre-determined objectives “<b>Consistency</b>” of the audit report.</p> <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) (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><b>Not yet Audited</b></p> <p>Alignment of SDBIP/IDP to annual report will be followed up in the next financial year as section 46 report is due for submission to Treasury by the 31 of August 2013.</p> <p><b>Not addressed</b></p> <p>Per inspection of IDP it was noted that there are no IDP goal codes, however, the SDBIP also include these IDP goal codes</p>

Auditor-General Report Service Delivery : June 2012		
Audit Report Status*:Unqualified report with other matters		
#	Non-Compliance Issues	Remedial Action Taken
16	<p>Paragraph number 15 under pre-determined objectives “<b>Presentation</b>” of the audit report.</p> <p>During the performance of predetermined objectives, the following weaknesses were identified: 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)</p>	<p><b>Not addressed</b></p> <p>Confirmed through discussion with SCM logistics and disposal officer that the report on performance of external service providers was not prepared.</p> <p>Subsequently enquired from the manager governance compliance and monitoring on 23/04/2013 and it was confirmed that the IPME section has undertaken the task and it is still in process, however, the report will be ready for inclusion in the annual performance report at year end.</p>
17	<p>Paragraph number 16 under pre-determined objectives “<b>Consistency</b>” of the audit report.</p> <p>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)</p>	<p><b>Addressed</b></p> <p>Confirmed through inspection of the 2013 performance agreement for the Director community services and 2013 SDBIP that output and outcome indicators have been included.</p>
18	<p>Paragraph number 16 under pre-determined objectives “<b>Consistency</b>” of the audit report.</p> <p>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)</p>	<p><b>Addressed</b></p> <p>Confirmed through inspection of 2013 IDP that spatial analysis and rationale was not included in KPAs.</p>
19	<p>Paragraph number 16 under pre-determined objectives “<b>Consistency</b>” of the audit report.</p> <p>During the audit of pre-determined objectives the following discrepancies were identified between budget and the IDP: Key performance areas per IDP could not be easily aligned with key performance areas as on the budget.(Ex 26)</p>	<p><b>Not Addressed</b></p> <p>Confirmed through inspection of the SA 4 - reconciliation IDP and Budget alignment that the issue is not resolved</p>
20	<p>Paragraph number 16 under pre-determined objectives “<b>Consistency</b>” of the audit report.</p> <p>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)</p>	<p><b>Partially Addressed</b></p> <p>Inspected the SDBIP and noted that some strategies, focus areas and targets are not included in the IDP Refer to attached schedule of examples(i.e. Annexure A)</p>
21	<p>Paragraph number 17 under pre-determined objectives “<b>Measurability</b>” of the audit report.</p> <p>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)</p>	<p><b>Partially Addressed</b></p> <p>Refer to the 2012/13 PMS Internal Audit Report issued for first quarter.</p>
Auditor-General Report Service Delivery : June 2012		
Audit Report Status*:Unqualified report with other matters		

#	Non-Compliance Issues	Remedial Action Taken
22	<p>Paragraph number 18 under pre-determined objectives <b>“Achievement of planned targets”</b> of the audit report.</p> <p>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)</p>	<p><b>Not yet Audited</b></p> <p>This will be followed up during the audit of Performance Information Quarter 2 and 3 of 2012/13.</p>
23	<p>Paragraph number 18 under pre-determined objectives <b>“Achievement of planned targets”</b> of the audit report.</p> <p>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)</p>	<p><b>Not yet Audited</b></p> <p>This will be followed up during the audit of Performance Information Quarter 2 and 3 of 2012/13.</p>
24	<p>Paragraph number 16 under pre-determined objectives <b>“Consistency”</b> of the audit report.</p> <p>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)</p>	<p><b>Partially Addressed</b></p> <p>Per inspection of SDBIP it has been noted that some projects are not included in the IDP. Refer to attached Annexure B for Examples</p>
25	<p>Paragraph number 20 under compliance with laws &amp; regulation <b>“Strategic planning and performance management”</b> of the audit report.</p> <p>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)</p>	<p><b>Not Yet Audited</b></p> <p>This will be followed up after S46 report is prepared.</p>
26	<p>Paragraph number 17 under pre-determined objectives <b>“Measurability”</b> of the audit report.</p> <p>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)</p>	<p><b>Partially Addressed</b></p> <p>Refer to 2012/13 PMS internal audit report for Q1 issued in March 2013.</p>
27	<p>Paragraph number 18 under pre-determined objectives <b>“Achievement of planned targets”</b> of the audit report.</p> <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: 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 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)</p>	<p><b>Partially Addressed</b></p> <p>Inspected council resolution passed on 29 June 2012,item 10.6 -transfer of Senqu Plastic Project to JOGEDA Water services have been transferred back to Joe Gqabi District municipality effective from 1 July 2012,therefore,this is no longer applicable. Inspected the job creation business plan, thus issue has been addressed</p>

**Auditor-General Report Service Delivery : June 2012**

<b>Auditor-General Report Status*: Unqualified report with other matters</b>		
<b>#</b>	<b>Non-Compliance Issues</b>	<b>Remedial Action Taken</b>
28	<p>Paragraph number 18 under pre-determined objectives  <b>“Achievement of planned targets”</b> of the audit report.</p> <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>	<p><b>Addressed</b>                      Confirmed by checking the votes for Revitalisation of second economy onto the Sebata system on 11/04/2013 that budgeted amount was R109 862 and actual spend R99 000 therefore, all monies were transferred from the small town regeneration vote.</p>
29	<p>Paragraph number 18 under pre-determined objectives  <b>“Achievement of planned targets”</b> of the audit report.</p> <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>	<p><b>Not yet Audited</b>                      This will be followed up during the audit of Performance Information Quarter 2</p>
30	<p>Paragraph number 16 under pre-determined objectives  <b>“Consistency”</b> of the audit report.</p> <p>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)</p>	<p><b>Not yet audited</b>                      The sec 46 report will be submitted for audit purposes by 31 of August.</p>
31	<p>Paragraph number 18 under pre-determined objectives  <b>“Achievement of planned targets”</b> of the audit report.</p> <p>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)</p>	<p><b>Addressed</b>                      Confirmed by inspecting Quarterly report for the second quarter that performance reviews were conducted.</p>
32	<p>Paragraph number 18 under pre-determined objectives  <b>“Achievement of planned targets”</b> of the audit report.</p> <p>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)</p>	<p><b>Not Addressed</b>                      Confirmed through enquiry of the Manager Governance and Compliance that Councillors were not trained on anti-corruption and code of ethics as at 24 April 2013.</p>
33	<p>Paragraph number 18 under pre-determined objectives  <b>“Achievement of planned targets”</b> of the audit report.</p> <p>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)</p>	<p><b>Not Addressed</b>                      Confirmed per enquiry of the Manager Governance and Compliance that the website upgrade is not yet fully implemented.</p>

Auditor-General Report Service Delivery : June 2012		
Audit Report Status*:Unqualified report with other matters		
#	Non-Compliance Issues	Remedial Action Taken
34	<p>Paragraph number 18 under pre-determined objectives “<b>Achievement of planned targets</b>” of the audit report.</p> <p>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)</p>	<p><b>Not Yet Audited</b></p> <p>This will be followed up after S46 report is prepared.</p>
35	<p>Paragraph number 18 under pre-determined objectives “<b>Achievement of planned targets</b>” of the audit report.</p> <p>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)</p>	<p><b>Not Addressed</b></p> <p>Evidence to confirm establishment of hawkers association and LED forum and the functionality of these bodies was not made available for inspection.</p>
36	<p>Paragraph number 22 under compliance “<b>Financial statements, performance and annual report</b>” of the audit report.</p> <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>	<p><b>Not Yet Audited</b></p> <p>This will be followed up after S46 report is prepared.</p>
37	<p>Paragraph number 17 under pre-determined objectives “<b>Measurability</b>” of the audit report.</p> <p>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 were still in progress in October 2012 (Ex 92)</p>	<p><b>Partially Addressed</b></p> <p>Confirmed that 1000 &amp; 802 houses were complete. Confirmed through inspection of the progress report included in the technical services standing committee meeting dated 15 April 2013 that 190 of 194 houses in lady grey were complete. Further inspected Exco minutes dated 26 September 2012 and noted that the project was increased to 203 houses so far 200 approved, the reason being the people have sites but they do not afford to build for themselves because they are unemployed and their age is more than 18 years, they are earning from 0- 3500 per month and they south African citizen with dependents. The Councillor submitted the names to the housing officer, and then housing officer applied to Department of human settlements to increase the project of 194 houses to 203.</p>
38	<p>Paragraph number 17 under pre-determined objectives “<b>Measurability</b>” of the audit report.</p> <p>During the audit of the predetermined objectives, supporting documentation in respect of EPWP was not provided for audit purposes. (Ex 95)</p>	<p><b>Addressed</b></p> <p>Confirmed through inspection of the Job creation reports and email as evidence of sending the reports to public works.</p>

## Auditor General's Opinion for 2011/2012

### **“Unqualified Report with other matters”**

The financial statements are fairly presented as it reflects the Financial Position, Financial Performance, Cash Flow of SENQU municipality for the year ended 30 June 2012 with all material respect, in accordance with GRAP and the requirements of MFMA and DORA.

## **COMPONENT B: AUDITOR GENERAL OPINION OF FINANCIAL STATEMENTS 2012/2013**

### **6.2. AUDITOR GENERAL REPORT: YEAR 2012/2013**

NOTE: This report was only available during December 2013. As a result the Audit Committee has not yet had sufficient time to meet and discuss issues in terms of an Audit Action Plan. This will be formally included within the next draft of the Annual Report. Reflected below are recommendations in terms of this.

### Auditor-General Report on Service Delivery: June 2013

Auditor-General Report Service Delivery : June 2013		
Audit Report Status*:Unqualified report with other matters		
#	Non-Compliance Issues	Remedial Action Taken
1	<p>Paragraph number 22 under pre-determined objectives “<b>Achievement of planned targets</b>” of the audit report.</p> <p>Of the total number of 47 targets planned for the year, 15 of targets were not achieved during the year under review. This represents 32% (&gt;20%) of total planned targets that were not achieved during the year under review. The reason for this was that the reported unrest in Sterkspruit interfered with operations and caused this lack in achievement of planned targets.</p>	<p><b><u>Recommended</u></b></p> <p>Efforts are underway to resolve the Sterkspruit issues. Notwithstanding the challenges it is recommended that additional efforts be made to re-evaluate the affected targets and to ensure that these targets accommodate potential Sterkspruit challenges i.e. proactive action to resolve identified issues that can now be anticipated.</p>
2	<p>Paragraph number 24 under compliance with laws and regulations “<b>Procurement and contract management</b>”.</p> <p>The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act (PPPFA) and SCM regulation 28(1) (a).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).</p>	<p><b><u>Recommended</u></b></p> <p>Strict monitoring is to be undertaken in order to ensure that the preference point system is strictly applied. Controls are to be applied to ensure that bid results are published on the municipal website in terms of SCM regulation 23(c).</p> <p><b><u>Action Already Taken</u></b></p> <p>The new Evaluation and Specifications Committee was formed to increase efficiency.</p>



**Auditor-General Report Service Delivery : June 2013**

<b>Auditor-General Report Status*:Unqualified report with other matters</b>		
<b>#</b>	<b>Non-Compliance Issues</b>	<b>Remedial Action Taken</b>
3	<p>Paragraph number 25 under compliance with laws and regulations “<b>Procurement and contract management</b>”.</p> <p>Contracts were awarded to bidders based on preference points that were not allocated and/or calculated in accordance with the requirements of the PPPFA and its regulations.</p>	<p><b><u>Recommended</u></b></p> <p>SCM practices are to be strictly controlled and monitored regularly in terms of compliance. No deviations from the requirements of the PPPFA and its regulations are to be tolerated. Regular monthly reporting to take place in terms of this.</p> <p><b><u>Action Already Taken</u></b></p> <p>The new Evaluation and Specifications Committee was formed to increase efficiency.</p>
4	<p>Paragraph number 26 under compliance with laws and regulations “<b>Procurement and contract management</b>”.</p> <p>Awards were made to providers who are in the service of other state institutions or whose directors/ principal shareholders are in the service of other state institutions, in contravention of section 112(j) of the MFMA and SCM regulations 44.</p>	<p><b><u>Recommended</u></b></p> <p>SCM practices are to be strictly controlled and monitored regularly in terms of compliance. No deviations from the requirements of the PPPFA, SCM regulations and s112(j) of the MFMA are to be tolerated. Regular monthly reporting to take place in terms of this.</p>
5	<p>Paragraph number 27 under compliance with laws and regulations “<b>Expenditure Management</b>” of the audit report.</p> <p>Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure, as required by section 62(1)(d) of the MFMA.</p>	<p><b><u>Recommended</u></b></p> <p>Regular monitoring and reporting on expenditure and the manner in which this is authorised it to be evaluated. Zero tolerance policy to be adopted. All staff to receive updated documents and/or training regarding authorisations and procedure. The risk assessment of the SCM system has not yet been completed and must be attended to. The management of suppliers remains a challenge which must be resolved through formal reporting.</p> <p><b><u>Action Already Taken</u></b></p> <p>Improvements in turnaround relating to SCM processes have already occurred despite the challenges in functioning that are being faced daily. SCM is now assisted by the Sebata system in that staff is now advised of insufficient funds prior to overspending. In addition to the new evaluation and specifications committees that were formed to increase efficiency, a SCM Manager has also been appointed as from 1st of February 2014 (assisting with compliance). Supply Chain Management reports are required to be submitted to the Municipal Manager and Mayor within 10 days of the end of each quarter and within 30 days of the end of each financial year a report on the implementation of SCM Policy is required to be submitted to Council. The risk assessment of the SCM system has not yet been completed. The management of suppliers also remains a challenge which will be resolved through formal reporting.</p>