

MASILONYANA LOCAL MUNICIPALITY

DETAILED AUDIT ACTION PLAN

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MATTERS RELATING TO THE AUDITOR'S REPORT

MISSTATEMENTS IN THE FINANCIAL STATEMENTS

Material misstatements

Financial statement item	Finding	Impact R	Internal control deficiency	Audit Action Plan		
				Description	Responsibility	Timeframe
Property, plant and equipment (EX.95)	The municipality did not review the residual values, useful lives and depreciation methods of property, plant and equipment at each reporting date	A reliable estimate could not be made	<u>Financial and performance management:</u> Proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting is not implemented.	Professional Service Provider appointed to assist with updating of fixed asset register and unbundling of assets	Tech Serv Dir ACFO Finance: Asset Man	Mar – Jul 2012
Property, plant and equipment (EX.95)	Major components of some items of property, plant and equipment were not accounted for and depreciated separately.	A reliable estimate could not be made	<u>Financial and performance management:</u> Proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and	Professional Service Provider appointed to assist with updating of fixed asset register and unbundling of assets	Tech Serv Dir ACFO Finance: Asset Man	Mar – Jul 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Audit Action Plan		
				Description	Responsibility	Timeframe
			performance reporting is not implemented.			
Property, plant and equipment (EX.99)	Assets not in working condition were not removed from the asset register and were still included in note 7 to the annual financial statements	17 676 734	<u>Leadership:</u> The accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Professional Service Provider appointed to assist with updating of fixed asset register and unbundling of assets. Schedule auction of assets identified.	Tech Serv Dir ACFO Finance: Asset Man	Mar – Jul 2012
Revenue (EX. 8)	The accounting policy of revenue did not state how the recognition of revenue including the methods adopted to determine the stage of completion of transactions involving the rendering of services was determined.	A reliable estimate could not be made	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Data validation and 100% verification of debtors; Restatement of Revenue and Debtors. Review and update of accounting policies.	ACFO Finance: Revenue	Mar – Jul 2012
Revenue (EX. 138)	The municipality did not provide for service charges relating to the period between the last meter	254 801	<u>Leadership:</u> The accounting officer does not exercise oversight responsibility regarding	Implementation of proper monthly cut-off procedures.	ACFO Finance: Revenue	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Audit Action Plan		
				Description	Responsibility	Timeframe
	reading date and the year-end date on an annual basis. (Understated)		financial and performance reporting and compliance and related internal controls.			
Payables (EX. 247)	Trade and other payables from exchange transactions and other payables as disclosed in note 14 to the annual financial statements were not measured at amortised cost.	641 757	<u>Financial and Performance Management:</u> The municipality does not implement proper record keeping ensuring that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Adherence to GRAP disclosure requirements – AFS Reporting Framework implemented.	ACFO Finance: Expenditure	Mar – Jun 2012
Payables (EX. 158)	An unreconciled difference amounting to an understatement of trade payables was identified as a result of a difference between the creditor statements and the creditor’s age analysis. (Understated)	513 064	<u>Financial and performance management:</u> The municipality does not implement proper record keeping ensuring that complete, relevant and accurate information is accessible and available to support financial and	Performance of Creditors Reconciliations and Reconcile Creditors Ledger with Control Account (G/L).	ACFO Finance: Expenditure	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Audit Action Plan		
				Description	Responsibility	Timeframe
			performance reporting.			
Payables (EX. 223)	Creditors with debit balances were included in the creditor's age analysis, resulting in an understatement of trade payables and receivables. (Understated)	1 622 495	<u>Financial and performance management:</u> The municipality does not implement proper record keeping ensuring that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Adherence to GRAP disclosure requirements – AFS Reporting Framework implemented.	ACFO Finance: Expenditure	Mar – Jun 2012
Payables (EX. 73)	The municipality erroneously made an accrual for the compensation fund (Overstated)	1 902 792	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Adherence to GRAP disclosure requirements – AFS Reporting Framework implemented.	ACFO Finance: Payroll	Mar – Jun 2012
Payables (EX. 226)	Leave days were incorrectly accrued for. (Understated)	2 797 245	<u>Leadership:</u> The accounting officer does not exercise oversight	Adherence to GRAP disclosure requirements – AFS Reporting Framework	ACFO Finance:	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Audit Action Plan		
				Description	Responsibility	Timeframe
			responsibility regarding financial and performance reporting and compliance and related internal controls.	implemented.	Payroll	
Expenditure (EX. 175)	Unreconciled differences were identified between the general ledger and the supporting documentation. (Understated)	1 335 405	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Clearing of suspense accounts and un-reconciled differences.	ACFO Finance: Expenditure	Mar – Jun 2012
Expenditure (EX. 189)	The municipality expensed assets, which had to be recognised in terms of the SA Standards of GRAP, GRAP 17, Property, plant and equipment and SA Standards of GRAP, GRAP 12, Inventories. (Overstated)	1 610 975	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Professional Service Provider appointed to assist with updating of fixed asset register and unbundling of assets. Schedule auction of assets identified.	Tech Serv Dir ACFO Finance: Asset Man	Mar – Jul 2012
Receivables	Consumer debtors and other receivables and other	5 770 073	<u>Leadership:</u>	Adherence to GRAP disclosure requirements	ACFO	Mar – Jun

Financial statement item	Finding	Impact R	Internal control deficiency	Audit Action Plan		
				Description	Responsibility	Timeframe
(EX. 26)	receivables from non-exchange transactions as disclosed in note 3 and 4 to the annual financial statements were not measured at amortised cost.		The accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	– AFS Reporting Framework implemented.	Finance: Revenue	2012
Receivables (EX. 26)	Consumer debtors and other receivables as disclosed in note 3 to the annual financial statements did not disclose the age analysis by major revenue source and receivables by customer classification.	A reliable estimate could not be made	<u>Leadership:</u> The accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Adherence to GRAP disclosure requirements – AFS Reporting Framework implemented.	ACFO Finance: Revenue	Mar – Jun 2012
Employee benefits (EX. 91)	No provision has been made for service bonuses.	A reliable estimate could not be made	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Calculation and provision of employee benefits – actuarial valuation. GRAP disclosure requirements – AFS Reporting Framework implemented.	Corp Serv Dir ACFO	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Audit Action Plan		
				Description	Responsibility	Timeframe
Cash flow statement (EX. 12)	No sufficient appropriate audit evidence to determine whether the cash flow statement and the related notes were fairly stated.	274 659	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Adherence to GRAP disclosure requirements – AFS Reporting Framework implemented.	ACFO Finance: BTO	Mar – Jun 2012
Unauthorised expenditure (EX. 240)	There was no proper system in place to account for and identify unauthorised expenditure.	8 725 065	<u>Leadership:</u> The accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Implement Policy on Unauthorised, Fruitless, Wasteful and Irregular Expenditure. GRAP disclosure requirements – AFS Reporting Framework implemented.	Corp Serv Dir ACFO	Mar – Jun 2012
Fruitless and wasteful (EX. 89)	Sufficient appropriate audit evidence that management has properly identified investigated and recorded all fruitless and wasteful expenditure transactions during the current and prior	230 941	<u>Leadership:</u> The accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal	Implement Policy on Unauthorised, Fruitless, Wasteful and Irregular Expenditure. GRAP disclosure requirements – AFS Reporting Framework	Corp Serv Dir ACFO	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Audit Action Plan		
				Description	Responsibility	Timeframe
	year.		controls.	implemented.		
Contingent Liabilities (EX.9)	Contingent liabilities were identified which were not disclosed in note 33 to the annual financial statements.	228 177	Leadership: The accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Calculation and provision of contingent liabilities. GRAP disclosure requirements – AFS Reporting Framework implemented.	ACFO Finance: Expenditure	Mar – Jun 2012
Related Parties (EX. 140)	Undisclosed related party transactions were identified. No disclosure with regard to these transactions has been made in the annual financial statements.	334 333	Leadership: The accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Implement Related Parties Disclosure Register. Adherence to GRAP disclosure requirements – AFS Reporting Framework implemented.	Corp Serv Dir ACFO	Mar – Jun 2012

Limitation misstatements:

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
Property, plant and equipment	Property, plant and equipment not physically verified.	100 444 814	Leadership: The accounting	Professional Service Provider appointed to	Tech Serv Dir	Mar – Jul 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
(EX. 83, EX. 225)			officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	assist with updating of fixed asset register and unbundling of assets	ACFO Finance: Asset Man	
Property, plant and equipment (EX. 171, EX. 211)	Property, plant and equipment were omitted from the fixed asset register and subsequently from the annual financial statements. (Understated)	133 063 052	<u>Financial and performance management:</u> Proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting is not implemented.	Professional Service Provider appointed to assist with updating of fixed asset register and unbundling of assets	Tech Serv Dir ACFO Finance: Asset Man	Mar – Jul 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
Property, plant and equipment (EX.182)	Documentation to support debit transactions and credit transactions recorded could not be submitted for audit purposes.	(Debit) 11 509 495 (Credit) 3 930 551	<u>Financial and performance management:</u> Proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting is not implemented.	Implement registry in Finance Dept – controls over source documents	Tech Serv Dir ACFO Finance: Asset Man	Mar – Jun 2012
Property, plant and equipment (EX. 65)	Documentation to support the separation of land and buildings disclosed in the annual financial statements could not be submitted for audit purposes.	(Land) 95 168 371 (Buildings) 3 514 726	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not	Professional Service Provider appointed to assist with updating of fixed asset register and unbundling of assets. Title deed verification.	Tech Serv Dir ACFO Finance: Asset Man	Mar – Jul 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
			prepared.			
Property, plant and equipment (EX. 65)	Sufficient supporting documentation could not be provided to reconcile this difference between the value of land in the register and the values of land on the valuation roll.	468 569	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Reconciliation of Valuation Roll and Asset Register	Tech Serv Dir ACFO Finance: Asset Man	Mar – Jul 2012
Property, plant and equipment (EX. 65)	Reclassifications were not disclosed in the comparative amounts for property, plant and equipment.	A reliable estimate could not be made	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Adherence to GRAP disclosure requirements – AFS Reporting Framework implemented.	Tech Serv Dir ACFO Finance: Asset Man	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
Investment Property (EX. 65)	Management did not complete their processes of separating investment property from property, plant and equipment in the current and prior year	A reliable estimate could not be made	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Adherence to GRAP disclosure requirements – AFS Reporting Framework implemented.	Tech Serv Dir ACFO Finance: Asset Man	Mar – Jun 2012
Accumulated surpluses (EX. 101, EX. 224)	Documentation to support debit transactions and credit transactions recorded could not be submitted for audit purposes.	(Debit) 31 069 089 (Credit) 41 817 795	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Adherence to GRAP disclosure requirements – AFS Reporting Framework implemented.	ACFO Finance: BTO	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
Revenue (EX. 114, EX. 207, EX. 208, EX. 186)	Documentation to support debit transactions and credit transactions recorded could not be submitted for audit purposes.	(Debit) 2 056 284 (Credit) 6 934 782	<u>Financial and performance management:</u> Proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting is not implemented.	Data validation and 100% verification of debtors; Restatement of Revenue and Debtors.	ACFO Finance: Revenue	Mar – Jul 2012
Revenue (EX. 26, EX. 153, EX. 176, EX. 188, EX. 194, EX. 195, EX. 199, EX. 200, EX. 201, EX. 206, EX. 207 and EX. 208)	Services were not calculated and charged on a monthly basis by the municipality to all debtor accounts.	A reliable estimate could not be made.	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not	Data validation and 100% verification of debtors; Restatement of Revenue and Debtors.	ACFO Finance: Revenue	Mar – Jul 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
			prepared.			
Revenue (EX. 117)	An unexplained difference was identified between the approved valuation roll and the valuation roll on the system, which is used to levy property rates. (Understated)	84 717 394	Leadership: The accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Reconciliation of Valuation Roll and Billing System (Rates), restatement of revenue	ACFO Finance: Revenue	Mar – Jul 2012
Revenue (EX. 112)	The municipality did not maintain direct income registers which provides particulars of other income received in the current and previous year.	A reliable estimate could not be made.	Financial and Performance Management: Proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and	Implementation of Direct Income Registers, reconciliation of Registers and Control Account (GL)	Community Serv Dir ACFO	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
			performance reporting is not implemented.			
Payables (EX. 71, EX. 147)	Documentation to support debit transactions and credit transactions recorded could not be submitted for audit purposes.	(Debit) 70 334 723 (Credit) 68 908 188	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Adherence to GRAP disclosure requirements – AFS Reporting Framework implemented. Internal control checklists implemented.	ACFO Finance: Expenditure	Mar – Jun 2012
Payables (EX. 169, EX. 71)	Documentation to support debtors with credit balances and other current liabilities disclosed in the statement of financial position could not be submitted for audit purposes.	(Debtors) 5 760 261 (Liabilities) 20 182 872	<u>Leadership:</u> The accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal	Adherence to GRAP disclosure requirements – AFS Reporting Framework implemented. Compile lists of debtors with credit balances and current liabilities.	ACFO Finance: Revenue and Expenditure	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
			controls.			
Payables (EX. 223)	A difference of between the disclosed balance and the financial report could not be explained. (Overstated)	12 510 161	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Reconciliation of creditors list and control account (GL)	ACFO Finance: Expenditure	Mar – Jun 2012
Payables (EX. 238)	Bid documents and final accounts of completed projects to support retentions disclosed in the annual financial statements could not be obtained for audit purposes.	4 460 898	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Compile and reconcile MIG and Infrastructure / Project Expenditure detailing retentions, vouch to payment certificates and bud documents	Tech Serv Dir ACFO	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
Payables (EX. 158, EX. 246)	The municipality did not account for all trade payables. (Understated)	8 249 858	<u>Leadership:</u> Oversight responsibility regarding financial and performance reporting and compliance and related internal controls is not exercised.	Adherence to GRAP disclosure requirements – AFS Reporting Framework implemented. Compile lists of debtors with credit balances and current liabilities.	ACFO Finance: Expenditure	Mar – Jun 2012
Expenditure (EX.67, EX. 76, EX. 102, EX. 155, EX.125, EX. 51,	Documentation to support debit transactions and credit transactions recorded could not be submitted for audit purposes.	(Debit) 50 083 604 (Credit) 2 848 832	<u>Financial and performance management:</u> Proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting is not	Implementation of internal control checklists.	ACFO Finance: Expenditure	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
			implemented.			
Expenditure (EX. 95)	Due to issues in property plant and equipment, I was unable to obtain adequate audit assurance as to the accuracy of the depreciation charge for the current and prior year.	4 000 207	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Professional Service Provider appointed to assist with updating of fixed asset register and unbundling of assets. Depreciation calculated and corrected according to updated asset register.	Tech Serv Dir ACFO Finance: Asset man	Mar – Jul 2012
Employee Related Cost (EX. 210, EX. 38, EX.205 EX.43) (EX. 234)	Sufficient appropriate audit evidence could not be obtained for employee related cost payments made during the year under review.	17 674 217	<u>Leadership:</u> The accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Reconciliation of payroll and control account (GL)	Corp Serv Dir ACFO Finance: Payroll	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
Receivables (EX. 75, EX 189)	No sufficient and appropriate audit evidence that the municipality had assessed the recoverability (impairment) of its consumer and other debtors	164 171 676	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Impairment calculated on individual debtor basis. 100% verification of debtors accounts.	ACFO Finance: Revenue	Mar – Jun 2012
Receivables (EX. 154)	No subsequent payments made.	181 151 088	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	100% verification of debtors accounts – validated by subsequent payments.	ACFO Finance: Revenue	Mar – Jun 2012
Receivables	Documentation to support debit transactions recorded	15 797 146	<u>Financial and performance</u>	100% verification of debtors accounts and	ACFO Finance:	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
(EX. 110, EX 169)	could not be submitted for audit purposes.		<p><u>management:</u></p> <p>Proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting is not implemented.</p>	data validation	Revenue	
Receivables (EX. 118)	Sufficient appropriate audit evidence could not be provided for a suspense account disclosed as consumer and other receivables.	2 316 623	<p><u>Financial and performance management:</u></p> <p>Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.</p>	Clearing of suspense accounts and un-reconciled debtor balances	ACFO Finance: Revenue	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
Receivables (EX. 173)	A difference between the disclosed balance and the financial report could not be explained.	2 189 378	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Compilation of control account reconciliations and clearing of un-reconciled balances	ACFO Finance: Revenue	Mar – Jun 2012
Receivables (EX. 100)	The status of several consumer debtors as being indigent could not be verified.	17 944 685	<u>Leadership:</u> The accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Implementation of Indigent Register Update	ACFO Finance: Revenue	Apr – Jun 2012
VAT (EX. 152, EX. 148,	During the audit several cases were identified where input	14 763 110	<u>Financial and performance</u>	Performance of VAT Reconciliation and	ACFO	Apr – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
EX. 27)	VAT was not claimed on claimable expenditure and where input VAT was erroneously claimed. Furthermore, no VAT reconciliations were performed for the current and prior year. There were no satisfactory alternative audit procedures that we could perform to obtain reasonable assurance regarding the VAT payable.		<u>management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	restatement of prior inputs claimed	Finance: BTO	
Cash and cash equivalents (EX. 124)	Documentation to support debit transactions could not be submitted for audit purposes.	7 956 777	<u>Financial and Performance Management:</u> Proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance	Bank reconciliations performed for current and prior years	ACFO Finance: BTO	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
			reporting is not implemented.			
Provisions (EX. 61)	No sufficient appropriate audit evidence regarding the provision for environmental rehabilitation	1 200 000	<u>Leadership:</u> The accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Actuarial valuation as input for environmental rehabilitation provision	Tech Serv Dir ACFO Finance: Asset man	Mar – Jun 2012
Employee benefits (EX. 10, EX 115)	The municipality did not assess the results of the actuarial valuation to ensure that it was updated for any material transactions and other material changes in circumstances up to the end of the reporting period.	4 812 260	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not	Actuarial valuation as input for employee benefits provision	Corp Serv Dir ACFO Finance: Payroll	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
			prepared.			
Employee benefits (EX. 79)	No sufficient appropriate audit evidence regarding the provision for long term service awards	611 672	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Long term service awards based on recorded years worked by employees	Corp Serv Dir ACFO Finance: Payroll	Mar – Jun 2012
Unspent conditional grants (EX. 151)	A difference was identified between the annual financial statements and the amounts per the bank statements.	1 000 000	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Reconciliation of conditional grants received and expended	ACFO Finance: BTO	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
Unspent conditional grants (EX. 102)	No sufficient and appropriate audit evidence to establish if all transactions took place according to the conditions of each grant and whether the expenditure against the grants should have been transferred to revenue	3 750 000	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Implementation of conditional grants checklists	ACFO Finance: BTO	Mar – Jun 2012
Finance lease liability (EX. 120)	Sufficient supporting evidence could not be obtained to confirm the finance lease liability disclosed.	1 711 476	<u>Financial and performance management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Adherence to GRAP disclosure requirements – AFS Reporting Framework implemented.	Corp Serv Dir ACFO Finance: BTO	Mar – Jun 2012
Inventory	<i>No sufficient supporting evidence could not be</i>	A reliable estimate	<u>Leadership:</u> The accounting	Year end stock count, valuation procedure	Com Serv Dir Finance:	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
(EX. 124)	obtained to verify that inventory was valued at the lower of cost, as stipulated in the municipality's accounting policy.	could not be made.	officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	and disclosure complied with	Stores	
Inventory (EX. 124)	Water in reservoirs and the municipal pipe system was not valued or accounted for in the annual financial statements.	A reliable estimate could not be made.	<u>Financial and Performance Management:</u> Proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting is not implemented.	Year end stock count / calculation, valuation procedure and disclosure complied with	Tech Serv Dir	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
Consumer deposits (EX. 98)	No sufficient appropriate audit assurance as to the completeness and valuation of consumer deposits	7 042 533	<u>Leadership:</u> Oversight responsibility regarding financial and performance reporting and compliance and related internal controls is not exercised.	Debtors validation and 100% verification. Compile list of consumer deposits and reconcile with GL	ACFO Finance: Revenue	Mar – Jun 2012
Irregular Expenditure (EX.21, EX. 215, EX. 237, EX. 20, EX. 245, EX. 243, EX. 216, EX. 219, EX. 212, EX. 77, EX. 217, EX. 143, EX. 214, EX. 220, EX. 244, EX. 25, EX. 145 and EX 171)	Sufficient appropriate audit evidence that management has properly identified investigated and recorded all irregular expenditure transactions during the current and prior year.	90 424 352	<u>Leadership:</u> Oversight responsibility regarding financial and performance reporting and compliance and related internal controls is not exercised.	Implement Policy on Unauthorised, Fruitless, Wasteful and Irregular Expenditure. GRAP disclosure requirements – AFS Reporting Framework implemented.	Corp Serv Dir ACFO Finance: BTO	Mar – Jun 2012
Commitments (EX. 129)	Sufficient appropriate audit evidence as to the completeness, valuation and	70 983 977	<u>Financial and performance</u>	Adherence to GRAP disclosure requirements – AFS	ACFO Finance: BTO	Mar – Jun 2012

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
	allocation, existence and the municipality's obligations to commitments disclosed could not been obtained.		<u>management:</u> Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.	Reporting Framework implemented.		
Contingent Liabilities (EX. 9)	Legal confirmations regarding pending claims were not obtained.	881 909	<u>Financial and performance management:</u> The municipality does not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	Adherence to GRAP disclosure requirements – AFS Reporting Framework implemented. Obtain legal confirmations from legal advisors.	Corp Serv Dir ACFO Finance: BTO	Mar – Jun 2012
Distribution losses	No distribution losses were disclosed in the notes to the	2 913 461	<u>Leadership:</u>	Adherence to GRAP disclosure	Tech Serv Dir	Mar – Jun

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
(EX. 88)	annual financial statement.		Oversight responsibility regarding financial and performance reporting and compliance and related internal controls is not exercised.	requirements – AFS Reporting Framework implemented. Obtain legal confirmations from legal advisors.		2012

Material misstatements corrected

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
None.						

MATTERS TO BE BROUGHT TO THE ATTENTION OF THE USERS

EMPHASIS OF MATTER PARAGRAPHS

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
Restatement of Corresponding figures	As disclosed in note 30 to the annual financial statements, the corresponding figures for 30 June 2010 have been restated as a result of errors discovered during 30 June 2011 in the annual financial statements of the municipality at, and for the year ended, 30 June 2010.			Adherence to GRAP disclosure requirements – AFS Reporting Framework implemented. Obtain legal confirmations from legal advisors.	ACFO Finance: BTO	Mar – Jun 2012

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

FINDINGS ON THE REPORT ON PREDETERMINED OBJECTIVES

FINDINGS ON COMPLIANCE WITH LAWS AND REGULATIONS

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
Strategic planning and performance management	The accounting officer of the municipality did not by 25 January assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan as required by section 72(1) (a) (ii) of the MFMA. (EX. 18)				AMM	
Budgets	<p>The municipality incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget, in contravention of section 15 of the MFMA. (EX. 240)</p> <p>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. (EX. 11)</p> <p>The accounting officer did not always submit the monthly budget statements to the mayor and the relevant provincial treasury, as required by section 71(1) of the MFMA. (EX. 170)</p>				Acting Municipal Manager Mayor	
Annual financial statements,	The accounting officer did not submit the annual financial statements of the municipality for auditing, within two				ACFO	

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
performance and annual reports	<p>months after the end of the financial year as required by section 126(1) (a) of the MFMA. (EX. 3)</p> <p>The performance report for the financial year under review was not prepared as required by section 46 of the MSA and section 121(3) (c) of the MFMA. (EX. 11)</p> <p>The mayor did not table, in council, the 2009/2010 annual report of the municipality within seven months after the end of the financial year as required by section 127(2) of the MFMA. (EX. 45)</p> <p>The mayor did not submit a written explanation to the council setting out the reasons for the delay in the tabling of the 2009/2010 annual report in council as required by section 127(3) of the MFMA. (EX. 45)</p>				AMM Mayor	
Audit committee	<p>No audit committee was in place as required by section 166(1) of the MFMA. (EX. 111)</p> <p>The municipality did not appoint and budget for a performance audit committee, nor was another audit committee utilized as the performance audit committee as required by Municipal Planning and Performance Management Regulation 14. (EX. 111)</p>				AMM	
Internal audit	The municipality did not have an internal audit unit in place as required by section 165(1) of the MFMA. (EX. 1)				AMM	
Procurement and contract management	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) & (c). (EX. 25)				ACFO Finance: SCM	

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
	<p>and EX 214)</p> <p>Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value of between R10 000 and R200 000 were procured by means of obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) & (c). (EX. 25 and EX. 77)</p> <p>Quotations were accepted from prospective providers who are not on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy in contravention of SCM regulation 16(b) and 17(b). (EX. 214 and EX. 77)</p> <p>Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R200 000 were procured by means of inviting competitive bids as per the requirements of SCM regulation 19(a) and 36(1). (EX. 237 and EX. 77)</p> <p>Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days as per the requirements of SCM regulation 22(1) & 22(2). (EX. 218, EX. 77 and EX. 237)</p> <p>Sufficient appropriate audit evidence could not be obtained that bids were evaluated by the bid evaluation committees which were composed of officials from the departments requiring the goods or services and at least one SCM practitioner of the municipality as per the requirements of SCM regulation 28(2). (EX. 216, EX. 237, EX. 77 and EX. 213)</p>				<p>AMM</p> <p>Corp Serv Dir</p>	

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
	<p>Sufficient appropriate audit evidence could not be obtained that final awards and recommendation of awards to the accounting officer were made by an adjudication committee constituted as per the requirements SCM regulation 29(2). (EX. 216, EX.237, EX. 77 and EX. 213)</p> <p>Sufficient appropriate audit evidence could not be obtained that awards were made to providers whose tax matters have been declared by the South African Revenue Services to be in order as required by SCM regulation 43. (EX. 217, EX. 237, EX. 77 and EX. 214)</p> <p>Awards were made to suppliers who did not submit a declaration on 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). (EX. 217, EX. 237, EX. 77 and EX. 214)</p> <p>Construction contracts were awarded to contractors that were not registered with the Construction Industry Development Board (CIDB). (EX. 217, EX. 237, EX. 77 and EX. 214)</p> <p>Sufficient appropriate audit evidence could not be obtained that awards were made to suppliers that scored the highest points in the evaluation process as per the requirements of section 2(1)(f) of Preferential Procurement Policy Framework Act. (EX. 217, EX.237, EX. 213, EX. 77 and EX. 214)</p> <p>The performance of contractors or providers was not monitored on a monthly basis as required by section 116(2)(b) of the MFMA. (EX. 213, EX. 237 and EX. 77)</p> <p>The municipality did not implement a SCM policy as</p>					

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
	<p>required by section 111 of the MFMA.(EX. 244)</p> <p>The prospective providers list for procuring goods and services through quotations was not updated at least quarterly to include new suppliers that qualify for listing and prospective providers were not invited to apply for such listing at least once a year as per the requirements of SCM regulation 14(1)(a)(ii) and 14(2). (EX. 220)</p> <p>Contracts were extended or modified to the extent that competitive bidding processes were being circumvented contrary to the requirement of a fair supply chain management system in sec 112 of the MFMA. (EX. 237)</p> <p>Contracts were extended or modified without tabling the reasons for the proposed amendment in the council of the municipality as required by section 116(3) of the MFMA. (EX. 237)</p> <p>Sufficient appropriate audit evidence could not be obtained that contracts and quotations to the value of R26 620 304 was procured in accordance with legislative requirements and the SCM policy. (EX. 77)</p> <p>Sufficient appropriate audit evidence could not be obtained that awards were made to suppliers based on preference points that were allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations. (EX. 213, EX. 237, EX. 77 and EX. 214)</p> <p>Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and SCM regulation 28(1)(a). (EX.</p>					

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
	<p>213, EX. 237, EX. 77 and EX. 214)</p> <p>Sufficient appropriate audit evidence could not be obtained that awards were to providers based on criteria that were similar to those stipulated in the original bid documents and were stipulated in the original bid documents as per the requirements of SCM regulation 21(b) and 28(1). (EX. 213, EX. 237, EX. 217 and EX. 214)</p> <p>Sufficient appropriate audit evidence could not be obtained that bid specifications were drafted by bid specification committees which were composed of one or more officials of the municipality as required by SCM regulation 27(3). (EX. 212)</p> <p>Sufficient appropriate audit evidence could not be obtained that bid specifications were drafted by bid specification committees which were composed of one or more officials of the municipality as required by SCM regulation 27(3). (EX. 212)</p> <p>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. (EX. 213, EX. 237 and EX. 214)</p>					
Human resource management	<p>Senior managers directly accountable to the municipal manager did not sign annual performance agreements for the year under review, as required by sections 57(1)(b) and 57(2)(a) of the MSA. (EX. 187)</p> <p>The municipal manager did not sign an annual performance agreement for the year under review, as required by sections 57(1) (b) and 57(2) (a) of the MSA.</p>				<p>AMM</p> <p>Dir Corp Serv</p>	

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
	(EX. 187)					
Expenditure management	<p>The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds, as required by section 65(2)(a) of the MFMA. (EX. 93, EX. 35, EX. 76 and EX. 103)</p> <p>The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which recognised expenditure when it was incurred, accounted for creditors of the municipality and accounted for payments made by the municipality, as required by section 65(2)(b) of the MFMA. (EX. 103)</p> <p>The accounting officer did not take reasonable steps to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. (EX. 25, EX. 237, EX. 240 and EX. 89)</p> <p>The municipality did not recover unauthorised, irregular or fruitless and wasteful expenditure from the liable person, as required by section 32(2) of the MFMA. (EX. 25, EX. 237, EX. 240 and EX. 89)</p>				ACFO Dir Corp Serv	
Conditional grants	The accounting officer did not evaluate the performance of the municipality in respect of programmes funded or partially funded by a schedule 4 allocation within two months after the end of the financial year as required by section 11(6) of the DoRA. (EX. 222)				AMM	

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
Revenue management	<p>Interest was not charged on all arrears accounts as required by section 64(2) (g) of the MFMA.</p> <p>Sufficient audit evidence could not be obtained that interest was charged on all arrears accounts as required by section 64(2) (g) of the MFMA. (EX. 26)</p> <p>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. (EX. 190 and EX. 112)</p> <p>The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which recognized revenue when it is earned, accounted for debtors and accounted for receipts of revenue, as required by section 64(2)(e) of the MFMA. (EX. 199, EX. 200, EX. 201 and EX. 202)</p>				<p>ACFO</p> <p>Finance: Revenue</p>	
Asset management	<p>The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which accounts for the assets of the municipality as required by section 63(2)(a) of the MFMA. (EX. 65, EX. 66, EX. 84, EX. 83 and EX. 99)</p> <p>The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of internal control for assets (including an asset register) as required by section 63(2) (c) of the MFMA. (EX. 65, EX. 66, EX. 84, EX. 83 and EX. 99)</p>				<p>Tech Serv Dir</p> <p>Finance: Asset man</p>	

INTERNAL CONTROL

Achievement of internal control objectives

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
Leadership	<p>The leadership did not evaluate whether management had implemented effective internal controls by gaining in understanding of how senior management members had met their responsibilities in terms of preparing bank reconciliations, ensuring proper records management, maintaining an asset register and preparing the annual financial statements. (All paragraphs given rise to the Basis for disclaimer opinion)</p> <p>The leadership did not take timeous and adequate action to address weaknesses in the finance and supply chain management directorate, which resulted in non-compliance with applicable legislation and gave rise to irregular expenditure. (Irregular expenditure qualified on and all the non-compliance reported under procurement and contract management)</p> <p>The leadership did not sufficiently monitor the recording and reconciliation of the financial records. Sufficient control measures were not developed by the leadership to address the qualifications reported in the prior years. (Re-occurrence of prior year qualification paragraphs)</p> <p>The leadership failed to implement adequate controls to ensure compliance with laws, regulations and internally designed policies and procedures. As a result, significant non-compliance issues were noted. (All the non-compliance issues</p>					

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
	reported under Compliance with laws and regulations)					
Financial and performance management	<p>Effective performance systems, processes and procedures as well as the management thereof had not been adequately developed and implemented. (Performance management system not in place)</p> <p>Inadequate filing procedures at the municipality have resulted in limitations of scope during the current and previous year's audits. As a result significant difficulties were experienced in respect of the availability of information. (All limitations reported in paragraphs given rise to the Basis for disclaimer opinion)</p> <p>The annual financial statements were not properly reviewed for completeness and accuracy prior to submission for auditing. This resulted in many findings relating to incorrect disclosure. (All paragraphs where non-compliance issues with GRAP, GAAP and MFMA were reported)</p>					
Governance	<p>The annual financial statements contained numerous inaccuracies, which are attributable to weaknesses in the design and implementation of internal control in respect of financial management and financial reporting, and weaknesses in the information systems. (All paragraphs where non-compliance issues with GRAP, GAAP and MFMA were reported)</p> <p>The municipality did not have a documented fraud prevention plan. Internal control deficiencies were not identified and communicated in a timely manner to allow for corrective action to be taken. The implementation of external audit recommendations was not monitored. This resulted in the prior year audit findings not being substantially</p>					

Financial statement item	Finding	Impact R	Internal control deficiency	Description	Responsibility	Timeframe
	<p>addressed. (EX. 2 and re-occurrence of prior year qualifications)</p> <p>An audit committee, internal audit and performance audit committee was not in place for the financial year. (EX. 1 and EX. 111)</p>					

DETAILS CONCERNING THE ACHIEVEMENT OF INTERNAL CONTROL OBJECTIVES

LEADERSHIP

Ethical business practices

1. The leadership did not evaluate whether management had implemented effective internal controls by gaining in understanding of how senior management members had met their responsibilities in terms of preparing bank reconciliations, ensuring proper records management, maintaining an asset register and preparing the annual financial statements.

Oversight responsibility regarding reporting and compliance

2. The leadership did not sufficiently monitor the recording and reconciliation of the financial records. Sufficient control measures were not developed by the leadership to address the qualifications reported in the prior years.
3. Performance of the entity is not measured effectively against predetermined objectives, indicators and targets as required by the MFMA.
4. The appropriate level of management do not regularly review interim/monthly reporting in terms of best practice and as required by the MFMA.

Effective human resource management

5. The leadership did not take timeous and adequate action to address weaknesses in the finance and supply chain management directorate, which resulted in non-compliance with applicable legislation and gave rise to irregular expenditure.
6. Several key management positions were not filled during the financial year.
7. Performance of all staff members, excluding section 57 managers, is not measured on a formal performance evaluation system.

Implementation of policies and procedures

8. The leadership failed to implement adequate controls to ensure compliance with laws, regulations and internally designed policies and procedures. As a result, significant non-compliance issues were noted.

Establishment of an IT governance framework

9. IT management had not formally designed an IT governance framework to govern the IT processes at the municipality.
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FINANCIAL AND PERFORMANCE MANAGEMENT

Availability of expected information (both financial and performance)

10. Effective performance systems, processes and procedures as well as the management thereof had not been adequately implemented. Documentation supporting amounts disclosed in the annual financial statements in the annual report was not available.

Controls over daily and monthly processing and reconciling of transactions

11. Inadequate filing procedures at the municipality have resulted in limitations of scope during the current and previous year's audits. As a result significant difficulties were experienced in respect of the availability of information.

Formal control over IT systems

12. IT management had not formally designed security management controls (policies, procedures, guidelines) to mitigate the risk of unauthorised access to the network and information systems. Informal controls were in place, but were inadequate.

Adequacy of IT systems for the preparation of the financial statements and the report on predetermined objectives

13. IT management had not formally designed management controls (policies, procedures, guidelines) to ensure that the IT systems is adequate in producing quality financial statements and a quality report on predetermined objectives.

Use of consultants for financial statement preparation

14. The annual financial statements were not properly reviewed for completeness and accuracy prior to submission for auditing. This resulted in many findings relating to incorrect disclosure.
15. Akhile consulting compiled several financial documents before the annual financial statements were compiled and submitted.

Budget processes

16. The municipality incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget, in contravention of section 15 of the MFMA. **(EX. 240)**
17. 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. **(EX. 11)**
18. The accounting officer did not always submit the monthly budget statements to the mayor and the relevant provincial treasury, as required by section 71(1) of the MFMA. **(EX. 170)**

Related-party transactions

19. International Public Sector Accounting Standard, IPSAS 20, *Related-party disclosures*, requires the disclosure of related party relationships where control exists, and any related party transactions that occurred during the year. Undisclosed related party transactions amounting to R334 333 were identified. No disclosure with regard to these transactions has been made in the annual financial statements. **(EX. 140)**

Monitoring of compliance with laws and regulations

20. Particulars of non-compliance with the MFMA were not disclosed in the notes to the annual financial statements, as required by section 125(2) (e) of the MFMA. Several material deviations from the MFMA were identified during the audit; however, no particulars of any of these matters were disclosed in the notes to the annual financial statements. **(EX.41)**

Accuracy and completeness of financial statements and report on predetermined objectives

21. Section 125(1) (b) & (c) and section 125(2) (e) of the MFMA states that the notes to the annual financial statements of a municipality must include the total amounts paid in contributions to organised local government, audit fees, taxes, levies, duties and pension and medical aid contributions, whether any amounts were outstanding as at the end of the financial year and all areas of non-compliance with the MFMA. In contravention with this section, various differences were noted between the amounts as disclosed in note 32 to the annual financial statements and the supporting schedules. **(EX.232)**

GOVERNANCE

Risk management

22. The annual financial statements contained numerous inaccuracies, which are attributable to weaknesses in the design and implementation of internal control in respect of financial management and financial reporting, and weaknesses in the information systems.

Fraud prevention, detection and response

23. The municipality did not have a documented fraud prevention plan. Internal control deficiencies were not identified and communicated in a timely manner to allow for corrective action to be taken. The implementation of external audit recommendations was not monitored. This resulted in the prior year audit findings not being substantially addressed.

Internal audit

24. An internal audit unit was not in place for the financial year.

Audit committee

25. An audit committee and performance audit committee was not in place for the financial year.

EMERGING RISKS

Accounting and compliance matters

26. Several new GRAP statements have been issued and will become effective from April 2012.

- GRAP 21 - Impairment of non-Cash-generating Assets
- GRAP 23 - Revenue from non-exchange transactions
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 26 - Impairment of Cash-generating assets
- GRAP 103 - Heritage assets

27. The amendments to the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) will be effective from December 2011.