

ACTION PLAN: MANAGEMENT LETTER OF THE SIYANCUMA MUNICIPALITY ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2012:

Deficiencies pointed out in report	Detail of remedial action to be Implemented	Responsible official(s)	Target date for implementation	Implementation Status
<p>1. Long-term Liabilities: DBSA Loan Agreements not submitted for audit purposes</p> <p>All loan agreements with DBSA for the loans disclosed in the annual financial statements were not received.</p>	The agreements will be obtained and submitted for audit purposes	C Zealand	28 February 2013	Not started yet
<p>2. Long term borrowings: DBSA Loan confirmation not obtained</p> <p>Loan confirmations from DBSA were requested to confirm the balances and interest recorded in the financial statements as per the ML could not be submitted to the auditors.</p>	Management will request the loan confirmation and copies of the loan agreements from DBSA and submit it to the auditors.	C Zealand	28 February 2013	Not started yet
<p>3. EX.233 - Long Term Liabilities: Difference between loan register and loan confirmations</p> <p>(a) Difference between the capital portion outstanding as on the loan register and the loan confirmations as per ML,</p> <p>(b) Difference between the interest expense paid on the loan register and the loan confirmations as per ML,</p> <p>(c) Differences were found while recalculating the current portion of the loans, we could however not calculate the differences per loan because the split per loan was not provided to us:</p>	The discrepancies will be investigated and rectified.	C Zealand	28 February 2013	Not started yet
<p>4. Cash and Cash equivalents: Incorrect disclosure of cash and cash equivalent</p> <p>The Nedbank deposit is a long term deposit/investment which matures in more than 12 months after year end.</p> <p>The investment should be classified as an investment under non-current</p>	Management will adjust the annual financial statements to correctly account for the investment with a maturity date of more than 12 months.	C Zealand	31 July 2013	Not started yet

<p>assets in the annual financial statements. The notes of cash and cash equivalents was inspected and it was determined that the investment in Nedbank was incorrectly disclosed as a cash and cash equivalent. Through discussion held it was confirmed that the investment matures in twelve months time every year.</p> <p>The details of the loan are as follows:</p> <table border="1" data-bbox="180 496 873 646"> <thead> <tr> <th>Financial Institution</th> <th>Loan/ account number</th> <th>Balance at 30 June 2012</th> </tr> </thead> <tbody> <tr> <td>Nedbank</td> <td>09577841</td> <td>34 489,54</td> </tr> </tbody> </table>	Financial Institution	Loan/ account number	Balance at 30 June 2012	Nedbank	09577841	34 489,54				
Financial Institution	Loan/ account number	Balance at 30 June 2012								
Nedbank	09577841	34 489,54								
<p>5. Cash and cash equivalents: Cash Suspense incorrectly classified</p> <p>(a) The following suspense account was noted that was incorrectly classified as cash and cash equivalents in the annual financial statements:</p> <table border="1" data-bbox="180 781 873 873"> <thead> <tr> <th>Vote</th> <th>Description</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>9401/9401/9402</td> <td>PRIMARY BANK ACCOUNT;CASH SU</td> <td>(1 258 415,00)</td> </tr> </tbody> </table> <p>(i) The account relates to revenue that is received by the Post Office on behalf of the municipality. (ii) The balance represents payments by debtors and should have been credited against the individual debtors' balances.</p> <p>(b) Sufficient appropriate audit evidence could not be obtained to confirm the existence and valuation of the suspense account. (See ML for detail)</p>	Vote	Description	Amount	9401/9401/9402	PRIMARY BANK ACCOUNT;CASH SU	(1 258 415,00)	<p>Management will investigate the issue and rectify it</p>	<p>M Stellenberg C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
Vote	Description	Amount								
9401/9401/9402	PRIMARY BANK ACCOUNT;CASH SU	(1 258 415,00)								
<p>6. Cash and cash equivalents: Supporting documents not provided for journals</p> <p>While performing procedures on cash and cash equivalents, and with specific regard to the testing of journals, it was confirmed that appropriate supporting documentation is not attached to the journals, as per the table in ML</p>	<p>Management will locate the supporting documentation and submit it to the auditors</p>	<p>F Bloem M Stellenberg C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>						

<p>7. Commitments: Information requested not submitted for audit purposes with regard to PY Commitments</p> <p>The following supporting documentation with regard to prior year commitments could not be obtained: (a) certificates of completion with regard to commitments disclosed in prior year annual financial statements; and (b) snag lists. This occurred mainly due to: (a) management not ensuring that all documents are retrieved and provided for audit purposed by the due dates; and (b) officials do not accept responsibility for information requested.</p>	<p>Management will locate the documents and submit it to the auditors</p>	<p>H Nel C Muller</p>	<p>28 February 2013</p>	<p>Not Started yet</p>				
<p>8. Commitments: Sufficient appropriate audit evidence not obtained</p> <p>The following information as listed below was not received: (a) information supporting the following capital commitment:</p> <table border="1" data-bbox="178 781 871 906"> <thead> <tr> <th>Description</th> <th>Amount of Commitment Disclosed</th> </tr> </thead> <tbody> <tr> <td>Douglas, Griekwastad, Campbell and Schmidtsdrift - Upgrading of gravel roads.</td> <td>20 513 000</td> </tr> </tbody> </table> <p>The supporting documents that were required per the above project: (i) council resolution form, containing the IDP number; (ii) MIG application form; (iii) MIG approval form; (iv) consultant appointment form; (v) DORA allocations document; and (vi) all invoices for the payments made.</p>	Description	Amount of Commitment Disclosed	Douglas, Griekwastad, Campbell and Schmidtsdrift - Upgrading of gravel roads.	20 513 000	<p>Management will locate the documents and submit it to the auditors</p>	<p>H Nel C Muller</p>	<p>28 February 2013</p>	<p>Not started yet</p>
Description	Amount of Commitment Disclosed							
Douglas, Griekwastad, Campbell and Schmidtsdrift - Upgrading of gravel roads.	20 513 000							
<p>9. Compliance: Employee cost – No performance agreements in place</p> <p>It was confirmed that the following managers directly accountable to the Municipal Manager (MM), as well as the MM himself, did not sign an annual performance agreement for the financial year under review(2011/12): See</p>	<p>Management will ensure that performance agreements are concluded for the 2012/13 year.</p>	<p>H Nel C Muller</p>	<p>31 January 2013</p>	<p>Not started yet</p>				

ML for detail.															
<p>10. Employee cost: Incorrect allowances awarded</p> <p>(a) no appointment letter or contract could be obtained for the permanent employees listed as per ML.</p> <p>(b) no appointment letter or contract of employment for the employee as per the ML could be obtained. The only evidence that could be obtained of the appointment process for the employee was a council resolution to appoint.</p> <p>(c) the employee's contract or appointment letter as per the ML expired on 31 May 2011 and was not renewed:</p> <p>(d) the employee's file as per the ML could not be obtained:</p> <p>(e) through further inspection of employee files and contracts, employment contracts or letters could not be obtained to substantiate the following allowances:</p> <p>(i) Travelling allowances: a letter of approval of travelling allowance for the employee as per the ML</p> <p>(ii) A letter of approval of housing subsidy/allowance for the employees as per the ML:</p> <p>(iii) the travelling allowance (non taxable) per kilometre for CJ Fouche (Employee number: 2022) did not agree with the amount recalculated for February 2012:</p>				The discrepancies will be investigated and rectified	T Sehako C Zealand	28 February 2013	Not started yet								
<p>11. Employee cost: Councillors allowances incorrectly disclosed</p> <p>While performing procedures on employee costs, the total amount of remuneration received by all councillors was obtained from the payslips and compared to the amount disclosed in the annual financial statements(AFS). The following difference was identified:</p> <table border="1" data-bbox="178 1201 871 1291"> <thead> <tr> <th>Description</th> <th>Amount Per AFS</th> <th>Amount per Pay slips (12 month period)</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>				Description	Amount Per AFS	Amount per Pay slips (12 month period)	Difference					<p>Management will ensure that the reconciliation between the salary system and general ledger is done on a monthly basis.</p> <p>The difference identified by the auditors will also be rectified.</p>	C Zealand	28 February 2013	Not started yet
Description	Amount Per AFS	Amount per Pay slips (12 month period)	Difference												

Councillors allowances	1 139 548,94	1 232 855,44	(93 306,50)				
12. Employee Cost: No Contracts in place for the temporary employees While performing procedures on employee costs, and with specific regard to wages, it was ascertained that: (a) the municipality does not maintain employee files for casual workers, which ought to contain the relevant identification documents, appointment letters etc.; and (b) the employees listed in the ML received wages during the current year. However, no appointment letters or employee contracts could be obtained to confirm that the employee was in fact appointed as valid temporary staff by the municipality to render services				Management will ensure that a valid appointment letter or contract is kept for each and every temporary worker.	T Sehako	28 February 2013	Not started yet
13. Employee cost: Workmen's compensation incurred for prior year's assessments While performing procedures on workmen's compensation payments made during the year, the following issue was identified: (a) Cheque number 19772 for R402 378,88 paid to the Office of the Compensation Commissioner was recorded under workmen's compensation expense. The payment, however, consisted of payments made in terms of prior year assessments and late submission penalties as detailed in the table below. As these payments related to prior year assessments, they should have been recorded in the appropriate periods. See the tables with the differences in the ML				Management will: (a) ensure that workmen's compensation assessments are submitted within the applicable timeframe; and (b) ensure that expenditure is recorded when it is incurred and not when payments are made. (c) further investigate the differences in the ML and rectify it	C Zealand	28 February 2013	Not started yet
14. Employee cost: Salary scales While performing procedures on employee costs, the employees listed in the ML were noted as not falling in the salary scales set by the South African Bargaining Council, as detailed				Management will investigate the difference and rectified.	C Zealand	28 February 2013	Not started yet
15. Employee Cost: Rates used to pay wages not substantiated While performing procedures on employee costs, and with specific regard to				Management will ensure that only	C Zealand	28 February 2013	Not started yet

temporary workers, it was determined that the employees listed in the ML were paid at a rate exceeding the approved rate of R65:	approved rates are used when making payments to casual workers.			
<p>16. Employee cost: Deductions on employee payslips not supported</p> <p>While performing procedures on employee related costs, the following issues were identified:</p> <p>(a) no signed documentation supporting the following deductions from the employee salaries could be obtained: (i) medical and pharmacy deductions; and (ii) services rendered (water and electricity) by the municipality to employees; and</p> <p>(b) the differences as per ML were identified through recalculation of the Unemployment Insurance Fund (UIF) deductions made from employee salaries</p>	<p>Management will</p> <p>(a) ensure that proof of authorisation were signed by employees for their deductions and are filed in the employees' files; and</p> <p>(b) implement controls to ensure that UIF contributions are correctly calculated.</p>	C Zealand	28 February 2013	Not started yet
<p>17. Employee cost: Back pay</p> <p>Based on recalculations of sample of employees of the back-pay paid to employees in May 2011 as per categorisation and job evaluation wage curves collective agreement issued by the South African Bargaining effective from 2 July 2010 the following differences were identified:</p> <p>(a) errors in calculation as per the list in ML (b) incorrect task grade or salary notch used in the calculation as per the list in ML (c) the following employees incorrectly received no back-pay based on the recalculation as per the list in ML (d) The employees' back-pay could not be recalculated as the job descriptions that were provided could not be matched with an audited task grade. List as per the ML</p>	Management will provide explanations for the differences noted per the calculations above and if necessary rectified the miscalculations.	C Zealand	28 February 2013	Not started yet
<p>18. PY Follow Up: Employee Cost: No appointment letters (temporary employees)</p> <p>While performing procedures on prior year audit findings, the following was ascertained: a) that the employees listed as per the ML were paid wages during the</p>	Management will ensure that the employees hired as temporary	T Sehako	28 February 2013	Not started yet

financial period under review, despite the fact that no appointment letters could be obtained to confirm that the employee was in fact appointed as temporary staff by the municipality to render services. It was also found that the municipality does not maintain employee files for these workers, containing identity documents or other relevant documentation:	employees have valid appointment letters.			
19. PY Follow Up: Employee Cost: No employment contract While performing procedures on prior year audit findings, the following was ascertained: The employee contracts of the employees as per the ML could not be obtained	Management will ensure that contracts with employees are updated regularly and are legally binding.	T Sehako	28 February 2013	Not Started yet
20. Employee cost: Journals not supported by documentation While performing procedures on journals which relate to employee costs, the following was noted: That insufficient appropriate supporting documentation is attached to manual journals which had been provided as per the ML . The accuracy and appropriate classification of the journals could therefore not be determined.	Management will: (a) ensure that all manual journals passed are documented together with the appropriate supporting documentation (invoices, receipts, calculations made, etc); and (b) furnish the appropriate supporting evidence for the journals indicated above.	C Muller F Bloem	28 February 2013	Not started yet
21. Employee cost: Payments to third parties could not be verified While performing procedures on monthly recurring expenses the following instances as per the ML were identified where more than 12 payments were made during the year which could not be substantiated through supporting information	Management will implement appropriate, effective controls over the processing of payments to ensure that entries can be traced to supporting documentation.	C Zealand	28 February 2013	Not started yet
22. Details concerning the achievement of internal control objectives – IT General Controls (a) IT management had not formally designed security management controls (no IT security policy) as reported last year to mitigate the risk of unauthorised access to the network and information system; as a result the following key security management risks were identified:	The Municipal Manager will, within at least 2 months, urgently develop, test, implement and approve a comprehensive IT security policy, which should be officially distributed	H Nel	28 February 2013	Not started yet

<p>1. ☐ Inadequate password security settings defined on the operating system.</p> <p>2. ☐ Password policy has not been formally approved.</p> <p>3. ☐ The network layout had not been formally documented.</p> <p>4. ☐ Patch management process had not been formalised.</p> <p>Lack of the IT security policy could result in failure of firewall, network and business rules to reflect the organisation's IT security intent and will subsequently compromise the overall security architecture put in place.</p> <p>(b) IT management had not formally designed user access controls (no User account management policy and procedures) as reported last year to mitigate the risk of unauthorised access to the network and Sebata application system. Informal processes were in place but were inadequate as the following weaknesses were identified both at the network and application level:</p> <p>1. ☐ No periodic reviews were performed on user access rights;</p> <p>2. ☐ No periodic reviews were performed on the system administrator activities</p> <p>Inadequate design and implementation of user account management processes might result in the inappropriate use and management of user accounts which might result in the integrity of the financial data being</p>	<p>to all IT users, who should be trained in the various components of the policy.</p> <p>The Municipal Manager will further ensure that the following control measures are implemented in the next 2 months:</p> <p>= Adequate password security settings are defined on the operating system in accordance to best practice.</p> <p>= Ensure that the municipality's network architecture and layout are documented</p> <p>= Comprehensive patch management procedures are formally documented. What about the assigning of responsibility under ICD – applicable to all below</p> <p>(b) Management will liaise with the service provider to ensure that a comprehensive user account management procedures are formally documented and approved in the next 2 months and compliance thereto monitored.</p>	<p>C Muller</p>	<p>28 February 2013</p>	<p>Not started yet</p>
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<p>compromised.</p> <p>(c) IT management had not formally designed change management controls (Change control policy and procedures) as reported last year to mitigate the risk of unauthorised access to the Sebata application system. As a result, the following change control/upgrade risks were identified:</p> <ol style="list-style-type: none"> 1. ☐ Vendors had access to the municipality's production environment via a dial-up modem. 2. ☐ The vendors' activities were not monitored by an independent person. 3. ☐ Formal documentation was not completed when program changes were requested. 4. ☐ The formal user acceptance process followed was inadequate. 5. ☐ Upgrades were not appropriately approved by user management before migration to the production environment. 6. ☐ Upgrades was not migrated to the production environment by an independent person. 7. ☐ Separate test and production environments did not exist. 8. ☐ Version Control of applicable software was not maintained by Sebata. <p>Lack of change control procedures might result in unauthorised changes made to the application which might result in the integrity of the financial data stored on the financial application being compromised.</p>	<p>(c) The Chief Financial Officer (CFO), who is responsible for IT, will ensure a comprehensive change control policy and procedures are designed and implemented within the next three months.</p>	<p>C Muller</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>(d) IT management had not formally designed IT service continuity controls (no Disaster recovery plan (DRP) and Backup and retention policy) as reported last year to mitigate the risk of the Municipality being unable to resume critical operations following a disastrous event within their IT environment.</p> <p>Without a DRP and backup and retention policy, the department might not be able to reinstate critical IT services within an acceptable or defined period of time. Moreover, avoidable costs might be incurred in the resumption of</p>	<p>(d) The Chief Financial Officer (CFO), ensure that a comprehensive disaster recovery plan and backup and retention strategy are developed and that offsite backup performed by Sebata is regularly tested to ensure that the data of financial and other</p>	<p>C Muller</p>	<p>28 February 2013</p>	<p>Not started yet</p>

critical IT services and business operations.	<p>reputational systems would be recoverable, for at least a minimum period of five years, in order for the municipality complies with statutory regulations.</p> <p>These measures should be formally designed and implemented in the next three months.</p>			
<p>23. Audit committee: Compliance</p> <p>While performing procedures on compliance with the MFMA, the following issues were identified:</p> <p>(a) Through inspection of the minutes of the audit and council committee meetings, no evidence could be obtained that the audit committee responded to council with regard to audit findings raised by the Auditor-General raised during the 2010/2011 financial year;</p> <p>(b) Only two meetings were held during the 2011/12 financial year. These took place on 20 December 2011 and 28 June 2011 respectively, and not at least quarterly as required;</p> <p>(c) The audit committee did not advise the municipal council and the accounting officer on the following matters:</p> <p>(i) Accounting policies, (ii) Performance management, (iii) Effective governance, (iv) Compliance with the MFMA, DORA and any other applicable legislation, and (v) Significant accounting and auditing problems identified by the external auditors;</p> <p>(d) No evidence could be obtained that the audit committee reviewed the reasons for major fluctuations in the financial results (current year compared with prior years), or unusual circumstances or events reflected in the financial statements, as required by its mandate; and</p>	<p>Management while monitoring the framework will ensure that:</p> <p>a) the audit committee responds to council regarding the audit findings raised by the AG relating to the 2010/11 financial year,</p> <p>b) at least four meetings are held during any financial year,</p> <p>c) the audit committee advises the council or the accounting officer on the matters stated above as per section 166(2)(a) of MFMA.</p>	<p>H Nel C Muller</p> <p>H Nel C Muller</p> <p>H Nel C Muller</p> <p>H Nel C Muller</p>	<p>28 February 2013</p> <p>28 February 2013</p> <p>28 February 2013</p> <p>28 February 2013</p>	<p>Not started yet</p> <p>Not started yet</p> <p>Not started yet</p> <p>Not started yet</p>

<p>(e) There is no evidence of communication from management regarding their processes for identifying and responding to the risks of fraud in the entity to the audit committee.</p>				
<p>24. Internal audit: Compliance</p> <p>While performing procedures on the above, it was determined:</p> <p>(a) that, through inspection of the audit reports of the internal audit unit, the internal audit unit did not report to the audit committee on the following matters:</p> <p>(i) loss control, and</p> <p>(ii) compliance with the MFMA, DoRA or any other applicable legislation.</p> <p>(b) that, whereas the internal audit charter requires all members of the internal audit to undergo continuous technical training in internal audit in order to keep up to date with the latest developments and changes, no technical training courses were attended by members of the internal audit committee, and</p> <p>(c) that the work required to be performed in terms of the annual internal audit plan had not been completed in the 2011/2012 financial year. Only two of the four planned audits had been completed.</p>	<p>The audit committee must ensure the internal audit unit performs all its planned audits, and reports the findings thereof both to the audit committee and management.</p>	<p>H Nel C Muller</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>25. Procurement and contract management - Micro Mega: Invalid contract extension</p> <p>While performing procedures on contract and contract management, with regard to the contract with Micro-mega Revenue Management Services (Pty) Ltd for the reading of all water and electricity the following was identified:</p> <p>a) All service organisation level agreements during the year were requested (per request for information 1 on 14 August 2012). The contract with Micro-mega Revenue Management Services (Pty) Ltd, signed on 5 April 2004, was the only service organisation contract received. The contract expired on 28 February 2009 and no evidence could be obtained of a new tender process followed for reappointment;</p> <p>b) no evidence could be obtained of the submission signed by council for the extension of this contract on a month-to-month basis.</p>	<p>Management will ensure that:</p> <p>(a) all irregular expenditure is identified and disclosed in the annual financial statements of the Municipality;</p> <p>(b) the supply chain management policy is adhered to during the procurement of goods and services to prevent the occurrence of future irregular expenditure; and</p> <p>(c) services from service organisation agreements are terminated when</p>	<p>C Muller L Selego</p>	<p>30 June 2013</p>	<p>Not started yet</p>

<p>This constitutes non-compliance with the supply chain regulations and therefore the expenditure incurred meets the definition of irregular expenditure.</p> <p>The payments as listed in ML were made to Micro-mega for the 2011/12 financial period and are therefore regarded as irregular expenditure as the contract had expired and no procurement process was subsequently followed.</p>	<p>agreements are terminated.</p>			
<p>26. VAT201 forms not accurately completed</p> <p>While performing procedures on value added tax (VAT) it was found that VAT returns (Vat 201's) have not been completed in accordance with the provisions of the VAT Act. We noted that zero-rated supplies have not been disclosed on the VAT 201's on a monthly basis.</p>	<p>Management will ensure that VAT returns will be completed on a monthly basis in terms of the requirements of the VAT Act. Specifically, zero-rated supplies (income) should be disclosed on the VAT 201's.</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>27. Compliance : Monthly reports not compiled for investment portfolio.</p> <p>While performing procedures on the internal control environment it was determined that the municipality does not submit monthly investment portfolio reports to the Mayor.</p>	<p>Management will:</p> <p>(a) implement controls to ensure adherence to relevant laws and regulations; and</p> <p>(b) prepare and submit monthly investment portfolio reports to the mayor.</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>28. Non Compliance: No resolution of council for uncollectable accounts receivables</p> <p>While performing procedures on bad debts, no evidence of the submission of uncollectable arrears to the council could be obtained in terms of the The Credit Control and Debt Collection Policy of the municipality</p>	<p>Management should ensure that the uncollectable arrears are submitted to council for resolution</p>	<p>M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>29. Provisions: Non-compliance - landfill sites</p> <p>While performing procedures on the provision for landfill sites the following non-compliance issues were identified:</p> <p>(a) the Municipality does not have a license for the landfill sites in Douglas, Griekwastad and Campbell;</p> <p>(b) the Douglas landfill site is neither fenced nor manned. This has resulted in waste being dumped all over the landfill site; and</p> <p>(c) the boundary of the landfill site is not defined, so waste is dumped over a very large area. Waste is also disposed of all along the access road. The Douglas landfill site is mismanaged and does not adhere to the DWAF minimum requirements. Waste is not covered, despite the availability of cover material available. This results in windblown litter which poses a threat to the nearby Orange and Vaal Rivers.</p>	<p>The Municipality will obtain a license for the operation of the relevant landfill sites, and also inform staff of the relevant laws and regulations applicable to the Municipality.</p>	<p>H Nel</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>30. Employee Costs : Management competencies were not prepared, evaluated and reported.</p> <p>While performing procedures on Human Resource compliance, it was noted that the municipality did not evaluate the performance of the municipal manager and the senior management of the municipality as required by regulations.</p>	<p>Management will ensure that the performance of the municipal manager and senior management are evaluated.</p>	<p>H Nel</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>31. VAT: Proof of VAT registration could not be obtained</p> <p>The following supporting information has not been submitted as requested for audit purposes:</p> <p>(a) Proof of VAT registration indicating the basis of registration (invoice or payment basis) and the category of VAT (A-F).</p>	<p>Management will locate the documentation and submit it to the auditors</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>32. Compliance - Budget and Annual Report - Information requested not submitted for audit purposes</p> <p>The information as listed in the ML was not submitted for audit purposes:</p> <ul style="list-style-type: none"> • Regarding the 2011 Annual Report: • Regarding the 2011/2012 and 2012/2013 Annual Budget: • Regarding the Service Delivery and Budget Implementation Plan (SDBIP): • With regard to the adjustments budget: • With regard to monthly budget statements: 	<p>Management will:</p> <p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request; and</p>	<p>H Nel C Muller</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<ul style="list-style-type: none"> With regard to the mid-year budget and performance assessment: 	(b) provide the information to the Auditor-General.			
<p>33. Expenditure: Non-compliance identified in expenditure</p> <p>While performing procedures on expenditure, the following issues regarding non-compliance with the MFMA were identified:</p> <p>(a) the payments listed in ML were made later than 30 days after receiving the invoices from suppliers:</p> <p>(b) the payments listed in ML did not have any invoices attached to them:</p> <p>c) the following was determined with regard to authorisation of payments and invoices:</p> <p>(i) the payment for cheque 019440 to a total value of R150,00 was for a travel and accommodation claim. The authorizing signature on the travel form is not one of the signatories as provided; and</p> <p>(ii) the payment for cheque 18330 to a total value of R825,00 was for various travel and accommodation claims. One of the claims, from Mr CJ Muller for R825, was not authorised.</p>	<p>Management should ensure that all payments made have appropriate supporting invoices, that all invoices are authorised and that all creditors are paid within 30 days.</p>	<p>C Muller F Bloem C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>34. Prior Year Follow Up: Revenue - Non compliance to Municipal Property Act</p> <p>While performing procedures on prior year audit findings, it was noted that the municipality does not have a property register as per the requirements of section 23 of the Municipality Property Act.</p>	<p>Management will develop a compliance implementation plan and monitor its implementation regularly.</p>	<p>H Nel C Muller</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>35. Procurement and contract management: Non-compliance for transactions above R200 000</p> <p>While performing procedures on procurement and contract management, the following issue was identified with regard to payments made above R200 000:</p> <p>(a) No competitive bidding process was followed for the payment as per the</p>	<p>Management will:</p> <p>(a) provide reasons for not following the requirements as set out in the SCM;</p>	<p>C Muller L Selego</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>ML</p> <p>(b) No competitive bidding process was followed for the payments as per the ML</p>	<p>(b) implement controls to ensure compliance with the SCM; and</p> <p>(c) implement controls to ensure the appropriate and full disclosure of irregular expenditure in the annual financial statements.</p>			
<p>36. Procurement and contract management: SCM policy not followed for the Nashua contract</p> <p>While performing procedures on procurement and contract management, the following was ascertained with regard to the payments to the value of R1,003,492.07 made to Nashua:</p> <p>(a) The following procurement processes were not followed for the transactions tabled below:</p> <p>(i) goods were not procured through a competitive bidding process;</p> <p>(ii) a reasonable deviation was not provided/not valid;</p> <p>(iii) the deviation was not reported to the council; and</p> <p>(iv) the deviation was not disclosed in the AFS.</p>	<p>Management will:</p> <p>(a) provide reasons for not following the requirements as set out in the SCM;</p> <p>(b) implement controls to ensure compliance with the SCM; and</p> <p>(c) implement controls to ensure the appropriate and full disclosure of irregular expenditure in the annual financial statements.</p>	<p>H Nel C Muller L Selego</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>37. Procurement and contract management: Non-compliance for transactions between R30 000 - R200 000</p> <p>While performing procedures on procurement and contract management, the following issue was identified relating to payments made between R30 000 - R200 000:</p> <p>the appropriate procurement processes were not followed as detailed in the ML:</p>	<p>Management will:</p> <p>(a) provide reasons for not following the requirements as set out in the SCM;</p> <p>(b) implement controls to ensure compliance with the SCM; and</p> <p>(c) implement controls to ensure the appropriate and full disclosure of</p>	<p>C Muller L Selego</p>	<p>28 February 2013</p>	<p>Not started yet</p>

	irregular expenditure in the annual financial statements.			
<p>38. Procurement and contract management: Awards to persons in service of state: GWK</p> <p>While performing procedures on procurement and contract management, with specific regard to the disclosure of related parties in the annual financial statements, the following issues were identified:</p> <p>Through performance of a CIPRO search, it was ascertained that the current Municipal Manager holds interest as listed in the ML in one of the main suppliers of the Municipality</p> <p>Based on the fact that the municipal manager is a director of Griekwaland Wes Korporatief (GWK), all awards to this entity are prohibited and business with the entity will result in non-compliance with the SCM Policy</p>	<p>Management will:</p> <p>(a) implement appropriate controls to ensure compliance with policies of the municipality; and</p> <p>(b) implement appropriate controls to ensure all related parties are identified.</p>	C Muller L Selego	28 February 2013	Not started yet
<p>39. Procurement and contract management: Non-compliance for transactions between R2 000 - R10 000</p> <p>While performing procedures on procurement and contract management, the following issues were identified relating to payments made between R2 000 - R10 000, as listed under in the ML:</p> <p>(a) written or verbal quotations were not obtained from at least three(3) prospective suppliers in accordance with the requirements of the SCM policy; and</p> <p>(b) no valid deviation was approved and disclosed.</p>	<p>Management will:</p> <p>(a) provide reasons for not following the requirements as set out in the SCM;</p> <p>(b) implement controls to ensure compliance with the SCM; and</p> <p>(c) implement controls to ensure the appropriate and full disclosure of irregular expenditure in the annual financial statements.</p>	C Muller L Selego	28 February 2013	Not started yet
<p>40. Procurement and contract management: non-compliance for transactions between R10 000 - R30 000</p> <p>While performing procedures on procurement and contract management,</p>	<p>Management will:</p> <p>(a) provide reasons for not following</p>	C Muller L Selego	28 February 2013	Not started yet

<p>the following issues were identified with regard to payments made between R10 000 and R30 000:</p> <p>(a) procurement process was not appropriately followed in the cases as listed in the ML.</p>	<p>the requirements as set out in the SCM; (b) implement controls to ensure compliance with the SCM; and (c) implement controls to ensure the appropriate and full disclosure of irregular expenditure in the annual financial statements.</p>			
<p>41. Non Compliance to MFMA: Lack of compliance with provisions of the MFMA and the non-disclosure thereof in the AFS.</p> <p>Whilst performing procedures on various components of the audit, it was noted that there were several contraventions of the MFMA that were not adequately disclosed in the financial statements of the entity.</p> <p>This includes contravention of the following sections: Section 62(1), Section 41(1) (a)-(c), Section 45 (1), (a) and (b), Section 74 and Section 125(1)(c).</p> <p>The above is not an exhaustive list; however, none of the above contraventions were disclosed in the notes to the financial statements.</p>	<p>Management will ensure that all the applicable regulations contained within the MFMA are complied with, and that if there are any instances of non-compliance, that these are disclosed in full in the notes to the financial statements.</p>	<p>C Muller C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>42. Procurement and contract management: Non-compliance - no contract in place</p> <p>While performing procedures on procurement and contract management, the following issue was identified with regards to the services provided by HV Electrical CC, which services comprise of the reading of electricity meters:</p> <p>No contract is in place with HV Electrical, and no procurement process was followed, thus all payments as listed in ML made to HV Electrical during the 2011/2012 financial period is regarded as in contravention with SCM Policy and result in non-compliance.</p>	<p>Management will: (a) provide reasons for not following the requirements as set out in the SCM; (b) implement controls to ensure compliance with the SCM; and (c) implement controls to ensure the appropriate and full disclosure of irregular expenditure in the annual financial statements.</p>	<p>C Muller L Selego</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>43. Procurement and contract management: Non-compliance relating</p>				

<p>to asset additions</p> <p>While performing procedures on procurement and contract management, and with specific regard to assets additions, it was determined that:</p> <p>(a) the appropriate procurement process was not followed for the transactions as listed in ML:</p> <p>(i) for transactions between R30 000 and R200 000:</p> <p>(b) the bid results for the following tender (Electricity connections) were not published on the website of the municipality as listed in ML:</p>	<p>Management will:</p> <p>(a) provide reasons for not following the requirements as set out in the SCM;</p> <p>(b) implement controls to ensure compliance with the SCM; and</p> <p>(c) implement controls to ensure the disclosure of irregular expenditure in the annual financial statements.</p>	<p>C Muller L Selego</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>44. Non-compliance with Municipal laws and regulations</p> <p>Whilst performing procedures on compliance it was noted that the compliance criteria listed below are not adhered to:</p> <ul style="list-style-type: none"> • Regulation 4 of the Municipal Investment Regulations (GNR 308 of 1 April 2005); • Regulation 9 of the Municipal Investment Regulations (GNR 308 of 1 April 2005); • Section 46 of the Municipal Finance Management Act of South Africa, 2000 (Act No. 56 of 2003) (MFMA); • Section 17(2) of the MFMA; • Section 11 of the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010) (DORA); • Section 12 of the DORA; • Section 26 of the DORA; and • DORA Grant Framework (Gazette No. 34280). 	<p>Management will establish mechanisms and processes where all applicable laws and regulations are identified and adhered to.</p>	<p>H Nel C Muller</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>45. Procurement and contract management: Cell-phone contracts for Vodacom and Nashua could not be obtained</p> <p>While performing procedures designed to obtain an understanding of the business processes and relevant controls pertaining to leases it was confirmed that the municipality has entered into certain cell phone contracts.</p>	<p>Management will locate the documentation and submit it to the auditors</p>	<p>C Muller C Zealand L Selego</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>These contracts are entered into for all employees who are on standby (e.g. Plants: water purification) and foremen. The contracts between the Municipality and lessors for all cell phones could not be obtained, the payments as listed in the ML were made with regards to Vodacom</p>	<p>While monitoring the framework management will ensure that appropriate and sufficient controls are implemented to ensure proper records are kept and that transactions entered into are duly authorised and properly classified in the financial statements.</p>			
<p>46. Procurement and contract management - procurement process not followed for transactions between R30 000 - R200 000</p> <p>While performing procedures on procurement and contract management, the following was determined with regard to payments made between R30 000 - R200 000:</p> <p>(a) written or verbal quotations were not obtained from at least three(3) prospective suppliers in accordance with the requirements of the SCM policy;</p> <p>(b) no valid deviation was approved and disclosed;</p> <p>(c) valid deviations are not disclosed in the AFS;</p> <p>(d) points system not used in calculations;</p> <p>(e) no supplier declarations; and</p> <p>(f) no tax clearance certificates.</p>	<p>Management will:</p> <p>(a) provide reasons for not following the requirements as set out in the SCM.</p> <p>(b) implement controls to ensure compliance with the SCM.</p> <p>(c) implement controls to ensure the disclosure of irregular expenditure in the annual financial statements.</p>	<p>C Muller L Selego</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>47. Procurement and contract management - Information requested not submitted for audit purposes</p> <p>While performing procedures on procurement, request for information 37 was issued on 03 October 2012 and was due on 05 October 2012. However, the information listed below (tender documentation/Invoices/vouchers/claims; purchase orders/proof of authorization; contracts/quotation; delivery note/goods received note; cheque/proof of payment), categorised per Supply Chain Management</p>	<p>Management will:</p> <p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request; and</p> <p>(b) provide the information to the</p>	<p>L Selego C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>categories, has not been received to date:</p> <p>(a) R2 000 - R10 000 – listed as per ML</p> <p>(b) R10 000 - R30 000 – listed as per ML</p> <p>(c) R30 000 - R200 000 – listed as per ML</p> <p>(d) Competitive bidding (Above R200 000) – listed as per ML</p>	Auditor-General.			
<p>48. Procurement and contract management: Irregular expenditure identified through expenditure testing</p> <p>While performing procedures on procurement, and with specific regard to expenditure, the transactions as listed in ML to the amount of R145 603,12 were identified as irregular:</p>	<p>Management will:</p> <p>(a) provide reasons for not following the requirements as set out in the SCM;</p> <p>(b) implement controls to ensure compliance with the SCM; and</p> <p>(c) implement controls to ensure the appropriate and full disclosure of irregular expenditure in the annual financial statements.</p>	C Muller L Selego	28 February 2013	Not started yet
<p>49. Procurement and Contract management: No quotations or deviations for transactions between R2 000 and R10 000</p> <p>While performing procedures on procurement and contract management, the following issues were identified with regard to payments made between R2 000 - R10 000:</p> <p>(a) written or verbal quotations were not obtained from at least three (3) prospective suppliers in accordance with the requirements of the SCM policy; and</p> <p>(b) no valid deviations were approved and disclosed.</p>	<p>Management will:</p> <p>(a) provide reasons for not following the requirements as set out in the SCM;</p> <p>(b) implement controls to ensure compliance with the SCM; and</p> <p>(c) implement controls to ensure the appropriate and full disclosure of irregular expenditure in the annual financial statements.</p>	C Muller L Selego	28 February 2013	Not started yet
50. Procurement and Contract Management: Procurement process				

<p>not followed for transactions between R10 000 and R30 000</p> <p>While performing procedures on procurement and contract management, the following mistakes as listed per ML were identified with regard to payments to the amount of R253 358.40 made between R10 000 and R30 000:</p> <ul style="list-style-type: none"> • 3 quotations not obtained • No Deviation • Valid deviation not reported or disclosed • No Supplier declarations • Supporting information not agreeing to GL 	<p>Management will:</p> <p>(a) provide reasons for not following the requirements as set out in the SCM;</p> <p>(b) implement controls to ensure compliance with the SCM; and</p> <p>(c) implement controls to ensure the appropriate and full disclosure of irregular expenditure in the annual financial statements.</p>	<p>C Muller L Selego</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>51. Procurement and Contract management: Competitive Bidding process not followed for awards above R200 000</p> <p>While performing procedures on procurement and contract management for payments as listed in ML and classified as follows:</p> <p>(a) made above R200 000, (b) exceeded R200 000,</p> <p>The following procurement processes were not followed:</p> <p>(i) goods were not procured through a competitive bidding process; (ii) reasonable deviation not provided/not valid; (iii) deviation was not reported to the council; and (iv) deviations was not disclosed in the AFS; (2) no tax clearance certificate could be obtained; and (3) no declaration of interest could be obtained.</p>	<p>Management will:</p> <p>(a) provide reasons for not following the requirements as set out in the SCM;</p> <p>(b) implement controls to ensure compliance with the SCM; and</p> <p>(c) implement controls to ensure the appropriate and full disclosure of irregular expenditure in the annual financial statements.</p>	<p>C Muller L Selego</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>52. PY Follow Up: Procurement and Contract management - Information not submitted for audit purposes</p> <p>While performing procedures on prior year audit findings, it was determined that, with specific regards to the compliance with SCM processes by the municipality, the supporting documentation to the amount of R17 843 411.00</p>	<p>The municipality will improve its filing system to ensure that relevant vital documentation is kept safe and is accessible whenever needed.</p>	<p>C Muller L Selego C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>

for the selected items listed in ML were not submitted for audit purposes. Therefore we could not satisfy ourselves as to whether or not the municipality has indeed complied in full with the requirements of SCM policies.	The municipality will further locate the documents and submit it to the auditors			
53. PY Follow Up: Procurement and Contract Management - Month to Month contracts not approved and disclosed in AFS While performing procedures on prior year audit findings, the following was ascertained: That the suppliers listed ML had a month-to-month contract with the municipality, and no sufficient audit evidence was provided so as to be able to determine whether such arrangement was approved by the council. In addition, this deviation from the SCM process was not disclosed in the AFS.	Management will: (a) initiate a competitive procurement process for the services rendered by the suppliers who provide such services on a month-to-month basis; and (b) disclose all procurement made by the municipality which deviates from the appropriate procurement process in the AFS.	C Muller L Selego	28 February 2013	Not started yet
54. PY Follow Ups: Procurement and contract management - Irregular expenditure not disclosed in the AFS While performing procedures on prior year audit findings, the following was ascertained: Expenditure to the amount of R290 968,85 listed in ML could not be traced to the schedule of irregular expenditure: (b) During the audit of compliance with SCM process, the municipality did not obtain sufficient quotations (three) from the suppliers before purchasing the services/goods in the following instances as listed in ML Payment batches between R2000 - R10 000 - Verbal quotations to the amount of R124 409, 05 Payment batches between R10 000 - R200 000 - Written quotations to the amount of R 277 321,81	Management will keep track by means of a schedule of any irregular and fruitless and wasteful expenditure that has been incurred during the year and ensure that this is updated as and when the expenditure occurs. This schedule will be regularly reviewed for completeness during the year, by an independent finance official.	C Muller L Selego	28 February 2013	Not started yet
55. Procurement and contract management - SCM policy not followed for the Nashua contract While performing procedures on procurement and contract management,				

<p>the following was determined with regard to payments to the amount of R1 003 492,07 made to Nashua:</p> <p>(a) The following procurement processes were not followed for the transactions as listed in the ML:</p> <p>(i) goods were not procured through a competitive bidding process;</p> <p>(ii) reasonable deviations not provided/not valid;</p> <p>(iii) deviations were not reported to the council; and</p> <p>(iv) deviations were not disclosed in the AFS.</p> <p>The municipality has more than one Nashua contract, no distinction could be made between payments made for different contracts.</p>	<p>Management will:</p> <p>(a) provide reasons for not following the requirements as set out in the SCM;</p> <p>(b) implement controls to ensure compliance with the SCM; and</p> <p>(c) implement controls to ensure the appropriate and full disclosure of irregular expenditure in the annual financial statements.</p>	<p>C Muller L Selego</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>56. Procurement and contract management: Procurement process not followed for assets additions</p> <p>While performing procedures on procurement and contract management, and with specific regard to assets additions, it was determined that:</p> <p>(a) the appropriate procurement process was not followed for transactions between R30 000 and R200 000 to the amount of R371 497,90:</p> <p>(b) the bid results for the following tender (Electricity connections) to the amount of R1 596 293,26 were not published on the website of the municipality:</p>	<p>Management will:</p> <p>(a) provide reasons for not following the requirements as set out in the SCM;</p> <p>(b) implement controls to ensure compliance with the SCM; and</p> <p>(c) implement controls to ensure the appropriate and full disclosure of irregular expenditure in the annual financial statements.</p>	<p>C Muller L Selego</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>57. High Level Review of the Financial Statements</p> <p>While performing procedures which required the performance of a high level technical review in accordance with Generally Recognised Accounting Practice (GRAP) on the Annual Financial Statements of Siyancuma Local Municipality for the period ending 30 June 2012, certain issues were identified and documented in Annexures A and B to this exception.</p> <p>In addition, through the performance of a high level technical review on the</p>	<p>Management will investigate the matters as detailed in the findings and will adjust the financial statements where appropriate.</p>	<p>C Muller C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>Annual Financial Statements of Siyancuma Local Municipality for the period ending 30 June 2012, certain cosmetic findings were identified and documented in Annexure C to this exception.</p> <p>Refer to Annexure E for reference to findings on the cash-flow statement.</p>				
<p>58. Financial sustainability: No formal assessment performed</p> <p>While performing procedures relating to the financial sustainability of the Municipality, it was determined that:</p> <p>(a) the financial statements were prepared on the assumption that the municipality will be able to continue its operations in the normal course of business (on the going concern basis):</p> <p>The issues as listed in the ML were however identified while considering the financial sustainability of the municipality that compromise the going concern of the municipality</p> <p>This occurred mainly due to management not considering the going concern risk.</p>	<p>Management will:</p> <p>(a) perform a formal assessment on an annual basis for the municipality on their ability to continue as a going concern.</p> <p>(b) assess all risks relating to going concern and ensure that these risks are adequately disclosed in the financial statements along with management action plans on how these matters will be addressed.</p>	<p>H Nel C Muller</p>	<p>30 June 2013</p>	<p>Not started yet</p>
<p>59. Internal Control: Lack of information in the General Ledger</p> <p>While performing procedures on all account balances and transactions, the following issues were identified regarding information contained in the General Ledger:</p> <p>(a) descriptions of transactions processed are vague;</p> <p>(b) beneficiary/supplier names are not entered into the General Ledger for all transactions;</p> <p>(c) not all transactions (specifically manual journals) indicate the contra vote to which the entry is processed; and</p> <p>(d) transactions that are cancelled or adjusted are not referenced to the original entry they relate to.</p>	<p>Management will ensure that the General Ledger contains more detailed information about the processing of transactions.</p>	<p>C Muller F Bloem M Stellenberg L Selego C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>60. Assets: Information requested not submitted for audit purposes (Asset repairs and maintenance)</p> <p>No supporting information could be obtained for the payments to the amount of R77 972,00 listed in ML made with regard to repairs and maintenance</p>	<p>Management will:</p> <p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request.</p> <p>(b) provide the information to the Auditor-General.</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>61. Property, plant and equipment: Completeness of assets could not be verified</p> <p>While performing procedures on property, plant and equipment, and specifically with regard to the physical asset verification, the following assets were selected from the floor but could not be traced to the asset register (completeness):</p> <p>(a) Infrastructure – as listed in ML (b) Land and buildings – as listed in ML (c) Other Assets – as listed in ML</p>	<p>Management will ensure that controls are in place to ensure that all the assets of the municipality are bar-coded and recorded on the fixed asset register.</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>62. Property, plant and equipment - Land and buildings not traceable to the title deeds</p> <p>While performing procedures on Land and Buildings and Investment Properties, we identified a number of assets that could not be traced to the Master Deed's records. Therefore it could not be confirmed that the assets listed below are in fact registered in the name of the municipality:</p>	<p>Management will ensure that all Land and Buildings in the fixed asset register have a title deed registered with the deeds master.</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>63. Property, plant and equipment: Information requested not submitted for audit purposes</p> <p>While performing procedures on property, plant and equipment, no supporting information could be obtained for the journals listed in ML</p>	<p>Management will establish proper record keeping procedures and</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>

	ensure that all information is readily available for submission on request. Management will further locate the supporting documentation and submit it to the auditors			
<p>64. PY Follow Up: Fixed Assets - No supporting documents for repairs and maintenance submitted</p> <p>While performing procedures on prior year audit findings, and with specific regard to the repairs and maintenance of fixed assets, it was determined that supporting documentation for the items as listed in ML was not submitted for audit purposes</p>	Management will ensure that supporting documents are located, properly filed and available for audit purposes as required.	C Zealand	28 February 2013	Not started yet
<p>65. Property, plant and equipment: Land on valuation roll cannot be found on asset register</p> <p>While performing procedures on fixed assets, land owned by the municipality as presented in the valuation roll was traced to the fixed asset register to ensure completeness. Where the land could not be found on the fixed asset register it was traced to the list of land held as inventory and to the investment property list.</p> <p>The land as listed in ML could not be traced to any of the lists: Further, incorrect details as to the location of the land between the valuation roll and the asset register was found with regards to the land as listed in ML</p>	<p>Management will:</p> <p>(a) provide reasons why the land could not be traced to the fixed asset register, investment property or the list of properties held for sale; and</p> <p>(b) ensure that all land owned by the municipality is recorded as assets.</p>	C Muller C Zealand	28 February 2013	Not started yet
<p>66. Property, plant and equipment: No evidence that the useful lives of buildings were reviewed at year end</p> <p>While performing procedures on property, plant and equipment, it was noted that no condition assessments were performed on buildings for the 2012 financial year. It could therefore not be determined that the useful lives of buildings were in fact reviewed at year end, as required by GRAP17, paragraph 56.</p>	Management will exercise sufficient oversight responsibility to ensure that the requirements as per the GRAP Standards are adhered to.	C Zealand	28 February 2013	Not started yet
<p>67. Property, plant and equipment: Condition assessment not in line with remaining useful lives</p> <p>While performing procedures on property, plant and equipment, it was noted that condition assessments were performed on property, plant and</p>	Management will:	C Muller	28 February 2013	Not started yet

<p>equipment, excluding land and buildings. The condition assessments performed were used to determine the remaining useful lives of the assets on which depreciation was calculated. The condition assessment ratings allocated to assets could not be used to recalculate whether the remaining useful lives in fact agree with the remaining useful lives as per asset register.</p> <p>The example as in the ML illustrates the issue although this list is not exhaustive:</p> <p>The following differences were identified in the recalculation of depreciation when the remaining useful lives are based on the related condition assessment:</p> <p>(a) depreciation on specific infrastructure assets are understated with an amount of R1 663 378,32; and</p> <p>(b) depreciation on movable assets are understated with an extrapolated amount of R204 630,18 and a known amount of R6 913,96.</p> <p>(c) depreciation on infrastructure assets are understated with an extrapolated amount of R950 422.38 and a known amount of R135 158,12, per table in ML</p>	<p>(a) provide reasons why the condition assessment ratings allocated do not agree with the remaining useful lives of assets; and</p> <p>(b) provide us with supporting documentation to substantiate the condition assessment of assets.</p>	C Zealand		
<p>68. Prior year follow up: Valuation of property, plant and equipment could not be confirmed</p> <p>While performing procedures on prior year audit findings, it was noted that the the valuation of property, plant and equipment disclosed as R278 066 385 (2010: R270 441 295) could not be confirmed, due to the following:</p> <p>The prior year restated amounts could not be supported with appropriate supporting documentation, and opening balances for the years 2009/2010 and 2008/2009 could not be relied upon. (Exception 132)</p> <p>We could not obtain sufficient appropriate audit evidence for the unexplained difference amounting to R8 340 310 (30 June 2008: R11 311 282) between the asset register and the amount disclosed in note 5 to the</p>	<p>Management will:</p> <p>(a) with regards to limitations of scope, where supporting documentation could not be provided during the prior year, if documentation is available, this will be submitted to the office of the auditor general for audit purposes. If management has corrected any misstatements during the current financial period, the supporting</p>	C Zealand	28 February 2013	Not started yet

<p>financial statements. .</p>	<p>schedules will be submitted to the office of the Auditor-General;</p> <p>(b) ensure that all prior period audit findings are investigated and that the financial statements are adjusted appropriately; and</p> <p>(c) implement controls to prevent the reoccurrence of audit findings reported in the prior financial periods.</p>			
<p>69. Property, plant and equipment: Existence of assets could not be verified</p> <p>While performing procedures on fixed assets, and specifically while performing the asset verification, the assets listed below, as per category, could not be identified:</p> <p>(a) infrastructure: the assets listed as per ML could not be verified as GPS coordinates are used to identify assets. Assets that are kept at a facility (for example: pump station, oxidation ponds, water treatment works and reservoirs) all share the same GPS coordinate of the facility wherein such assets are found. Thus it is not possible to identify the specific asset selected as a coordinate is used, and not a unique asset number for identification. All assets should have unique assets numbers to be identified separately.</p> <p>(i) Assets specifically selected that could not be verified: (ii) The assets listed in ML could not be identified as the assets are not unbundled: (Each asset is not uniquely named and the asset location is not indicated on the asset register). (iii) General assets that could not be verified:</p>	<p>Management will ensure that:</p> <p>a) assets on the asset register are unbundled; b) asset register is updated regularly; c) assets are all uniquely identifiable; and d) assets are presented for verification in a timely manner.</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>(iv) The assets listed in ML could not be identified at the location indicated on the asset register: Total amount R3 877 269,08</p> <p>(b) Land and Buildings: (i) The specific land and buildings as per ML could not be physically verified: (ii) The general Land and buildings as per ML could not be verified: (iv) The assets as per ML could not be verified: Total amount R8 359 863,59</p> <p>(c) Other assets: (i) The general assets as per ML were classified as other assets. Furthermore, the assets could not be located as no location was indicated on the asset register. (ii) The assets as per ML could not be found at the location indicated on the asset register: (iii) The assets as per ML could not be physically verified. Total amount R4 860 260,34</p>				
<p>70. Investment Property - Property leased out not accounted for as investment property</p> <p>While performing procedures on investment property the following issues were identified:</p> <p>Property being rented out by the Municipality was not accounted for as investment property as per GRAP 16.</p> <p>The properties being rented out to the individuals as listed in ML could not be traced to the investment property register:</p>	<p>Management will ensure that all properties being leased out by the Municipality are accounted for as investment property.</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>71. Investment Property - Presentation and disclosure not complete</p> <p>While performing procedures on investment properties, and with specific regard to their presentation and disclosure, it was determined that the following information was not disclosed as required: (a) rental revenue from investment property; and (b) operating expenses arising from investment property.</p>	<p>Management should ensure that financial reporting is in line with the financial reporting framework and regulations.</p>	<p>C Zealand M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>72. Revenue: Operating lease income not adequately discloses</p> <p>While performing procedures on the lease agreements, we identified that the amounts disclosed under lease arrangements in note 20 of the annual financial statements, were not straight-lined over the lease period as required by GRAP 13.</p> <p>The differences listed in ML were identified</p>	<p>Management will implement appropriate controls to ensure that the financial statements are accurate, are of adequate quality and are in accordance with the reporting framework of the municipality.</p>	<p>M Stellenberg C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>73. Leases: Leased assets could not be physical verified and leases incorrectly disclosed</p> <p>While performing procedures on leases, the following were determined:</p> <p>(a) The assets as listed in ML leased through finance leases could not be physically verified:</p> <p>(b) Difference were identified between the amount of finance leases as per the note 2 in the AFS and the recalculated amount, the differences are due to VAT that is included in the calculation. The correct amounts that should have been disclosed are as per the schedule in ML</p> <p>(c) The details of the finance lease contracts with Nashua could not be directly confirmed with the lessor, alternatively the CFO had to follow up on this matter with the lessor but nothing has been heard or received to date.</p>	<p>(a) Management will investigate the differences and rectified it</p> <p>(b) Management will implement control procedures over the movement of assets between different locations to ensure that they may be easily located and verified.</p> <p>(c) Management will implement appropriate controls to ensure that the financial statements are accurate, are of adequate quality and are in accordance with the reporting framework of the municipality.</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>74. PY Follow Up: Assets under long term loan agreements not capitalised</p> <p>While performing procedures on prior year audit findings the following was ascertained:</p> <p>(a) a list of leased assets obtained from the auditee was compared to the contracts obtained for leased assets and it was noted that the assets listed in ML were not capitalized under lease liabilities or were not on the contract obtained:</p> <p>(b) the assets listed in ML was identified on the asset register but no</p>	<p>Management will locate the outstanding documents and submit it to the auditors</p> <p>Management will further ensure that:</p> <p>(a) all assets that are to be paid for over a period of one financial term will</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>contract could be obtained:</p>	<p>be classified as operating leases and all finance leases should be capitalized and form part of lease assets;</p> <p>(b) its filing system is in order, and all contracts should be properly maintained; and</p> <p>(c) all information pertaining to the financial statements is provided for audit purposes.</p>			
<p>75. Property, Plant and Equipment: Deemed cost of donated assets could not be determined</p> <p>While performing procedures on property, plant and equipment, and with specific regard to the additions to property, plant and equipment, it was determined that the fair value relating to donated assets could not be verified. No supporting documentation was made available to determine the year model of the vehicles received, as per the ML</p>	<p>Management will:</p> <p>(a) furnish the appropriate supporting documentation in order to determine deemed costs as appropriate; and</p> <p>(b) implement sufficient appropriate controls to ensure that all supporting documentation relating to donated assets received is obtained and kept.</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>76. PY Follow Up: Expenditure - Limitation of scope</p> <p>While performing procedures on expenditure incurred by the Municipality, expenditure batches supporting transactions as listed in ML could not be obtained:</p>	<p>Management will:</p> <p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request.</p> <p>(b) provide the information to the Auditor General.</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>77. Expenditure: Information requested not submitted for audit</p>				

<p>purposes</p> <p>Request 18 of 2012 (issued on 25 September 2012 and due 28 September 2012), request 22 of 2012</p> <p>While performing procedures on expenditure, not all supporting documentation (invoices, contracts or any other documentation indicating that the item processed was a valid expense item) was submitted. Information for the following requests were not submitted:</p> <p>(issued on 26 September 2012 and due 1 October 2012) and request 30 of 2012 (issued on 27 September 2012 and due 2 October 2012) See ML for further details:</p>	<p>Management will:</p> <p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request.</p> <p>(b) provide the information to the Auditor-General.</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>78. Expenditure: Information requested not submitted for audit purposes</p> <p>While performing procedures on expenditure, the following requests for information were issued:</p> <p>Request no. 13 of 2012 (due date 26 September 2012); Request no. 18 of 2012 (due date 28 September 2012); Request no. 22 (due date 1 October 2012) and Request no.30 of 2012 (due date 2 October 2012).</p> <p>In ML is listed all the transactions for which support was received, but that was not sufficient for audit purposes:</p> <p>(a) manual journals (supporting documentation for the journals that were processed):</p> <p>(b) details of the insurance premium and the date of debit orders in terms of the signed debit order authorisations for the entries in ML</p> <p>(c) sufficient supporting documentation could not be provided for the payments as per ML:</p>	<p>Management will:</p> <p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request; and</p> <p>(b) provide the information to the Auditor General.</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>79. PY Follow Up: Expenditure - Insufficient supporting documentation</p> <p>While performing procedures on prior year audit findings, and with specific regard to expenditure, the following batch was found to lack sufficient</p>	<p>Management will ensure that the appropriate supporting</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>

appropriate supporting documentation:				documentation is provided for inspection.			
No.	Cheque No	Supporting document found	Amount				
5	17380	Deposit slip	5 882,40				
80. Expenditure: Incorrect recording of expenditure While performing procedures on expenditure, the following issues were identified: (a) errors with regard to the processing of Value-Added Tax (VAT) on transactions processed, as listed in ML . Refer to the "description of error" column for nature of the error: (b) the following amount as per ML processed to the general ledger did not agree to the amount as per invoice (c) an overstatement of expenditure due to the incorrect treatment of VAT. The expenditure was recorded inclusive of VAT. See ML :				Management will implement sufficient appropriate controls over the processing of payments to ensure their accurate processing	C Zealand	28 February 2013	Not started yet
81. Expenditure: Incorrect treatment of payments made to Eskom While performing procedures on expenditure, the following error was identified relating to the processing of payments to Eskom: The payments listed below, made in July 2011 and processed in the current year, were for invoices dated June 2011. The total impact on the prior year Annual Financial Statements (AFS) is as per ML : The total impact on the current year AFS is as per ML :				Management will implement controls to ensure that expenditure is recognised based on invoice date and not when payments are made.	C Zealand	28 February 2013	Not started yet
82. Expenditure: Duplicate expenditure entries While performing procedures on expenditure, it was ascertained that: (a) the duplicate as per ML General Ledger entries were processed relating to Cheque number 19044, for an amount of R11 362,93:				Management will: (a) implement appropriate, effective controls over the processing of payments to ensure that duplicate	C Zealand	28 February 2013	Not started yet

<p>This will result in an overstatement of General Expenses amounting to R 9 967,48, an overstatement of VAT Receivable amounting to R 1 395,45 and understatement of Cash and Cash Equivalents amounting to R 11 362,93.</p>	<p>entries are not made; and (b) reverse the duplicate payment.</p>			
<p>83. Expenditure: Incorrect classification of repairs and maintenance</p> <p>While performing procedures on repairs and maintenance, it was noted that payments were included that had been made for the purchase of petrol. However, the purchase of petrol does not qualify for repairs and maintenance and should rather be allocated to general expenses.</p> <p>(a) The payments as per ML for petrol were identified:</p> <p>(b) Through inspection of the general ledger it was confirmed that the line items as per ML were classified as employee cost but the description of items and the vote category did not agree with employee related cost:</p>	<p>(a) Management will establish proper recordkeeping procedures and ensure that all information is readily available as required.</p> <p>(c) Management will ensure that expenditure should be classified correctly and be budgeted for.</p>	C Zealand	28 February 2013	Not started yet
<p>84. Trade and other payables - Cut off information not submitted for audit purposes</p> <p>During the substantive audit procedures performed the following information was requested in Request for Information number 15 of 2012 on 20 September 2012, but was not obtained:</p> <p>(a) the last five creditor invoices received before 30 June 2012 and the first five creditors' invoices received from 1 July 2012 in order to perform the cut-off testing on creditors.</p> <p>(b) the creditors accrual listing as at 30 June 2012 that agrees to amount disclosed in the annual financial statements.</p>	<p>Management will establish proper record keeping procedures and ensure that all information is readily available for submission on request by the due date.</p> <p>Management will further locate the documents and submit to the auditors</p>	C Zealand	28 February 2013	Not started yet
<p>85. Leave Accrual: Incorrect handling of and controls over leave forms.</p> <p>While performing procedures on leave balances, the following issues were identified:</p> <p>(a) the leave forms as per ML were found to be inaccurate:</p>	<p>Management will implement controls to ensure that leave application forms are accurate, complete, appropriately and timeously approved</p>	T Sehako	28 February 2013	No started yet

<p>(b) the leave forms as per ML were found to be incomplete</p> <p>(c) leave applications were not always approved in advance. Certain forms were not approved at all and others were approved as at the same date as the first leave day taken. Employees in whose files this was noted include as per ML:</p> <p>(d) leave forms were not always found to be captured timeously. Some leave forms were captured several months after the leave was applied for and taken. Employees' leave files where this was found to be the case include as per ML:</p>	<p>by the relevant official, and captured timeously.</p>			
<p>86. Trade and other payables - Supporting information for payments after year-end not submitted for audit purposes</p> <p>While performing procedures on trade and other payables, and with specific regard to the unrecorded liabilities test, the invoices as listed in ML requested in request 21 of 2012 on 26 September 2012 and due 1 October 2012 was not submitted for audit purposes:</p>	<p>Management will:</p> <p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request; and</p> <p>(b) provide the information to the Auditor-General.</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>87. Trade and Other Payables: Prior year follow up - Creditors not included in payables at year end</p> <p>While performing procedures on the prior year findings for trade payables it was found that the following finding still remains:</p> <p>During the audit procedures performed on trade and other payables it was found that some of the payments made after the 2011 year end relate to goods received and services rendered before 30 June 2011 and should therefore have been recorded in the annual financial statements of the 2011 financial year end.</p> <p>The unrecorded liabilities as per ML have been identified:</p>	<p>Management will:</p> <p>(a) implement controls to ensure that all trade and other payables are identified and disclosed; and</p> <p>(b) adjust the financial statements to account for the prior year error.</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>88. PY Follow up: Payables - Supplier statement not agreeing to</p>				

<p>creditors listing</p> <p>While performing procedures on the prior year audit findings on payables, it was determined that the following finding still remains:</p> <p>During the audit of payables, it was determined that the following creditors as per the creditor listing disclosed in the prior year annual financial statements did not agree to the relevant creditors statements:</p>	<p>Management will keep track of the municipal creditors on a monthly basis. This process should include performing reconciliations on a monthly basis and ensuring that monthly statements are received from creditors.</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>89. Trade and other payables: Creditors listing being incomplete</p> <p>While performing procedures on trade and other payables it was noted that not all creditors are included in the creditors listing at year-end, as illustrated below:</p> <p>(a) in the instances listed in ML, the payment per the bank statement which agreed to the invoice issued by the supplier did not agree to the amount raised as a creditor as per the creditor listing:</p> <p>(b) in the instances listed in ML, payments were made after year-end, for invoices that were dated before year-end, however these payments were not listed on the creditors listing:</p>	<p>Management will implement an appropriately effective creditors system, wherein creditors are recorded and a complete creditors' list is established.</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>90. Leave accrual not inline with policy.</p> <p>While performing procedures on the leave accrual, the following was determined:</p> <p>(a) the requirements as per the agreement below are not adhered to: Section 3.1.1 of Part B of the SALBC Main Collective Agreement states that an employer shall grant an employee the following annual leave in a leave cycle:</p> <p>(1) twenty-four (24) days for a five- (5) day worker; and (2) twenty-seven (27) days for a six- (6) day worker.</p> <p>It was ascertained that the Section above is not being implemented consistently in employees' leave: Whereas some employees received the full 24 days, others received none.</p>	<p>Management will:</p> <p>(a) implement appropriate controls to ensure compliance with the SALBC Agreement;</p> <p>(b) implement controls to ensure accurate capturing of all leave days on the system; and</p> <p>(c) implement controls to ensure that all employees are aware of the requirements as per the SALBC agreement and adhere to them.</p>	<p>T Sehako</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>The employees listed in ML did not receive the 24 days which ought to have accrued to them on the system. There is no other document in the employees' file where the 24 days is noted, either.</p> <p>(b) The requirements as per the agreement are not adhered to: per recalculation of employees' leave days, the employees as per ML have in excess of 48 days leave available to them at year end:</p> <p>(c) the requirements stating that a minimum of 16 days leave are required to be taken are not adhered to:</p> <p>Per leave application forms in the leave files of employees as per ML</p>				
<p>91. Payables: Trade and other payables not complete</p> <p>While performing procedures on trade and other payables, it was ascertained that:</p> <p>A payment was made after year-end to Nashua with regard to invoices dated in June 2012. Nashua was, however, not included in the creditors listing at year-end.</p> <p>The information as per ML was obtained from the June statement received from Nashua paid after year-end:</p>	<p>Management will establish an effective creditors system in order to account appropriately for creditors.</p>	<p>C Zeeland</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>92. Leave Accrual: Leave payouts not debited against the leave accrual account</p> <p>While performing procedures on leave payouts, it was ascertained that:</p> <p>(a) leave payouts made to employees upon termination were not in all cases correctly debited to the leave accrual account; and</p> <p>(b) long service bonuses were in some cases incorrectly debited against the leave provision account.</p> <p>The employees as per ML were identified as having had leave payouts made to them, which were not debited against the leave accrual account.</p> <p>The different employees worked for different departments.</p>	<p>Management will ensure that leave payouts are debited in entirety to the leave provision account (for which purpose the leave provision account exists) and the long service bonuses must be treated appropriately and not debited to the leave provision account.</p>	<p>F Bloem C Zeeland</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>The different departments' accounts were closed to the leave accrual account (Vote number 7203/7204/7201). This was done per journal 83. Journal 83 was reversed with journal 84, which allocated the departments to staff leave differently.</p> <p>This resulted in some long service bonuses being incorrectly allocated to the leave accrual account (Vote number 7203/7204/7201) and some leave payouts not being allocated to the leave provision account.</p> <p>The leave payouts listed in ML were not allocated to the leave accrual account:</p> <p>The long service bonuses as per ML were incorrectly allocated to the leave accrual account</p>				
<p>93. Predetermined Information: Performance management system not implemented</p> <p>While performing procedures on predetermined objectives, the following was determined:</p> <p>(a) there are no formal frameworks, policies, standard operating procedures or performance management systems in place for managing and reporting on performance information. Performance management systems, operating procedures and processes at development priority or objective level were not formalised and were not documented to ensure consistent application by all relevant staff. No performance management system was implemented to ensure that input documentation, output documentation, a responsible person and related control activities could be identified to ensure the validity, accuracy and completeness of performance information;</p> <p>(b) the municipality did not annually appoint and budget for a performance audit committee, and the audit committee in terms of section 166(1) of the MFMA was not used for this function either;</p>	<p>Management will identify the actions and control activities needed to address the risks relating to performance information. This should be done through the development and implementation of formally approved policies, standard operating procedures and performance management systems which detail all the responsible officials and the procedures to be followed by them.</p>	<p>K Morolong</p>	<p>28 February 2013</p>	<p>Not started yet</p>

(c) in addition, quarterly reporting on measures and targets were not performed during the year.				
<p>94. Performance Information: Information requested not submitted for audit</p> <p>While performing procedures on performance information, and with specific regard to the planning of performance information, request 29 was issued on 27 September 2012, due 02 October 2012.</p> <p>Despite this, the information listed in ML as requested has not been provided as required:</p>	<p>Management will:</p> <p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request; and</p> <p>(b) provide the information to the Auditor-General.</p>	K Morolong	28 February 2013	Not started yet
<p>95. Performance Information - Key Performance indicators in performance report not aligned with IDP</p> <p>While performing procedures on predetermined objectives it was noted that the following information as contained in the Performance evaluation report does not agree with information as reported in the Integrated Development Plan (IDP):</p> <p>(a) Key performance indicators (KPI's) as listed in the ML</p> <p>(b) No targets were reported in the IDP.</p>	<p>Management will:</p> <p>(a) ensure that the performance reports are aligned and agree with one another; and</p> <p>(b) ensure that all employees are aware of the relevant laws and regulations applicable to the reporting on the predetermined objectives of the performance information system.</p>	K Morolong	28 February 2013	Not started yet
<p>96. Performance information: Key performance indicators not well-defined</p> <p>While performing procedures on performance information of the Municipality, it was noted that the key performance as listed in ML indicators (KPI's) are not well-defined:</p>	<p>Management will ensure that:</p> <p>(a) performance indicators are well defined so that they are clear, unambiguous, easy to understand and use; and</p>	K Morolong	28 February 2013	Not started yet

	(b) information that validates the processes and systems that produce the performance indicators is included in the IDP.			
<p>97. Performance Information: Targets set are not time-bound and measurable</p> <p>While performing procedures on performance information, the following targets were found to not be aligned with the Framework issued by National Treasury:</p> <p>Performance Targets as listed in ML identified that are not time-bound:</p>	Management will ensure that the targets set on key performance indicators are bound to a future date in the financial period.	K Morolong	28 February 2013	Not started yet
<p>98. Performance information - Incorrect presentation</p> <p>While performing procedures on performance information, and specifically with regard to the testing of the presentation of performance information, the following incorrect presentation and disclosures were identified:</p> <p>(a) For the key performance indicators as listed in ML where targets have not been achieved, no measures to improve performance have been disclosed:</p> <p>b) In addition, a comparison of the performances with targets set in the current year and performances in the prior year were not disclosed for any of the KPIs reported on.</p>	Management will ensure that all the disclosure requirements of the Municipal Systems Act relating to predetermined objectives are adhered to.	K Morolong	28 February 2013	Not started yet
<p>99. Performance Information - No performance report included in the annual report</p> <p>While performing procedures on performance information it was noted that no performance report was included in the 2011 Annual Report.</p> <p>This occurred mainly due to the Municipality not having a Performance Management System in the prior year.</p>	Management will implement controls to ensure adherence to the Municipal Systems Act.	K Morolong	28 February 2013	Not started yet
<p>100. Provisions: Incomplete disclosure in the financial statements</p> <p>While performing procedures on the provision for rehabilitation for landfill sites it was determined that the following information was not disclosed:</p>	Management will:	C Muller	28 February 2013	Not started yet

<p>(a) the nature of the prior period error; and</p> <p>(b) a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential of provisions.</p>	<p>(a) ensure that financial reporting is in line with financial reporting framework and regulations; and</p> <p>(b) adjust the financial statements appropriately.</p>	C Zealand		
<p>101. Provision - Rehabilitation of municipal grounds due to mining activities</p> <p>While performing procedures on provisions and whilst performing the asset verification, it was ascertained that:</p> <p>Mining activities have taken place on municipal grounds outside of Douglas and Breipaal (on the road to Prieska and the road to Griekwastad). The disclosure for rehabilitation costs to the financial statements was inspected and it was confirmed that no provision was made for the rehabilitation of mining grounds.</p> <p>No evidence could be obtained of any contracts/arrangements between the municipality and the mines to rehabilitate the mining grounds.</p> <p>According to paragraph 19 of GRAP 19 the municipality has a legal obligation to rehabilitate the grounds after the mining activities are completed. These grounds belongs to the Municipality and due to a lack of contracts between the municipality and miners to the contrary, the municipality is obliged to rehabilitate these grounds.</p>	<p>Management will ensure that an appropriate provision is raised for the rehabilitation cost.</p>	C Muller C Zealand	28 February 2013	Not started yet
<p>102. Trade and other receivables: Indigent debtors - Information not submitted for audit purposes</p> <p>During the audit procedures performed on indigent debtors, all information as per request 19 of 2012 issued on 25 September 2012 and due on 28 September 2012 could not be obtained. .</p> <p>The identity documents, payslips, affidavits together with the application forms for the indigent debtors as listed in ML were not submitted as requested for audit purposes:</p>	<p>Management will establish proper record keeping procedures and ensure that all information is readily available for submission on request.</p>	M Stellenberg	28 February 2013	Not started yet

<p>For the information received as listed in ML, no invoice has been attached to test the value of the subsidy granted</p> <p>For the information received as listed in ML, no invoice has been attached to test the value of the subsidy granted</p>				
<p>103. Receivables - Journals incorrectly processed</p> <p>While performing procedures on accounts receivable the following was noted:</p> <p>The supporting documentation provided as listed in ML did not agree with the journal processed and the opening balances were incorrectly adjusted:</p>	<p>Management will:</p> <p>(a) ensure that the supporting documentation agrees to the journal amount before the journal is authorised to be passed; and</p> <p>(b) consider the necessity of the journal being passed and whether or not it is correct.</p>	<p>F Bloem M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>104. Receivables: Information requested not submitted for audit purposes</p> <p>While performing procedures on trade and other receivables it was noted that not all information as per request 45 issued on 05 October 2012 and due 09 October 2012 was submitted for audit purposes.</p> <p>The information as listed in ML was not submitted:</p> <p>(a) For all debtors classified as "Other Debtors" in the Annual Financial statements, the documentation supporting the amounts receivable, as per the listing in ML:</p>	<p>Management will establish proper record keeping procedures and ensure that all information is readily available for submission on request.</p>	<p>M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>105. Receivables - Age Analysis not agreeing to the amount as in the Annual Financial Statements</p> <p>While performing procedures on trade and other receivables, the following was noted:</p> <p>The amount per the age analysis does not agree to the amount as per the annual financial statements (AFS):</p>	<p>Management will correct the amount disclosed in the Annual Financial Statements. Management will ensure that due care is given to ensure that debtor balances are accurate at year</p>	<p>M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<table border="1"> <tr> <th>Amount per age analysis</th> <th>Amount per AFS</th> <th>Difference</th> </tr> <tr> <td>52 131 645,91</td> <td>52 175 461,00</td> <td>(43 815,09)</td> </tr> </table>			Amount per age analysis	Amount per AFS	Difference	52 131 645,91	52 175 461,00	(43 815,09)	end.			
Amount per age analysis	Amount per AFS	Difference										
52 131 645,91	52 175 461,00	(43 815,09)										
<p>106. Receivables - Locked(Closed) accounts still showing as receivable</p> <p>While performing procedures on accounts receivable, the following was noted:</p> <p>The debtors' accounts listed in ML were locked (closed) per system. No evidence could be obtained of any payment received with regard to the amounts owing to the municipality.</p> <p>No evidence could be obtained to confirm the existence of receivables as listed in ML at year-end:</p>			<p>Management will:</p> <p>(a) ensure that the debt collection and credit control policy is implemented and adhered to;</p> <p>(b) ensure that all balances outstanding for more than 90 days are written off as stipulated in the policy; and</p> <p>(c) adjust the annual financial statements to reflect the amounts not recoverable.</p>	M Stellenberg	28 February 2013	Not started yet						
<p>107. Receivables - Allowance for doubtful debts incomplete and basis for calculation incorrect.</p> <p>While performing procedures on the allowance for doubtful debt accounts, it was confirmed that the amount disclosed in the annual financial statements is incomplete, and also that the basis used to determine the amount of the allowance is incorrect.</p> <p>As stipulated in the accounting policy, all debtors outstanding for longer than 90 days must be written off.</p>			<p>Management will:</p> <p>(a) implement controls to adhere to the debt collection and credit control policy; and</p> <p>(b) provide for all debts outstanding for more than 90 days as non-recoverable.</p>	M Stellenberg	28 February 2013	Not started yet						
<table border="1"> <tr> <td>Amount written down as doubtful debts as per AFS</td> <td>41 740 369,00</td> </tr> <tr> <td>Total debtors outstanding for longer than 90 days as per General Ledger</td> <td>48 291 715,00</td> </tr> </table>			Amount written down as doubtful debts as per AFS	41 740 369,00	Total debtors outstanding for longer than 90 days as per General Ledger	48 291 715,00						
Amount written down as doubtful debts as per AFS	41 740 369,00											
Total debtors outstanding for longer than 90 days as per General Ledger	48 291 715,00											

Difference	6 551 346,00										
<p>The basis as stipulated per GRAP 104 and the percentage basis used by the Municipality to raise the allowance for doubtful debts does not agree.</p>											
<p>108. PY Follow up - Receivables: Information pertaining to indigent debtors not submitted</p> <p>While performing procedures on prior year audit findings relating to accounts receivable the following was ascertained:</p> <p>(a) that no processes or controls are in place to monitor the usage of water by indigent debtors to ensure that the usage does not exceed the subsidy value. This resulted in most indigent debtors having excessive outstanding balances in their accounts;</p> <p>(b) that the affidavits of the following indigent debtors were not stamped and certified by the South African Police Services (SAPS):</p> <table border="1"> <thead> <tr> <th>Account No</th> <th>Initials</th> <th>Surname</th> </tr> </thead> <tbody> <tr> <td>400075</td> <td>M</td> <td>Oleseng</td> </tr> </tbody> </table>		Account No	Initials	Surname	400075	M	Oleseng	<p>Management will implement controls to ensure an effective control environment within the Municipality.</p>	M Stellenberg	28 February 2013	Not started yet
Account No	Initials	Surname									
400075	M	Oleseng									
<p>109. PY Follow Up: Receivables - Existence could not be confirmed</p> <p>While performing procedures on prior year audit findings the following was ascertained:</p> <p>The municipality did not send the appropriate notice of discontinuance to the debtors whose balances are outstanding for more than 90 days, and did not subsequently discontinue the services, resulting in the outstanding balances increasing further in the current period.</p> <p>Upon further inspection of the subsequent year-end account statements we could not verify any payments from the debtors, and therefore we were unable to satisfy ourselves as to the existence of the debtors as listed in ML:</p>		<p>Management will:</p> <p>(a) implement controls to ensure an effective control environment within the Municipality; and</p> <p>(b) ensure the stringent application of the debt collection and credit control policy.</p>	M Stellenberg	28 February 2013	Not started yet						
<p>110. Trade and other Receivables: No action taken to recover outstanding accounts</p>											

<p>While performing procedures on trade and other receivables the following was noted:</p> <p>(a) the debtors listed in ML were outstanding at year end, however, their existence could not be confirmed by means of subsequent payments after year end.</p> <p>(b) the mentioned debtors serves as proof of accounts outstanding for more than 90 days and no evidence exists of steps taken by the Municipality to send out notices to recover the debts of defaulting accountholders.</p> <p>The debtors' statements as listed in ML were inspected and no payments were made to their accounts for outstanding debt from 1 July 2012 to 30 September 2012:</p> <p>(c) no evidence could be obtained that the municipal manager present to council a report indicating the amount of the arrears which believed to be uncollectable, together with the reasons for this conclusion.</p> <p>(d) Accounts outstanding of more than 30 days due by organs of state to the Municipality amounts to R 507 572,49. Notice of these outstanding amounts was not submitted to the National Treasury as required by section 64(3) of the MFMA.</p>	<p>Management will implement controls to ensure an effective control environment within the Municipality, as well as to ensure full compliance with the debt collection and credit control policy.</p>	<p>M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>111. Revenue: Interest incorrectly calculated on outstanding receivables</p> <p>While performing procedures on Receivables, it was determined that the interest rate used by the municipality in calculating interest on the outstanding balance was prime rate plus 1%. This is not in line with the Debt Collection Policy. As per above, the interest rate is determined on 1 July every year by establishing the prime rate through the Municipality's bankers and adding 2 percentage points to prime rate.</p>	<p>Management will ensure that the correct interest income is calculated based on the appropriate property rates policy.</p>	<p>M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>112. Unpaid Conditional Grants: Recoverability of grant receivable recognised</p>				

<p>While performing procedures on unpaid conditional grants, no supporting documentation was provided to support the recoverability of the grant receivable recognised to an amount of R3 665 600 as disclosed under current receivables on the Statement of Financial Position. These receivables relate to the 2010 and 2011 financial years for grants not paid to the municipality, and the municipality raised a receivable.</p> <p>These amounts have been long outstanding (IE: for more than one year) and seems not recoverable.</p> <p>The Grants that have been included in the current receivables are as per ML:</p>	<p>While monitoring the framework management will ensure that:</p> <p>(a) the receivables that are recognised in the financial records of the municipality meet the definition of an asset; and</p> <p>(b) all the requirements of the accounting framework have been complied with.</p>	<p>C Muller C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>113. Related Parties: Rental to related party not at a reasonable price and not disclosed</p> <p>While performing procedures on revenue, the contract for the lease of commonage between the municipality and Mr. Walter Jeremy Saaiman was inspected (Acc. number: 132523/107864).</p> <p>Numerous discrepancies were identified by the auditors as listed in the ML around this contract.</p>	<p>The Municipality will:</p> <p>(a) implement a competitive process with regards to the renting out of the commonage; and</p> <p>(b) determine a reasonable rate for the rental of the commonage with reference to the value of the commonage as per the valuation roll.</p> <p>The municipality will further investigate the discrepancies and rectify it.</p>	<p>H Nel C Muller</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>114. Related Parties: Limitation to disclosure requirements relating to financial interests of management.</p> <p>While performing procedures on related parties, the following key management financial interests were identified as not having been disclosed, which relate to the municipal manager Mr IWJ Stadhouer of the municipality</p>	<p>Management will:</p> <p>(a) ensure that all financial interest are disclosed by key management as</p>	<p>H Nel K Morolong</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>Above interest were further not declared in the declaration of interest completed by the municipal manager.</p>	<p>required by the MFMA; and (b) implement a system whereby they can ensure compliance with the MFMA at all times.</p>			
<p>115. Related Parties - Financial Interests of councillors not disclosed</p> <p>While performing procedures on related parties, request no. 38 was issued on 03 October 2012 (due on 05 October 2012), however this was not received to date.</p> <p>The financial interest disclosure forms were not submitted for the people as listed in ML:</p>	<p>Management will:</p> <p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request.</p> <p>(b) provide the information to the Auditor General.</p>	<p>H Nel K Morolong</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>116. Revenue: Bank confirmations to confirm External Interest earned could not be obtained</p> <p>While performing procedures on cash and cash equivalents, a bank confirmation from Standard bank, FNB and Nedbank was requested to confirm the balances and interest recorded in the financial statements. The bank confirmations for the following bank accounts did not indicate the interest earned for the period on these accounts as requested:</p>	<p>Management will:</p> <p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request; and</p> <p>(b) provide the information to the Auditor-General</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>117. Revenue: No contract stating the terms of the agreement with the Post Office</p> <p>While performing procedures designed to obtain an understanding of the business processes and relevant controls pertaining to Revenue received by the Post Office on behalf of the Municipality, the following was determined:</p>	<p>Management will:</p> <p>(a) provide the agreement between the Municipality and the Post Office</p>	<p>M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>(a) no legal agreement could be obtained between the Municipality and Post Office regulating the terms and regulations for the collection of the revenue on behalf of the Municipality; and</p> <p>(b) no controls are in place to ensure the completeness of revenue received by the Post Office on behalf of the Municipality.</p>	<p>regulating the terms and regulations for the collection of the revenue on behalf of the Post Office;</p> <p>(a) ensure that controls are implemented to ensure that an agreement is in place between the Post Office and the Municipality; and</p> <p>(b) ensure that controls are implemented to ensure proper records are kept and that all revenue received on behalf of the Municipality is paid over to the Municipality.</p>			
<p>118. Revenue: Rezoning/subdivisions listing not adequate</p> <p>While performing procedures on Revenue, it was communicated that no new areas and rezonings for the period 1 July 2011 till 30 June 2012 took place. Minutes of meetings held on the 21st and 28th July 2011 were provided, where resolutions were passed approving rezonings/subdivisions.</p> <p>It is not clear from these minutes what the old/new zonings were; it is therefore impossible to ascertain whether the new zonings have been appropriately implemented.</p> <p>Through inspection of the minutes of a special council meeting of Siyancuma Municipality held on 28 July 2011, we confirmed that there were approvals for various sub-divisions and rezonings.</p> <p>No evidence supporting the sub-divisions and rezoning could be obtained.</p> <p>Some of these rezoning resolutions include as listed in ML:</p>	<p>Management will:</p> <p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request.</p> <p>(b) provide the information to the Auditor-General.</p>	<p>K Morolong M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>119. Revenue: Report of monthly distribution losses could not be obtained.</p> <p>While performing procedures on Revenue, request for information 25 was</p>	<p>Management will:</p>	<p>M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>issued on 27 September 2012 and was due on 02 October 2012.</p> <p>The following supporting information has not been submitted as requested for audit purposes:</p> <p>(a) All monthly distribution losses reports for water and electricity, and support for investigations into large distribution losses.</p>	<p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request.</p> <p>(b) provide the information to the Auditor-General.</p>	C Zealand		
<p>120. Revenue: No register is kept to monitor completeness of improvements</p> <p>While performing procedures on revenue, the following was determined:</p> <p>(a) no register indicating the progress of improvements, or any adjustments made to the valuation roll, if improvements were completed, could be obtained; and</p> <p>(b) the columns in the building plan book submitted for audit purposes indicating whether improvements had commenced or are complete, were not completed. The only information provided by means of the building plan book was to indicate that the building plan was approved, which is not sufficient for audit purposes.</p>	<p>Management will:</p> <p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request; and</p> <p>(b) provide the information to the Auditor-General.</p>	K Morolong	28 February 2013	Not started yet
<p>121. Revenue - Deeds not submitted</p> <p>While performing procedures on revenue, request for information 42 was issued on 4 October 2012 and was due on 8 October 2012.</p> <p>Despite this, the following supporting information was not submitted as requested for audit purposes:</p> <p>(a) deeds for all the municipal properties.</p> <p>Alternative procedures were performed to confirm if these erven are registered in the name of the municipality and therefore rightfully exempt from property rates:</p> <p>The erven as listed in ML were found not to be registered in the</p>	<p>Management will:</p> <p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request;</p> <p>(b) provide the information to the Auditor General;</p> <p>(c) provide reasons for the difference between the value of municipal properties on the system and the</p>	M Stellenberg	28 February 2013	Not started yet

<p>municipality's name:</p> <p>(b) The total value of all municipal property listed as exempt from property tax provided for audit purposes does not agree to the total of the municipal properties exempt from property rates on the Rate Levy Run. The following difference was identified:</p> <table border="1" data-bbox="178 495 869 649"> <tr> <td>Value of municipal properties on listing provided by municipality</td> <td>63 683 700</td> </tr> <tr> <td>Value of municipal properties according to the Rate Levy Run</td> <td>14 933 200</td> </tr> <tr> <td>Difference</td> <td>(48 750 500)</td> </tr> </table>	Value of municipal properties on listing provided by municipality	63 683 700	Value of municipal properties according to the Rate Levy Run	14 933 200	Difference	(48 750 500)	<p>listing provided; and</p> <p>(d) update the valuation role on the system to accurately reflect the exempt erven on which no property rates should be charged.</p>			
Value of municipal properties on listing provided by municipality	63 683 700									
Value of municipal properties according to the Rate Levy Run	14 933 200									
Difference	(48 750 500)									
<p>122. Revenue: Rate-able reconciliation does not agree to Valuation roll.</p> <p>While performing procedures on revenue, the rate-able reconciliation between the financial system and the valuation roll for the year ending 30 June 2012 was requested.</p> <p>The reconciliation was compared to the values on the system and the valuation roll as at 30 June 2012, and differences were identified.</p> <p>The following issues were identified:</p> <p>(a) through comparison of the values of the reconciliation to the system and the valuation roll, it was determined that the amounts in the reconciliation do not agree to the valuation roll; and</p> <p>(b) the PF03 report was used, which indicated the value of the property as per the system, and it was found that the report did not agree to the values as per the valuation roll compiled by the valuers.</p> <p>The differences as listed in ML were identified during inspection of the reconciliation:</p> <p>(i) the total amount as per the system as recorded in the rate-able</p>	<p>Management will:</p> <p>(a) submit reasons as to why the above reconciliation does not agree with the valuation reports from the valuers, for the period 1 July 2011 to 30 June 2012; and</p> <p>(b) ensure that manual reconciliations are performed between the rate-able valuation as per the valuation roll and the rates levied as per the municipal system. This should encompass the following:</p> <p>(i) rates and taxes should be recalculated when performing the manual reconciliation;</p> <p>(ii) tariffs used in the reconciliation</p>	<p>M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>						

<p>reconciliation for the valuation report does not agree to the valuation on the valuation roll from the external valuers:</p> <p>(ii) no reconciliation was performed between the amount per the Rate Levy Run and the amount recorded in the annual financial statements, and therefore differences as listed in ML were not investigated:</p>	<p>should agree to the approved tariffs for the financial year;</p> <p>(iii) reconciling items between the rate-able valuation as per the valuation roll and the rates levied as per the municipal system, and clearing all the differences between the two valuation rolls; and</p> <p>(iv) this reconciliation should be reviewed by the Head of the Revenue department for accuracy and validity, and signed by him/her as evidence of the review.</p>			
<p>123. Revenue: Information requested not submitted for rental income received by the Municipality</p> <p>While performing procedures on revenue, request for information 50 was issued on 9 October 2012 and was due on 12 October 2012.</p> <p>Despite this, the following supporting documentation was not submitted as requested for audit purposes:</p> <p>(a) the visitors' books for renting of chalets, caravans, camps, tents, etc.;</p> <p>(b) the applicable supporting documentation (contracts, rental application, approval form, invoice, etc.) for the rentals listed below for the year; and</p> <p>(c) additionally, the information as listed in ML that was received does not have the necessary information that is required for testing.</p> <p>(d) The complete hard copy files, contracts or source documents for all the "Consbills" and hall rentals could not be obtained.</p>	<p>Management will:</p> <p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request.</p> <p>(b) provide the information to the Auditor-General.</p>	<p>M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>124. Revenue from grants and subsidies: Grants received (Scope limitation)</p>				

<p>While performing procedures on revenue, information with regards to revenue recognised for the Library project(grant) was requested.</p> <p>Despite this, the following supporting information was not submitted as requested for audit purposes:</p> <p>(a) the agreement, contract, external documentation, etc. for the Library project to confirm revenue amounts.</p> <p>The amounts that are received from the Northern Cape Department of Sports and Culture are recorded in Unspent Conditional Grants.</p> <p>However, the Municipality could not provide us with an agreement that specifies what the purpose and conditions are that are applicable to the Grant.</p> <p>Hence the compliance and the recognition criteria of the expenditure incurred, as per the listing in ML, with the terms of the Grant cannot be assessed.</p>	<p>Management will:</p> <p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request; and</p> <p>(b) provide the information to the Auditor-General.</p>	<p>K Morolong C Muller</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>125. Revenue: Supporting information for Journals not provided for audit purposes</p> <p>While performing procedures on revenue, and with specific reference to the journals passed, the following was noted:</p> <p>Sufficient appropriate supporting documentation could not be obtained for the manual journals requested. The accuracy and appropriate classification of the journals could therefore not be determined.</p> <p>The journals as listed in ML were found to lack appropriate supporting documentation:</p>	<p>Management will ensure that:</p> <p>(a) all manual journals passed are documented together with the appropriate supporting documentation (invoices, receipts, calculations made, etc.); and</p> <p>(b) the appropriate supporting evidence for the journals indicated above are provided to the Auditor-General in a timely manner.</p>	<p>F Bloem M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>126. Revenue - Scope limitation on other income</p>				

<p>While performing procedures on revenue, the following issues were encountered:</p> <p>(a) request for information 57 was issued on 15 October 2012 and was due on 18 October 2012.</p> <p>Despite this, the supporting information as listed in ML (contracts, agreements, signed tender register, etc.) was not submitted as requested for audit purposes:</p> <p>This leads to a possible limitation of scope of R101 128,47 (extrapolated limitation: R310 430,88)</p>	<p>Management will:</p> <p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request; and</p> <p>(b) provide the information to the Auditor-General.</p>	<p>M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>127. Revenue: Receipts not submitted for audit purposes (Scope Limitation)</p> <p>While performing the procedures on revenue, request for information 54 was issued on 10 October 2012 and was due on 15 October 2012.</p> <p>Despite this, the following supporting information has not been submitted as requested for audit purposes:</p> <p>(a) an electronic listing of all receipts issued during the year for all cashiers. (Transaction listing)</p> <p>Consequently, adequate audit evidence on the completeness of revenue could not be obtained. The above finding results in a fraud risk indicator which could not be mitigated through the performance of alternative or extended audit procedures.</p>	<p>Management will:</p> <p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request; and</p> <p>(b) provide the information to the Auditor-General.</p>	<p>M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>128. Prior Year Follow Up - Revenue: Grants conditions not received</p> <p>While performing procedures on prior year audit findings, it was ascertained that the conditional grants tabled in ML were recognized as revenue. However, the conditions which ought to have been met in order for the grant to be recognised as revenue were not provided for audit purposes:</p> <p>(a) LG SETA</p>	<p>Management should ensure that information disclosed on the financial statements is supported adequately, and that records are kept safe to be provided for audit purposes as</p>	<p>T Sehako C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>

	required.			
<p>129. Revenue from exchange transactions - No evidence that the reading of all service meters were performed</p> <p>While performing procedures on revenue, we determined that there are no controls in place to verify that all meter readings (water and electricity) were performed.</p> <p>This occurred mainly due to management not having ensured that meter readers sign the print-outs of their readings taken for the day and no reconciliation performed between amount of readable meters and actual readings performed.</p> <p>Sufficient appropriate audit evidence could not be submitted for audit purposes and a limitation of scope exists regarding the completeness of Service charges revenue and Trade Receivables from exchange transactions to an unknown amount.</p>	<p>(a) Management will ensure that controls are in place that will ensure that when meter readings are taken the meter readers sign their readings to confirm that they have indeed performed the reading, and agree with the readings documented.</p> <p>(b) A reconciliation should be performed between all the residential erven for which improvements were made to the meter reading records per month.</p>	M Stellenberg	28 February 2013	Not started yet
<p>130. Prior Year Follow Up: Revenue - journals weaknesses</p> <p>While performing procedures on prior year audit findings, the following weakness relating to journals relating to revenue were identified:</p> <p>(a) journals not located in the file/not provided for audit purposes as listed in ML:</p> <p>(b) the journals listed in ML did not have sufficient appropriate supporting documentation to ascertain re-allocation of expenditure, therefore, the validity of the journal could not be confirmed:</p> <p>Some documentation was received for certain journal entries, however this documentation was not sufficient appropriate support for the entries processed.</p>	<p>Management will ensure that journals are supported by sufficient appropriate supporting documentation prior to their authorisation.</p>	F Bloem M Stellenberg	28 February 2013	Not started yet
<p>131. Prior Year Follow Up: Property rates - amount in financial statement not reconciled</p> <p>While performing procedures on prior year audit findings, it was ascertained</p>				

<p>that a difference existed between the amount disclosed in the financial statements and the amount as per the valuation roll, through a reconciliation performed between the levy charged and the amount raised and disclosed in the financial statements, as detailed in the table as in ML</p>	<p>Management will ensure that a reconciliation/summary of charges is performed to ensure that amounts in the financial statements are accurate.</p>	<p>M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>132. Revenue from exchange transactions: Supporting documentation for service charges not submitted (Limitation of scope)</p> <p>While performing procedures on revenue, erven numbers were selected for testing to facilitate the testing of service charges (water, electricity, sewerage and refuse) disclosed in the annual financial statements.</p> <p>The following information could not be confirmed: Certain information was not obtainable, as follows:</p> <p>(a) Water readings</p> <p>(i) Water charges were not identified for the erven as listed in ML for the months specified, per inspection of the erf accounts:</p> <p>(ii) Actual water readings could not be identified for the erven as listed in ML, where the actual charge was made in the month specified</p> <p>(iii) Actual readings differed from the readings per the accounts of the water meter connections as listed in ML, for the months specified:</p> <p>(b) Electricity charges:</p> <p>(i) Electricity readings could not be identified for the erfs as listed in ML for the months specified, per inspection of the erf accounts:</p> <p>(ii) Actual electricity readings for the erf as listed in ML could not be identified, for the month in which the actual charge is specified:</p> <p>(c) Sewerage charges:</p>	<p>Management will provide the appropriate information in a timely manner.</p>	<p>M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>(i) Sewerage charges for the erven as listed in ML could not be identified for the months specified, per inspection of the erf accounts:</p> <p>(d) Refuse charges:</p> <p>(i) Refuse charges for the erven as listed in ML could not be identified for the months specified, per inspection of the erf accounts:</p>				
<p>133. Unconditional Grants: Agreements for grants not submitted</p> <p>While performing procedures on unconditional grants, the municipality did not provide the auditors with the agreement that indicates the conditions that are applicable to the Learnership De Aar Grant and the Brick making Project Grant.</p> <p>The municipality did not provide the auditors with the appropriate support for the expenses as listed in ML that have been paid:</p>	<p>Management should ensure that the appropriate supporting documentation for expenses incurred are properly filed and submitted timeously to the auditors.</p>	<p>M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>134. Unspent Conditional Grants: Not all supporting documentation for the Financial Management Grant submitted</p> <p>While performing procedures on unspent conditional grants, it was determined that the municipality did not have adequate appropriate support for the expenses that have been paid using the Financial Management Grant (FMG) in the 2011/2012 financial year, and which was transferred to revenue.</p> <p>The total of the expenses that met the conditions of the grant and was transferred to revenue, as disclosed on the financial statements, amounted to R1 450 000.</p> <p>Of the R1 450 000, supporting documentation for an amount of just R565 995,12 of the R1 450 000 has been provided for audit purposes.</p> <p>These expenses are made up of the individual amounts as listed in ML:</p>	<p>Management will ensure that the appropriate supporting documentation for expenses incurred are properly filed and submitted timeously to the auditors.</p>	<p>F Bloem C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>135. Unspent Conditional Grants: Capital expense paid out of the Department of Energy Grant is not supported by any invoices</p>				

<p>While performing procedures on unspent conditional grants, it was determined that an amount of R687 130,93 was recognised as grant revenue during the year paid from the Department of Minerals and Energy Grant, as disclosed on the grant register of the municipality.</p> <p>However this amount of expenditure could not be substantiated with appropriate supporting invoices. Only expenditure that complied with the conditions of the grant may be transferred to revenue.</p>	<p>Management will ensure that all the expenses that have been paid using the grant allocations of the municipality are adequately supported by invoices which comply with the conditions of the applicable grant.</p>	<p>F Bloem C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>136. Grant Expenditure: DoRA Grant expenditure compliance</p> <p>While performing procedures on DoRA Grant expenditure, inadequate support for the expenses paid from the Library Projects Grant, and one payment that was made from the MIG grant, was provided by the Municipality.</p> <p>Listed in ML are the expenses that were not adequately supported by invoices, proofs of deliveries or certificates for rendering of services:</p>	<p>Management will ensure that the supporting documents for expenses incurred are properly filed and submitted timeously to the auditors.</p>	<p>F Bloem C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>137. Taxes: VAT reconciliation performed at 30 June 2012 does not agree to the Financial Statements</p> <p>While performing procedures on Value Added Tax (VAT), it was determined that the annual VAT reconciliation performed at 30 June 2012 does not reconcile the amount receivable as per the VAT201's to the amount receivable disclosed in the Annual Financial Statements and the Trial Balance.</p> <p>We also found that the amount as reconciled by the client does not agree to the <u>movement</u> of the South African Revenue Services (SARS) statement of account for 2012. The difference is tabulated in ML:</p> <p>The VAT per the South African Revenue Services (SARS) Statement of Account does not agree to the Receivable balance disclosed in the Financial Statements.</p> <p>The difference is tabulated in ML:</p>	<p>Management will:</p> <p>(a) reconcile the VAT reconciliation to the amount payable or receivable submitted as per the VAT 201's to the amount disclosed in the Financial Statements.</p> <p>(b) perform monthly VAT reconciliations to ensure the General Ledger balances agree to the monthly VAT 201's submitted to SARS.</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>Including the provision for impairment of VAT, the difference between the general ledger and the South African Revenue Services (SARS) statement of account is tabulated in ML</p> <p>Further, we noted that the monthly VAT 201's net VAT payable or receivable balance as submitted to SARS does not agree to the monthly VAT General Ledger accounts. However, on an annual basis, the difference between the General Ledger and the VAT201's is only R25,83. This is per the client's reconciliation. However, when compared to the South African Revenue Services (SARS) statement of account, the difference of R313,018.77 was identified – note this on the movement throughout the 2012 financial year and not on the closing balance per the general ledger.</p>																
<p>138. VAT Reasonability</p> <p>While performing procedures on Value Added Tax (VAT), it was determined that the Output VAT and Input VAT claimed per the VAT 201's submitted to the South African Revenue Services (SARS) is not reasonable in relation to the VAT calculated based on the review of the financial statements.</p> <p>The following table indicates the difference between the VAT 201's and the VAT reasonability test performed on the Financial Statements for Output VAT and Input VAT:</p> <table border="1" data-bbox="178 995 869 1120"> <tr> <td>Recalculated Output VAT per financial statement review</td> <td>4 974 161,28</td> </tr> <tr> <td>Output VAT per submitted VAT 201's</td> <td>3 854 743,31</td> </tr> <tr> <td>Difference</td> <td>1 119 417,97</td> </tr> </table> <table border="1" data-bbox="178 1149 869 1274"> <tr> <td>Recalculated Input VAT per financial statement review</td> <td>6 343 145,46</td> </tr> <tr> <td>Input VAT per submitted VAT 201's</td> <td>5 547 008,21</td> </tr> <tr> <td>Difference</td> <td>796 137,25</td> </tr> </table>	Recalculated Output VAT per financial statement review	4 974 161,28	Output VAT per submitted VAT 201's	3 854 743,31	Difference	1 119 417,97	Recalculated Input VAT per financial statement review	6 343 145,46	Input VAT per submitted VAT 201's	5 547 008,21	Difference	796 137,25	<p>Management should:</p> <p>(a) ensure that VAT is reasonable in relation to the Financial Statements;</p> <p>(b) ensure that the VAT Act has been complied with; and</p> <p>(b) ensure that a proper review of the financial records is performed to ensure accuracy of information.</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
Recalculated Output VAT per financial statement review	4 974 161,28															
Output VAT per submitted VAT 201's	3 854 743,31															
Difference	1 119 417,97															
Recalculated Input VAT per financial statement review	6 343 145,46															
Input VAT per submitted VAT 201's	5 547 008,21															
Difference	796 137,25															

The net difference calculated as per above is R323 280,72.				
139. Cash and Cash equivalents: Returned cheque register not kept				
While performing procedures on cash and cash equivalents, during the testing of the maintaining of returned cheques, it was confirmed that the municipality does not keep a register of returned cheques.	Management will implement controls to appropriately manage all returned cheques, by means of a register.	M Stellenberg	28 February 2013	Not started yet
140. Commitments - No commitment register				
While performing procedures designed to obtain an understanding of the business processes and relevant controls pertaining to commitments, it was confirmed that no commitment register is prepared by the relevant official and submitted to the Chief Financial Officer within seven days of the end of the financial year, as required by the above policy.	While monitoring the framework management will ensure that: (a) policies are communicated with employees to clarify roles and responsibilities; and (b) procedures should be set in place to ensure adherence to policies and regulations.	C Muller	28 February 2013	Not started yet
141. Employee Cost: Monitoring of accumulated leave and annual leave inappropriate				
While performing procedures designed to obtain an understanding of the business processes and relevant controls pertaining to employee costs it was noted that the municipality has no process in place to monitor leave days accumulated and paid out.	Management will: (a) implement an appropriate monitoring process to ensure that the system does not process the leave days once the 48 day limit is reached; and (b) inform the employees to take their leave days as required.	T Sehako	28 February 2013	Not started yet
142. Employee Cost: Duties performed not in line with appointment letter				
While performing procedures designed to obtain an understanding of the				

<p>business processes and relevant controls pertaining to employee cost, the following was determined:</p> <p>(a) The Expenditure Accountant (C. Zealand) performs additional duties apart from her duties as per her appointment letter. The following additional duties are performed by her:</p> <ul style="list-style-type: none"> (i) identifying, capturing and bar-coding all asset additions; (ii) insurance claims and additions to the insurance; (iii) assisting with the compilation of financial statements; (iv) handling audit queries; (v) assisting with the capturing of the Municipality's budget in the format required by National Treasury; (vi) completion of budget reports; (vii) identification and capture of irregular, fruitless and wasteful expenditure; (viii) keeping a grant and investment register; (ix) risk management; and (x) handling queries and safeguarding of motor vehicle licence certificates. <p>This occurred mainly due to the municipality being understaffed which results in employees performing duties other than those stated in their appointment letters.</p>	<p>While monitoring the framework management will ensure that vacancies are filled timeously to minimise the amount of overtime worked.</p>	<p>H Nel C Muller</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>143. Employee Related cost: Vacant positions not filled during the year</p> <p>While performing procedures on employee costs, the following was determined:</p> <p>(a) Vacant positions have not been filled within the appropriate timeframe: only 14 of the 71 vacant positions have been filled;</p> <p>(b) We also noted that there are currently 56 positions at the municipality which are vacant;</p> <p>(i) The Section 57 vacancies as listed in ML existed at year end:</p> <p>(ii) Other vacancies as listed in ML that existed at year end:</p>	<p>Management monitoring the framework should ensure that sufficient controls and processes are implemented to fill critical vacancies in a timely manner.</p>	<p>H Nel C Muller</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>144. Employee cost: No employment contracts for long service bonuses</p> <p>While performing procedures on employee costs for long service</p>				

<p>bonuses, the employment contract/agreement for employee CJ Fouche (Employee number 2022) could not be obtained.</p> <p>The employee received a long service bonus. The internal memorandum was, however, contradictory, as it indicated that he served for 20 years, whilst further on in the document it specifies 30 years.</p> <p>No employee contract could be obtained for this employee to indicate the actual commencement of his employment.</p>	<p>Management will:</p> <p>(a) ensure that the employees of the municipality have employment contracts or agreements to ensure that the employee costs is paid to valid employees of the municipality; and</p> <p>(b) implement controls to ensure that employees cannot qualify for bonuses without the proper supporting documentation.</p>	<p>K Morolong T Sehako</p>	<p>28 February 2013</p>	<p>Not started yet</p>								
<p>145. Employee cost: travel and subsistence policy not accurately applied</p> <p>While performing procedures on travel and subsistence allowances it was confirmed that the approved policy was not implemented by the municipality, as below:</p> <p>(a) the following amounts are currently claimed by employees for subsistence:</p> <table border="1" data-bbox="178 950 871 1063"> <thead> <tr> <th colspan="2"></th> <th>Amount per claim</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Officials</td> <td>Full day</td> <td>150</td> </tr> <tr> <td>Half day</td> <td>75</td> </tr> </tbody> </table> <p>(b) travelling per kilometre for officials was calculated according to the AA-tables, and councillors are paid a fixed travelling allowance; and</p> <p>(c) the approved policy is not implemented by the municipality.</p>			Amount per claim	Officials	Full day	150	Half day	75	<p>Management will implement controls to ensure that approved policies are adhered to by officials.</p>	<p>H Nel C Muller</p>	<p>28 February 2013</p>	<p>Not started yet</p>
		Amount per claim										
Officials	Full day	150										
	Half day	75										
<p>146. Trade and other payables - Payments not made within 30 days</p> <p>While performing procedures on Trade and other payables it was found that the creditors as listed in ML were not paid within 30 days of invoice date</p>												

	Management will implement policies and procedures to ensure that payments are made within 30 days of date of receipt of invoice.	C Muller C Zealand	28 February 2013	Not started yet
<p>147. Procurement and contract management - SCM implementation plan and training</p> <p>While performing procedures on procurement and contract management, the following weaknesses were identified:</p> <p>(a) the SCM unit was not functional throughout the year, as the SCM accountant was only appointed on 01 November 2011; and</p> <p>(b) no proof could be obtained that the accounting officer within 30 days of year end submitted a report to the council on the implementation of the SCM policy.</p>	<p>Management will:</p> <p>(a) ensure that the SCM unit receives training in accordance with Treasury guidelines;</p> <p>(b) be functional throughout the year to mitigate the risk of unauthorised, irregular, fruitless and wasteful expenditure;</p> <p>(c) have a written plan for addressing internal and external audit findings on SCM and adherence to the plan should be monitored on a monthly/quarterly basis by the CFO/MM. The plan should set clear time frames and assign responsibilities appropriately; and</p> <p>(d) submit the implementation plan to the council not later than 30 days after year end.</p>	C Muller L Selego	28 February 2013	Not started yet
<p>148. Unauthorised, Irregular and Fruitless and Wasteful Expenditure - Reports not submitted</p> <p>While performing procedures on unauthorised, irregular and fruitless and wasteful expenditure, it was ascertained that the accounting officer of the municipality did not submit the appropriate reports to the mayor, MEC for</p>	Management will ensure that all required reports are submitted to the relevant external parties.	H Nel C Muller	28 February 2013	Not started yet

<p>Local government and the Auditor-General with regards to unauthorised, irregular, fruitless and wasteful expenditure, as required by Section 32(4) of the MFMA.</p> <p>Reports containing the unauthorised, irregular, fruitless and wasteful expenditure were posted to the Auditor-General, Provincial Treasury and National Treasury. The acknowledgement of receipt from Marli Jansen van Rensburg, Director of Local Government Budget Analysis, was obtained and this letter, dated 31 July 2012, stated the following:</p> <p>"Firstly, indicate whether a sub-committee of council have considered and investigated these expenditure items. Please advise if the municipality has established a Municipal Public Accounts Committee (MPAC) or whether another sub-committee of council has already investigated the irregular expenditure contained in the report.</p> <p>Secondly, kindly provide us with additional information for each of the expenditures listed as follows:</p> <p>(i) an explanation of the reason for expenditure. The current reasons provided are not adequate or transparent enough;</p> <p>(ii) the name(s) of the responsible official(s); and</p> <p>(iii) the disciplinary and other steps that have been taken to date against these person(s) to recover or rectify the expenditure.</p> <p>We confirm that the municipal council does not have authority to authorise irregular expenditure and must recover such from the responsible person(s) as articulated in section 32 of the MFMA."</p> <p>Therefore, the reports that were submitted are not in line with the regulations of the MFMA.</p>				
<p>149. Unauthorised, Irregular and Fruitless and Wasteful Expenditure not recovered, condoned or written off</p> <p>While performing procedures on unauthorised, irregular and fruitless and wasteful expenditure, the following issues were identified:</p>	<p>Management will ensure that all unauthorised, irregular and fruitless and wasteful expenditure is</p>	<p>H Nel C Muller</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>(a) there was no evidence in the council minutes provided that the unauthorised expenditure of R68 301 642, as disclosed in the Annual Financial Statements, was approved through the adjustment budget and that the municipality took steps towards recovering the unauthorised expenditure from the person/people responsible; and</p> <p>(b) there was no evidence in the council minutes provided that the municipality implemented steps for the recovery of any of the irregular expenditure of R6 527 891 or fruitless and wasteful expenditure of R313 788 as disclosed to the financial statements, from the person/people responsible.</p>	<p>investigated and recovered as per MFMA regulations.</p>			
<p>150. DoRA Compliance: Transfers and conditional grants</p> <p>While performing procedures on compliance, the information as listed in ML was not submitted for audit purposes:</p>	<p>Management will ensure that appropriate supporting documentation is kept safe and provided for audit purposes.</p>	<p>C Muller F Bloem M Stellenberg C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>151. Fruitless and Wasteful Expenditure: System monitoring private calls not effective</p> <p>While performing procedures designed to obtain an understanding of the business processes and relevant controls pertaining to expenditure it was noted that in the minutes of the council meeting held on 9 May 2012 that landline calls were not monitored and private call costs were not deducted from employees' salaries throughout the financial year under review.</p> <p>This occurred mainly due to the fact that the DATATEX TNG system that was used for the printout of telephone calls is no longer functioning. The DATATEX TNG system stopped working in December 2011 and no system has been in place for the remaining part of the financial year.</p>	<p>Management will ensure that a new communication control system is implemented and private calls are monitored and costs recovered from employees.</p>	<p>C Muller F Bloem K Morolong</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>152. PY Follow Up: Expenditure - Fruitless and wasteful expenditure</p> <p>While performing procedures on prior year audit findings, it was ascertained that with regard to expenditure, the following understatements of wasteful and fruitless expenditure occurred:</p>	<p>Management will ensure that a record of wasteful and fruitless expenditure is kept so that it can be fully disclosed in the Annual Financial Statements,</p>	<p>C Muller C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>This will result in the understatement of Fruitless and wasteful expenditure in note 39.2: Fruitless and wasteful expenditure for the prior year figures in the annual financial statements amounting to R8 035,83.</p>	<p>and this should be monitored throughout the financial year.</p>			
<p>153. Receivables: Incorrect rates used for interest charged on outstanding debtors</p> <p>While performing procedures intended to obtain an understanding of the business processes and relevant controls pertaining to revenue, the following debtor's statement was noted:</p> <p>Debtor Name: Mr J.J Jacobs Account number: 100018/106585 Date: November 2011</p> <p>Through inspection of the system, it was confirmed that the interest rate used in calculating interest on the outstanding balance was prime rate plus 1%.</p> <p>This is in contravention of the clauses of the Debt Collection Policy. As per above, the interest rate is determined on 1 July every year by establishing the prime rate through the Municipality's bankers and adding 2 percentage points to prime rate. This implies that the interest rate used will change when there is a change in prime rate.</p>	<p>While monitoring the framework management will ensure that appropriate monitoring of internal controls takes place to ensure that the municipality's policies are fully adhered to.</p>	<p>C Muller M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>154. Revenue: No register is kept for unidentified deposits received</p> <p>While performing procedures intended to obtain an understanding of the business processes and relevant controls pertaining to revenue, it was confirmed that no register for unidentified deposits is kept by the municipality.</p> <p>The unidentified deposits are also not investigated and followed up on a continuous or regular basis. The consumers are only identified and deposits are only reallocated once the consumer queries that his/her particular account has not been credited with the relevant amount paid.</p> <p>The following transaction serves as an example:</p>	<p>Management will ensure that:</p> <p>(a) Policies and procedures will be developed to regulate cash payments received at the Post Office.</p> <p>(b) A register for unidentified deposits should be kept, together with the date of payment and the consumer name. These deposits should be followed up on a continuous and</p>	<p>M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>List A19000002489 from the Post Office's system. Account number of debtor: IP0901/701378</p> <p>These unidentified deposits pertain specifically to deposits made at the Post Office, which receives the money on behalf of the municipality.</p>	<p>regular basis and allocated to the relevant consumer accounts.</p> <p>(c) Management monitoring the framework should ensure that appropriate monitoring of internal controls takes place to ensure that the municipality's policies are fully adhered to.</p>			
<p>155. Internal controls: Draft Policies not approved and implemented</p> <p>While performing procedures on internal controls, the following was confirmed:</p> <p>(a) that the following policies are in draft and have not been approved to date:</p> <p>(i) the Trading Policy; (ii) the Street Trading Policy; (iii) the Fixed Assets Management Policy; (iv) the Acting allowances for personnel Policy; (vi) the Risk Management Framework; and</p> <p>(b) that policies are not communicated to officials, resulting in non-implementation of the policies.</p>	<p>Management monitoring the framework will ensure that:</p> <p>(a) all draft policies and procedure are approved and duly implemented; and</p> <p>(b) policies and procedures are established and communicated to enable and support the understanding and execution of internal control objectives, processes, and responsibilities.</p>	<p>H Nel C Muller</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>156. Financial Statement Closing Process: Journals processed prior to management authorisation</p> <p>(a) While performing procedures in order to obtain an understanding of the business processes and relevant controls pertaining to the financial statement closing process, the following journals was passed without proper authorisation by management.</p> <p>(i) Journal Number: 086 Date posted: 2012/06/30 Reason for posting: To disclose and correct the comparative figures retrospectively in the Annual Financial Statements.</p>	<p>Management will:</p> <p>(a) improve the control environment regarding the authorisation/review of journals in order to ensure that only accurate, appropriate manual journals are processed; and</p> <p>(b) ensure that all journals are</p>	<p>C Muller F Bloem L Selego M Stellenberg C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>(ii) Journal number: 042 Date posted: 2012/06/01 Reason for posting: To correct the allocation of money to the incorrect vote.</p> <p>(b) While performing procedures on revenue, and with specific reference to journals, the manual journals as listed were identified as having been processed without the appropriate level of authorisation/review having taken place:</p>	<p>properly authorised by an appropriately delegated official before being processed. .</p>			
<p>157. Internal Control: Fraud prevention plan and fraud hotline has not been communicated to employees</p> <p>While performing procedures on internal controls, it was determined that the fraud prevention policy along with the national fraud hotline have not been communicated to the employees.</p>	<p>The municipal manager will establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities relating to instances of fraud.</p>	<p>H Nel</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>158. Internal Control: Board committees do not have charters</p> <p>While performing procedures on internal controls, it was confirmed that the following committees have been established by the municipality:</p> <p>a) Commonage/Infrastructure and Development; b) Housing, Social Development and Administration; c) Finance; d) Social Economic Development; and e) LLF.</p> <p>No formal charters (terms of reference) have been formalised for these committees. Therefore, the roles and responsibilities of these committees are not clearly defined.</p>	<p>Management will ensure that all committees have documented formal charters to clearly establish roles and responsibilities.</p>	<p>H Nel K Morolong</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>159. Risk management process not followed</p> <p>While performing procedures on the risk assessment process in place, the following was determined:</p>	<p>Management will:</p>	<p>H Nel C Muller</p>	<p>28 February 2013</p>	<p>Not started yet</p>

<p>(a) no risk committee is in place; and (b) no procedures are in place to monitor and evaluate risks identified during the year.</p> <p>Additionally, it was noted that there is no documented process of identifying events occurring after year end which might impact the financial statements.</p>	<p>(a) implement a risk committee;</p> <p>(b) ensure that risks identified during risk assessment are monitored and evaluated on a regular basis, to mitigate the risks to an acceptable level; and</p> <p>(c) document the procedures performed to identify events which occur after year end that might impact the financial statements.</p>			
<p>160. Internal Control: No training for employees</p> <p>While performing procedures designed to obtain an understanding of the entity's internal control environment relevant to financial reporting, no evidence could be obtained that employees involved in financial and performance reporting received any training during the current year.</p>	<p>Management should ensure that employees receive the relevant training to keep them up to date with all laws and accounting standards.</p>	<p>H Nel C Muller K Morolong T Sehako</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>161. Procurement and contract management - Supplier listing incomplete</p> <p>While performing procedures on procurement and contract management it was determined that the suppliers listing is incomplete. The supplier listing does not include all the suppliers details, for example: physical address, VAT number and bank account.</p> <p>Refer to the suppliers as listed in ML for which these details could not be obtained:</p>	<p>Management will:</p> <p>(a) ensure that all suppliers provide adequate information before they are included on the suppliers listing; and</p> <p>(a) ensure that all the suppliers' information is included on to the system.</p>	<p>L Selego C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>162. Fixed Assets: Additions - Invoices not signed</p> <p>While performing procedures on the additions of fixed assets, the following invoices and/or delivery notes were not signed for the related assets acquired. The list in ML details the assets for which there are no related signed invoices/delivery notes:</p>	<p>Management will implement controls to ensure that all invoices and delivery notes for assets purchased are signed by the municipality as</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>

	evidence of receipt of the asset.			
<p>163. Fixed Assets: Misappropriation of assets</p> <p>While performing procedures on fixed assets, and with specific regard to the misappropriation of assets, the following was determined with regard to the use of vehicles:</p> <p>(a) a log book is kept to keep track of the use of each municipal vehicle. However, no distinction is made between business and private use;</p> <p>(b) the municipality has no controls in place to monitor and prevent the private use of municipal vehicles; and</p> <p>(c) employees using vehicles for private use are not taxed on the fringe benefit they have received.</p>	<p>Management will:</p> <p>(a) implement controls to ensure that vehicles are only used for the intended purposes;</p> <p>(b) ensure that the use of vehicles for private purposes have been accounted for appropriately as fringe benefits;</p> <p>(c) disclose wear and tear expenditure and additional fuel costs as fruitless and wasteful expenditure in the annual financial statements.</p>	C Muller Freddie	28 February 2013	Not started yet
<p>164. Property, plant and equipment: Log Books not provided for audit purposes</p> <p>While performing procedures on Property, Plant and Equipment, request for information 48 was issued on 08 October 2012 and was due on 11 October 2012.</p> <p>Despite this, the vehicle as listed in ML log books have not been submitted as requested for audit purposes:</p>	<p>Management will:</p> <p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request; and</p> <p>(b) provide the information to the Auditor-General.</p>	C Muller Freddie	28 February 2013	Not started yet
<p>165. Procurement: No quarterly reports are submitted</p> <p>While performing procedures designed to obtain an understanding of the business processes and relevant controls pertaining to procurement and contract management, it was determined that no quarterly reports were submitted to the Mayor within 10 days of the end of each</p>	<p>Management monitoring the framework will ensure that:</p> <p>(a) employees are aware of all</p>	C Muller L Selego	28 February 2013	Not started yet

<p>quarter with regard to the implementation of the Supply Chain Management (SCM) Policy, as required by paragraph 6 of SCM policy.</p>	<p>policies affecting their responsibilities; and</p> <p>(b) procedures are implemented to ensure the adequate functioning of controls over compliance with laws and regulations.</p>																							
<p>166. Employee Benefits: Contribution on the general ledger differs from the expert report</p> <p>While performing procedures on post retirement benefits, the benefit contribution per the LSA report obtained from the expert was compared to the contribution per the financial statements of the municipality, and the following difference was identified:</p> <table border="1" data-bbox="178 781 869 935"> <thead> <tr> <th>Description</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Contributions as per the report</td> <td>122 001</td> </tr> <tr> <td>Contribution as per the General Ledger</td> <td>151 905</td> </tr> <tr> <td>Differences</td> <td>29 904</td> </tr> </tbody> </table> <p>This difference resulted in the actuarial losses being overstated as detailed below:</p> <table border="1" data-bbox="178 1049 869 1230"> <thead> <tr> <th>Description</th> <th>General Ledger</th> <th>LSA report</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>Expenditure for the year</td> <td>207 661</td> <td>207 661</td> <td>-</td> </tr> <tr> <td>Actuarial Loss/(Gain)</td> <td>231 205</td> <td>201 301</td> <td>29 904</td> </tr> </tbody> </table> <p>167. Trade and other payables: No creditors reconciliations performed on monthly basis</p>	Description	Amount	Contributions as per the report	122 001	Contribution as per the General Ledger	151 905	Differences	29 904	Description	General Ledger	LSA report	Difference	Expenditure for the year	207 661	207 661	-	Actuarial Loss/(Gain)	231 205	201 301	29 904	<p>Management will ensure that the financial statement amounts agree to the calculations per expert reports when recognising post retirement benefit liabilities.</p>	<p>C Muller C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>
Description	Amount																							
Contributions as per the report	122 001																							
Contribution as per the General Ledger	151 905																							
Differences	29 904																							
Description	General Ledger	LSA report	Difference																					
Expenditure for the year	207 661	207 661	-																					
Actuarial Loss/(Gain)	231 205	201 301	29 904																					

<p>While performing procedures designed to obtain an understanding of the business processes and relevant controls pertaining to trade and other payables, it was determined that no creditor reconciliations between the creditors' sub-ledger and the creditors' statements are performed for any creditor.</p>	<p>Management:</p> <p>(a) monitoring the framework will ensure that creditor reconciliations are performed on a monthly basis and that all reconciling items are investigated to determine if further action is required; and</p> <p>(b) will further investigate this issue and adjust financial statements accordingly where appropriate.</p>	C Zealand	28 February 2013	Not started yet
<p>168. Consumer Deposits: Register not kept and reconciliations not performed.</p> <p>While performing procedures on consumer deposits, the following was determined:</p> <p>(a) no consumer deposit register is kept for deposits/appropriations made by consumers; and</p> <p>(b) the deposit/appropriation books are not reconciled to the system generated individual/summary accounts.</p> <p>The amount of consumer deposits disclosed in the financial statements for which there is no register being kept is R175 556,00.</p> <p>Due to the fact that there was no consumer deposits register kept, alternative procedures were performed to verify the completeness and existence of consumer deposits.</p>	<p>Management will implement controls to ensure that a consumer deposit register are kept for each month, and that monthly reconciliations be performed between this register and the system generated reports.</p>	M Stellenberg	28 February 2013	Not started yet
<p>169. Trade and Other Payables - Incomplete presentation and disclosure</p> <p>While performing procedures on the presentation and disclosure of Trade and Other payables it was noted that the following disclosures were omitted:</p>	<p>Management will ensure that financial reporting is in line with the financial</p>	C Muller C Zealand	28 February 2013	Not started yet

a) the exposure to credit risk as a result of the payables.	reporting framework and regulations.			
170. Payables - Creditors not on approved suppliers listing While performing procedures on Trade and other Payables it was determined that the following creditors as listed in the creditors listing were not on the approved suppliers listing:	Management will implement an adequate, effective process where, before purchases are made, the supplier is traced to the approved suppliers listing.	L Selego	28 February 2013	Not started yet
171. Sick leave: Sick leave not accurate, approved and complete While performing procedures on compliance relating to sick leave, it was confirmed that sick leave forms were not always accurate, approved or complete: (a) The employees' files as listed in ML were inspected and found to contain sick leave forms which were either inaccurate, unapproved or incomplete: (b) Sick leave forms were not included in the leave files of the employees as listed in ML , despite the fact that sick leave was taken per the system reports: (c) The sick leave forms of the employees as listed in ML were not timeously captured (Sick leave was taken, in some cases, several months before the leave was captured): (d) Medical certificates were not included in the files of the employees as listed in ML , in all cases, for sick leave that lasted for three or more consecutive days: (e) Sick leave is not accruing accurately to employees: Per the system reports, sick leave is accruing to employees in a new sick leave cycle from 01 September 2011. Sick leave should accrue to an employee from date of employment for a three year cycle. There is no evidence per the system that unused sick leave in the prior cycle fell away.	Management will implement controls to ensure that the taking of sick leave is in line with accepted policies and procedures.	K Morolong T Sehako	28 February 2013	Not started yet

<p>In the case of one employee selected (C.C. Zealand) no sick leave accrued at all per the system.</p>										
<p>172. Leave Accrual - No leave application files for new employees</p> <p>While performing procedures on the leave accrual, no leave application files could be obtained for the following employees:</p> <table border="1" data-bbox="178 495 869 613"> <thead> <tr> <th>Employee name</th> <th>Employee number</th> </tr> </thead> <tbody> <tr> <td>ABRAHAMS S</td> <td>1082</td> </tr> <tr> <td>MBALE ME</td> <td>1087</td> </tr> </tbody> </table>	Employee name	Employee number	ABRAHAMS S	1082	MBALE ME	1087	<p>Management will implement controls to ensure that leave files are created for every employee, regardless of the length of their service.</p>	<p>T Sehako</p>	<p>28 February 2013</p>	<p>Not started yet</p>
Employee name	Employee number									
ABRAHAMS S	1082									
MBALE ME	1087									
<p>173. Performance Information - Information requested not submitted</p> <p>While performing procedures on predetermined objectives, the information as listed in ML as requested in request 43 of 2012 on 04 October 2012 (due 08 October 2012) has not been submitted for audit purposes as required:</p>	<p>Management will:</p> <p>(a) establish proper record keeping procedures and ensure that all information is readily available for submission on request.</p> <p>(b) provide the information to the Auditor-General.</p>	<p>K Morolong</p>	<p>28 February 2013</p>	<p>Not started yet</p>						
<p>174. Predetermined Objectives: Five year integrated development plan not in place.</p> <p>While performing procedures on predetermined objectives, it was determined that the municipality does not have a five year integrated development plan (IDP) in place; instead, an IDP is only kept on an annual basis.</p> <p>As a result the municipality is unable to perform it's long term planning as required by Section 26 of the Municipal Systems Act.</p> <p>The municipal council did not, within the prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the</p>	<p>Management should ensure that a five year IDP is developed and implemented in order to allow long term strategic planning.</p>	<p>K Morolong</p>	<p>28 February 2013</p>	<p>Not started yet</p>						

development of the municipality as required by section 26 of the Municipal Systems Act.				
175. Performance Information - KPI's not linked to budget				
While performing procedures on the performance management system of the Municipality it was determined that the key performance indicators were not linked to the budget.	Management will ensure that all KPI's are linked to the budget.	K Morolong	28 February 2013	Not started yet
176. Performance Information - Actuals reported based on a municipal scorecard				
While performing procedures on performance information, and with specific regard to the actual target status of targets set against key performance indicators, it was noted that the actual performance achieved is unclear. The rating is performed by making use of a municipal scorecard, and the completion status is unclear to users of the performance evaluation report.	Management will ensure that actuals reported are based on the targets set and not as per the municipal scorecard.	K Morolong	28 February 2013	Not started yet
177. Performance information - Adequate audit evidence not submitted				
While attempting to perform procedures on performance information, it was noted that no information was submitted to be able to perform an audit on performance information. (a) We were therefore unable to confirm the validity, accuracy and completeness of: (i) planned development priorities/measures; (ii) reported development priorities/measures; (iii) planned targets; (iv) reported targets; (v) planned indicators/measures; and (vi) reported indicators/measures.	Management will: (a) implement an appropriate effective performance management system to ensure that adequate monitoring and review of targets and key performance information occurs; and (b) ensure that information requested for audit purposes is submitted.	K Morolong	28 February 2013	Not started yet
178. Trade Receivables: Water usage not monitored for indigent debtors				
While performing procedures designed to obtain an understanding of the business processes and relevant controls pertaining to trade receivables the invoice for the following indigent debtor was inspected:	Management should implement sufficient appropriate controls, such as prepaid water meters or restriction	M Stellenberg	28 February 2013	Not started yet

<p>Account Number: 130423/102877 Erf Number: 0001/0002/00001921/00000/000 Name: Mr. N Modise (Nel)</p> <p>It was noted that the debtor used more water than the subsidised amount allowed. No controls are in place to restrict indigent debtors from using more water than the subsidised amount per month.</p>	<p>of the amount of litres available to the indigent debtors.</p>			
<p>179. Receivables: Returned cheques not correctly accounted for</p> <p>While performing procedures on cash and bank, with specific regard to returned cheques, the debtors control account and individual sub ledger accounts for the debtors were inspected and it was confirmed that the municipality does not write back the returned cheques to sub ledgers for the specific debtor, but instead creates a new debtor for the amount of the returned check, as detailed per the listing in ML:</p>	<p>Management will:</p> <p>(a) implement controls to ensure that accounts receivables are correctly valued at all times; and</p> <p>(b) ensure that returned cheques are written back to the accounts receivables sub-ledger.</p>	<p>M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>180. Revenue - Broken meters not timeously repaired</p> <p>While performing procedures on revenue, we determined that damaged meters are not timeously repaired.</p> <p>The meter as listed in ML was identified as being damaged for longer than three months:</p> <p>This list as per ML is not exhaustive: an example has been provided to illustrate the finding identified.</p>	<p>Management will ensure that controls are in place to ensure that when a meter is identified as damaged it is repaired timeously</p>	<p>M Stellenberg</p>	<p>28 February 2013</p>	<p>Not started yet</p>
<p>181. Taxes: VAT reconciliations not performed on a monthly basis</p> <p>While performing procedures designed to obtain an understanding of the business processes and relevant controls pertaining to value added tax (VAT), it was determined that VAT reconciliations between the VAT returns and the general ledger are not performed on a monthly basis to ensure that the VAT control account is accurately valued.</p>	<p>Management monitoring the framework will ensure that monthly reconciliations between the general ledger and the VAT returns are</p>	<p>C Zealand</p>	<p>28 February 2013</p>	<p>Not started yet</p>

	performed.													
<p>182. Consumer deposits: Output VAT not raised on consumer deposits set off against outstanding debt.</p> <p>While performing procedures on consumer deposits, the following was confirmed:</p> <p>The output Value Added Tax (VAT) on the original deposit of consumer deposits listed in ML was not accounted for on repayment of the deposit to the consumer upon termination of services:</p>	Management will implement controls to ensure the correct accounting treatment of all transactions affecting VAT.	M Stellenberg	28 February 2013	Not started yet										
<p>183. Employee cost: Incorrect information captured on the system.</p> <p>While performing procedures on employee costs, and specifically during the physical verification of employees, the two employees listed in ML were noted for having provided us Identification Numbers that do not agree with information captured per the SEBATA system:</p>	Management will ensure that all employee details are accurately captured on the system and are updated on regular basis.	T Sehako	28 February 2013	Not started yet										
<p>184. Leave accrual: Payout not supported by documentation</p> <p>While performing procedures on leave payouts, and with specific regard to the internal controls relating to such payouts, it was noted that in the case of the employees listed below, the calculations of the leave payout were not found in the employees' leave files:</p> <table border="1"> <thead> <tr> <th>Employee name</th> <th>Employee number</th> </tr> </thead> <tbody> <tr> <td>L. Lesala</td> <td>2030</td> </tr> <tr> <td>J. Nelson</td> <td>2075</td> </tr> <tr> <td>S. Bos</td> <td>201</td> </tr> <tr> <td>H. Jacobs</td> <td>80</td> </tr> </tbody> </table>	Employee name	Employee number	L. Lesala	2030	J. Nelson	2075	S. Bos	201	H. Jacobs	80	<p>Management will:</p> <p>(a) implement controls over the approval of leave pay to ensure compliance with relevant laws and regulations; and</p> <p>(b) implement controls to ensure that all approval of leave payouts is in fact included in employees files and provided for audit purposes when requested.</p>	T Sehako C Zealand	28 February 2013	Not started yet
Employee name	Employee number													
L. Lesala	2030													
J. Nelson	2075													
S. Bos	201													
H. Jacobs	80													
<p>185. Consumer deposits: Application forms not authorised</p> <p>While performing procedures on consumer deposits it was noted that the application form tabled below had no signature to indicate authorisation and processing. The deposit was however recorded on the monthly listing of</p>	Management will ensure that internal	M Stellenberg	28 February 2013	Not started yet										

processed deposits, despite the lack of authorisation:		controls which have been put in place are in fact implemented consistently			
Application number	Amount				
0103	644				