



THABAZIMBI LOCAL MUNICIPALITY

AUDIT ACTION PLAN FOR 2012/13 REPORT

Pa r No .	Findings as per Audit Report	Action Required	Challenges	Responsible Person	Target Date	Progress
4	<p><u>Property, plant and Equipment</u></p> <p>1. The municipality could not provide supporting documents for adjustments to opening balances, additions and work in progress as disclosed in note 4 to the annual financial statements. There was no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that property, plant and equipment were recorded correctly. consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to whether any adjustments to PPE of R1 074 963 862(2012:R1 067 270 707) as per the statement of financial position were necessary.</p>	<p>1. A service provider will be appointed to prepare a complete and accurate fixed asset register compliant to GRAP 17 and in terms of directive 7. A team made up of the consultant, officials within the Asset Management division and technical department officials will be formed and progress reporting to the CFO done on a weekly basis until the 30 June 2014.</p> <p>2. A dedicated official within Technical Services will be assigned the responsibilities of asset management. (PMU Official)</p> <p>3. The following will be the main deliverables to ensure that a compliant fixed asset register is prepared:</p> <ul style="list-style-type: none"> • All infrastructure assets, movable assets, buildings and investment properties will be verified. • Purchase date of assets shall be determined using available supporting documentation and historical information. Assets bought prior 2009 and after 2009 shall be identified for valuation purposes. • Conditions of assets will be assessed and useful life's and remaining useful life's of assets will be determined by professionals. (Engineers and 		CFO Divisional Manager – Asset Manageme nt Technical Service Manager and PMU	Service provider appointment – 28 February 2014 Team Constitution – 04 March 2014. Final complete asset register – 13 June 2014.	
5	2. The municipality did not					

	<p>perform impairment assessment for all assets where there was an indication that the assets might be impaired.</p>	<p>technical dept officials)</p> <ul style="list-style-type: none"> • Assets bought prior 01 July 2009 will be fair valued in accordance with provisions as per directive 7. (Deemed costs shall be calculated for each asset). A valuation report for both movable and immovable assets will be prepared for audit purposes. • The cost price of assets bought after 01 July 2009 will be determined from actual expenditure incurred on the constructing and purchasing of assets. Detail reconciliation per assets to supporting documentation and accounting records shall be made to ensure that assets are capitalized at accurate amounts. • All roads controlled by the municipality and within the boundaries of the municipality will be identified and ownership confirmed through confirmations from the district municipality, RAL and Department of Roads and Transport. • Work in Progress (WIP) amounts and movable assets additions per year from 01 July 2009 will be reconciled to the accounting records and supporting documentation (Invoices and payment certificates) properly filed for audit purposes. • Completion certificates and bill of quantities will be used as supporting documentation for projects capitalized since 01 July 2009. • Depreciation will be calculated annually for all depreciable amounts. All assets useful life's and remaining useful life's shall be determined to 				
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		<p>ensure accurate calculation of depreciation.</p> <ul style="list-style-type: none"> • Impairment value shall be determine after taking into account the condition of assets and all impairment indicators shall be assessed at year end. • Final reconciliations per year will be done between the general ledger and fixed asset register. 				
6	<p>Statement of changes in equity</p> <p>1. The municipality could not provide sufficient and appropriate evidence for an unreconciled difference of R135 402 077 between accumulated surplus reflected in the statement of changes in equity and the statement of Financial position.</p>	<ol style="list-style-type: none"> 1. A complete schedule of journals passed to the accumulated surplus in 2012/13 shall be prepared and supporting documentation for each journal filed appropriately. 2. The above schedule shall be reconciled to the accumulated surplus account in general ledger. 3. We will reverse all journals passed relating to PPE as a new asset register will be prepared. 4. All other journals without supporting documentation will be investigated and decision taken for reversal if journals cannot be supported. 5. We will keep a new schedule for additional journals passed in 2013/13 relating to prior period and a file with supporting documentation will be kept. <p>The accumulated surplus schedule will include the following information:</p> <ul style="list-style-type: none"> • Journal Number • Reference to audit report paragraph or 		Resident accountant Divisional Manager – Budget and reporting	2012/13 schedule and SD File – 14 February 2014 Reversal of all asset journals – 14 February 2014 2013/14 schedule and SD- Ongoing but final schedule by 30 June 2014.	

		<p>management report finding</p> <ul style="list-style-type: none"> • The nature of the error and the amounts involved. • Accounting entries early showing the standard items involved. <p>The above schedule will form the basis of GRAP 3 note. The note will then be taken for audit before AFS are finalized and then included on the AFS.</p>				
7 & 8	<p>Contingent liabilities</p> <p>1. The municipality did not disclose contingent liabilities in the notes to the AFS in accordance with GRAP 19. There was no system of control over litigations and claims on which the AG could rely on for the purpose of audit opinion.</p>	<p>1. Litigation registers to be kept and updated each and every month for all ongoing cases for or against the municipality. The litigation register will among other things include the following:</p> <ul style="list-style-type: none"> • The case number or summons details. • The details or summary of the litigation • Legal counsel appointed to represent the municipality and contact details. • The date the matter commenced • The likelihood of winning or losing the case. • The estimated date when matter will be resolved. • The amount involved. <p>Confirmation letters should be sought for all unresolved matters at 30 June 2013 and 30 June 2014.</p> <p>2. Job evaluations should be done and completed for calculations of obligations in terms of the wage curve agreement signed. The amounts</p>	None	Divisional Manager - Legal Services Resident Accountant Divisional Manager - HRM	<p>Updated litigation registers for all cases up to December 2013 – 07 February 2014.</p> <p>Ongoing on a monthly basis and the final litigation register for matters up to 30 June 2014 – 11 July 2014.</p> <p>Job evaluations- 28 February</p>	

		should be paid immediately or accrued in the accounting records.			2014	
9	Expenditure					
	1. The municipality did not correctly calculate the depreciation on Property, Plant and Equipment for the current and prior years amounting to R54,762,517(2012:54,155,189) as disclosed in the AFS.	<p>1. Depreciation</p> <p>1.1 The estimated useful lifes and remaining useful lifes of all assets per year from 01 July 2009 will be determined as per the finalized new asset register.</p> <p>1.2 Depreciation will be calculated using the above information for all depreciable amount.</p> <p>1.3 Depreciation passed in prior periods for all assets will be reversed and depreciation as per new calculations processed in the accounting records.</p>		<ul style="list-style-type: none"> • Service Provider • CFO • Resident Account ant 	1. 30 June 2014	
10	2. Included in debt impairment in note 28 to the AFS is an amount of R 6 226 416 for which sufficient appropriate audit evidence could not be obtained.	<p>2. Debt impairment</p> <p>2.1 A journal will be passed to accurately account for error in billing of R6 226 416 from bad debts to accumulated surplus. The amount was due to reversal of billing error occurred in previous years due to incorrect property rates used. The amount was incorrectly recorded as bad debt instead of a reduction in revenue in previous year.</p> <p>2.2 All supporting documentation will be kept to support the above journal.</p>		Revenue Manager	31 January 2014	
11	3. There was no system of control over classification of repairs and maintenance	<p>3. Repairs and maintenance</p> <p>3.1 The repairs and maintenance ledger accounts for 2012/13 financial year will be investigated and all misclassification of assets additions identified and a journal passed to correctly classify the</p>	None			

	between operating and capital expenditure.	<p>transactions</p> <p>3.2 The account will also be investigated for transactions recorded in the first six months of 2013/14 financial year in order to identify misclassifications. This investigation will then be done on a quarterly basis until end of the year. The expenditure manager will review all allocation of expenditure when transactions are recorded on a daily basis.</p> <p>An excel spreadsheet shall be maintained and comments made on each transaction as evidence that transactions were investigated for proper allocations.</p>		Expenditure Manager	28 February 2014 and ongoing until 30 June 2014	
12	<p>Prior period errors</p> <p>1. As disclosed in note 38 to the AFS relating to prior periods, differences were noted between the auditors calculations and the impact of the restatements. The municipality did not disclose the prior period errors in accordance with the SA Standards of GRAP 3.</p>	<p>6. A complete schedule of journals passed to the accumulated surplus in 2012/13 shall be prepared and supporting documentation for each journal filed appropriately.</p> <p>7. The above schedule should be reconciled to the accumulated surplus account in general ledger.</p> <p>8. We will reverse all journals passed relating to PPE as a new asset register will be prepared.</p> <p>9. All other journals without supporting documentation will be investigated and decision taken for reversal if journals cannot be supported.</p> <p>10. We will keep a new schedule for additional journals passed in 2013/13 relating to prior period and a file with supporting documentation will be kept.</p> <p>The accumulated surplus schedule will include the following information:</p> <ul style="list-style-type: none"> Journal Number 		CFO Resident Accountant	30 June 2014	

		<ul style="list-style-type: none"> • Reference to audit report paragraph or management report finding • The nature of the error and the amounts involved. • Accounting entries early showing the standard items involved. <p>The above schedule will form the basis of GRAP 3 note. The note will be submitted for audit purposes and then AFS updated with the correct note.</p>				
13	<p>Revenue</p> <p>1. During 2012 the AG was unable to obtain sufficient appropriate audit evidence for property rates and services charges. The AG was unable to determine whether any adjustment to revenue stated at R117,381,467 was necessary.</p>	<p>The supporting schedules and detail general ledger for revenue as recorded in PROMIS from 01 July 2011 to 31 January 2012 were requested from PROMIS consultants and have been received before the audit for 2012/13 starts. The information was available for audit but could not be audited.</p> <p>The information will be prepared again and submitted to AGSA for audit.</p>		Revenue Manager CFO		Information is available for Audit 31 March 2014

OTHER IMPORTANT MATTERS ON THE AUDIT REPORT

Pa r No .	Findings as per Audit Report	Action Required	Chall enges	Responsible Person	Target Date	Progress
	Predetermined objectives	1. A service provider was engaged to ensure that the				

18, 19, 20	<p>1. The information included in the predetermined objectives was not useful, consistent, relevant and reliable</p> <p>2. The objectives did not adequately reflect the facts (The objectives could not be assessed to determine whether they are valid, accurate and complete)</p>	<p>municipality objectives, targets and performance indicators on the SDBIP are aligned to the IDP and they are measurable, useful and consistent.</p> <p>2. The strategic session was attended by all Senior Managers together with the service provider and members of the audit committee to ensure that the SDBIP as the basis for the performance report is valid, accurate and complete.</p> <p>3. All amendments to the SDBIP as informed by the Mid year report shall be done in a meeting of all senior managers to ensure that objectives meet the above criteria of relevance, validity, accuracy and completeness. A workshop in a form of a strategic session will also be organized in Mid February to deal with the SDBIP.</p>		<p>PMS Officer All senior management officials</p>	<p>31 January 2014</p> <p>28 February 2014</p>	
21	<p>Presentation – Measures taken to improve performance were not disclosed in the performance report</p>	<p>The quarterly performance report as the basis for annual performance report now includes the column in which measures to improve performance is documented. In cases where performance is achieved the year end performance report will include measures taken to improve performance.</p> <p>A PMS policy has been developed to guide the performance reporting. It will be presented to council for adoption.</p>		<p>All senior managers PMS Manager</p>	<p>14 February 2014 for first six months and 10 days after each quarter. Annual performance report – 31 July 2014</p>	
22	<p>Reported objectives – The reported objectives are not consistent with</p>	<p>1. A service provider was engaged to ensure that the municipality objectives, targets and performance</p>		<p>All senior managers</p>	<p>28 February 2014</p>	

	the objectives as per approved IDP	<p>indicators on the SDBIP are aligned to the IDP and they are measurable, useful and consistent.</p> <ol style="list-style-type: none"> All objectives as per SDBIP are linked to an IDP objective. A column has been included where linked IDP objective is documented. We will review consistency assertion when SDBIP is reviewed after Midyear report and budget adjustment. A workshop will be arranged to address this issue. 		PMS Manager		
23, 24, 25,	<p>Performance targets</p> <ul style="list-style-type: none"> Targets were not specific in clearly identifying the nature and the required level of performance. Targets are not measurable Targets are not time bound 	<ol style="list-style-type: none"> A service provider was engaged to ensure that the municipality objectives, targets and performance indicators on the SDBIP are aligned to the IDP and that they are measurable, useful and consistent. We will review all targets to ensure that they are specific and clearly documenting the required level of performance, they are measurable and time bound when SDBIP is reviewed after Midyear report and budget adjustment. A workshop will be arranged to address this issue. 		All senior managers PMS Manager	28 February 2014	
26, 27, 28	<p>Performance indicators</p> <ul style="list-style-type: none"> Performance indicators not well defined in that they were not clear and unambiguous. Performance indicators not verifiable in that there were no valid processes and systems that produce the indicator Performance indicators not relevant as they did not relate logically and directly to an aspect of the institution's 	<ol style="list-style-type: none"> A service provider has been engaged to ensure that indicators are clearly defined A workshop will be attended by all senior managers when SDBIP is reviewed and will ensure that indicators are well defined and not ambiguous. Processes that produce the indicators will be documented to ensure that indicators are verifiable. 		All senior managers PMS Manager	28 February 2014	

	mandate.				
29	Reliability of reported performance <ul style="list-style-type: none"> There was no appropriate system to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives. 	<p>The quarterly performance report as the basis for annual performance report now includes the column in which f verification is documented and supporting documentation attached.</p> <p>The annual performance report will also have documented means of verification for each achieved objective and a file for supporting documentation kept.</p>		All senior managers PMS Manager	14 February 2014 for first six months and 10 days after each quarter. Annual performance report – 31 July 2014
30, 31, 32, 34, 35	Compliance with laws – Strategic planning and performance management The municipality did not establish a performance management system and did not set key performance indicators for each objective in the IDP	A policy on PMS has been developed. All managers signed the performance agreements and it has now been cascaded down to divisional managers . Alignment to be done by PMS and IDP managers between the SDBIP and budget		IDP Divisional Head PMS	
36-37	Budgets <ol style="list-style-type: none"> Municipal budgets were not submitted to the relevant treasury department as required by section 71(1) of the MFMA. Quarterly reports were not submitted to the council on 	<ul style="list-style-type: none"> The municipality has set key deadline schedule for IDP and budget approval to ensure that legislated dates are complied with. Due dates for submissions to be noted and adhered to by Budget and treasury department. A schedule of key deadline as per the MFMA will be developed and to all managers to ensure compliance – 31 January 2014 		Divisional head - Budget and reporting CFO	Monthly – 10 th working day Quarterly – 30 Days Mid year – By 31 January

	<p>implementation of the budget and financial state of Affairs of the municipality within 30 days after the end of each quarter as required by section 52(d) of the MFMA.</p>	<ul style="list-style-type: none"> A compliance officer will be appointed in budget and treasury to ensure that the key MFMA deadlines are adhered to on a daily basis. 			<p>and 28 February for adjustment budget 31 May 2014 for final budget</p>	
38	<p><u>Annual Financial Statements, performance and annual reports</u></p> <p>1. The annual report was not made public immediately after the annual report was tabled in the council as required by section 127(5) of the MFMA.</p> <p>2. The oversight report, containing comments on the annual report was not adopted by council within two months from the date on which the 2011-12 annual report was tabled, as required by section 129(1) of the MFMA.</p> <p>3. The council's oversight report on the 2011-12</p>	<p>Annual report to be made public after it has been tabled to council by 31st January 2014.</p> <p>Council to adopt the oversight report within two months from date on which annual report is tabled.</p> <p>Council oversight report to be made public within seven days of its adoption.</p> <p>All reconciliations are now performed and prepared on time to ensure material error free financial statements.</p>		<p>GM PMS Manager</p>	<p>On going</p>	
39						
40						
41						

	<p>annual report was not made public within seven days of its adoption, as required by section 129(3) of the MFMA.</p> <p>4. The financial statements submitted for auditing were not prepared in all material respect in accordance with the requirements of section 122 of the MFMA.</p>					
42	<p><u>Audit committee</u></p> <p>1. Audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management systems to the council, as required by the Municipal planning and Performance Management regulation (14)(4)(a)(iii).</p>	<p>Internal audit will ensure that the audit committee reports to council on a quarterly basis</p>		Audit committee		
43	<p><u>Procurement and contract management</u></p> <p>1. Invitations for competitive bidding were not always advertised for a required minimum period of days, as required by supply chain</p>	<p>The municipality will adhere to the required period of at least 30 days and the accounting officer will approve any deviations as per regulations.</p> <p>The municipality has since advertised in public media for prospective suppliers to complete the database form and</p>		SCM manager CFO	Start date (01 Jan 2014)-End date ongoing process	

<p>44</p> <p>45</p> <p>46</p> <p>47</p>	<p>Management regulation 22(1) and 22(2).</p> <p>2. A list of accredited prospective suppliers was not in place for procuring goods and services through quotations as required by SCM regulations 14(1)(a).</p> <p>3. Goods and services with a transaction value below R200000 were procured without obtaining the required price quotation as required by SCM regulation 17 (a).</p> <p>4. Bid adjudication was not always done by committees which were composed in accordance with SCM regulations 29(2).</p> <p>5. Awards were made to providers whose directors are in service of other state institutions.</p>	<p>we are in the process of finalizing the list as required.</p> <p>We are in the process of finalizing the procedure manual on supply chain processes that will assist us in ensuring that proper procurement processes are always followed. The supply chain unit has been capacitated with officials with relevant expertise and qualifications to ensure that proper processes are followed. The division will review all financial transactions entered into by the municipality from 01 July 2013 to date to ensure that all required documentation to support procurement processes have been attached.</p> <p>All bids awarded during the financial year have been adjudicated by a duly constituted bid adjudication committee. Appointment letters signed by the accounting officer has been issued to members of the bid evaluation and adjudication committee members.</p> <p>The SCM officials will perform vetting on all prospective service providers' directors and members to ensure that they are not employed by the state. All bidders sign a standard form(MBD 4) declaring that members and directors are not in service of state.</p>				
<p>48</p>	<p><u>Human resource Management and compensation</u></p>	<p>Corporate to ensure that all acting employees do not</p>		<p>Corporate</p>	<p>Ongoing</p>	

	<p>1. An acting senior manager was appointed for period of more than six months in contravention of section 56(1)(c) of the MSA.</p>	<p>exceed the period of six months before the position is advertised and filled. A letter to the MEC for Coghsta requesting extension for three months will be written for all instances.</p>		Department	process	
49	<p><u>Expenditure Management</u></p> <p>1. Money owing by municipality was not always paid within 30 days or an agreed period as required by section 56(1)(c) of the MFMA.</p>	<p>A process where the date of receipt is noted and suppliers are paid on first come first served unless if it is an emergency.</p> <p>Votes to be locked once budgeted expenditure has been reached to prevent unauthorised expenditure.</p>		CFO Expenditure Manager	Ongoing process	
50	<p>2. Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure as required by section 62(1)(d) of the MFMA.</p>	<p>SCM regulations, MFMA and other laws to be followed to prevent irregular and fruitless expenditure.</p>				

<p>52</p> <p>53</p> <p>54</p> <p>55</p> <p>56</p>	<p>Conditional Grants</p> <p>1. The allocation of MIG was utilised for purposes other than those stipulated in the grant framework, in contravention of section 16(1) of DORA.</p> <p>2. The municipality did not timeously submit project registration forms, for projects it intends implementing in the 2013-14 year, to COGHSTA as required by Division of Revenue Grant Framework, gazette no. 35399.</p> <p>3. The municipality did not submit within 10 days after the end of each month, its monthly expenditure reports to the national department(COGHSTA) as required by Division of Revenue Grant Framework, gazette no. 35399.</p> <p>4. The municipality did not evaluate its performance in</p>	<p>MIG grant to have its own account and expenditure to be used only for purposes stipulated in the Grant Framework.</p> <p>Project registration forms to be submitted with immediate effect to COGHSTA for all planned projects.</p> <p>Monthly expenditure reports to be submitted on a monthly basis to COGHSTA.</p> <p>The report will be prepared and submitted to National Treasury by the 28th of February 2014</p>		<p>CFO Budget Manager Technical Manager</p>	<p>Ongoing process</p>	
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	<p>respect of programs funded by finance management grant and municipal system improvements grants within two months after the end of the financial year as required by section 12(5) of the DORA.</p> <p>5. The municipality did not submit MFMA implementation plans to national treasury to address weaknesses in financial management as required by Division of Revenue Grant Framework.</p>					
57	<p>Revenue Management</p> <p>1. A tariff policy was not implemented for the levying of fees for provision of municipal services, as required by section 74(1) of the MSA.</p> <p>2. Credit control and debt collection policy was not implemented, as required by section 96 (b) of the MSA.</p>	<p>1. The municipality to review all the current tariff policies and ensure proper implementation as required.</p> <p>2. Appointment and quarterly review of the performance of the debt collector.</p>	None	Revenue Manager CFO	31 January 2014	
58				Debt collectors Revenue Manager		

<p>59</p> <p>60</p>	<p>Asset Management</p> <ol style="list-style-type: none"> 1. Adequate management which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA. 2. An effective system of internal control for assets was not in place as required by section 63(2)(c) of the MFMA. 	<p>The Asset department to work closely with the consultant and proper handover should be performed in order to allow for the continuation of effective control over the FAR.</p>		<p>CFO Consultant SCM department</p>		
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