

KOPANONG LOCAL MUNICIPALITY

ACTION PLAN IN RESPECT OF AUDITOR GENERAL REPORT TO THE FREE STATE PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS OF KOPANONG LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2010

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
4.	Property, plant and equipment For reasons as detailed below, I was unable to obtain sufficient appropriate audit evidence as to the existence, completeness, classification and valuation of and rights to property, plant and equipment with a carrying value of R326 480 648 (2009: R295 584 832) as disclosed in the statement of financial position and note 6 to the financial statements.				
a	Investment property was not disclosed in the financial statements, although the municipality had property that met the definition of investment property in the SA Standards of GRAP, GRAP 16 <i>Investment Property</i> . Due to the lack of properly maintained registers, which detailed the location, value and classification of properties between owner-occupied and investment properties, I was thus unable to perform all the audit procedures that I considered necessary to confirm that property, plant and equipment had been appropriately classified in the financial statements.	A register will be compiled and kept up to date to ensure that investment properties are disclosed in the financial statements	Asset Accountant/KPMG	01/12/2010	30/06/2011
b	Several assets to the value of R264 905 386 (2009: R248 480 361) could either not be physically verified or could not be traced back to the asset register, owing to vague and unclear descriptions or insufficient detail with regard to the location of the specific asset.	All assets with vague and/or unclear descriptions will be identified and proper descriptions will be added to the asset register	CFO/Asset Accountant	01/12/2010	30/06/2010
c	Supporting documentation, including invoices, to confirm acquisitions of property, plant and equipment amounting to R3 007 002 for the prior year could still not be obtained.	The matter will be investigated and an item will be submitted to the Council in this regard.	CFO/Expenditure Accountant	01/01/2011	31/03/2011

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
5.	Property amounting to R3 132 077 was not registered in the name of the municipality.	These properties will be investigated and the asset register will be corrected where needed	CFO/Asset Accountant	01/12/2010	30/06/2011
6.	According to underlying records, a sport stadium costing R4 239 956 was donated to the municipality during the financial year. This asset was not recorded in the records of the municipality as property, plant and equipment.	A valuation of the stadium had been obtained and will be added to the asset register in the 2010/11 financial year.	Financial Manager/Asset Accountant	01/01/2011	31/01/2011
7.	Revenue As a result of the matters detailed below, I was unable to obtain sufficient appropriate audit assurance as to the completeness, accuracy, occurrence and classification of revenue disclosed as R164 202 371 (2009: R137 343 822) in the statement of financial performance.				
a	A complete list or register of rotating electricity meters registered in the Kopanong district could not be provided by the electricity service provider or by the municipality. I was thus unable to confirm whether debtor accounts existed and whether meter readings were taken in respect of all installed electricity meters. The revenue arising from the sale of electricity as per the general ledger and the revenue arising from the sale of electricity as per the billing system did also not agree. Furthermore, a difference of R930 873 (2009: R288 629) was identified that could not be explained. Consequently, I was unable to obtain sufficient appropriate audit evidence as to the completeness of revenue from this source that amounted to R10 045 901(2009: R9 096 622) for the year under review.	As a result of the late completion of the Provincial Appeal Board, Sebata could not finish the reconciliation in time.	Rates Accountant/Sebata	01/07/2010	31/01/2011
b	Supporting documentation with regard to direct income (electricity reconnections and connections) amounting to R159 104 could not be obtained. Alternatively, a report was requested from the service provider to provide a breakdown of the billing integration of the reconnections vote account. The receipt numbers generated by the system related to	A new internal control system will be implemented and the Chief Accountant will monitor this process to ensure that mistakes are corrected in time.	Income Accountant/Chief Accountant	01/01/2011	On-Going

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
c	connections done on a date different than the one selected for testing and no other receipts were displayed in the report. The accounting system therefore did not provide a proper audit trail in this regard. In the absence of supporting documentation, the occurrence, accuracy and classification of this income could not be confirmed. A complete list or register of rotating electricity meters registered in the Kopanong district could not be provided by the electricity service provider or by the municipality. I was thus unable to confirm whether debtor accounts existed and whether meter readings were taken in respect of all installed electricity meters. The revenue arising from the sale of electricity as per the general ledger and the revenue arising from the sale of electricity as per the billing system did also not agree. Furthermore, a difference of R930 873 (2009: R288 629) was identified that could not be explained. Consequently, I was unable to obtain sufficient appropriate audit evidence as to the completeness of revenue from this source that amounted to R10 045 901(2009: R9 096 622) for the year under review.	Centlec will compile a full list of all rotating electricity meters for audit purposes	Centlec/CFO	01/01/2011	30/06/2011
d	Supporting documentation with regard to direct income (electricity reconnections and connections) amounting to R159 104 could not be obtained. Alternatively, a report was requested from the service provider to provide a breakdown of the billing integration of the reconnections vote account. The receipt numbers generated by the system related to connections done on a date different than the one selected for testing and no other receipts were displayed in the report. The accounting system therefore did not provide a proper audit trail in this regard. In the absence of supporting documentation, the occurrence, accuracy and classification of this income could not be confirmed.	Centlec will obtain information and forward it to the Auditor-General	Centlec/CFO	01/01/2011	28/02/2011

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
e	The prepaid electricity sales data for the period 1 April 2010 to 30 June 2010 could not be verified, as the information submitted did not agree to the control totals. As a result, sufficient appropriate audit evidence could not be obtained as to the completeness, occurrence and accuracy of the prepaid sales of R17 355 324 (2009: R17 023 080) as included in the sale of electricity in note 16 to the financial statements. The system did not allow for the performance of alternative audit procedures.	Centlec will reconcile the prepaid electricity sales and will supply it to the Auditor-General with supporting documents	Centlec/CFO	01/01/2011	31/03/2011
f	Contrary to paragraph 29 of the SA Standards of GRAP, GRAP 9 <i>Revenue</i> , revenue arising from pre-paid electricity sales was recognised when the cash was received at the vending point and when the consumer used the electricity. There was no system of control over such revenue on which I could rely for the purpose of my audit to determine the portion of revenue that had to be allocated to deferred income. Due to the volume of transactions involved, I could alternatively also not quantify the extent by which revenue and deferred income had been misstated.	Centlec will implement a system to ensure that deferred income can be determined in future.	Centlec/CFO	01/01/2011	30/06/2011
g	The rental contracts or agreements could not always be submitted to verify the accuracy and occurrence of rentals for municipal properties and camp rentals from the units. Additionally, the property rental register and camp registers were not always reviewed and reconciled to the general ledger during the 2009-10 financial year. Consequently, I was unable to obtain sufficient appropriate audit evidence as to the completeness of revenue from this source that amounted to R1 055 816 (2009: R939 605) for the year under review.	The Housing section is busy with the process of obtaining new signed contracts for all properties and it will be available at the next audit.	Technical Director/Housing Section/Income Accountant	01/07/2010	30/06/2011
h	As a result of community uprising regarding the lack of service delivery, the Reddersburg unit in the Kopanong district was destroyed by fire. The unit no longer had sufficient and appropriate audit evidence to support the completeness, accuracy and occurrence of revenue recorded by them, as most of the supporting documentation was destroyed in the	A system to ensure that the documents at the units are kept safe for audit purposes will be implemented.	Chief Accountant/Income Accountant/Unit Managers	01/01/2011	On-Going

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
	fire. Furthermore, the control of receipts and deposit books was insufficient at other units and several receipts and deposit books could not be submitted. As a result, the occurrence and accuracy of revenue could not be confirmed.				
8	Accumulated Surplus Journal entries amounting to R4 229 278 in respect of changes in the accounting policy and prior year errors were processed in the general ledger. Adequate supporting documents to confirm the adjustments could still not be obtained.	These amounts will be investigated and working papers will be supplied to the Auditor-General	Remathe	01/01/2011	28/02/2011
9	Transactions of the prior year that did not relate to a change in accounting estimate or a prior period error as defined in SA Standards of GRAP, GRAP 3 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> were recorded against the accumulated surplus. Consequently, prior year amounts relating to the accumulated surplus as disclosed in the statement of changes in net assets were overstated by R1 056 779, revenue from service charges was understated by R860 054, the cost price of property, plant and equipment was overstated by R176 983 and accounts payable were understated by R19 742.	Corrections will be made in the 2010/11 financial year.	Remathe	01/01/2011	28/02/2011
10	Transactions of the prior financial year to account for value-added tax (VAT) and revenue of the electricity service provider were inappropriately recorded in the prior financial year, resulting in the understatement of the accumulated surplus amounting to R64 435 for the prior year. In addition, the VAT receivable was overstated by R420 501 and the revenue from service charges was overstated by R484 936 for the prior year.	Corrections will be made in the 2010/11 financial year.	Remathe/Financial Manager	01/01/2011	31/01/2011
11	Expenditure For reasons as detailed below, I was unable to obtain sufficient appropriate audit evidence as to the				

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
a	<p>occurrence, completeness and accuracy of expenditure of R161 724 131 (2009: R102 700 472) as disclosed in the statement of financial performance.</p> <p>I was unable to obtain supporting documents for expenditure amounting to R640 194 (2009: R1 760 381). As the municipality had not implemented adequate control measures to prevent and identify expenditure incurred without supporting documents, I was unable to perform alternative procedures and quantify the total misstatement in this respect.</p>	A system had been implemented whereby all payment vouchers are checked for completeness and one person had been identified to safeguard all financial records.	Expenditure Accountant	On-Going	On-Going
b	I was unable to obtain documents in the previous financial year supporting the fact that goods and services amounting to at least R780 800 were received by the municipality. Sufficient appropriate audit evidence as to the occurrence of expenditure for the prior year could still not be obtained.	These documents will be investigated and taken to the appropriate approval body as some documents of the previous financial year had been lost by the former management team.	Financial Manager/CFO	01/01/2011	28/02/2011
c	No supporting documentation could be obtained in the prior financial year for journal entries that impacted on expenditure amounting to R1 141 890. As a result, sufficient appropriate audit evidence as to the completeness, accuracy and classification of general expenses amounting to R1 141 890 for the prior year could still not be obtained.	These documents will be investigated and taken to the appropriate approval body as some documents of the previous financial year had been lost or could not be provided by the former service provider whose services were terminated.	Financial Manager/CFO	01/01/2011	28/02/2011
d	The input VAT on a purchase from the bulk water provider of the municipality amounting to R893 366 was incorrectly recorded twice in the input VAT account in the prior financial year. Bulk purchases for the prior financial year were therefore understated by R894 366 in the statement of financial performance. Due to the reconciliation methods for VAT adopted in prior years, I could not confirm the effect of the adjustment on the assets and liabilities for the prior year disclosed in the statement of financial position.	The Vat are now corrected and reconciliations with the ledger will be done on a monthly basis.	Financial Manager/CFO	01/01/2011	On-Going
12	<p>Accounts Payable</p> <p>The consumer deposits relating to the rotating electricity debtor accounts were incorrectly allocated to the service provider's deposit account. The impact of this on the municipality could not be quantified, as</p>	It will be corrected in the 2010/11 financial year	Centlec/CFO	01/01/2011	30/06/2011

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
13	the system of the service provider could not identify the deposits of the municipality. Due to the limitations placed on the scope of the work performed relating to deposits, there were no satisfactory alternative audit procedures that I could perform to confirm the valuation and allocation, completeness, rights and obligations, and existence of consumer deposits. Included in payables of R31 761 066 as disclosed in the statement of financial position and note 9 to the financial statement was a payable amounting to R7 035 939 in respect of employer and employee pension fund contributions. According to the underlying records, this payable amounted to R14 565 987 as at 30 June 2010. As a result, employee costs and payables were understated by R7 530 030.	The total outstanding amount had been paid in the 2010/11 financial year and therefore the problem had been solved.	Completed	Completed	Completed
14	Paragraph 47 of the South African Statements of Generally Accepted Accounting Practice IAS 39 (AC 133) <i>Financial Instruments: Recognition and Measurement</i> (IAS 39) states that after initial recognition, financial liabilities are measured at amortised cost using the effective interest method. Contrary to the above, expenses that had deferred payment terms were not discounted by the municipality in the prior financial year.	The municipality had implement this during the 2009/10 financial year and therefore this problem will be solved with the 2010/11 financial statements.	Financial Manager/CFO	On-Going	On-Going
15	Accounts Receivable Several debtor accounts amounting to R6 371 595 were in arrears at 30 June 2010; however, no subsequent payments were made by these debtors for three months after year-end. Additionally, the service agreements entered into between the municipality and the debtors could not be obtained. As a result, sufficient and appropriate audit evidence regarding the existence of these debtors could not be obtained.	These debtors will be investigated and if they do not exist anymore a report will be taken to Council to write off these amounts. A campaign had also been launched to obtain service agreements with all consumers of Kopanong.	Income Accountant/CFO	01/11/2010	30/06/2011
16	IAS 39 states that an entity shall assess, at the end of each reporting period, whether there is any objective evidence that a financial asset or group of financial assets is impaired. However, the municipality did not assess the consumer receivables, individually or by category, for any	IAS 39 had been implemented in the 2009/10 financial year and a full assessment had been done of all consumers to determine the bad debt reserve. The Bad Debt Reserve had then been increased to R 53 million for the 2009/10	Financial Manager/CFO	On-Going	On-Going

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
17	<p>indication that these assets might have been impaired in the prior financial year. As disclosed in note 3 to the financial statements, the provision for doubtful debts amounted to R14 319 643 as at 30 June 2009. The provision made was a general provision, and had not been made in accordance with the above-mentioned standard. As the relevant information was not available, I was not able to calculate what the impairment charge against trade and other receivables and the bad debt expense should have been in the prior year had IAS 39 been applied correctly</p> <p>In the prior financial year, several consumers were registered for indigent status and received a monthly subsidy of R100 from the month in which they had applied on their accounts. However, I could still not obtain any application forms and documentation supporting the applications of these consumers. As a result, sufficient and appropriate audit evidence could not be obtained to confirm whether these consumers were entitled to the monthly indigent subsidy and whether these amounts should have been credited to their consumer accounts. Due to the extent of the weakness and the limitation of scope regarding supporting documents and the number of indigents registered, I was unable to quantify the misstatement of receivables included in note 3 to the financial statements for the prior year.</p>	<p>financial year. Impairment was also done. This problem will therefore be solved when the 2010/11 financial statements are done.</p> <p>It will be ensured that in future all application forms are filed and kept for audit purposes.</p>	Income Accountant	'01/01/2011	30/06/2011
18	<p>Employee Cost</p> <p>In terms of a court-settlement agreement, the municipality was ordered to pay an amount equal to two months' gross salary for the year under review to each of the 79 respondents, notwithstanding any payments already made. The liability and employee costs were not recorded prior to year-end. Sufficient supporting documentation could also not be obtained regarding the actual payouts made to these employees or the dates of payments made to the employees after year-end. The amount due to employees in terms of the above-mentioned settlement agreement was calculated to be R550</p>	<p>A full list of all the employees that was paid after year end was given to the Auditor-General during the audit and therefore the exact amount could have been determined. The consultants doing the financial statements were to disclose it as a commitment in the financial statements. As these employees were already paid in the 2010/11 financial year the problem is solved.</p>	Completed	Completed	Completed

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
19	<p>996. Thus, payables and employee costs were understated by R550 996</p> <p>No supporting documentation could be obtained for the employer contributions in respect of the deductions made from employees amounting to R1 602 001.</p>	All employees are currently completing a document confirming all these deductions as discussed with the Auditor-General. All new deductions will also be dealt with in future.	Director: Corporate Services	01/10/2010	On-Going
20	<p>Accruals</p> <p>Sufficient appropriate audit evidence could not be obtained in respect of the accrual for accumulated leave amounting to R3 624 104 (2009: R2 102 512), as disclosed in the statement of financial position and note 10.2 to the financial statements. This was due to accrued leave not always being accurately calculated, leave taken that could not always be substantiated by approved leave forms or other supporting documentation, and leave taken that was not always recorded in leave records. Furthermore, a difference amounting to R1 810 378 was noted between the provision recalculated by the municipality, based on leave days available at 30 June 2010, and the leave provision as per the financial statements. In the absence of other supporting documentation and a proper system of control over accumulated leave, I was unable to perform alternative procedures.</p>	A full leave audit is been done where after each employee will have to confirm the balance of leave available as audited. The system will then also be kept up to date.	Director: Corporate/Provincial Treasury/KPMG	01/08/2010	30/06/2011
21	<p>Value-Added Tax</p> <p>A reconciliation was prepared at the previous year-end to record the amount of VAT receivable from the South African Revenue Service. However, amounts totalling R331 267 were not included in the reconciliation. As a result, the VAT receivable by the municipality of R234 529 in the prior financial year as disclosed in note 13 to the financial statements was understated by R331 227. Furthermore, sufficient appropriate audit evidence as to the existence of input VAT claimed in the prior year amounting to R369 281 could not be obtained.</p>	These amounts of 2008/09 will be investigated after obtaining more information from the Auditor-General in this regard. If needed corrections will be made in consultation with the Auditor-General since a full reconciliation had been done with SARS in the 2009/10 financial year and the Vat had been corrected.	Financial Manager/CFO	01/12/2010	28/02/2011
22	VAT payables for the prior year included in note 13 to the financial statements and expenditure as disclosed in the statement of financial performance	This problem will be solved in the 2010/11 financial year as a full reconciliation with SARS had been done during the audit.	Completed	Completed	Completed

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
	were understated by R4 383 070, due to an incorrect correction of a prior period error resulting from the VAT reconciliation methods adopted in the prior year.				
23	<p>Cash and Cash Equivalents</p> <p>IAS 39 states that an entity shall remove a financial liability when the obligation specified in the contract is discharged, cancelled or expires. As the liabilities for which cheques amounting to R1 663 363 were issued had not yet been extinguished, payables as disclosed in note 9 to the financial statements were understated by R1 663 363 (2009: R1 391 478), while cash and cash equivalents disclosed in note 30 were understated by the same amount.</p>	This is only a disclosure mistake and will be corrected.	Remathe/CFO	01/01/2011	31/01/2011
24	<p>Unspent Conditional Grants and Receipts</p> <p>No information and details could be obtained of unspent conditional grants amounting to R1 556 428 (2009: R1 921 785) included in note 11 to the financial statements, the revenue for government grants and subsidies amounting to R32 106 294 and information in respect of municipal infrastructure grant, water grant and drought relief grant included in note 17 to the financial statements. Since the municipality's accounting records did not permit the application of reasonable alternative audit procedures, I was unable to obtain all the information and explanations I considered necessary to gain adequate audit assurance as to the valuation and existence of unspent conditional grants and receipts as well as the occurrence, accuracy and completeness of revenue from grants and subsidies.</p>	Full monthly reconciliations are been done on all grants, the only problem is that there are no external confirmation available at year end. National Treasury and COGTA will be asked in future to give external verification of all unspent grants as on 30 June of each year.	Financial Manager/CFO	On-Going	On-Going
25	<p>Long-Term Liabilities</p> <p>I was unable to obtain loan agreements in respect of long-term liabilities amounting to R2 849 556 (2009: R3 108 212) included in long-term liabilities as disclosed in the statement of financial position and in note 14 to the financial statements. Alternative procedures performed to obtain the agreements from external sources were also not successful. I was thus unable to obtain sufficient appropriate audit evidence</p>	Centlec will obtain the contracts and submit it to the Auditor-General.	Centlec/CFO	01/01/2011	28/02/2011

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
	as to the existence and valuation of, and the municipality's obligation in respect of, long-term liabilities.				
26	<p>Capital Commitments</p> <p>The municipality did not maintain a record of capital commitments, which provided particulars of all approved capital contracts, the expenditure incurred to date and the municipality's future capital commitment in respect of each contract. The municipality did also not retain records of all capital contracts awarded. Furthermore, a register for retention fees was not maintained, thus the completeness and valuation of the retention payables could not be determined. In the absence of sufficient appropriate audit evidence, there were no satisfactory audit procedures that I could perform to obtain reasonable assurance that capital commitments amounting to R30 615 270 (2009: R27 906 091) as disclosed in note 23 to the financial statements were complete.</p>	A Contract register will be implemented to ensure that all the detail needed can be provided to the Auditor-General at year end.	Director Technical/ CFO	On-going	On-going
27	<p>Contingent Liabilities</p> <p>Contrary to SA Standards of GRAP, GRAP 19 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, a payable of R6 284 514 in respect of employer and employee pension fund contributions was disclosed in note 26 to the financial statements as a contingent liability. Contingent liabilities were thus overstated by R6 284 514.</p>	See point 13. The amounts had been paid to the pension fund and therefore this query is resolved.	Completed	Completed	Completed

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
28	<p>Unauthorised, Irregular and Wasteful Expenditure</p> <p>Section 1 of the MFMA defines irregular expenditure as expenditure incurred by a municipality that is not in accordance with a requirement of this act, and which has not been condoned in terms of section 170. The following irregular expenditure was not disclosed as required by section 125(2)(d) of the MFMA:</p>				
a	<p>A tender was awarded to a company for a waste water project without following the supply chain management regulations. Payments totalling R1 759 284 were made to the company during the financial year.</p>				
b	<p>Information concerning the preconditions that must be complied with in terms of the supply chain management policy was not obtained for quotations and bids amounting to R2 493 144.</p>				
c	<p>The tender documents and minutes of the evaluation and adjudication committee meetings could not be submitted for a tender awarded to a company for the bulk water supply. Payments totalling R459 462 were made to the company during the financial year.</p>				
d	<p>Minutes of the evaluation and adjudication committee meetings could not be submitted with regard to a tender awarded to a company for a paved access road. Payments totalling R260 315 were made to the company during the financial year.</p>				
e	<p>Payments totalling R9 247 464 were made in the current financial year in respect of tenders awarded in previous years where bid evaluation committee and/or bid adjudication committee documentation could not be obtained.</p>	<p>All the cases will be investigated and a full report will be sent to Council and any other approval authority for approval where needed. It should be noted that in a number of these cases the previous management was involved and the case is still with the SIU.</p>	Top Management	01/01/2011	30/06/2011
f	<p>The municipality entered into a lease agreement for digital copiers, with an annual payment value exceeding R200 000, without following a competitive</p>				

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
g	bidding process as stipulated in the supply chain management policy. Payments totalling R115 982 were made to the company during the financial year.				
h	Contrary to the supply chain management regulations, the required information (tender documents, bid documents, contracts or quotations) was not obtained for suppliers at the electricity service provider for payments amounting to R385 268.				
29	Payments totalling R1 992 011 were made where the preference point system was not used. The supply chain management policy also states that the accounting officer must record the reasons for any deviations and include this in a note to the annual financial statements. Deviations that were not disclosed amounted to R469 970.	The financial statements will be corrected.	Remathe	01/01/2011	31/03/2011
30	Irregular expenditure of at least R37 001 287 was incurred during the prior financial year, due to the supply chain management policy and regulations relating to the evaluation and requesting of bids not being adhered to. This irregular expenditure of the prior year was not disclosed as required by section 125(2)(d) of the MFMA.	The former Municipal Manager's services were terminated and the SIU is still busy with the case. A full report will be submitted to Council and any higher approval body to obtain approval for this expenditure.	CFO/Municipal Manager	01/01/2011	31/03/2011
31	Due to a lack of records and supporting documents, I could not obtain adequate audit assurance as to the accuracy and occurrence of fruitless and wasteful expenditure of R2 144 717, irregular expenditure of R855 027 and unauthorised expenditure of R345 785 as included in the amounts disclosed in note 34 for unauthorised, irregular as well as fruitless and wasteful expenditure for the prior year.	These amounts will be investigated and documents will be obtained and submitted to the Auditor-General. Where documents cannot be obtained a report will be submitted to Council.	Financial Manager/CFO	01/01/2011	31/03/2011
32	Cash Flow Statement I was not able to confirm whether the cash flow statement and the related notes were fairly stated, due to the material effect on the cash flow statement and related notes of scope limitations and identified misstatements as reported in this report.	The Cash Flow Statement will be corrected.	Remathe/CFO	01/01/2011	30/06/2011

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
	Presentations and Disclosures				
33	Section 125(2)(d)(i) of the MFMA states that the notes to the annual financial statements of a municipality must disclose particulars of any material losses. The water distribution loss of R9 816 950 (2009: R5 637 396) and electricity distribution loss of R2 686 888 were not disclosed in the notes to the financial statements.	The Financial Statements will be corrected	Remathe/CFO	01/01/2011	30/06/2011
34	Contrary to the stipulations of South African Statement of Generally Accepted Accounting Practice, IAS 19 (AC 116) <i>Employee Benefits</i> , no quantitative information was disclosed in the notes to the financial statements relating to the contributions made for retirement benefits.	The Financial Statement will be corrected	Remathe/CFO	01/01/2011	31/03/2011
	Emphasis of Matters				
	Restatement of corresponding figures				
36	As disclosed in note 39 to the financial statements, the corresponding figures for 30 June 2009 have been restated as a result of errors discovered during the 2009-10 financial year in the financial statements of the Kopanong Local Municipality at, and for the year ended, 30 June 2009	Completed	Completed	Completed	Completed
	Fruitless and Wasteful Expenditure				
37	As disclosed in note 34.1 to the financial statements, fruitless and wasteful expenditure to the amount of R641 488 was incurred on penalties and interest paid.	<p>The reason for this is that the municipality's cash flow did not always allows that payments be made within 30 days and it is not due to negligent from any official.</p> <p>A new cash flow had been developed with the help of NT and COGTA and the municipality also identified a large number of savings on its 2010/11 budget to try and improve the cash flow situation.</p>	CFO	On-Going	On-Going
	Irregular Expenses				
38	As disclosed in note 34.2 to the financial statements, irregular expenditure to the amount of R17 996 839 was incurred, as proper procurement processes had	All these payments will be investigated and the relevant approval will be obtained as a number of these payments is still under investigation with	Financial Manager/CFO	01/01/2011	31/03/2011

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
	not been followed.	the SIU			
39	<p>Unauthorised Expenditure</p> <p>As disclosed in note 34.3 to the financial statements, unauthorised expenditure to the amount of R58 414 061 was incurred, as the actual expenditure incurred exceeded the budget vote.</p>	<p>The single largest contributor was the fact that the bad debt provision had to be increased from R14 million to R 53 million. An item will be submitted to council for final approval.</p>	Financial Manager/CFO	01/01/2011	31/01/2011
40	<p>Financial Sustainability</p> <p>As disclosed in note 41 to the financial statements, the municipality is experiencing serious difficulties with regard to debt collection. The municipality also did not settle its debt within 30 days as required by the MFMA and is significantly dependent on the national and provincial government for its continued sustainability. These conditions, along with other matters, point to the existence of a material uncertainty that may cast significant doubt on the municipality's ability to continue as a going concern. The municipality may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.</p>	<p>A new cash flow had been developed with the help of NT and COGTA and the municipality also identified a large number of savings on its 2010/11 budget to try and improve the cash flow situation.</p> <p>The municipality is also doing credit control on a daily basis but it is limited due to restraints in resources.</p>	CFO	On-Going	On-Going
	Report on other legal and regulatory requirements				
44	<p>Reported performance information not received in time</p> <p>The reliability of the performance information as set out in the pages of the annual report, could not be verified, since the information was not received on time</p>	<p>The municipality compiled a new PMS system with the help of a service provider during 2009/10 as the previous system could not be changed and was very complicated. The system will be implemented during the 2010/11 financial year.</p>	Municipal Manager	01/01/2011	On-Going
45	<p>Internal Auditing of performance measurements</p> <p>The internal audit section did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits as required by section 45 of the MSA.</p>	<p>The municipality compiled a new PMS system with the help of a service provider during 2009/10 as the previous system could not be changed and was very complicated. The system will be implemented during the 2010/11 financial year.</p>	Municipal Manager	01/01/2011	On-Going

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
46	<p>Performance audit committee did not review the performance measurements</p> <p>The performance audit committee did not review the quarterly reports of the internal auditors on their audits of the performance measurements of the municipality and submit an audit report to the council regarding the performance management system at least twice during the financial year as required by regulation 14(4) of the Municipal Planning and Performance Management Regulations, 2001</p>	<p>The municipality compiled a new PMS system with the help of a service provider during 2009/10 as the previous system could not be changed and was very complicated. The system will be implemented during the 2010/11 financial year.</p>	Municipal Manager	01/01/2011	On-Going
47	<p>Lack of adoption or implementation of a performance management system</p> <p>The municipality did not adopt and implement a framework that described and represented how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement would be conducted, organised and managed, including determining the roles of the different role players, as required in terms of sections 36, 38 and 41(2) of the MSA, and regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.</p>	<p>The municipality compiled a new PMS system with the help of a service provider during 2009/10 as the previous system could not be changed and was very complicated. The system will be implemented during the 2010/11 financial year.</p>	Municipal Manager	01/01/2011	On-Going
48	<p>No mid-year budget and performance assessment</p> <p>The accounting officer of the municipality did not (by 25 January of each year) assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72 of the MFMA</p>	<p>A mid-year budget review was taken to Council. In future the performance assessment will also be done.</p>	Municipal Manager	01/01/2011	25/01/2011
49	<p>Key Performance Indicators and Targets</p> <p>The integrated development plan of the municipality did not include the key performance indicators and performance targets in terms of its performance management system as required by sections 26(j)</p>	<p>Both the IDP and the PMS had been reviewed in the 2009/10 financial year to ensure that the key performance indicators are included in both</p>	Municipal Manager	On-Going	On-Going

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
	and 43(1) of the MSA	documents.			
50	<p>The Mayor did not adhere to his legislative responsibilities</p> <p>The mayor did not ensure that the council approved the municipality's service delivery and budget implementation plan within 28 days after the approval of the annual budget as required by section 51(c) of the MFMA.</p>	The SDBIP will in future be prepared in time to ensure that the Mayor can approve it and submit it to council.	Municipal Manager	01/01/2011	14/06/2011
51	<p>Accounting Officer did not adhere to her statutory responsibilities</p> <p>Contrary to the requirements set out in section 62(1)(d) of the MFMA, the accounting officer did not comply with his legislative responsibilities of managing the financial administration of the municipality, as he did not take reasonable steps to ensure that irregular expenditure was prevented.</p>	A large number of the irregular expenditure was still due to the previous management, but the accounting officer will in future ensure that these payments be prevented.	Municipal Manager	On-Going	On-Going
52	<p>The Audit Committee was not functioning properly</p> <p>It could not be confirmed whether the audit committee had advised the council on matters relating to internal financial control and internal audits as required by section 166(2)(a) of the MFMA.</p>	The audit committee will in future advise Council on these matters.	Chair: Audit Committee	Quarterly	Quarterly
53	<p>Contrary to the requirements of section 166(2)(c) of the MFMA, the audit committee did not respond to the council on the audit findings raised in the prior financial year.</p>	The audit committee will in future advise Council on these matters.	Chair: Audit Committee	01/02/2011	28/02/2011
54	<p>Expenditure was not paid within the parameters set by the MFMA</p> <p>According to section 65(2)(e) of the MFMA, the accounting officer of a municipality must ensure that all money owing by the municipality is paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure. In respect of payments totalling R4 669 623, I was unable to confirm that payments had been made within the prescribed period.</p>	Due to the negative cash flow situation of the municipality it is not always possible to pay all creditors within the 30 days as per the MFMA. The municipality is busy with the help of PT and COGTA to try and improve the cash flow of the municipality which will help to improve this problem.	CFO/Municipal Manager	On-Going	On-Going

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
55	Financial Statements were not prepared in accordance with the applicable legislation The municipality did not prepare financial statements that fairly presented the state of affairs of the municipality; its performance against its budget; its management of revenue, expenditure, assets and liabilities; its business activities; its financial results; and its financial position as at the end of the financial year as required by section 122(1) of the MFMA, as several amendments had to be made to the financial statements that were submitted on 31 August 2010.	The municipality will in future ensure that the statements handed in on 31 August are correct.	CFO	01/07/2011	31/08/2010
56	The municipality did not maintain effective, efficient and transparent systems of internal control required by legislation for creditors and payments.	With the help of the Internal Audit Section the municipality is constantly busy improving its internal controls.	CFO	On-Going	On-Going
57	Supply chain management legislative requirements were not implemented or adhere to Written, signed contracts could not be obtained for payments of goods and services amounting to R3 011 944 supplied by providers, as required by section 116(1)(a) of the MFMA.	These amounts will be investigated and dealt with as per each individual finding.	Financial Manager/CFO/Municipal Manager	01/01/2011	31/03/2011
58	Contrary to section 62(1)(b) of the MFMA, proper record keeping and record management were not in place, resulting in requested information not being available or supplied after a significant delay.	A specific individual was identified for the safekeeping of all financial documents to ensure that documents are not lost.	Expenditure Accountant/CFO/Municipal Manager	On-Going	On-Going
59	Expenditure was incurred in contravention of, or not in accordance with, applicable legislation, resulting in irregular expenditure Expenditure was incurred which was not in accordance with the requirements of the municipality's supply chain management policy, resulting in irregular expenditure as defined in section 1 of the MFMA.	All these payments will be investigated and the relevant approval will be obtained as a number of these payments is still under investigation with the SIU	Financial Manager/CFO	01/01/2011	31/03/2011

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
60	<p>Expenditure incurred was made in vain or could have been avoided, resulting in fruitless and wasteful expenditure</p> <p>Expenditure was incurred that could have been avoided had reasonable care been exercised, resulting in fruitless and wasteful expenditure, as defined in section 1 of the MFMA.</p>	<p>The reason for this is that the municipality's cash flow did not always allow that payments be made within 30 days and it is not due to negligent from any official.</p> <p>A new cash flow had been developed with the help of NT and COGTA and the municipality also identified a large number of savings on its 2010/11 budget to try and improve the cash flow situation.</p>	CFO	On-Going	On-Going
61	<p>Expenditure was incurred otherwise than in accordance with section 15 of the MFMA, resulting in unauthorised expenditure</p> <p>Contrary to section 15 of the MFMA, expenditure of R58 414 061 was not incurred in accordance with the approved budget of the municipality and exceeded the limits of the amounts appropriated for the different votes in the approved budget of the municipality.</p>	<p>The single largest contributor was the fact that the bad debt provision had to be increased from R14 million to R 53 million. An item will be submitted to council for final approval.</p>	Financial Manager/CFO	01/01/2011	31/01/2011
62	<p>Supply chain management legislative requirements were not implemented or adhere to</p> <p>Evidence could not be obtained that councillors, senior managers and supply chain management officials had disclosed their financial interests as required by regulation 46(2)(e) of the SCM regulations and schedule 1 and 2 of the MSA.</p>	<p>Disclosure of interest had been disclosed at all Council Meetings but written declarations are been obtained.</p>	Municipal Manager	01/11/2010	31/01/2011
65	<p>Internal Control</p> <p>The accounting officer did not prioritise and take appropriate action to address the lack of discipline in the finance and supply chain management directorates, resulting in non-compliance with applicable legislation and inadequate budget control</p>	<p>The discipline had been improved and internal controls had also been improved prevent non adherence to legislation.</p>	Municipal Manager	On-Going	On-Going

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
	measures. This, in turn, resulted in irregular, fruitless and wasteful as well as unauthorised expenditure.				
66	The posts of the directors of Community Services and of Corporate Services, the technical manager and the chief financial officer were vacant for extended periods, resulting in a lack of oversight	All directors had been appointed	Completed	Completed	Completed
67	Significant difficulties were experienced concerning delays or the availability of requested information due to management's dependence on a third party in providing the requested information.	The information needed from a third party was only regarding GRAP information and this will improve as the internal personnel underwent training in GRAP	Municipal Manager/CFO	On-Going	On-Going
68	The position of chief financial officer was vacant for 11 months of the financial year. The acting chief financial officer did not sufficiently monitor the recording and reconciliation of financial records. Sufficient control measures were also not developed to address all the qualifications reported in the prior years.	The only reconciliation that was not done for the year was the Rates Recon and that was due to the fact that it was contracted out to SEBATA. Internal control measures are now been reviewed and also the solving of all old queries.	Financial Manager/CFO/Municipal Manager/KPMG	On-Going	On-Going
69	The financial statements were subject to material corrections resulting from the audit process, which were attributable to no risk assessment being performed, weaknesses in the design and implementation of internal control in respect of financial management and financial reporting, and weaknesses in the information systems of the municipality.	Internal controls are been reviewed and all reconciliations are now done monthly. Most changes however can be attributed to lack of knowledge on GRAP and training will be arranged to improve this.	Financial Manager/CFO	On-Going	On-Going
70	The work of the third party that completed the financial statements was not reviewed for completeness and accuracy prior to submission for auditing.	If a third party is again needed their worked will be reviewed before submitting it for audit. The current third party only finished the statements on the 31 st of August and therefore it could not be reviewed.	CFO	August 2011	31/08/2011
71	Management did not ensure that general information technology controls were designed to maintain the integrity of the information system and the security of data.	All the controls of the financial system will be reviewed to ensure maximum possible control with the help of the system provider.	IT Manager/CFO/Sebata	01/01/2011	31/03/2011
72	Management did not document and approve internal policies and procedures to address the process of collection, recording, processing, monitoring and reporting on performance information, as adequate	An PMS system had been developed and will be implemented and new procedures for each finance employee had been developed and implementation had started in October 2010.	Finance Manager/CFO/Municipal Manager	'01/10/2010	On-Going

No	AUDIT COMMENT / FINDING	MANAGEMENT RESPONSE	PERSON	START DATE	END DATE
			RESPONSIBLE		
73	performance management systems had not been implemented. The risk assessment for the 2009-10 financial year was only approved in November 2009 by the municipal manager. Furthermore, the risk management strategy was only approved in October 2009 by the municipal manager. Therefore, management could not adequately respond to assessed risks through determining a risk strategy and action plan to manage identified risks timeously	A new combined risk manager officer had been appointed by the District Municipality and he is currently busy with the review of the risk assessment.	Municipal Manager	01/11/2010	31/01/2011
74	It could not be ascertained whether the audit committee had advised the council on matters relating to internal financial control and internal audits, as internal audit work was not performed according to the audit plan.	The audit committee will in future advise Council on these matters.	Chair: Audit Committee	Quarterly	Quarterly
75	No evidence could be obtained that the audit committee had responded to the council on issues raised by the Auditor-General.	The audit committee will in future advise Council on these matters.	Chair: Audit Committee	01/02/2011	28/02/2011