

MALUTI-A-PHOFUNG WATER (PTY) LTD.

MANAGEMENT REPORT ON THE REGULATORY AUDIT AND THE AUDIT OF PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2010

Audit opinion/Audit issues
Date of this report:

Programme Resp. for Monitoring	SUMMARY OF AUDIT FINDINGS				ACTION PLAN				PROGRESS			ASSESSMENTS				
	Number	Communication Number	Exception Number	Audit finding & Description	Impact	Reported in Previous Years	Previous Year Exception Number	Corrective Actions to be Taken	Start date	Completion date	Responsible Person	Current dependencies for action to be successful	Progress on Reporting Date	% Completed	Reasons if Target Date was not met	Assessments by Internal Audit
Property, plant and equipment																
	7	14		Assets: The asset register was deemed the only suitable record of assets held by the entity that supported the property, plant and equipment amounting to R2 401 283 (2010:R2 761 233) as disclosed in the statement of financial position and note 8 to the financial statements. During the year 1 066 assets were identified that were not previously included in the asset register. these assets were included in the asset register at R1 as the values could not be determined during the financial year. Since the entity's accounting records did not permit the application of reasonable alternative procedures, i was unable to confirm the valuation of property, plant and equipment, as disclosed in the statement of financial position and note 8 to the financial statements for the current and prior year	Qualification	no	no	Appoint the Valuators ,prepare the procedure ,get approval from Auditor General on the approach of the valuation. Valuate assets and adjust the Financial Statements and the Asset Register .		30-Apr-12	Manager Finance and Administration	Approval of the procedure and qualification of the Valuator by AG				
	8	14		Assets: International Accounting Standards 36, Impairment of assets, and International Public Service Accounting Standard 21, <i>Impairment of non-cash generating assets</i> , requires that property, plant and equipment should be assessed for impairment at each reporting date. Management did not assess whether there was a decrease in the value of property, plant and equipment. Consistently, I could not obtain adequate audit assurance as to the valuation of property, plant and equipment in note 8 and the cost of impairment in the statement of financial position for the current and prior year.	Qualification	No	no	Values will be obtained for these assets in order to assess impairment.		30-Apr-12	Manager Finance and Administration	Approval of the procedure and qualification of the Valuator by AG				
	9	30		Depreciation: The useful lives used for the depreciation charge for plant and machinery, and office and other equipment differed from the useful lives described in accounting policy note 1.2 to the financial statements. The depreciation charge and accumulated depreciation, disclosed in the financial performance and statement of financial position respectively, are understated in aggregate by R276 684 and property, plant and equipment is overstated by the same amount.	Qualification	No	no	Depreciation rates mentioned in the entity's accounting policy will be used and adjustment made on the comparative at year end			Manager Finance and Administration	Approval of the procedure and qualification by AG				
Inventory																
	10	49		Inventories: Paragraph 17 of GRAP 12, Inventory, requires all inventories to be recognised at the lower of the cost of the inventories and the net realisable value. Paragraph 18 requires inventories to be shown at replacement value where it would be distributed at no or normal cost or consumed in the production of goods distributed at no or a nominal cost. I identified 53 inventory items for which the entity carried stock which had no value assigned to it. I was unable to obtain sufficient appropriate audit evidence with regard to the valuation of inventories amounting to R1 973 063, disclosed in the statement of financial position and note 3 to the financial statements, due to this weakness. I could also not perform alternative procedures to confirm this balance due to lack of information.	Qualification	No	no	Invite quotes for 53 items identified . Update the Evenus with the correct unit prices . Conduct monthly reconciliation of the subledger and general ledger using inventory valuation report .			Manager Finance and Administration	Correction was done by getting quotations and prices were processed manually, but still the system doesnt recognise the manual capturing of prices. The matter will be corrected in consultation with IT				
Trade and other payables																
	11			Trade and other payables: The existence, completeness and valuation of, as well as the entity's obligation towards the balance of trade payables amounting to R5 556 809 (2010: R3 461 823) disclosed in the statement of financial position and note 12 to the financial statements, could not be confirmed due to supplier statements and supporting documentation not obtained. I was not able to perform alternative procedures to confirm this balances.	Qualification	YES		Enforce monthly creditors reconciliation.		Monthly	Manager Finance and Administration					
A	12			Trade and other payables: I could also not obtain sufficient appropriate audit evidence for accruals amounting to R864 919 which is included in deposits and disclosed in note 12 to the financial statements to confirm the existence and valuation of, and the entity's obligations to accruals. I was not able to perform alternative procedures to confirm this balance.	Qualification	No		Reverse all system generated provisions when migrating to Evenus		30-Apr-12						
	13			Trade and other payables: Unreconciled differences between the financial records and suppliers' statements were identified in the prior year which indicates that payables to the amount of R445 864 had not been recorded in the financial records. This resulted in an understatement of payables and expenditure as disclosed in the financial statements for the prior year.	Qualification	No		Enforce monthly creditors reconciliation . Reconcile prior year and adjust the comparative figures		30-Apr-12						
Irregular expenditure																
	14	53		Irregular expenditure: is defined in section 1 of the MFMA as expenditure incurred by the entity in contravention of or not in accordance with the MFMA, the Municipal Systems Act, 200 (Act No. 32 of 2000), or a requirement of supply chain management policy of the entity and must be disclosed in the financial statements in terms of section 125(d) of the MFMA. The audit reveled irregular expenditure amounting to R3 147 285 that was not disclosed in note 37 to the financial statements. This irregular expenditure related to instances where officials did not comply with the SCM policy of the entity or where the SCM policy was less strict than the requirements of the SCM regulations which resulted in irregular expenditure. Due to the nature of the matter as well as the deficiencies in the systems of internal control and financial reporting at the entity, i could not confirm the completeness of the amount.	Qualification			Develop a procedure to detect irregular expenditure . Get approval of the procedure from Auditor General Office . Investigate , implement and develop a register for condoning by the Board . Disclose complete irregular expenditure in the financial statements		30-Jun-12	Supply chain Manager	Finalisation of the investigation of all expenditure population and approval by AG of the approach taken to identify irregular transactions				
Related parties																
A	15			I could not obtain sufficient appropriate audit evidence to confirm the cut-off, accuracy and completeness of related parties, discloses in note 31 to the financial statements. This is due to financial declarations not provided to me for all employees. the entity's records did not provide for suitable alternative procedures to be performed				Develop a register for third party transactions and disclose in the financial statements. Introduce declaration of interest register		30-Apr-12	Finance Manager					