

MALUTI-A-PHOFUNG
CONSOLIDATED AUDITOR
GENERAL REPORT

2012/2013

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the consolidated and separate financial statements of Maluti-A-Phofung Local Municipality and its subsidiaries set out on pages xx to xx, which comprise the consolidated and separate statement of financial position as at 30 June 2013, the consolidated and separate statements of financial performance, statement of changes in net assets, cash flows statement, statement of comparison of budget and actual amounts, and appropriation statements for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the consolidated financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2012 (Act No. 5 of 2012) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on the consolidated and separate financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Property, plant and equipment

4. I was unable to obtain sufficient appropriate audit evidence regarding property, plant and equipment for the current and prior year due to the status of the accounting records. It could also not be confirmed if the management expert valuation methodology was appropriately and consistently applied. I was unable to confirm the balance by alternative means. In addition, the municipality did not review the useful lives of assets and residual values in accordance with Standard of Generally Recognised Accounting Practice, GRAP 17, *Property, plant and equipment*. I was not able to confirm the net carrying amount of property, plant and equipment and the impact on depreciation and amortisation as it was impracticable to do so. Consequently, I was unable to determine whether any adjustment to property, plant and equipment stated at R4 358 092 402 (2012: R4 375 899 470) in the consolidated and separate financial statements was necessary.

Payables from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence regarding payables from exchange transactions for the current and prior period due to the status of the accounting records and inadequate systems implemented by the municipality. Material differences identified between the accounting records and third party confirmations could also not be confirmed. I was unable to confirm the balance by

alternative means. Consequently, I was unable to determine whether any adjustment to payables from exchange transactions stated at R214 581 376 (2012: R 200 720 110) in the consolidated and separate financial statements was necessary.

Consumer receivables

6. I was unable to obtain sufficient appropriate audit evidence regarding consumer receivables for the current and prior year due to the status of the accounting records. Adequate supporting documents could also not be provided regarding transactions recorded in the general ledger and approval of indigent debtors. Consequently, I was unable to determine whether any adjustment relating to consumer receivables stated at R119 256 947 (2012: R85 206 593) in the consolidated and separate financial statements was necessary.

Provisions for closure

7. The municipality did not calculate the value of the present obligation of the provision for the environmental rehabilitation in accordance with SA Standard of GRAP, GRAP 19 *Provisions, contingent liabilities and contingent assets*. The obligation was calculated on the total expected disturbed area and not the actual disturbed area as at year-end. I was not able to determine the correct value of the provision for closure for both the current and prior year stated at R 37 268 911 (2012: R 35 028 011) in the consolidated and separate financial statements as it was impracticable to do so.

Receivables from exchange transactions

8. I was unable to obtain sufficient appropriate audit evidence regarding receivables from exchange transactions for the current and prior year due to inadequate systems implemented by the municipality. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustment to receivables from exchange transactions stated at R26 582 632 (2012: R18 566 532) in the consolidated and separate financial statements was necessary.

Investment property

9. I was unable to obtain sufficient appropriate audit evidence regarding investment property for the current and prior year due to the status of the accounting records. It could also not be confirmed if the management expert's valuation methodology was appropriately and consistently applied. I was unable to confirm the balance by alternative means. In addition, the municipality did not review the useful lives of assets and residual values in accordance with Standard of Generally Recognised Accounting Practice, GRAP 16, *Investment property*. I was not able to confirm the net carrying amount of investment property and the impact on depreciation and amortisation as it was impracticable to do so. Consequently, I was unable to determine whether any adjustment to investment property stated at R25 102 766 (2012: R26 402 452) in the consolidated and separate financial statements was necessary.

Consumer deposits

10. I was unable to obtain sufficient appropriate audit evidence regarding consumer deposits for the current and prior year due to the status of the accounting records and the municipality not providing me with evidence regarding repayments of consumer deposits. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustment to consumer deposits stated at R24 614 851 (2012: R24 654 943) in the consolidated and separate financial statements was necessary.

Long-term receivable

11. I was unable to obtain sufficient appropriate audit evidence regarding long-term receivables for the current and prior year due to inadequate systems implemented by

the municipality. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustment to long-term receivables stated at R18 788 483 (2012: R20 184 891) in the consolidated and separate financial statements was necessary.

Long service liability

12. I was unable to obtain sufficient appropriate audit evidence regarding long service liability for the current and prior year due to the municipality not submitting the relevant information and employee contracts for audit purposes. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustment to long service liability stated at R16 797 000 (2012: R11 750 000) in the consolidated and separate financial statements was necessary.

Retirement benefit obligation

13. I was unable to obtain sufficient appropriate audit evidence regarding retirement benefit obligation for the current and prior year due to the municipality not submitting the relevant information and employee contracts for audit purposes. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments to the retirement benefit obligation stated at R11 181 000 (2012: R9 344 000) in the consolidated and separate financial statements were necessary.

Unspent conditional grants and receipts

14. I was unable to obtain sufficient appropriate audit evidence regarding unspent conditional grants and receipts for the current and prior year due to the status of the accounting records and the municipality not providing evidence regarding relevant transactions recorded in the general ledger. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments to unspent conditional grants and receipts stated at R8 853 932 (2012: R10 280 425) in the consolidated and separate financial statements were necessary.

Service charges

15. I was unable to obtain sufficient appropriate audit evidence regarding service charges for the current and prior year due to inadequate systems implemented by the municipality and adequate supporting documents not provided for meter readings and reconnections. I was unable to confirm service charges by alternative means. Consequently, I was unable to determine whether any adjustment relating to service charges stated at R318 976 926 (2012: R331 038 724) in the consolidated and separate financial statements was necessary.

Depreciation and amortisation

16. I was unable to obtain sufficient appropriate audit evidence regarding depreciation and amortisation for the current and prior year due to the limitations placed on my audit of property, plant and equipment and investment property. I was unable to confirm depreciation and amortisation by alternative means. Consequently, I was unable to determine whether any adjustment relating to depreciation and amortisation stated at R295 600 062 (2012: R458 714 888) in the consolidated and separate financial statements was necessary.

Employee related cost

17. I was unable to obtain sufficient appropriate audit evidence regarding employee-related cost for the current and prior year due to the status of the accounting records and adequate supporting documents could not be provided regarding termination of employees, transactions recorded in the general ledger, approval of allowances and salary scales. I was unable to confirm employee-related cost by alternative means.

Consequently, I was unable to determine whether any adjustment relating to employee-related cost stated at R198 611 117 (2012: R193 973 458) in the consolidated and separate financial statements was necessary.

Property rates

18. I was unable to obtain sufficient appropriate audit evidence regarding property rates for the current and prior year due to inadequate systems implemented by the municipality. Adequate supporting documents could not be provided regarding transactions recorded in the general ledger and title deeds. I was unable to confirm property rates by alternative means. Consequently, I was unable to determine whether any adjustment relating to property rates stated at R140 721 400 (2012: R172 028 030) in the consolidated and separate financial statements was necessary.

General expenses

19. I was unable to obtain sufficient appropriate audit evidence regarding general expenses for the current and prior year due the municipality not providing evidence regarding transactions recorded in the general ledger. I was unable to confirm general expenses by alternative means. Consequently, I was unable to determine whether any adjustment relating to general expenses stated at R109 486 621 (2012: R790 721 274) in the consolidated and separate financial statements was necessary.

Contracted services

20. I was unable to obtain sufficient appropriate audit evidence regarding contracted services for the current and prior year due to the municipality not providing evidence regarding transactions recorded in the general ledger. I was unable to confirm contracted services by alternative means. Consequently, I was unable to determine whether any adjustment relating to contracted services stated at R84 030 643 (2012: R42 261 439) in the consolidated and separate financial statements was necessary.

Repairs and maintenance

21. I was unable to obtain sufficient appropriate audit evidence regarding repairs and maintenance for the current and prior year due to the municipality not providing me with evidence regarding transactions recorded in the general ledger. I was unable to confirm repairs and maintenance by alternative means. Consequently, I was unable to determine whether any adjustment relating to repairs and maintenance stated at R79 800 240 (2012: R42 907,608) in the consolidated and separate financial statements was necessary.

Debt impairment

22. I was unable to obtain sufficient appropriate audit evidence regarding debt impairment for the current and prior year due to the status of the accounting records and limitations placed on my audit of receivables from exchange transactions and long-term receivables. I was unable to confirm debt impairment by alternative means. Consequently, I was unable to determine whether any adjustments relating to debt impairment stated at R56 209 276 (2012: R96 509 285) in the consolidated and separate financial statements were necessary.

Community project expenditure

23. I was unable to obtain sufficient appropriate audit evidence regarding community-project expenditure for the current and prior year due to the municipality not providing evidence regarding transactions recorded in the general ledger. I was unable to confirm community-project expenditure by alternative means. Consequently, I was unable to determine whether any adjustment relating to community project expenditure stated at R43 391 679 (2012: R104 654 377) in the consolidated and separate financial statements was necessary.

Fair value adjustment

24. I was unable to obtain sufficient appropriate audit evidence regarding fair value adjustment for the current and prior year due to the status of the accounting records and limitations placed on my audit of property, plant and equipment. I was unable to confirm the fair value adjustment by alternative means. Consequently, I was unable to determine whether any adjustment relating to fair value adjustment stated at R86 404 (2012: R624 740 655) as in the consolidated and separate financial statements was necessary.

Accumulated surplus

25. I was unable to obtain sufficient appropriate audit evidence regarding the accumulated surplus and statement of changes in net assets for the current and prior year, as I could not obtain supporting evidence for the prior year corrections, as well as the limitation on other balances in the statement of financial position. I was unable to confirm the accumulated surplus and the statement of changes in net assets by alternative means. Consequently, I was unable to determine whether any further adjustment to the accumulated surplus stated at R4 187 094 418 (2012: R4 315 129 357) in the consolidated and separate financial statements was necessary.

Cash flow statement

26. I was unable to obtain sufficient appropriate audit evidence that the cash flow statement and the related notes for the current and prior financial years were fairly stated due to the material effect of scope limitations set out in this report. I was unable to confirm the cash flow by alternative means. Consequently, I was unable to determine whether any adjustments to the amounts disclosed in the cash flow statement and related notes were necessary.

Statement of comparison between budget and actual accounts

27. I was unable to obtain sufficient appropriate audit evidence that the statement of comparison between actual and budget amounts and the related appropriation statement for the current and prior financial years were fairly stated due to the material effect of scope limitations set out in this report, inconsistencies between the amounts disclosed and the undisclosed supplementary explanations of budget variances. I was unable to confirm the statement of comparison between actual and budget amounts and the related appropriation statement by alternative means. Consequently, I was unable to determine whether any adjustment to the amounts disclosed in the statement of comparison between actual and budget amounts and the related appropriation statement was necessary.

Contingent liabilities

28. I was unable to obtain sufficient and appropriate audit evidence regarding contingent liabilities due to an inadequate record management system. I was unable to determine the contingent liabilities by alternative means. Consequently, I was unable to determine whether any adjustments relating to contingent liabilities stated at R20 496 350 (2012: R24 829 037) in the consolidated and separate financial statements were necessary.

Irregular expenditure

29. The municipality did not disclose all irregular expenditure for the current and prior year in the notes to the consolidated and separate financial statements as required by section 125(2)(d)(i) of the MFMA. Instances of non-compliance with supply chain management regulations were identified, resulting in irregular expenditure being understated by R165 407 728. In addition, I was unable to obtain sufficient appropriate audit evidence that all instances of irregular expenditure had been disclosed, as the

municipality did not provide evidence regarding overpayment to councillors and termination of employees. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any further adjustment relating to irregular expenditure stated at R3 310 194 (2012: R0) in the consolidated and separate financial statements was necessary.

Unauthorised expenditure

30. During 2011-12 the municipality did not disclose all unauthorised expenditure in the notes to the consolidated and separate financial statements as required by section 125(2)(d)(i) of the MFMA as the municipality did not manage expenditure against the budgeted amounts. Consequently, unauthorised expenditure was understated by R29 605 589 in the prior year. My audit opinion on the consolidated and separate financial statements for the period ended 30 June 2012 was modified accordingly. My opinion on the current period's consolidated and separate financial statements is also modified because of the possible effects of this matter on the comparability of the current period's figure.

Fruitless and wasteful expenditure

31. The municipality did not disclose all fruitless and wasteful expenditure in the notes to the consolidated and separate financial statements as required by section 125(2)(d)(i) of the MFMA. The municipality incurred expenditure that could have been avoided had reasonable care been taken, resulting in fruitless and wasteful expenditure being understated by R1 440 683. In addition, I was unable to obtain the sufficient and appropriate audit evidence to confirm the fruitless and wasteful expenditure for the current and prior year due to an inadequate record management system. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any further adjustment relating to fruitless and wasteful expenditure stated at R 12 477 063 (2012: R 3 892 225) the consolidated and separate financial statements was necessary.

Prior period errors

32. I was unable to obtain sufficient appropriate audit evidence to confirm the restatement of corresponding figures for 30 June 2012. I was unable to confirm the prior period errors by alternative means. Consequently, I was unable to determine whether any further adjustments to prior period errors in note 49 to the consolidated and separate financial statements were necessary.

Financial sustainability

33. The difficulties experienced by the municipality to recover its consumer debtors, the potential negative effect of this tendency on the cash flows of the municipality and the inability to settle accounts payable within an acceptable period indicate that there is a risk that the municipality may be exposed to serious financial difficulties in terms of section 138 of the MFMA. The municipality did not disclose sufficient details of the uncertainty as per note 52 to the consolidated and separate financial statements which have been prepared on the going concern basis. The municipality's accounting records did not provide sufficient appropriate audit evidence that the municipality is able to continue as a going concern.

Disclaimer of opinion

34. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the consolidated and separate financial statements.

Emphasis of matters

35. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material losses and impairments

36. As disclosed in notes 34 and 55 to the consolidated financial statements, material losses to the amount of R56 209 276 and R170 141 758, respectively, were incurred as a result of a write-off of and provision for irrecoverable trade debtors and distribution losses on electricity.

Underspending of the budget

37. As disclosed in the statement of comparison of budget and actual amounts, the municipality has materially underspent the budget on personnel cost, debt impairment, repairs and maintenance, materials and bulk purchases and other expenditure to the amount of R28 753 555, R10 384 808, R31 054 751 and R473 087 263, respectively. As a consequence, the municipality has not achieved its objectives.

Additional matter

38. I draw attention to the matter below. My opinion is not modified in respect of this matter:

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

39. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

40. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages xx to xx of the annual report.
41. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
42. The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
43. The material findings are as follows:

Usefulness of information

44. The Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), section 41(c) requires that the actual achievements against all planned indicators and targets must be reported annually. The annual performance report submitted for audit purposes did not include the actual performance of 52% of all planned indicators and targets specified in the service delivery and budget implementation plan for the year under review. This

was due to a lack of monitoring and reviewing of the completeness of the reporting documents by management.

45. The FMPP requires that performance targets be measurable. The required performance could not be measured for a total of 58% of the planned targets. This was due to a lack of supporting source documentation relating to performance targets.
46. The FMPP requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 58% of the targets were not specific in clearly identifying the nature and the required level of performance. This was due to a lack of monitoring and reviewing of the planning documents by management.
47. The FMPP requires that it must be possible to validate the processes and systems that produce the indicator. A total of 98% of the indicators were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to the lack of availability of directors of departments to explain the controls specific to their department.
48. Section 46 of the MSA requires disclosure in the annual performance report of measures taken to improve performance where planned targets were not achieved. Measures to improve performance for a total of 99% of the planned targets not achieved were not reflected in the annual performance report. This was due to the lack of monitoring and review by management to ensure that performance targets not achieved are identified and disclosed.

Reliability of information

49. The FMPP requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of information presented. This was due to a lack of a document management system with regard to actual performance achievements.

Compliance with laws and regulations

50. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA are as follows:

Consolidated financial statements, performance and annual report

51. The consolidated and separate financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted consolidated and separate financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the consolidated and separate financial statements receiving a disclaimer audit opinion.
52. The 2011-12 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.
53. A written explanation was not submitted to council setting out the reasons for the delay in the tabling of the 2011/12 annual report in the council, as required by section 127(3)

and 133(1)(a) of the MFMA.

54. An oversight report, containing comments on the annual report, was not adopted by the 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.
55. The council's oversight report on the 2011-12 annual report was not made public within seven days of its adoption, as required by section 129(3) of the MFMA.

Strategic planning and performance management

56. The municipality did not set key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objectives set out in the integrated development plan (IDP), as required by section 41(1)(a) of the MSA and the municipal planning and performance management (MPPM) regulations 1 and 9(1)(a).
57. The parent municipality with effective control in the case of a municipal entity which is a private company, did not ensure that annual performance objectives and indicators for the municipal entity are established by agreement with the municipal entity and included in the municipal entity's multi-year business plan, as required by section 93B(a) of the MSA.
58. The municipality did not set measurable performance targets for the financial year with regard to each of the development priorities and objectives and key performance indicators set out in the IDP, as required by section 41(1)(b) of the MSA and the MPPM regulation 12(1) and 12(2)(e).
59. The accounting officer of the municipality did not assess by 25 January the performance of the municipality during the first half of the financial year, as required by section 72(1)(a)(ii) of the MFMA.
60. The municipality did not have and maintain effective, efficient and transparent systems of financial and risk management and internal controls as required by section 62(1)(c)(i) of the MFMA.
61. The annual performance report for the year under review does not include the performance of the municipality and each external service provider, a comparison of the performance with set targets and measures taken to improve performance, as required by section 46 (1)((a), (b), (c) of the Municipal Systems Act.

Budgets

62. Quarterly reports were not submitted to the council on the 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.

Audit committee

63. The audit committee did not advise the council and the accounting officer on matters relating to accounting policies and performance management as required by section 166(2)(a) of the MFMA.
64. The audit committee did not advise the council and the accounting officer on matters relating to compliance with legislation, as required by section 166(2)(a)(vii) of the MFMA.
65. The audit committee did not review the annual consolidated and separate financial

statements to provide the council with an authoritative and credible view of the financial position of the entity, its efficiency and effectiveness and its overall level of compliance with legislation, as required by section 166(2)(b) of the MFMA.

66. The audit committee did not respond to the council on the issues raised in the audit reports of the auditor-general, as required by section 166(2)(c) of the MFMA.
67. The audit committee did not meet at least four times a year, as required by section 166(4)(b) of the MFMA.
68. The performance audit committee did not meet at least twice during the financial year, as required by MPPM regulation 14(3)(a).
69. The performance audit committee did not review the municipality's performance management system and make recommendations to the council, as required by MPPM regulation 14(4)(a)(ii).
70. The performance audit committee did not review the quarterly internal audit reports on performance measurement, as required by MPPM regulation 14(4)(a)(i).
71. The performance audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by MPPM regulation 14(4)(a)(iii).

Internal audit

72. The internal audit unit did not function as required by section 165(2) of the MFMA, in that:
 - it did not report to the audit committee on the implementation of the internal audit plan
 - it did not advise the accounting officer and report to the audit committee on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management and loss control.
73. The internal audit unit did not report to the audit committee on matters relating to compliance with the MFMA, the DoRA and other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.
74. The internal audit did not audit the results of performance measurements, as required by section 45(1)(a) of the MSA and MPPMR 14(1)(a).

Expenditure management

75. Reasonable steps were not taken to prevent irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
76. Money owing by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA.

Revenue management

77. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.
78. Accounts for municipal tax and charges for municipal services were not prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.

79. An adequate management, accounting and information system which accounts for revenue, debtors and receipts of revenue was not in place, as required by section 64(2)(e) of the MFMA.

Asset management

80. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
81. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

Conditional grants

82. Unspent conditional grant funds not committed to identifiable projects and not approved by the National Treasury for retention, were not surrendered to National Revenue Fund, as required by section 21(1) of the DoRA.

Municipal infrastructure grant

83. The municipality did not evaluate its performance in respect of programmes funded by the municipal infrastructure grant (MIG) and submit the evaluation to the transferring national officer within two months after the end of the financial year, as required by section 12(5) of the DoRA.
84. The municipality did not timeously submit project registration forms, for projects it intends implementing in the financial year 2013/14, to the department of local government, as required by the Division of Revenue Grant Framework, Gazette No.35399.
85. The municipality did not submit project implementation plans to the national department (CoGTA), as required by the Division of Revenue Grant Framework, Gazette No.35399.

Integrated national electrification programme grant

86. The municipality did not evaluate its performance in respect of programmes funded by the integrated national electrification programme grant (INEPG) and submit the evaluation to the transferring national officer within two months after the end of the financial year, as required by section 12(5) of the DoRA.
87. The municipality did not register its master plans for bulk infrastructure with the (INEPG), as required by the Division of Revenue Grant Framework, Gazette No.35399.
88. Projects funded by the (INEPG) were not implemented in line with the details contained in the IDP, as required by the Division of Revenue Grant Framework, Gazette No.35399.

Local government financial management grant

89. The municipality did not evaluate its performance in respect of programmes funded by the local government financial management grant (LGFMG) and submit the evaluation to the transferring national officer within two months after the end of the financial year, as required by section 12(5) of the DoRA.
90. The municipality did not submit MFMA implementation plans to the National Treasury to address weaknesses in financial management, as required by the Division of Revenue Grant Framework, Gazette No.35399.

Municipal systems improvement grant

91. The municipality did not evaluate its performance in respect of programmes funded by the municipal systems improvement grant (MSIG) and submit the evaluation to the transferring national officer within two months after the end of the financial year, as required by section 12(5) of the DoRA.
92. The municipality did not submit its signed activity plan and in the prescribed format to the national department (CoGTA), as required by the Division of Revenue Grant Framework, Gazette No.35399.
93. The municipality did not submit, within 10 days after the end of each month, its monthly expenditure reports to the national department (CoGTA), as required by the Division of Revenue Grant Framework, Gazette No.35399.

Procurement and contract management

94. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements and a procurement process which is fair, equitable, transparent and competitive as the required information could not be provided for audit purposes.

Human resource management and compensation

95. Sufficient appropriate audit evidence could not be obtained that appointments were only made in posts which were provided for in the approved staff establishment of the municipality, as required by section 66(3) of MSA.
96. Sufficient appropriate audit evidence could not be obtained that job descriptions were established for all posts in which appointments were made in the current year, as required by section 66(1)(b) of MSA.
97. Sufficient appropriate audit evidence could not be obtained that appointments were made in the posts of municipal manager and manager directly accountable to municipal manager that were advertised, as required by section 54A(4)(a) and 56(3) of MSA.
98. The accounting officer, chief financial officer, head of the SCM unit and other senior managers accountable to the municipal manager were appointed without having met the prescribed minimum competency levels as required by section 54A(2) and 56(1)(b) of the MSA.
99. Sufficient appropriate audit evidence could not be obtained that the appointment of the municipal manager was approved by the municipal council as required by section 54A(1)(a) of the MSA.
100. Sufficient appropriate audit evidence could not be obtained that the appointment of senior managers directly accountable to the municipal manager were approved by municipal council as required by section 56(1)(a) of the MSA.
101. The employment contract of the municipal manager exceeded a period of five years in contravention of section 57(6) of the MSA.
102. Sufficient appropriate audit evidence could not be obtained that newly appointed municipal managers and managers directly accountable to municipal managers submitted original and/or certified copies of academic and professional qualifications, proof of previous employment and disclosure of financial interests prior to appointment as per the requirements of Municipal Performance regulation 4 of GNR 805.

103. Sufficient appropriate audit evidence could not be obtained that senior managers dismissed for financial misconduct in a previous position were not re-appointed before expiry of 10 years in contravention of section 57A of the MFMA.
104. Sufficient appropriate audit evidence could not be obtained that the accounting officer met any of the higher education qualifications or the prescribed competency areas as required by section 83 of the MFMA and regulations 2 and 3 of Municipal Regulations on Minimum Competency Levels.
105. Sufficient appropriate audit evidence could not be obtained that the head of supply chain management met any of the higher education qualifications or the prescribed competency areas as required by sec 119 of the MFMA and regulations 10 and 11 of Municipal Regulations on Minimum Competency Levels.
106. Sufficient appropriate audit evidence could not be obtained that the senior managers met any of the higher education qualifications or the prescribed competency areas as required by regulation 6 and 7 of Municipal Regulations on Minimum Competency Levels.
107. Sufficient appropriate audit evidence could not be obtained that the finance officials at middle management or supply chain management managers met any of the higher education qualifications or the prescribed competency areas as required by regulations 8 and 9 of Municipal Regulations on Minimum Competency Levels.
108. An approved staff establishment was not in place, as required by section 66(1)(a) of the MSA.

Consequence management

109. Irregular expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.
110. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.
111. Irregular, fruitless and wasteful expenditure was not always recovered from the liable person, as required by section 32(2) of the MFMA.
112. The accounting officer and council did not always report to the South African Police Service cases of alleged irregular expenditure that constituted a criminal offence, as required by section 32(6) and (7) of the MFMA.

Internal control

113. I considered internal control relevant to my audit of the financial statements, predetermined objectives and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion, the findings on predetermined objectives and the findings on compliance with laws and regulations included in this report.

Leadership

114. Effective leadership, based on a culture of honesty, ethical business practices, good governance and protecting and enhancing the interest of the municipality, was not provided. This resulted in various audit findings as included in this report.

115. Proper oversight was not exercised during the year on the implementation of an effective internal control system, establishing policies and procedures for effective record management, maintaining an asset register and preparing the annual financial statements, due to a lack of consequences for poor performance and transgressions. This is evidenced through various findings in this report.
116. The leadership did not take timeous and adequate action to address weaknesses in the finance and supply chain management directorate and performance information, which resulted in non-compliance with applicable legislation and gave rise to fruitless and wasteful and irregular expenditure.
117. The lack of decisive action to mitigate emerging risks, implement timely corrective measures and address non-performance was evident by the failure of management to adequately address the external audit findings in a timely manner. The municipality failed to properly analyse the control weaknesses and implement appropriate follow-up actions that adequately addressed the root cause. This resulted in the audit findings in the prior year report being recurring in the current year.

Financial and performance management

118. Effective financial and performance systems, processes and procedures as well as the management thereof had not been adequately developed and implemented, due to a lack of appropriate competencies.
119. Management of the municipality has not performed a regular review and monitoring of compliance to laws and regulation due to a lack of appropriate competencies, which resulted in material non-compliance.
120. The municipality did not have the human resource capacity throughout the financial year to adequately address prior year findings and weaknesses identified in the financial and control systems of the municipality. This necessitated the municipality to make use of consultants to supplement such constraints. Consultants assisted with the preparation of an asset register and the preparation of the consolidated and separate financial statements.
121. The consolidated and separate financial statements and performance report were not properly reviewed for completeness and accuracy prior to submission for auditing, due to a lack of appropriate competencies. This resulted in many findings relating to incorrect disclosure.

Governance

122. The audit committee has not promoted accountability and service delivery through providing oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

OTHER REPORTS

Investigations

123. An investigation is being conducted to probe the manner in which the contract for the electricity supply network was awarded subsequent to year-end. The investigation aims to establish whether a fair, transparent and equitable procurement process was followed in awarding the contract. The investigation was still ongoing at the reporting date.

Auditor-General
Bloemfontein

20 December 2013



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

MALUTI-A-PHOFUNG

ACTION PLAN

2012/2013

Audit Par No	Exception Details	Ex no.	Steps how to clear	Responsible person	Progress	Date information	Status	Time framework
4	I was unable to obtain sufficient appropriate audit evidence re the accounting records. It could also not be confirmed if the management expert valuation methodology was appropriately and consistently applied. I was unable to confirm the balance by alternative means. In addition, the municipality did not review the useful lives of assets and residual values in accordance with Standard OF Generally Recognised Accounting practice, GRAP 17, Property, plant, and equipment. I was not able to confirm the net carrying amount of property, plant and equipment and the impact on depreciation and amortization as it was impracticable to do so. Consequently, I was unable to determine whether any adjustment to property, plant and equipment							
	Plant, Property and equipment							
	Valuation of land and building	Ex.330	Appoint a consultant to value the municipal property	CFO				30/06/2014
	Land and buildings not included in the valuation roll	Ex.334	Appoint a consultant to perform the recon between the AR and Valuation roll.	CFO				30/06/2014
	Land and buildings not owned by the municipality	Ex.335	Perform recon between the AR and the deeds info.	CFO				30/06/2014
	Land and buildings not registered in the name of the municipality	Ex.331	Perform recon between the AR and the deeds info.	CFO				30/06/2014
	Properties not registered or do not exist	Ex.333	Perform recon between the AR and the deeds info.	CFO				30/06/2014
	Valuation of land and buildings	Ex.330	Appoint a consultant to value the municipal property	CFO				30/06/2014
	Undisclosed endorsements	Ex.336	Perform recon between the AR and the deeds info.	CFO				30/06/2014
	Asset under construction completed	Ex.350	Physical verification of infrastructural assets including capitalisation of completed project.	CFO				30/06/2014
	Subsequent measurement and zero useful lives	Ex.272	Valuation of Municipal property	CFO				30/06/2014
	Completeness of other assets	Ex.346	Physical verification of Municipal assets.	CFO				30/06/2014
	Dirt Roads	Ex.273	Appoint a consultant to perform a valuation of the dirt roads.	CFO				30/06/2014
	Existence and valuation of movable assets	Ex.345	Physical verification of movable assets.	CFO				30/06/2014
	Impaired movable assets identified	Ex.347	Physical verification of movable assets.	CFO				30/06/2014
	Duplicate assets	Ex.371	Proper barcoding of assets	CFO				30/06/2014
	Impaired Infrastructure assets identified	Ex.375	Physical verification of infrastructural assets including capitalisation of period error.	CFO				30/06/2014
	Prior period error	Ex.376	Proper documentation of the prior period error.	CFO				30/06/2014
	Incomplete asset register fields	Ex.219	Additional fields to be included in the AR	CFO				30/06/2014
	Depreciation and amortization	Ex.201	Recalculation of the amounts	CFO				30/06/2014
	Assets conditions unknown	Ex.228	Physical verification of movable assets	CFO				30/06/2014
	Assets under construction	Ex.251	Physical verification of WIP	CFO				30/06/2014

	Land and Buildings	Ex. 301	Proper disclosures of Land and buildings	CFO			30/06/2014
	Useful lives	Ex. 299	Physical verification of assets and determination of proper useful lives.	CFO			30/06/2014
	Asset Register	Ex. 300	Ensure that we produce a gap compliant register.	CFO			30/06/2014
	Outstanding RFI	Ex. 297	Information to be submitted	CFO			30/06/2014
	Completeness of land and buildings	Ex. 358	Physical verification of Municipal properties	CFO			30/06/2014
5	I was unable to obtain sufficient appropriate audit evidence regarding payables from exchange transactions for the current and prior year due to the status of the accounting records and inadequate systems implemented by the municipality. Material differences identified between the accounting records and the third party confirmations could also not be confirmed. I was unable to confirm the balance by alternatives means. Consequently, I was unable to determine whether any adjustment to regarding payables from exchange transactions stated R 244 581 376 (2012: R 200 720 110) in the financial statement was necessary.						
	Payables from exchange transactions						
	Outstanding RFI 245	Ex. 306	Management should submit the information that was requested.	CFO			27/02/2014
	No reconciliations of sundry payables performed	Ex. 271	Creditors' reconciliations should be performed per creditor on a monthly basis	CFO			30/03/2014
	Outstanding RFI 151	Ex. 196	Management should submit the information that was requested.	CFO			27/02/2014
	Non-compliance - Invoice not paid within 30 days	Ex. 217	The Municipality should at least try to pay the supplier within 30 days.	CFO			Ongoing
	Outstanding RFI 162	Ex. 181	Management should submit the information that was requested.	CFO			27/02/2014
	Outstanding RFI 165	Ex. 180	Management should submit the information that was requested.	CFO			27/02/2014
	Outstanding RFI 228	Ex. 258	Management should submit the information that was requested.	CFO			27/02/2014
	Existence of new connections and reconnections	Ex. 232	A register of new connection and reconnections should be maintained.	CFO			27/04/2014
	Reconnections not on deposit register	Ex. 233	A register of new connection and reconnections should be maintained.	CFO			27/04/2014
6	I was unable to obtain sufficient appropriate audit evidence regarding consumer receivables for the current and prior year due to the status of the accounting records. Adequate supporting documents could also not be provided regarding transactions recorded in the general ledger and approval of the indigent debtors. Consequently, I was unable to determine whether any adjustment relating to consumer receivables stated at R119 256 947 (2012: R 85 206 893) in the financial statement was necessary.						
	Consumer receivables						
	Outstanding RFI 171-Exception report	Ex. 4	Management should provide the info requested.	CFO			27/02/2014

	Debtors names incorrect in aging analysis	Ex.303	Management should re-review the AGE analysis and confirm the FICA document	CFO		30/06/2014
	Outstanding RFI 195	Ex.250	Management should provide the info requested	CFO		27/02/2014
7	The municipality did not calculate the value of the present obligation of the provision for the environmental rehabilitation in the accordance with SA Standard of GRAP, GRAP 19 Provisions, and contingent assets. The obligation was calculated on the total expected disturbed area as at year –end. I was not able to determine the correct value of the provision for closure for both prior year stated at R 37 268 911 (2012: R 35 028 011) in the financial statement as it was impracticable to do so.					
	Provisions for closure					
	Present obligations	Ex.392	Engage the consultant to do the adjustment to the calculation	CFO		27/02/2014
8	I was unable to obtain sufficient appropriate audit evidence regarding receivables from exchange transactions for the current and prior year due to the status of the accounting records and inadequate systems implemented by the municipality. I was unable to confirm the balance by alternatives means. Consequently, I was unable to determine whether any adjustment relating to receivables from exchange transactions stated at R 26 836 148 (2012: R 18 716 855) in the financial statement was necessary.					
	Receivables from exchange transactions					
	Limitation on the completeness of deposit owed by consumers	Ex.194	A complete register of the deposit should be kept and maintained.	CFO		30/03/2014
	Outstanding RFI 217	Ex.253	Management should provide the info requested	CFO		27/02/2014
9	I was unable to obtain sufficient appropriate audit evidence regarding investment property for the current and prior year due to the status of the accounting records. It could also not be confirmed if the management expert valuation methodology was appropriately and consistently applied. I was unable to confirm the balance by alternatives means. In addition, the municipality did not review the useful lives of assets and residual values in accordance with Standard of Generally Recognised Accounting practice, GRAP 16, investment property. I was not able to confirm the net carrying amount of investment property and impact on depreciation and amortisation as it was impracticable to do so. Consequently, I was unable to determine whether any adjustment relating to investment property stated to investment property stated at R 25 102 766 (2012: R 26 402 452) in the financial statement was necessary.					
	Investment Property					
	Land and building not included in the valuation roll	Ex.361	Appoint a consultant to perform the recon between the AR and Valuation roll.	CFO		30/06/2014
	Land and buildings not owned by the municipality	Ex.362	Perform a recon between the Deeds info and the AR	CFO		30/06/2014
	Properties not registered or do not exists	Ex.360	Perform recon between the AR and the deeds info. Physical verification of all the Municipal Assets.	CFO		30/06/2014
	Undisclosed endorsements	Ex.365	Perform recon between the AR and the deeds info.	CFO		30/06/2014

10	I was unable to obtain sufficient appropriate audit evidence regarding consumer deposit for the current and prior year due to the status of the accounting records and the municipality not providing me with evidence regarding repayments of consumer deposit. I was unable to confirm the balance by alternatives means. Consequently, I was unable to determine whether any adjustment to consumer deposit stated at R24 614 851 (2012: R 24 654 943) in the financial statement was necessary.									
	Consumer Deposit									
	Accuracy of the deposit tariffs	Ex.262	Management to review the tariffs.							30/06/2014
	Existence of new connections and reconections	Ex.232	A proper register must be maintained by the municipality.							30/06/2014
	Reconnection not on the deposit register	Ex.233	Further explanations should be obtained from the AG							30/06/2014
	Existence of deposit accounts	Ex.383	A register should be maintained							30/06/2014
11	I was unable to obtain sufficient appropriate audit evidence regarding long-term receivable for the current and prior year due to inadequate systems implemented by the municipality. I was unable to confirm the balance by alternatives means. Consequently, I was unable to determine whether any adjustment to long-term receivable stated R 18 788 483 (2012: R 20 184 891) in the financial statement was necessary.									
	Long term receivables									
	Arrangement do not agree to the policy	Ex.325	Review the policy							30/06/2014
	Outstanding RFI 213	Ex.216	Management to produce the infor requested.							30/06/2014
	No impairment on the irrecoverable debtors	Ex.324	Review of the calculation and the assumptions used.							30/06/2014
12	I was unable to obtain sufficient appropriate audit evidence regarding long service liability for the current and prior year due to the municipality not submitting the relevant information and employee contract for audit purposes. I was unable to confirm the balance by alternatives means. Consequently, I was unable to determine whether any adjustment to long service liability stated at R 16 797 000 (2012: 11 750 000) in the financial statement was necessary.									
	Long service liability									
	Outstanding RFI 254	Ex.366	Management to produce the infor requested.							28/02/2014
13	I was unable to obtain sufficient appropriate audit evidence regarding retirement benefit obligation for the current and prior year due to the municipality not submitting the relevant information and employee contract for audit purposes. I was unable to confirm the balance by alternatives means. Consequently, I was unable to determine whether any adjustment to retirement benefit obligation stated at R 11 181 000 (2012: R 9 344 000) in the financial statement was necessary.									
	Retirement benefit									
	Outstanding RFI 237	Ex.326	Management to produce the infor requested.							28/02/2014
14	I was unable to obtain sufficient appropriate audit evidence regarding Unspent conditional grant and receipts for the current and prior year due to the status of the accounting records and the municipality not providing evidence regarding relevant transactions recorded in the general ledger. I was unable to confirm the balance by alternatives means. Consequently, I was unable to determine whether any adjustment to Unspent conditional grant and receipts stated at R 8 853 932 (2012: R 10 280 425) in the financial statement was necessary.									
	Unspent conditional grants and receipts									
	Outstanding RFI	Ex.140	Management to produce the infor requested.							28/02/2014

	Outstanding RFI 234	Ex.295	Management to produce the infor requested	CFO			28/02/2014
	Difference between financial statements and schedule from National Treasury	Ex.248	Reconciliation should be performed between the AFS and NT schedules.	CFO			
	Unspent conditional grant not paid over to Nationa treasury	Ex.312	Enquiries with NT	CFO			28/02/2014
	Grant and subsidies paid: Reclassification error	Ex.296	Correction on the AFS	CFO			28/02/2014 30/06/2014
15	I was unable to obtain sufficient appropriate audit evidence regarding service charge for the current and prior year due to inadequate systems implemented by the municipality and adequate supporting documents not provided for meter readings and reconections. I was unable to confirm service charges by alternative means. Consequently, I was unable to determine whether any adjustment to service charges stated at R 318 976 926 (R 331 038 724) in the financial statement was necessary						
	Service Charges						
	Outstanding RFI-206	Ex.316	Management to produce the infor requested.	CFO			
	No monitoring of distribution losses	Ex.317	Management should formulate a plan of monitoring the losses relative to	CFO			28/02/2014
	Units different between units billed and meter reading	Ex.321	Management to investigate the difference between the units billed and the meter readings	CFO			30/06/2014 30/05/2014
	Outstanding RFI-167	Ex.178	Management to produce the infor requested	CFO			28/02/2014
	Outstanding RFI-169	Ex.169	Management to produce the infor requested	CFO			28/02/2014
	Completeness	Ex.247	Management to produce the infor requested.	CFO			
16	I was unable to obtain sufficient appropriate audit evidence regarding depreciation and amortisation for the current and prior year due to the limitations placed on my audit of property plant and equipment and investment property. I was unable to confirm depreciation and amortisation by alternative means. Consequently, I was unable to determine whether any adjustment to depreciation and amortization stated at R 295 600 062 (2012: r 458 714 888) in the financial statement was necessary.						
	Depreciation and amortisation						
			Management should be formulate a way of having a policy that will address issues relating to depreciation and amortisation.	CFO			
	Depreciation and amortisation	Ex.201					
17	I was unable to obtain sufficient appropriate audit evidence regarding employee related cost for the current and prior year due to the status of the accounting records and adequate supporting documents could not be provided regarding termination of employees, transactions recorded in the general ledger, approval of allowance and salary scales. I was unable to confirm employee -related cost by alternative means. I was unable to determine whether any adjustment relating to employee- related cost stated at R198 611 117 (2012: R 193 973 458) in the financial statement was necessary.						
	Employee related cost						
	Incomplete employee files	Ex.356	Management should ensure that all the documents relating to personnel are properly kept and filed	Dir Corporate	In formation is still being received		27/01/2014

	Invalid ID-Numbers-wage earner	Ex.283	Management should confirm the validity of the ID numbers of all the employees	Dir Corporate	Information received	27/01/2014
	Outstanding RFI 253	Ex.357	Management should provide the information that was requested.	Dir Corporate	Information received	27/01/2014
	Substantive evidence not sufficiently kept	Ex.285	Management should ensure that the documents are properly kept and produced to the auditors upon request.	Dir Corporate	Action to be implemented	27/01/2014
	Outstanding RFI 168	Ex.172	Management should provide the information that was requested.	Dir Corporate	Information received	27/01/2014
	Outstanding RFI 174- Payslips	Ex.173	Management should provide the information that was requested.	Dir Corporate	Information received	27/01/2014
	Outstanding RFI 152	Ex.202	Management should provide the information that was requested.	Dir Corporate	Information received	27/01/2014
	Incomplete employee files	Ex.244	Management should ensure that all the employee files are properly kept.	Dir Corporate	Information received	27/01/2014
	Outstanding RFI 178-wages	Ex.279	Management should provide the information that was requested.	Dir Corporate	Information received	27/01/2014
	Outstanding RFI 259	Ex.389	Management should provide the information that was requested.	Dir Corporate	Information received	27/01/2014
	Outstanding RFI 258	Ex.354	Management should provide the information that was requested.	Dir Corporate	Information received	27/01/2014
	Acting CFO does not have the minimum qualifications and competencies	Ex.401	Management will ensure that the CFO is equipped with all the relevant	Dir Corporate	Action to be implemented	27/01/2014
18	I was unable to obtain sufficient appropriate audit evidence regarding property rates for the current and prior year due to inadequate systems implemented by the municipality. Adequate supporting documents could not be provided regarding transactions recorded in the general ledger and title deeds. I was unable to confirm property rates by alternative means. Consequently, I was unable to determine whether any adjustment to property rates stated at R 147 150 223 (2012: R 172 500 680) in the financial statement was necessary					
	Property rates					
	Outstanding RFI 235- title deeds	Ex.292	Management should provide the information requested.	Dir Housing	Information not yet received	27/02/2014
	Outstanding RFI -197 Journal	Ex.212	Management should provide the information requested.	CFO	Information not yet received	27/02/2014
	Outstanding RFI 169	Ex.205	Management should provide the information requested.	CFO	Information not yet received	27/02/2014
	No reconciliation performed on market value	Ex.266	A reconciliation should be performed between the market value and the value as per the valuation roll.	CFO	Information not yet received	30/06/2014
	Outstanding RFI 167	Ex.178	Management should provide the information requested.	CFO	Information not yet received	27/02/2014
19	I was unable to obtain sufficient appropriate audit evidence regarding General expenses for the current and prior year due to municipality not providing evidence regarding transactions recorded in the general ledger. I was unable to confirm General expenses by alternative means. Consequently, I was unable to determine whether any adjustment to General expenses stated at R 109 486 621(2012: 790 721 274) in the financial statement was necessary					

[illegible]

	Community expenditure RFI 179	Ex.223	Management should provide the information requested.	CFO	Information received	27/02/2014
	Outstanding RFI 133	Ex.133	Management should provide the information requested.	CFO	Information received	27/02/2014
	Outstanding RFI 182- Community Expenditure	Ex.231	Management should provide the information requested.	CFO	Information received	27/02/2014
24	I was unable to obtain sufficient appropriate audit evidence regarding fair value adjustment for the current and prior year due to status of the accounting records and limitations placed on my audit of property, plant and equipment. I was unable to confirm the fair value adjustment by alternative means. Consequently, I was unable to determine whether any adjustment to fair value adjustment stated at R 86 404(2012: 624 740 655) as in the financial statement was necessary					
	Fair value adjustment					
25	I was unable to obtain sufficient appropriate audit evidence regarding accumulated surplus and statement of changes in the net assets for the current and prior year, as I could not obtain supporting evidence for the prior year corrections, as well as the limitation on other balances in the statement of financial position. I was unable to confirm the accumulated surplus and the statement of changes in the net assets by the alternative means. Consequently, I was unable to determine whether any adjustment to accumulated surplus stated at R 4 187 094 418 (2012: R 4 315 129 357) in the financial statement was necessary					
	Accumulated surplus					
26	I was unable to obtain sufficient appropriate audit evidence regarding cash flow statement and the related notes for the current and prior financial years, were fairly stated due to material effect of scope limitations set out in this report. I was unable to confirm the cash flow by alternative means. Consequently, I was unable to determine whether any adjustment to the amounts disclosed in the cash flow statement and related notes were necessary.					
	Cash flow statement					
27	I was unable to obtain sufficient appropriate audit evidence regarding statement of comparison between budget and amounts and related appropriation statement for the current and prior financial years were fairly stated due to material effect of scope limitations set out in this report, inconsistencies between the amounts disclosed and the undisclosed supplementary explanations of budget variances. I was unable to confirm statement of comparison between actual and budget amounts and the related appropriation statement by alternative means. Consequently, I was unable to determine whether any adjustment to the amounts disclosed in the statement of comparison between actual and budget amounts and budget amounts and the related appropriation statement was necessary.					
	Statement of comparison between budget and actual accounts					
	Budget Information: Actuals vs Budget	Ex.260	Management should provide the information requested.			
28	I was unable to obtain sufficient appropriate audit evidence regarding contingent liabilities due to an inadequate record management to system. I was unable to determine the contingent liabilities by alternatives by alternative means. Consequently, I was unable to determine whether any adjustment to the amounts disclosed in the contingent liabilities stated at R20 496 350(2012: 24 829 037) in the financial statement was necessary					
	Contingent liabilities					
	Completeness of the disclosure	Ex.153	Management should ensure that the information that has been disclosed is complete. Referencing to the statute irrelevant	CFO		

29	The municipality did not disclose all irregular expenditure for the current and prior year in the notes to the financial statement as required by section 125(2)(d)(i) of the MFMA. Instance of non-compliance with supply chain management regulations were identified, resulting in irregular expenditure being understated by R 165 407 728. In addition, I was unable to obtain sufficient appropriate audit evidence that all instances of irregular expenditure has been disclosed, as the municipality did not provide evidence regarding overpayment to councilors and termination of employees. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any adjustment relating to irregular expenditure stated at R3 310 194(2012:R0) in the financial statement was necessary				
	Irregular Expenditure	Ex.315	Management should put controls in place to ensure that the irregular is	CFO	
30	During the 2011-12 the municipality did not disclose all the unauthorised expenditure in the notes to the financial statements as required by section 125(2)(d)(i) of the MFMA as the municipality did not manage the expenditure against the budgeted amounts. Consequently, unauthorised was understated by R 29 605 589 in the prior year. My audit opinion on the financial statements for the period 30 June 2012 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effects of this matter on the comparability of the current periods figure.				
	Unauthorised Expenditure				
	Prior year unauthorised expenditure not disclosed.	Ex.269	Management should make sure that the information that is required to be	CFO	
31	The municipality did not disclose all fruitless and wasteful expenditure in the notes to the financial statements as required by section 125(2)(d)(i) of the MFMA. The municipality incurred expenditure that could have been avoided had reasonable care been taken, resulting in fruitless and wasteful expenditure for the current and prior year due to an inadequate record management system. I was unable to determine whether any further adjustment relating to fruitless and wasteful expenditure stated at R 12477 063 (2012: R 3 892 225) in the financial statement was necessary				
	Fruitless and wasteful expenditure				
	Interest difference	Ex.339	Management should take the	CFO	
32	I was unable to obtain sufficient appropriate audit evidence to confirm the restatement of corresponding figures for 30 June 2012. I was unable to confirm prior period errors by alternative means. I was unable to determine whether any further adjustment to prior period errors in note 49 to the financial statement were necessary				
	Prior period errors				
	Non disclosure of the prior year adjustments	Ex.130	Management should make sure that the information that is required to be	CFO	

I was unable to obtain sufficient appropriate audit evidence regarding receivables from exchange transactions for the current and prior year due to the status of the accounting records and inadequate systems implemented by the municipality. I was unable to confirm the balance by alternatives means. Consequently, I was unable to determine whether any adjustment relating to receivables from exchange transactions was required.