

MALUTI-A-PHOFUNG WATER (PTY) LTD
AUDITOR GENERAL REPORT

2012/2013

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE MALUTI-A-PHOFUNG WATER SOC LTD

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Maluti-A-Phofung Water SOC Ltd set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

The accounting officer's responsibility for the financial statements

2. The board of directors, which constitutes the accounting officer, is responsible for the preparation and fair presentation of the financial statements in accordance with the 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 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 financial statements based on my audit. I conducted my 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. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Maluti-A-Phofung Water SOC Ltd as at 30 June 2013, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

8. **Significant uncertainties**

With reference to note 30 to the financial statements, the municipal entity had a liability to the value of R83 069 305 (2012: R67 965 340), which includes interest charged in prior years amounting to R10 046 834.

This is due to the fact that the department charged the municipal entity for water used from Trans Caledon Tunnel Authority (TCTA). The municipal entity did not purchase water from this entity. The interest was charged on invoices not applicable to the municipal entity. The ultimate outcome of the matter cannot presently be determined. A provision for any liability that may result from the contingent liability was not made in the financial statements.

9. **Restatement of corresponding figures**

As disclosed in note 32 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of an error discovered during 30 June 2013 in the financial statements of the Maluti-A-Phofung Water SOC Ltd at, and for the year ended, 30 June 2012.

10. **Material impairments**

As disclosed in note 7 to the financial statements, material impairments to the amount of R11 518 701 (2012: R10 671 117) were incurred as a result of provision for irrecoverable trade debts from exchange transactions.

As disclosed in note 5 to the financial statements, material impairments to the amount of R16 681 500 were incurred as a result of provision for irrecoverable trade debts from non-exchange transactions.

11. **Going concern**

Note 33 to the financial statements indicates that the Maluti-A-Phofung Water SOC Ltd incurred a net loss of R17 525 411 during the year ended 30 June 2013 and, as of that date, the municipal entity's current liabilities exceeded its total assets by R32 416 151. These conditions, along with other matters as set forth in note 33, indicate the existence of a material uncertainty that may cast significant doubt on the municipal entity's ability to operate as a going concern.

ADDITIONAL MATTER

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

12. **Other reports required by the Companies Act**

As part of my audit of the financial statements for the year ended 30 June 2013, I have read the report of the chief executive officer (CEO) for the purpose of identifying where there are material inconsistencies between these reports and the audited financial statements. The report is the responsibility of the preparer. Based on reading the report,

I have not identified material inconsistencies between the report and the audited financial statements. I have not audited the reports and, accordingly, I do not express an opinion on them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. 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

14. I performed procedures to obtain evidence about the usefulness and reliability of the information in the report against predetermined objectives as set out on pages xx to xx of the annual report.
15. 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).
16. 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).
17. The material findings are as follows:

Usefulness of information

18. Section 121(4)(d) of the MFMA requires that an assessment by the entity's accounting officer of the performance against the measurable performance objectives set in terms of the service delivery agreement. A total of 98% of the reported targets were not consistent with the indicators as per the approved annual performance plan and service delivery agreement. This was due to a lack of monitoring and reviewing of the completeness of the reporting documents by management.
19. The FMPPI requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 77,55% of the targets were not specific in clearly identifying the nature and the required level of performance. This was due to the fact that management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles.
20. The FMPPI requires that performance targets be measurable. The required performance could not be measured for a total of 73,47% of the planned targets. This was due to management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles.

21. The FMPPI requires that the time period or deadline for delivery be specified. A total of 95,92% of the targets were not time bound in specifying a time period or deadline for delivery. This was due to the fact that management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles.

Reliability of information

22. The FMPPI 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.
23. Significantly important targets with respect to revenue management and customer services were materially misstated. This was due to the lack of standard operating procedures for the accurate recording of actual achievements.

Compliance with laws and regulations

24. I performed procedures to obtain evidence that the entity had 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:

Annual financial statements, performance report, annual report and budget

25. The financial statements submitted for auditing were not prepared, in all material respects, with the requirements of section 122 of the MFMA. Material misstatements of receivables, property, plant and equipment, employee costs, payables, contingent liabilities, inventory, cash and cash equivalents, expenditure, accumulated deficit, cash flow statement and value-added tax (VAT) identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving an qualified audit opinion.
26. The annual report for the year under review did not include resolutions or corrective actions to address audit report and audit committee report matters, as required by section 121(4)(a) of the MFMA and section 94(7)(f) of the Companies Act, 2008 (Act No. 71 of 2008).
27. Section 88 of the MFMA requires the accounting authority to submit the mid-year report on 20 January every year to the parent municipality. Maluti-A-Phofung Water SOC Ltd did not submit the mid-year reports before the set date.
28. Expenditure was incurred not in terms of the approved budget, in contravention of section 87(8) of the MFMA.

Audit committee

29. The audit committee did not meet at least four times a year, as required by section 166(4)(b) of the MFMA.
30. 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.

31. The audit committee did not review the annual financial statements to provide the board with an authoritative and credible view of the financial position of the entity, its efficiency and effectiveness and its overall level of compliance with the MFMA, DoRA and Companies Act, as required by section 166(2)(b) of the MFMA.
32. The audit committee did not advise the board of directors and the management staff on matters relating to compliance with the MFMA, DoRA and Companies Act, as required by section 166(2)(a)(vii) of the MFMA.

Internal audit

33. The internal audit unit did not function, as required by section 165(2) of the MFMA, in that:
- it did not prepare a risk-based audit plan and an internal audit programme for the financial year under review
 - it did not report to the audit committee on the implementation of the internal audit plan
 - it did not advise the accounting authority and report to the audit committee on matters relating to internal audit/internal controls/accounting procedures and practices/risk and risk management/loss control.
34. The internal audit unit did not advise the accounting authority and report to the audit committee on matters relating to compliance with the MFMA, DoRA and other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.

Expenditure management

35. Money owing by the municipal entity was not always paid within 30 days or an agreed period, as required by section 99(2)(b) of the MFMA.

Human resource management

36. The competencies of financial and supply chain management (SCM) officials were not assessed in order to identify and address gaps in competency levels, as required by regulation 13 of the Municipal Regulations on Minimum Competency Levels.
37. The annual report of the municipal entity did not reflect information on compliance with prescribed minimum competencies, as required by regulation 14(3) of the Regulations on Minimum Competency Levels.
38. The chief financial officer did not meet any of the prescribed competency areas, as required by section 107 of the MFMA and regulations 4 and 5 of the Municipal Regulations on Minimum Competency Levels.

Asset management

39. An effective system of internal control for assets (including an asset register) was not in place, as required by section 96(2)(b) of the MFMA.

Consequences management

40. Irregular expenditure incurred by the municipal entity was not investigated to determine if any person is liable for the expenditure, in accordance with the requirements of section 102(1) of the MFMA.
41. Fruitless and wasteful expenditure incurred by the municipal entity was not investigated to determine if any person was liable for the expenditure, in accordance with the requirements of section 102(1) of the MFMA.

Relevant legislation

42. The board of directors did not consist of at least a third non-executive director, as required by section 93(e) of the Municipal Systems Act; and section 66(1)2 of the Companies Act states that the board of directors should comprise three board members.
43. The audit committee did not perform the functions as prescribed in terms of section 94(7) of the Companies Act.

Internal control

44. I considered internal control relevant to my audit of the financial statements, the report against 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 the qualified opinion, the findings on the report against predetermined objectives and the findings on compliance with laws and regulations included in this report.

Leadership

45. The leadership failed to implement adequate controls to ensure compliance with laws, regulations and internally designed policies and procedures. As a result, significant non-compliance issues were noted.

Financial and performance management

46. Effective performance systems, processes and procedures as well as the management thereof had not been adequately developed and implemented.
47. The financial statements contained numerous inaccuracies, which are attributable to weaknesses in the design and implementation of internal control in respect of financial management and financial reporting.

Governance

48. An internal audit division did not function as was required for the financial year.
49. Although an audit committee was in place, the committee did not function to identify internal control deficiencies and provide recommendations to the board of directors.

Bloemfontein

30 November 2013



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build confidence

MALUTI-A-PHOFUNG WATER (PTY) LTD

ACTION PLAN

2012/2013

Maluti-a-Phofung Water (Pty) Ltd

Audit action plan for 2012/2013 audit findings as per 2013 Audit Report

Audit rep par	Ex no as per final management letter	Issue	Comments / Action plan	Possible to clear during 2014	Responsible person	Progress
7	Ex. 28	Compliance Non submission of the reports as prescribed in the MFMA results in non-compliance with section 102 of the MFMA	On discovery of the incidents of irregular, unauthorized, fruitless and wasteful expenditure management will notify the board of directors, mayor and municipal manager.		CEO/CFO	Ongoing process
8	Ex. 34 (17)	During the review of the fixed asset register we noted that it did not disclose the following details for each asset, which would provide support on the figures disclosed in the annual financial statements: 1. Method of finance for each assets will be included in the asset register with the assistance of AG. 2. Accumulated impairment for each class of assets. 3. A list of Amounts received for disposal of fixed assets and resultant profit or loss on the disposal to be compiled.	1 Method of finance for each assets will be included in the asset register with the assistance of AG 2 Accumulated impairment for each class of assets 3 A list of Amounts received for disposal of fixed assets and resultant profit or loss on the disposal to be compiled	30 April 2014	Manager Finance	
	Ex.50	Expenditure was incurred not in terms of the approved budget, in contravention of section 87(8) of the Municipal Finance Management Act.	Expenditure should be kept within the budgeted amount.		All managers	Ongoing process
9	Ex.76	Contrary to the requirements of the Companies Act, the entity continues to use the abbreviation "(Pty) Ltd" after its name	The entity is in the process of changing company name.	30 June 2014	CEO	In progress

Maluti-a-Phofung Water (Pty) Ltd

Audit action plan for 2012/2013 audit findings as per 2013 Audit Report

Audit rep par	Ex no as per final management letter	Issue	Comments / Action plan	Possible to clear during 2014	Responsible person	Progress
		on official documents (stationery) issued to external parties, for example invoices. The entity only changed their name on the annual financial statements.				
16	Ex.66	Contrary to the requirement, the actual performance as per the annual performance report does not agree to the supporting documentation inspected, to validate the performance:		30 June 2014	Manager Revenue (Acting CFO)	
	Ex. 84	Irregular expenditure incurred by the municipal entity was not investigated to determine if any person is liable for the expenditure, in accordance with the requirements of section 102(1) of the Municipal Finance Management Act.	Irregular expenditure would be investigated as soon as it is discovered. Explanation forms will be issued to the alleged perpetrators		All managers	Ongoing process
4	Ex.100	Contrary to the requirement, the municipal entity's annual report does not contain the following information: (1) Space for resolutions or corrective measures to be taken to address audit report matters. (2) Audit Committee report	Review the annual report with the checklist extracted from MFMA Section 121(4) to ensure completeness	30 June 2014	CFO	
31	Ex.112	Based on the various non-compliance issues noted during the audit, as is reported in exceptions, 84, 76, 100, 67, 34 and 28, it is evident that the board of directors did not comply with this	Implement the compliance check list	30 June 2014	CFO	

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Audit action plan for 2012/2013 audit findings as per 2013 Audit Report

Audit rep par	Ex no as per final management letter	Issue	Comments / Action plan	Possible to clear during 2014	Responsible person	Progress
5	Ex.113	legislative requirement. The board of directors of the entity only comprise of two non-executive members.	Find a suitable candidate for the position.		Parent Municipality	
30	Ex.114	The entity does not have a social and ethics committee in place, as prescribed.	Social and ethics committee will be appointed and implemented.		CFO	
1	Ex.93	Contrary to the requirements of the Regulation on Minimum competency levels 1. Management did not ensure that competency assessments were performed for all senior managers and financial officials during the year under review. 2. Management did not ensure that compliance with the requirements of the Regulation on Minimum competency levels was disclosed in the annual report. A similar finding was raised in the prior year under exception 181 and 191. This was caused by oversight on requirements of the regulation by management.			CEO	
25	Ex.98	Contrary to the requirements of the Public Service regulation, vacant posts within the finance section were not advertised within	Board of directors approved Vacant positions and they were advertised in January 2014.		HR Manager	In progress

Maluti-a-Phofung Water (Pty) Ltd

Audit action plan for 2012/2013 audit findings as per 2013 Audit Report

Audit rep par	Ex no as per final management letter	Issue	Comments / Action plan	Possible to clear during 2014	Responsible person	Progress
		6 months of vacancy:				
48	Ex.35	AOPO Contrary to the requirement, Municipal entity Service level agreement indicators and annual performance reported indicators are not consistent.	Perform all required duties to ensure accurate and complete record keeping with regards to predetermined objectives.		CEO	
12	Ex.36	A total of 77,55% of the targets were not specific in clearly identifying the nature and the required level of performance.	Training for managers on FMPPJ to enable the application of the principle.		HR Manager	
12	Ex.37	The required performance could not be measured for a total of 73,47% of the targets.	Training for managers on FMPPJ to enable the application of the principle.		HR Manager	
50	Ex. 39	Contrary to the requirement, Municipal entity planned and reported indicators were not well-defined, the targets and indicators were combined and treated as one, the indicators should be used as path to reach the target. Refer to the extract from both Annual Performance plan and annual performance report	This is mainly due to manager of predetermined objectives not performing all required duties to ensure predetermined objectives targets and indicators are clearly separated in both annual performance plan and annual performance report.		CEO	

Maluti-a-Phofung Water (Pty) Ltd

Audit action plan for 2012/2013 audit findings as per 2013 Audit Report

Audit rep par	Ex no as per final management letter	Issue	Comments / Action plan	Possible to clear during 2014	Responsible person	Progress
12	Ex.33	Contrary to the requirement, the municipal entity planned targets on annual performance plan and reported targets on annual performance report were not consistent. Refer to extract made on both annual performance plan and annual performance report.	This is mainly due to manager of predetermined objectives not performing all required duties to ensure accurate and complete record keeping with regards to predetermined objectives			
11	Ex.21	Contrary to the requirement the accounting officer submitted the mid-year report on 30 January 2013 to the parent municipality and on 08 February 2013 to the board of directors. Both the submissions made where after the required 20 January 2013.	Implement the compliance check list	30 June 2014	CEO	
49	Ex.68	Contrary to the requirement, Municipal entity's annual performance report states that number of customers visited the office during the year under review is 8703, The register of total visits by customer states that 7881 customers visited the office. Thus the annual performance report is not consistence with the documents supplied.		30 June 2014	Manager Revenue (Acting CFO)	
17	Ex.70	Contrary to the requirement, Municipal entity's annual performance report on bulk losses does not agree with unaccounted water report.		30 June 2014	Manager Operation	

Maluti-a-Phofung Water (Pty) Ltd

Audit action plan for 2012/2013 audit findings as per 2013 Audit Report

Audit rep par	Ex no as per final management letter	Issue	Comments / Action plan	Possible to clear during 2014	Responsible person	Progress
18	Ex.80	Contrary to the requirement, the following meetings supporting evidence could not be obtained. Customer care report on page 59 of Annual Report		30 June 2014	Manager Revenue (Acting CFO)	
20	Ex.87	Contrary to the requirement, the completion certificates and assessment check lists confirming the work completed on maintenance repaired were not obtained.			Manager Network, Manager Technical and Manager Operation	
3	Ex.13	The audit committee only had one member which is below the required minimum of 3 members and therefore does not constitute an audit committee. Maluti-A-Phofung local municipality did not appoint audit committee members to be also used at Municipal entity.	Audit committee to be appointed		CEO / Parent Municipality	In progress
55	Ex.61	Contrary to the requirement, the following VAT returns were not submitted timeously by month end to SARS	Implement the monthly compliance check list	17 Feb 2014	Manager Finance	Ongoing progress
15	Ex.26	A VAT procedure manual as required by section 55(1)(b) of the VAT Act could not be made available for inspection. This manual should clearly identify and detail	VAT manual procedure updated and submitted to CEO for approval	30 April 2014	Manager Finance	

Maluti-a-Phofung Water (Pty) Ltd

Audit action plan for 2012/2013 audit findings as per 2013 Audit Report

Audit rep par	Ex no as per final management letter	Issue	Comments / Action plan	Possible to clear during 2014	Responsible person	Progress
		all VAT processes, VAT codes to be used on e-Venus, etc. This will ensure that VAT is treated correctly and consistently, and that continuity with regards to VAT can be managed				
41	Ex.53	Through the audit work performed, it was determined that the treatment of VAT on invoice no.13089 was not claimed	Journal to be processed to correct VAT and the expense account	31 March 2014	Manager Finance	
43	Ex.108	Contrary to the requirement, VAT Input was claimed from the suppliers who are not VAT vendors	Journal to be processed to correct VAT and the expense account	31 March 2014	Manager Finance	
7	Ex.28	Contrary to the above requirements, the information as per information request number 23 was not provided			Manager Supply Chain	
8	Ex.34	An adequate management, accounting and information system which accounts for assets was not in place	Asset management system to be implemented.	30 April 2014	Manager Finance	
32	Ex.76	Contrary to the requirements of the Companies Act, the entity continues to use the abbreviation "(Pty) Ltd" after its name on official documents (stationery) issued to external parties, for example invoices.			CEO	In progress
9	Ex.84	Contrary to the requirements Board of Directors did not investigate the contract entered into with The Rental Company to identify the reason why inflated prices were paid by the entity for leased assets of R707 789 as disclosed in note 38 of the			CEO	

Maluti-a-Phofung Water (Pty) Ltd

Audit action plan for 2012/2013 audit findings as per 2013 Audit Report

Audit rep par	Ex no as per final management letter	Issue	Comments / Action plan	Possible to clear during 2014	Responsible person	Progress
		notes to the financial statements as at 30 June 2013 and to identify any actions that need to be taken against those responsible for entering into such an agreement.				
4	Ex.100	Contrary to the requirement, the municipal entity's annual report does not contain the following information: (1) Space for resolutions or corrective measures to be taken to address audit report matters. (2) Audit Committee report			CEO	
31	Ex.112	Various non-compliance issues noted during the audit, as is reported in exceptions, 84, 76, 100, 67, 34 and 28, it is evident that the board of directors did not comply with this legislative requirement. Leadership did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls			CEO	
5	Ex.113	The board of directors of the entity only comprise of two non-executive members.			CEO	
30	Ex.114	The entity does not have a social and ethics committee in place			CEO	
1	Ex.93	Contrary to the requirements of the			CEO	

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Audit action plan for 2012/2013 audit findings as per 2013 Audit Report

Audit rep par	Ex no as per final management letter	Issue	Comments / Action plan	Possible to clear during 2014	Responsible person	Progress
		Regulation on Minimum competency levels 1. Management did not ensure that competency assessments were performed for all senior managers and financial officials during the year under review. 2. Management did not ensure that compliance with the requirements of the Regulation on Minimum competency levels was disclosed in the annual report. A similar finding was raised in the prior year under exception 181 and 191				
24	Ex.97	Contrary to the requirements of the Public Service regulation, key positions and positions in the finance department have been vacant for more than 12 months.	Board of directors approved Vacant positions and they were advertised in January 2014.		HR Manager	In progress
25	Ex.98	Contrary to the requirements of the Public Service regulation, the following vacant posts within the finance section were not advertised within 6 months of vacancy:	Board of directors approved Vacant positions and they were advertised in January 2014.		HR Manager	In Progress
48	Ex.35	Contrary to the requirement, Municipal entity Service level agreement indicators and annual performance reported indicators are not consistent.			CEO	

Maluti-a-Phofung Water (Pty) Ltd

Audit action plan for 2012/2013 audit findings as per 2013 Audit Report

Audit rep par	Ex' no as per final management letter	Issue	Comments / Action plan	Possible to clear during 2014	Responsible person	Progress
13	Ex.36	Contrary to the requirement, Municipal entity planned targets and reported targets were not specific. The required level of performance was not clearly identified because the reported targets were not planned.	(Managers will be identified for training) Predetermined Objective manager should ensure that he/she sets the targets that are specific to objective and which are clearly defined		Manager Technical, Manager Network and Manager Operations	In progress
14	Ex.37	Contrary to the requirement, Municipal entity planned targets and reported targets were not specific. The required level of performance was not clearly identified because the reported targets were not planned.			Manager Technical, Manager Network and Manager Operations	
15	Ex.38	Contrary to the requirement, Municipal entity had no target date for the planned and reported targets.			Manager Technical, Manager Network and Manager Operations	
50	Ex.39	Contrary to the requirement, Municipal entity planned and reported indicators were not well-defined, the targets and indicators were combined and treated as one, the indicators should be used as path to reach the target.			Manager Technical, Manager Network and Manager Operations	
12	Ex.33	Contrary to the requirement, the municipal entity planned targets on annual performance plan and reported targets on annual performance report were not consistent. Refer to extract made on both annual performance plan and annual			Manager Technical, Manager Network and Manager Operations	

Maluti-a-Phofung Water (Pty) Ltd

Audit action plan for 2012/2013 audit findings as per 2013 Audit Report

Audit rep par	Ex no as per final management letter	Issue	Comments / Action plan	Possible to clear during 2014	Responsible person	Progress
11	Ex.21	performance report Contrary to the requirement the accounting officer submitted the mid-year report on 30 January 2013 to the parent municipality and on 08 February 2013 to the board of directors. Both the submissions made where after the required 20 January 2013.			CEO	
16	Ex.66	Contrary to the requirement, the actual performance as per the annual performance report does not agree to the supporting documentation inspected, to validate the performance:				
49	Ex.68	Contrary to the requirement, Municipal entity's annual performance report states that number of customers visited the office during the year under review is 8703. The register of total visits by customer states that 7881 customers visited the office. Thus the annual performance report is not consistence with the documents supplied			Manager Revenue (Acting CFO)	
17	Ex.70	Contrary to the requirement, Municipal entity's annual performance report on bulk losses does not agree with unaccounted water report.			Manager Networks	

Maluti-a-Phofung Water (Pty) Ltd

Audit action plan for 2012/2013 audit findings as per 2013 Audit Report

Audit rep par	Ex no as per final management letter	Issue	Comments / Action plan	Possible to clear during 2014	Responsible person	Progress
18, and 19	Ex.80, Ex.81, EX.70	The municipal entity did not formulate and implement a record management policy and related procedures to ensure that all documentation is properly controlled. No evidence was provided to confirm the six public meetings that were held (Ex. 80) No evidence was provided to support the road shows that were held (Ex. 81) Bulk losses does not agree with unaccounted water report (Ex 70)			Manager Revenue (Acting CFO)	
20	Ex.87	Contrary to the requirement, the completion certificates and assessment check lists confirming the work completed on maintenance repaired were not obtained on Departmental performance program for Operations			Manager Technical, Manager Network and Manager Operations	
		FINANCIAL STATEMENTS:				
	Ex.4	Through inspection of the internal audit reports it was confirmed that the internal audit function did not perform any audit work on Maluti-A-Phofung during the 2012/13 financial year. The internal audit plan for the year also did not make provision for tasks relating to the municipal entity.	Internal auditors has been appointed and they already started with risk assessment/register		CEO	Ongoing process
	Ex.13	Maluti-A-Phofung Water SOC Ltd does not			CEO	

Maluti-a-Phofung Water (Pty) Ltd

Audit action plan for 2012/2013 audit findings as per 2013 Audit Report

Audit rep par	Ex no as per final management letter	Issue	Comments / Action plan	Possible to clear during 2014	Responsible person	Progress
		have their own audit committee. As part of the shared services with Maluti-A-Phofung Local Municipality, the audit committee of Maluti-A-Phofung Local Municipality is used. The audit committee only had one member which is below the required minimum of 3 members and therefore does not constitute an audit committee.				
	Ex.115	Only in one of the two meetings held, was business of the municipal entity discussed. Not sufficient evidence exist that the audit committee were effective with regards to the required duties as set out above.			CEO	
		VAT:				
	Ex 61	Contrary to the requirement, the following VAT returns were not submitted timeously by month end to SARS:				
	Ex.26	A VAT procedure manual as required by section 55(1)(b) of the VAT Act could not be made available for inspection. This manual should clearly identify and detail all VAT processes, VAT codes to be used on e-Venus, etc. This will ensure that VAT is treated correctly and consistently, and that continuity with regards to VAT can be managed.				

Maluti-a-Phofung Water (Pty) Ltd

Audit action plan for 2012/2013 audit findings as per 2013 Audit Report

Audit rep par	Ex no as per final management letter	Issue	Comments / Action plan	Possible to clear during 2014	Responsible person	Progress
		RECEIVABLES:				
	Ex.1	Through inspection of the debtor reconciliation for May 2013, no proof of review by the accountant or the financial manager could be confirmed	May 2013 reconciliation reviewed by Accountant. Recon is available for inspection.		Finance manager	Done
		PROCUREMENT:				
	Ex.24	From inspection of the minutes of Supply Chain Management and Operations meetings for the year, we confirmed that the entities code of conduct was not discussed with all officials of the Supply Chain Management Unit.	Consultation with all stakeholders will be conducted on a monthly basis		Supply chain manager	Ongoing
	Ex 85	Contrary to the above requirements, awards were made to persons or entities whose directors/ members/ principle shareholders/ stakeholders were in the service of other state institutions. The entity did not require the suppliers to declare their interests when applying to be added onto the suppliers database	All database forms and bid documents contains the declarations of interest		Supply chain manager	Ongoing
	Ex.110	Bid results not published on the website	Website under construction	31 Mar 2014	IT and Supply Chain	
	Ex.92	Contrary to the above requirements, management did not provide us with the supporting documents to confirm that the following was done for the consultants - Matla A Basotho Accountants	A policy will be drafted	28 Feb 2014	Supply chain Manager	
	Ex.52	Caution not exercised by managers when deviations from SCM processes are	All the deviations will be checked by SCM for compliance and completeness before		Supply chain Manager	Ongoing

Maluti-a-Phofung Water (Pty) Ltd

Audit action plan for 2012/2013 audit findings as per 2013 Audit Report

Audit rep par	Ex no as per final management letter	Issue	Comments / Action plan	Possible to clear during 2014	Responsible person	Progress
		approved	approval			
		PAYABLES				
	Ex.60	From inspection of the trial balance, the following suspense accounts were identified that relate to prior year balances carried forward in the current year with no movements: PAYE 521 711,05 and UIF R812 632,96	Supporting documents to be located and journal to be processed to allocated the amounts to the correct accounts		Finance Manager	
	Ex. 48	For the creditors control account we received an age analysis from the client. This age analysis however does not agree to the Trial balance amount for the current and prior year:			Finance Manager	
	Ex 51	From inspection of the entities accrual listing, the following difference was identified between the accruals listing and the trial balance as at 30 June 2013: Purchase accrual R478 065.73(GL) and R350 846,96 (List)				
	Ex.59	The following payments were identified to be paid more than 30 days after the date of invoice from the supplier. The date of the receipt of the invoice was not indicated on the invoice - the date of the invoice was then used as an			Finance manager	

Maluti-a-Phofung Water (Pty) Ltd

Audit action plan for 2012/2013 audit findings as per 2013 Audit Report

Audit rep par	Ex no as per final management letter	Issue	Comments / Action plan	Possible to clear during 2014	Responsible person	Progress
		indication:				
		<u>PPE</u>				
	Ex.16					
	Ex.17	During the review of the fixed asset register we noted that it did not disclose the following details for each asset, which would provide support on the figures disclosed in the annual financial statements:	1. Method of finance for each assets will be included in the asset register with the assistance of AG 2. Accumulated impairment for each class of assets A list of Amounts received for disposal of fixed assets and resultant profit or loss on the disposal to be compiled		Manager Finance	