

Chapter 6

Report of the Auditor-General for the 2012/13 Financial Year



Component A: Report of the Auditor-General: 2012/2013

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE NKETOANA LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Nketoana Local Municipality set out on pages 204 to 312, 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, the statement of comparison of budget and actual amounts and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. 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 audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Nketoana Local Municipality 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

Restatement of corresponding figures

8. As disclosed in note 44 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of errors discovered during the 2013 financial year in the financial statements of the Nketoana Local Municipality at, and for the year ended, 30 June 2012.

Material impairments and losses

9. As disclosed in note 7 to the financial statements, a debt impairment provision to the amount of R159 886 398 (2012:R145 092 481) was made for doubtful debts, due to poor collection practices.

Additional matter

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

Supplementary explanations of budget variances presented outside the financial statements

11. The supplementary explanations of budget variances contained in appendix E(1) do not form part of the financial statements. I have not audited these explanations and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. 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

13. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 35 to 172 of the annual report.

14. 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).
15. 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).
16. The material findings are as follows:

Usefulness of information

Presentation

17. Section 46 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (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 100% of the planned targets not achieved were not reflected in the annual performance report. 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.

Measurability

18. The FMPPI requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 21% 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.
19. The FMPPI requires that performance targets be measurable. The required performance could not be measured for a total of 21% of the targets. 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 indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 32% of the indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. 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

21. 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.

I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of information presented with respect to the selected development

priorities: roads and storm water, water services, electricity and sewerage.

This was due to limitations placed on the scope of my work due to the fact that the municipality could not provide sufficient appropriate evidence in support of the information presented with respect to the selected development priorities: roads and storm water, water services, electricity and sewerage.

Compliance with laws and regulations

22. 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:

Budget

23. Expenditure was incurred not in terms of the approved budget, in contravention of section 15 of the MFMA.

Annual financial statements, performance and annual reports

24. The 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 of non-current assets, current assets, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.
25. The 2011-12 annual report was not made public immediately after the annual report was tabled in the council, as required by section 127(5)(a) of the MFMA.
26. The council's oversight report on the 2012 annual report was not made public within seven days of its adoption, as required by section 129(3) of the MFMA.

Audit committee

27. The audit committee did not advise the council and the accounting officer on matters relating to internal financial control and internal audits, risk management, accounting policies and performance evaluation, as required by section 166(2)(a) of the MFMA.
28. 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.

Expenditure management

29. Reasonable steps were not taken to prevent unauthorised and irregular expenditure, as required by section 62(1)(d) or 95(d) of the MFMA.

Conditional grants received

30. The municipality did not timeously submit project registration forms, for projects it intended to implement in the 2014 financial year, to the department of local government, as required by the Division of Revenue Grant Framework, Gazette No. 35399.

Consequence management

31. Authorisation of unauthorised expenditure was not done through an adjustment budget, as required by section 32(2) of the MFMA.

Strategic planning and performance management

32. The audit committee did not review the municipality's performance management system and did not make recommendations to the council, as required by regulation 14(4)(a)(ii) of the Municipal Planning and Performance Management (MPPM).
33. The audit committee did not review the quarterly internal audit reports on performance measurement, as required by MPPM regulation 14(4)(a)(i).
34. The 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).
35. The internal audit unit did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the performance audit committee, as required by MPPM regulation 14(1)(c).
36. The annual performance report for the year under review did not include measures taken to improve performance, as required by section 46 (1)[(a) or (b) or (c)] of the MSA.
37. 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.

Human resource management

38. Financial officials and supply chain management (SCM) officials were appointed without having met the prescribed minimum competency levels, as required by section 54A(2) or 56(1)(b)] of the MSA.
39. The chief financial officer, some senior managers, SCM managers and finance officials at middle management did not have the higher education qualification and did not meet any of the prescribed competency areas, as required by section 83 of the MFMA and

regulations 4, 5,6,7,8 and 9 of the Municipal Regulations on Minimum Competency Levels.

Procurement and contract management

40. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days, as required by SCM regulation 22(1) and 22(2).
41. Quotations were awarded to bidders who did not submit a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
42. Awards were made to providers who were in the service of other state institutions, in contravention of MFMA 112(j) and SCM regulation 44. Similar awards were identified in the prior year and no effective steps were taken to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1).

Internal control

43. I considered internal control relevant to my audit of the financial statements, the annual performance report 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 findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

44. The implementation of action plans was not adequately monitored and implemented to address internal control deficiencies identified. Staff of the municipality were also not held accountable due to the performance management system not being implemented at the municipality.
45. The leadership did not take all the necessary and adequate steps to prevent irregular expenditure and to set the standard for sound corporate governance. The vacancy in the position of head of SCM for most of the year also contributed to the occurrence of irregular expenditure.

Financial and performance management

46. The financial statements were not properly reviewed for completeness and accuracy prior to submission for auditing. This resulted in many findings relating to incorrect disclosure or non-disclosure.
47. The municipality did not always comply with applicable laws and regulations. There were inadequate processes in place to monitor compliance with legislation, which resulted in a number of reported non-compliance issues.
48. Staff members did not understand performance information reporting requirements and did not receive appropriate training in this regard. Action was not taken during the year to implement the reporting requirements. This resulted in significant findings on performance information.
49. A strategic body was not appointed to develop and implement adequate information technology policies and procedures due to management oversight.

Governance

50. The audit committee did not provide oversight regarding the effectiveness of the internal control environment and compliance with laws and regulations as the committee did not respond to the council on any issues raised by the auditor-general in the audit report. The audit committee also did not perform the duties of a performance audit committee because the audit committee of the municipality was appointed very late in the financial year.

OTHER REPORTS

Investigations

51. At the time of this report, an ongoing investigation was being conducted by independent forensic auditors on request of the bank regarding alleged fraudulent transactions which occurred between 22 and 25 October 2010 from two bank accounts of the municipality. The investigation commenced in the previous financial year. A charge was laid at a police station and suspects were arrested in the previous year. The money that was defrauded was partially recovered. The amount that was not recovered was R1 780 000. The hacking of the cash focus system was being investigated to determine if the bank could be held responsible for the failure in internal controls. The investigation was still ongoing at the reporting date.

52. An investigation was being conducted by the South African Police Service (SAPS) regarding alleged fraudulent procurement transactions from the 2009 to the 2012 financial years. Supporting documentations have been seized by the SAPS. The investigation commenced towards the end of the 2013 financial year. The investigation was still ongoing at the reporting date.

Auditor-General

Bloemfontein

30 November 2013



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Component B: Action Plan

ACTION PLAN ON THE AUDITOR-GENERAL REPORT 2012/2013

| Heading | Audit Finding | Management Action | Responsible Person |
|---|---|---|---|
| Restatement of corresponding figures | 1. As disclosed on note 44 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of errors discovered during the 2013 financial year in the financial statements of the Nketoana Local Municipality at, and for the year ended, 30 June 2012 | 1. Proper review of the first draft by the management and audit committee will prevent any adjustment in relation to the previous year | CFO Audit Committee |
| Material impairments and losses | 2. As disclosed in note 7 to the financial statements, a debt impairment provision to the amount of R 159 886 398 (2012:R145 092 481) was made for doubtful debts, due to poor collection practices. | 2. The municipality is embarking on a strict revenue enhancement strategy to try and eliminate this figure. | CFO Manager Income |
| Predetermined objectives: Presentation | 3. Section 46 of the Municipal Systems Act, 2000 (Act No.32 of 2000) (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 100% of the planned targets not reflected in the annual performance report. This was due to the fact that management was aware of the requirement of the FMPPI but did not receive the necessary training to enable application of the principles. | 3. The municipality is aware of this omission of measures taken to improve performance, in the annual performance report. Care will be taken that it is included in the Performance Information of 2013/2014 | Municipal Manager Directors Manager PMS |
| Predetermined objectives: Measurability | 4. The FMPPI requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 21% 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 requirement of the FMPPI but did not receive the necessary training to enable application of the principles. | 4. The municipality will make use of a service provider to assist with the deficiencies indicated as well as to ensure that the manager PMS be trained and capacitated. 5. The municipality will make use of a service provider to assist with | Manager IDP & PMS |

| Heading | Audit Finding | Management Action | Responsible Person |
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| | <p>5. The FMPPI requires the performance targets be measurable. The required performance could not be measured for a total of 21% of the targets. This was due to the fact that management was aware of the requirement of the FMPPI but did not receive the necessary training to enable application of the principles</p> <p>6. The FMPPI requires that the indicators should have clear unambiguous data definitions so that the data is collected consistently and is easy to understand and use. A total of 32% of the indicators were not well defined in that clearly , unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the fact that management was aware of the requirement of the FMPPI but did not receive the necessary training to enable application of the principles.</p> | <p>the deficiencies indicated as well as to ensure that the manager PMS be trained and capacitated.</p> <p>6. The municipality will make use of a service provider to assist with the deficiencies indicated as well as to ensure that the manager PMS be trained and capacitated.</p> | |
| <p>Predetermined objectives: Reliability of information</p> | <p>7. 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.</p> <p>I was unable to obtain the information and explanations I considered necessary to satisfy myself as tot the reliability of information presented with respect to the selected development priorities: roads and storm water, electricity and sewerage.</p> <p>This was due to limitations placed on the scope of my work due to the fact that the municipality could not provide sufficient appropriate evidence in support of the information presented with respect to the selected developmental priorities: roads and storm water,</p> | <p>7. The PMS section has developed a system of unique numbering of the evidence that is presented with performance assessments. This numbering will be used in all relevant documents. This will enable the auditor-general to identify the relevant evidence presented with each target.</p> | <p>Municipal Manager Director of each Department Manager IDP & PMS</p> |

| Heading | Audit Finding | Management Action | Responsible Person |
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| | water services, electricity and sewerage. | | |
| Compliance with laws and regulations: Budget | 8. Expenditure was incurred not in terms of the approved budget, in contravention of section 15 of the MFMA | 8. All overspent votes will be blacklisted and funds will be shifted between budget votes. | CFO Manager Budget & Treasury |
| Compliance with laws and regulations: Annual financial statements, performance and annual reports | <p>9. The 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 of non-current assets, current assets, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.</p> <p>10. The 2011/2012 annual report was not made public immediately after the annual report was tabled in the council, as required by section 127(5)(a) of the MFMA.</p> <p>11. The council's oversight report on the 2012 annual report was not made public within seven days of its adoption, as required by section 129(3) of the MFMA</p> | <p>9. The 2013/2014 annual financial statements will be prepared in terms of all the requirements of section 122 of the MFMA.</p> <p>10. The Annual Report 2011/2012 was made public after it was tabled at Council. It was advertised in the Express and Maluti. Copies of the advertisement are available. The document was available at Public Libraries as well as all municipal offices.</p> <p>11. This was an omission by the municipality and care will be taken to comply with this requirement in future.</p> | CFO Manager IDP & PMS |
| Compliance with laws and regulations: Audit Committees | <p>12. The audit committee did not advise the council and the accounting officer on matters relating to the internal financial control and internal audits, risk management, accounting policies and performance evaluation, as required by section 166(2) (a) of the MFMA</p> <p>13. 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</p> | <p>12. We will ensure that the audit committee fulfils all its responsibilities as set out in the legislation and regulations that govern the functions of audit committee</p> <p>13. We will ensure that the audit committee fulfils all its responsibilities as set out in the legislation and</p> | MM Manager Internal Audit Audit Committee |

| Heading | Audit Finding | Management Action | Responsible Person |
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| | | regulations that govern the functions of audit committee | |
| Compliance with laws and regulations: Expenditure management | 14. Reasonable steps were not taken to prevent unauthorized and irregular expenditure, as required by section 62(1)(d) or 95(d) of the MFMA | 14. Unauthorized and irregular expenditure will be prevented at all costs. | CFO |
| Compliance with laws and regulations: Conditional grants received | 15. The municipality did not timeously submit project registration forms, for projects it intended to implement in the 2014 financial year, to the department of Local Government, as required by the Division of Revenue Grant Framework, Gazette No. 35399 | 15. The municipality will timeously submit all project registration forms for future projects. The appointment of a Manager for the PMU as well as a PMU technician will enable the municipality to improve in this section | Manager PMU |
| Compliance with laws and regulations: Consequence management | 16. Authorization of unauthorized expenditure was not done through an adjustment budget, as required by section 32(2) of the MFMA | 16. The municipality will take all reasonable to authorize all the unauthorized expenditure through an adjustment budget. | CFO Manager Budget & Treasury |
| Compliance with laws and regulations: Strategic planning and performance management | <p>17. The audit committee did not review the municipality's performance management system and did not make recommendations to the council, as required by regulation 14(4)(a)(ii) of the Municipal Planning and Performance Management (MPPM).</p> <p>18. The audit committee did not review the quarterly internal audit reports on performance measurement, as required by MPPM regulation 14(4)(a)(i).</p> <p>19. The 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).</p> <p>20. The internal audit did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager</p> | <p>17. We will ensure compliance with section 14(4)(a)(ii) of the Municipal Planning and Performance Management, audit committee will review the municipality's performance management system</p> <p>18. We will ensure compliance with section 14(4)(a)(ii) of the Municipal Planning and Performance Management, audit committee will review the municipality's performance management system</p> <p>20. Internal audit unit will ensure that it audit performance measurements and submit quarterly reports</p> | Manager Internal Audit Manager IDP & PMS Audit Committee |

| Heading | Audit Finding | Management Action | Responsible Person |
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| | <p>and the performance audit committee, as required by MPPM regulation 14(1)(c)</p> <p>21. The annual performance report for the year under review did not include measures taken to improve performance, as required by section 46 (1)[(a) or(b) or (c)] of the MSA</p> <p>22. 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.</p> | <p>to the municipal manager and performance audit committee.</p> <p>21. This was an omission by the municipality and care will be taken to include it in future reports. An</p> <p>22. The Risk Officer will oversee all related risk are reported and and are attended too.The risk committee has been appointed and all matters related to financial and risk management will be adhered.</p> | |
| <p>Compliance with laws and regulations: Human Resources</p> | <p>23. Financial officials and supply chain management (SCM) officials were appointed without having met the prescribed minimum competency levels, as required by section 54A(2) or 56(1)(b) of the MSA.</p> <p>24. The Chief Financial officer, some senior managers, SCM managers and finance officials at middle management did not have the higher education qualification and did not meet any of the prescribed competency areas, as required by section 83 of the MFMA and regulations 4,5,6,7,8 and 9 of the Municipal Regulations on Minimum Competency Levels.</p> | <p>23. All financial officials and supply chain management officials are currently undergoing training that will lead to them acquiring the prescribed competency level.</p> <p>24. The current CFO and the accounting officer (MM) possess higher education qualifications and do meet the prescribed competency levels. Senior managers and other managers are being exposed to training and academic studies so that they can acquire the necessary qualifications and meet the prescribed competency levels.</p> | <p>Director Corporate Services Training Officer</p> |
| <p>Compliance with laws and regulations: Procurement and contract management.</p> | <p>25. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days, as</p> | <p>25. The invitations for competitive bidding are now designed in a way that shows when it was placed and its closing dates, and all is done to</p> | |

| Heading | Audit Finding | Management Action | Responsible Person |
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| | <p>required by SCM regulation 22(1) and 22(2).</p> <p>26. Quotations were awarded to bidders who did not submit a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c)</p> <p>27. Awards were made to providers who were in the service of other state institutions, in contravention of MFMA 112(j) and SCM regulation 44. Similar awards were identified in the prior year and no effective steps were taken to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1)</p> | <p>comply with SCM regulation 22(1) and 22(2).</p> <p>26. Declaration of interest is done to all transaction thresholds.</p> <p>27. The municipality will be working with the Auditor General to try and avoid awarding bids to the people in the service of the state.</p> | |
| Internal control: Leadership | <p>28. The implementation of action plans was not adequately monitored and implemented to address internal control deficiencies identified. Staff of the municipality were also not held accountable due to the performance management system not being implemented at the municipality.</p> <p>29. The leadership did not take all the necessary and adequate steps to prevent irregular expenditure and to set the standard for sound corporate governance. The vacancy in the position of head of SCM for most of the year also contributed to the occurrence of irregular expenditure</p> | <p>28. The Individual PMS is at this stage only implemented to the level of the MM and Directors. It is envisaged that it will be cascaded down to middle management and then to the rest of the employees. It will take 3 financial years to implement the PMS to its full extend.</p> <p>29. All payment vouchers are investigated by the internal audit function to ensure that unauthorized and irregular expenditure are reported.</p> | |
| Internal control: Financial and performance management | 30. The financial statements were not properly reviewed for completeness and accuracy prior to submission for auditing. This resulted in may findings relating to incorrect disclosure or non-disclosure. | 30. Proper review of the first draft by the management and audit committee will prevent any adjustment in relation to the previous year. | CFO Audit Committee Manager IDP & PMS |

| Heading | Audit Finding | Management Action | Responsible Person |
|---------|---|--|--------------------|
| | <p>31. The municipality did not always comply with applicable laws and regulations. There were inadequate processes in place to monitor compliance with legislation, which resulted in a number of reported non-compliance issues.</p> <p>32. Staff members did not understand performance information and did not receive appropriate training in this regard. Action was not taken during the year to implement the reporting requirements. This resulted in significant findings on performance information.</p> <p>33. A strategic body was not appointed to develop and implement adequate information technology policies and procedures due to management oversight.</p> | <p>31. In order to prevent non-compliance to applicable laws and regulations regarding IDP & PMS matters a register for each section was compiled to serve as a checklist to enable the manager to comply.</p> <p>32. Staff members are assisted and capacitated by the service provider appointed to improve the PMS in the municipality. The first phase of MM and Directors as well as the assessment panels were well informed and trained on the Implementation of PMS. As the PMS will be cascaded down, each affected group will receive adequate training.</p> <p>The PMS section has developed a system of unique numbering of the evidence that is presented with performance assessments. This numbering will be used in all relevant documents. This will enable the auditor-general to identify the relevant evidence presented with each target.</p> <p>33. An IT Steering committee was established and is functional</p> | |

| Heading | Audit Finding | Management Action | Responsible Person |
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| Internal control: Governance | 34. The audit committee did not provide oversight regarding the effectiveness of the internal control environment and compliance with laws and regulations as the committee did not respond to the council on any issues raised by the auditor-general in the audit report. The audit committee also did not perform the duties of a performance audit committee because the audit committee of the municipality was appointed very late in the financial year. | 34. As the AG stated, the Audit Committee was appointed very late in the financial year under review. It was not possible for them to perform their duties as the Performance Audit Committee as prescribed. In the 2013/2014 financial year all duties will be performed and special attention will be given to PMS. | Manager Internal Audit Manager IDP & PMS Audit Committee |

