

---

## RESOLUTIONS OF THE PROVINCIAL PUBLIC ACCOUNTS COMMITTEE

---

### FOURTH REPORT 2010

#### RESOLUTION NO. 1

(As presented to the North West Legislature)

---

### REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE NO: 9 DEPARTMENT OF DEVELOPMENTAL LOCAL GOVERNMENT AND HOUSING SETTLEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009.

The Committee, having heard evidence on 25 November 2009 on the aforementioned Report of the Auditor-General (AG) for the financial year 31 March 2009, **wishes to express its concern over the following:**

1. Contrary to section 13(3)(b) read with sections 24(2)(b) and (c) of DoRA, the department made advance payments of R588 million to various municipalities from its schedule 5 allocation and included them in transfers and subsidies of R1 billion as disclosed in note 10 to the financial statements. The completeness, accuracy, cut off, classification and occurrence of these advance payments could not be determined due to insufficient and appropriate audit evidence and the lack of internal control systems and policies and procedures. Consequently, in terms of section 43(1) of DoRA, these advance payments are considered to be unauthorised expenditure. The department however, did not disclose this as unauthorised expenditure.
2. Contrary to Section 13(3)(b) of DORA, actual housing expenditure of R365 million was incorrectly included in transfers and subsidies of R1 billion as disclosed in note 10 to the financial statements, resulting in the overstatement of transfers and subsidies and the understatement of current expenditure. In terms of section 43(1) of DoRA, because of this non-compliance, these payments are also considered to be irregular expenditure.
3. Debit suspense balances of R355 806 909 and credit suspense balances of R357 468 512 as at 31 March 2009 were netted and only the difference of R1 661 603 was disclosed in note 24 to the financial statements.
4. Accruals of R7 141 000 in the previous financial year were understated by R5 835 236 due to poor cut-off procedures by the department, which could have an effect on the comparability of the current period figures and the corresponding figures.
5. In the previous financial year, sufficient appropriate audit evidence could not be obtained for miscellaneous debts of R1 155 000, lifting of building restrictions of R1 174 000 and interdepartmental debts of R2 429 000 included in other debtors disclosed in those financial statements which could have an effect on the comparability of the current period figures and the corresponding figures.

6. Programme 1 was overspent by R1 520 000, which resulted in unauthorised expenditure in terms of section 34 of the PFMA. This was however not disclosed as unauthorised expenditure in note 12 to the financial statements.
7. Unauthorised expenditure of R82 472 000 in respect of prior years was not dealt with as required by section 34 of the PFMA. The department has applied to the provincial treasury for condonement of this expenditure.
8. Instances of non-compliance with the PFMA, DoRA, the Housing Act and Treasury Regulations occurred.
9. Although there has been improvement since the previous year, the accounting officer still needs to improve the design, implementation and monitoring of internal controls relevant to the preparation of the financial statements to ensure achievement of good governance practices.
10. The department has not reported on all the predetermined objectives, as required by section 40(3)(a) of the PFMA.
11. The accounting officer did not ensure that the department has and maintains an effective, efficient and transparent system of internal control regarding performance management.
12. No quarterly reports on the progress in achieving measurable objectives and targets were prepared.
13. Differences occurred between the budget and the strategic plan in 6 sub-programmes,
14. Differences occurred in indicators/measures between the strategic plan and the annual performance plan.
15. A number of targets with regard to 5 sub-programmes were not specific, measurable or time-bound.
16. Sufficient appropriate audit evidence with regard to the reported performance information of the department could not be obtained, as the information system used for generating performance information was not appropriate to facilitate the preparation of accurate and complete actual performance information.

**The committee recommends that:**

- 1.1 The unauthorised expenditure resulting from to the advance payments of R588 million to various municipalities should be investigated and dealt with in terms of section 34 of the PFMA **on or before 16 July 2010.**
- 1.2 The required policies and procedures should be approved and implemented and adequate internal control systems should be put in place **on or before 16 July 2010** and monitored on a regular basis.
- 2.1 The irregular expenditure of R365 million should be investigated and submitted to the relevant authority **on or before 16 July 2010.**
- 2.2 Adequate control measures should be implemented **on or before 16 July 2010** to ensure that incorrect disclosures are detected and corrected before finalising the financial statements.
3. The suspense accounts should be investigated and cleared **on or before 16 July 2010** and measures should be implemented to ensure correct disclosure.

4. The accrual balances should be corrected **on or before 16 July 2010** and adequate cut-off procedures implemented.
5. Audit evidence for the prior year for miscellaneous debts of R1 155 000, lifting of building restrictions of R1 174 000 and interdepartmental debts of R2 429 000 should be submitted **on or before 16 July 2010** for audit purposes.
6. The overspending of Programme 1 should be investigated **on or before 16 July 2010** and dealt with in terms of section 34 of the PFMA.
7. Unauthorised expenditure of R82 472 000 in respect of prior years should be dealt with as required by section 34 of the PFMA **on or before 16 July 2010**.
8. Adequate internal control measures should be implemented **on or before 16 July 2010** to ensure compliance with applicable laws and regulations.
9. The design, implementation and monitoring of internal controls relevant to the preparation of the financial statements should be improved **on or before 16 July 2010** to ensure achievement of good governance practices.
10. Control measures should be implemented **on or before 16 July 2010** to ensure that the department reports on all the predetermined objectives, as required by section 40(3)(a) of the PFMA.
11. An effective, efficient and transparent system of internal control regarding performance management should be implemented **on or before 16 July 2010**.
12. Control measures should be implemented **on or before 16 July 2010** to ensure that quarterly reports on the progress in achieving measurable objectives and targets are prepared.
- 13-14. Control measures should be implemented **on or before 16 July 2010** to detect and correct differences between the budget and the strategic plan and in indicators/measures between the strategic plan and the annual performance plan.
15. Control measures should be implemented **on or before 16 July 2010** to ensure that all targets are specific, measurable and time-bound.
16. Control measures should be implemented **on or before 16 July 2010** to ensure that sufficient appropriate audit evidence with regard to the reported performance information is available for audit.