

SECOND 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 KGETLENGRIVIER LOCAL MUNICIPALITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008.

The Committee, having heard evidence on 26 January 2010 on the aforementioned Report of the Auditor-General (AG) for the financial year ended 30 June 2008, **wishes to express its concern over the following:**

1. There was a difference of R23 527 040 between the Grants Received Register and the accounting records.
2. The municipality did not perform rate reconciliation between the valuation roll and rates used on the system.
3. A vast number of supporting documents and audit evidence could not be submitted for audit purposes.
4. Various instances of non-compliance with governing legislation occurred.
5. Several classification errors occurred where expenditure was erroneously classified as general expenses.
6. A debtors' age analysis could not be provided for audit purposes.
7. A difference of R156 589 140 existed between the fixed asset register and the statement of financial position.
8. The municipality did not follow an adequate action plan to address the audit qualifications.
9. A lack of capacity existed in the financial department.
10. The municipality did not have a functional audit committee and internal audit unit.

The committee recommends that:

1. The difference of R23 527 040 between the Grants Received Register and the accounting records should be investigated and corrected **on or before 17 June 2010.**
2. The new valuation roll should be reconciled with the rates raised **on or before 17 June 2010** and all exemptions should be clearly marked.
3. Management should implement control measures to ensure the adequate safekeeping and tracking of supporting documentation **on or before 17 June 2010.**

4. The municipality should submit a list of policies adopted by the council, **on or before 17 June 2010** including the date of adoption and implementation, and the essence of the policy, as well as a list of policies that the council should consider for adoption.
5. Control measures should be implemented **on or before 17 June 2010** to detect classification errors and misallocations while drafting the financial statements.
6. A management information system on debtors that can provide an age analysis should be implemented **on or before 17 June 2010** that should be followed up on a regular basis for collections. Furthermore, actions taken against defaulters should also be submitted.
- 7.1 The difference of R156 589 140 that existed between the fixed asset register and the statement of financial position should be investigated and corrected **on or before 17 June 2010**.
- 7.2 The asset register should be updated **on or before 17 June 2010** and thereafter on a monthly basis and the asset register should reconcile with the general ledger control account. The asset register should contain the following minimal information:
 - Segmentation of assets (infrastructure)
 - Fair value of assets and date
 - Any impairment of assets and date
 - Useful life of asset and date
 - Residual value of the assets and date
 - Source funding of assets (i.e. grants, own revenue, loan account)
- 8.1 The foresight action plan to address audit qualifications should be specific, measurable objectives set with realistic time-frames and assigned to a specific person (not position) **on or before 17 June 2010**.
- 8.2 The action plan should be monitored on a monthly basis, feedback given to the council and any deviations noted. The feedback of milestones reached should be presented to the committee **on or before 17 June 2010**.
- 9.1 Key positions should be filled with adequate, skilled, competent staff **on or before 17 June 2010**.
- 9.2 The council should implement the necessary delegations and monitoring systems **on or before 17 June 2010** to ensure that staff are kept accountable. The council should take corrective action against the individuals that do not support the municipality.
10. An audit committee and internal audit unit should be implemented **on or before 17 June 2010**.