
RESOLUTIONS OF THE PROVINCIAL PUBLIC ACCOUNTS COMMITTEE

SECOND REPORT, 2010

RESOLUTION NO. 5

(As presented to the North West Legislature)

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF RATLOU LOCAL MUNICIPALITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008.

The Committee, having heard evidence on 26 August 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. Some assets were physically verified from the floor but were not recorded in the fixed assets register.
2. Disposals of motor vehicles of R990 740 were recorded in the fixed asset register but not recognised in the general ledger.
3. There was a discrepancy between the fixed asset register and the general ledger amounting to R8 670 953.
4. The value of fixed asset additions as per the fixed asset register differed from the additions in the financial statements by an amount of R45 935 697.
5. The completeness and accuracy of journals processed amounting to R1 027 501 and non-routine journals amounting to R13 140 039 relating to prior year misstatements, could not be confirmed as no supporting documentation was available.
6. Supporting documentation for the redemption account amounting to R196 792 203 could not be provided for audit.
7. The accuracy and fairness of presentation and disclosure of the cash flow statement could not be ascertained, due to supporting documentation not made available for audit.
8. Sufficient appropriate audit evidence could not be obtained to verify the existence, accuracy and completeness of capital commitments disclosed in note 20 to the financial statements at R24 123 093, due to supporting information not being submitted for audit.
9. Contrary to section 21(2)(a) the municipality did not take IDP into account when preparing the budget.
10. Contrary to section 63(2) - (2) the accounting officer did not take all reasonable steps to ensure that the municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality and a system of internal control of assets, including an asset register.
11. Contrary to section 64(2)(e) the municipality failed to maintain a management, accounting and information system that recognises revenue when it is earned and accounts for receipts of revenue, especially direct income.
12. Contrary to section 65(2)(e) not all payments due to creditors were settled within 30 days from receipt of an invoice.

13. Contrary to section 74 the municipality did not comply with the general reporting obligations as required.
14. Contrary to section 124(1) the municipality failed to comply fully as particulars of allowances and benefits of political office-bearers and senior management were not included in the notes to the financial statements.
15. Contrary to section 165(2)(b)(iv) the municipality failed to perform a proper risk assessment during the year.
16. Contrary to section 38-40 of the MSA and contrary to section 14(2)(a) of the Municipal planning and performance management regulations (GNR796), the municipality had no performance management system or performance audit committee in place throughout the financial year.
17. The annual report of the Ratlou Local Municipality did not include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the MSA, as required by section 121(3)(c) of the MFMA.
18. The integrated development plan of the municipality did not include the key performance indicators and performance targets determined in terms of its performance management system as required by section 26(i) of the MSA.

The committee recommends that:

- 1-3 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)
4. The difference between the value of fixed asset additions as per the fixed asset register and the financial statements should be investigated and corrected **on or before 17 June 2010**.
5. Control measures should be implemented **on or before 17 June 2010** to ensure that no journals can be processed without the required supporting documentation and these measures should be monitored on a regular basis.
- 6-8. Management should implement control measures to ensure the adequate safekeeping and tracking of supporting documentation **on or before 17 June 2010**.
9. Control measures should be implemented **on or before 17 June 2010** to ensure compliance with section 21(2)(a) of the MFMA.
10. An adequate management, accounting and information system that accounts for the assets of the municipality and a system of internal control of assets, including an asset register should be implemented **on or before 17 June 2010** and should be maintained on a regular basis.
11. A management, accounting and information system that recognises revenue when it is earned and accounts for receipts of revenue, especially direct income should be implemented **on or before 17 June 2010** and maintained on a regular basis.
12. A post-received register should be implemented **on or before 17 June 2010** and the municipality should design and implement a system to ensure that invoices are paid within 30 days. These measures should be monitored to ensure compliance with the MFMA.

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13. Control measures should be implemented **on or before 17 June 2010** to ensure compliance with section 74 of the MFMA.
 14. Control measures should be implemented **on or before 17 June 2010** to ensure that all the required particulars of allowances and benefits of political office-bearers and senior management are included in the notes to the financial statements.
 15. Control measures should be implemented **on or before 17 June 2010** to ensure that a proper risk assessment is during the year.
 16. The municipality should implement a performance management system and performance audit committee **on or before 17 June 2010**.
 17. Control measures should be implemented **on or before 17 June 2010** to ensure that the municipality includes the annual performance report in the annual report, as required by section 121(3)(c) of the MFMA.
 18. Control measures should be implemented **on or before 17 June 2010** to ensure that the key performance indicators and performance targets determined in terms of its performance management system are included in the integrated development plan.