
RESOLUTIONS OF THE PROVINCIAL PUBLIC ACCOUNTS COMMITTEE

SECOND REPORT, 2010

RESOLUTION NO. 7

(As presented to the North West Legislature)

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF DR KENNETH KAUNDA DISTRICT MUNICIPALITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008.

The Committee, having heard evidence on 16 October 2009 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. A disclaimer of audit opinion was issued in the prior year. During the year under review, management did not implement corrective measures on the qualifications raised regarding property, plant and equipment.
2. Following the altered jurisdiction area of the municipality in terms of Provincial Notice 322 of 2000 (Provincial Gazette 5574 dated 29 September 2000), assets and liabilities to be transferred to the Dr Ruth Segomotsi Mompoti District Municipality were removed from the accounting records of the Dr Kenneth Kaunda District Municipality. Since the MEC responsible for Local Government in the Province has not yet made a determination regarding the transfer of these assets and the corresponding liabilities as required by section 7 of the aforementioned proclamation, infrastructure assets are understated by R28 673 401, whilst long-term liabilities, which include arrear instalments and interest, are understated by R52 521 787.
3. Following the altered functions and powers of the municipality determined by the Minister for Provincial and Local Government as per Government Notice 821 of 2003, issued in Government Gazette No. 25076 of 13 June 2003, certain assets and liabilities on bulk water and sewerage services were to be transferred to the authorised municipalities in the region of the Dr Kenneth Kaunda District Municipality. The district municipality however removed these assets and corresponding liabilities from their accounting records without having complied with the requirements of section 3(2) of abovementioned notice regarding the transfer of these assets, rights, liabilities and obligations. This resulted in assets being understated by an unknown amount, long-term liabilities being understated by R57 256 297, the Government Grants Reserve being understated by R17 583 262 and the Capitalisation Reserve being understated by R112 203 786.
4. Property, plant and equipment with a carrying value of R6 500 311 as disclosed in note 8 to the financial statements could not be satisfactorily tested due to inadequate information in the asset register, a lack of supporting documents and the fact that asset could not be traced to the asset register.
5. Sufficient appropriate audit evidence for trade creditors of R9 378 355 disclosed in note 5 to the financial statements could not be obtained due to creditors' reconciliations not being preformed for trade creditors, payments made after year-end were found to be for expenditure incurred in the financial year under review and instances were found where supplier invoices were paid more than once.

6. A disclaimer of audit opinion was issued in the prior year. During the year under review, management did not implement corrective measures on the qualifications raised regarding staff leave.
7. Sufficient, appropriate audit evidence could not be obtained for staff leave of R1 187 893 disclosed in note 5 to the financial statements. During the audit, instances were found where leave forms were not captured on the system, attendance registers were not reviewed, supporting documentation for leave recorded on the system could not be obtained and leave payouts made to staff were found to be incorrectly calculated.
8. Contrary to the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998), improper use of official credit cards by councillors and senior officials were reported over the past 5 financial years regarding the entertainment expenses. The total amount spent on these credit cards for the year under review amounts to R432 588 (R300 299 in 2007 and R210 565 in 2006). Of concern is the fact that credit card accounts are paid monthly without ensuring that the expenses were incurred for official purposes only. Furthermore no supporting documentation was submitted by individual card holders for any of the expenses incurred through these credit cards.
 - a. Contrary to section 128 of the MFMA, the accounting officer did not monitor whether the accounting officer of SDM Economic Agency submitted financial statements for auditing within the prescribed period.
 - b. Contrary to section 28(2), the municipality did not apply for roll-over on conditional grants.
9. Contrary to section 32 of the MFMA, a copy of the IDP was not submitted to the MEC of Local Government within 10 days of adoption thereof.
10. Contrary to section 46 of the MSA and section 121(3)(c) of the MFMA, council did not prepare a performance report which reflects the municipality's and any service provider's performance during the financial year, provides a comparison with the targets and the performance in the previous financial year and measures that were or are to be taken to improve performance.
11. Contrary to section 25 of the MSA, evidence that the public were within 14 days notified of the adoption of the IDP, could not be obtained.
12. Contrary to sections 40 and 41 of the MSA, quarterly reports on the progress in achieving measurable objectives and targets, to facilitate effective performance monitoring, evaluation and corrective action, were not prepared by the different programme managers.
13. Contrary to section 43 of the MSA, the key performance indicators (KPI's) set in the strategic document did not include the general KPI's applicable to the municipality.
14. Contrary to regulation 6 of the Municipal Planning and Performance Management Regulations, 2001, there was no alignment of the priorities, objectives and targets between the IDP and the budget.
15. The strategic plan did not include the measurable objectives, expected outcomes, programme outputs, indicators (measures) and targets of the municipality's programmes, as required by section 9(1)(a) of the Municipal Planning and Performance Management Regulations, 2001.

The committee recommends that:

1. Control measures must be implemented **on or before 17 June 2010** to ensure that matters raised by the Auditor-General in the audit report are addressed to comply with section 131(1) of the MFMA.
2. The assets and liabilities to be transferred to the Dr Ruth Segomotsi Mompati District Municipality should be included in the accounting records of the Dr Kenneth Kaunda District Municipality **on or before 17 June 2010**. until such time as all the requirements for the transfer have been met.
3. The assets and liabilities on bulk water and sewerage services to be transferred to the authorised municipalities in the region of the Dr Kenneth Kaunda District Municipality should be

- included in the accounting records **on or before 17 June 2010** until such time as all the requirements for the transfer have been met.
4. 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)
 5. Control measures should be implemented **on or before 17 June 2010** to ensure the adequate management of trade creditors.
 - 6-7. Corrective measures should be implemented **on or before 17 June 2010** to adequately manage staff leave, and the capturing of leave records and review of attendance registers should be monitored on a regular basis.
 8. A system should be implemented **on or before 17 June 2010** whereby the use of official credit cards are monitored and whereby no payments can be made without the relevant supporting documentation.
 9. Control measures should be implemented **on or before 17 June 2010** to ensure compliance with the applicable legislation.
 - 10-15 Control measures should be implemented **on or before 17 June 2010** to ensure compliance with regulatory requirements in terms of performance information.
 16. Control measures should be implemented **on or before 17 June 2010** to ensure that the measurable objectives, expected outcomes, programme outputs, indicators (measures) and targets are included in the strategic plan.