

**ABAQULUSI MUNICIPALITY  
MEASURES TO ADDRESS ISSUES RAISED IN THE AG'S REPORT  
FOR THE YEAR ENDED 30 JUNE 2014**

<b>AUDIT FINDING</b>	<b>MANAGEMENT ACTION PLAN</b>	<b>PERSON RESPONSIBLE</b>	<b>DUE DATE</b>	<b>PROGRESS</b>
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<b>EMPHASIS OF MATTER</b>				
<p><b>1.</b> Material distribution losses amounting to R29,61 million for electricity and R20,29 million for water were incurred as a result of electricity and water distribution losses.</p>	<p>An audit of both water and electricity meters was conducted during the financial year the report has been submitted for review and recommendations will be submitted to the relevant committees of council for approval and adoption. An investigation into procurement of a smart metering system is underway and a report will also be tabled on the viability of this system.</p>	<p>Manager: Water Services and Electricity</p>	<p>30 April 2015</p>	
<p><b>2.</b> Impairment losses on receivables from traffic fines of 4,99 million and impairment of receivables from exchange transactions of R31,40 million, due to poor collection practices.</p>	<p>These are provisions based on the debt policy of council, huge effort has been directed towards collection of debtors, these debtors are not written off unless there is definite cause for non-recovery.</p>	<p>Manager Income</p>	<p>30 June 2015</p>	

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3. Going concern – loss of revenue due to significant electricity and water losses and a high rate of non-payment of Debtors.	Independent consultant will be appointed to assist with cut off and collection of non-payment of debtors.	SCM Manager	01 April 2015	
4. Section 25(2) of the Municipal Systems Act determines that an integrated development plan adopted by a municipal council may be amended in accordance with the process as prescribed per section 34 of the Municipal Systems Act, and that such a plan remains in force until an integrated development plan is adopted by the next elected council. Material changes were made to the	Auditor be tasked to ensure alignment during auditing quarterly reports and setting of performance targets.  Constant review of the targets by conducting monthly and quarterly assessments to be done.	Internal Auditor , Manager: IDP/PMS and Municipal Manager	On-Going	

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<p>development priorities in the annual performance report, without adoption by the municipal council. This was due to inadequate reviews conducted on the annual performance report to ensure the consistency and alignment between the planning and reporting documents.</p>				
<p>5. The FMPPI requires that performance targets must be specific in clearly identifying the nature and required level of performance. A total of 26% were not specific in clearly identifying the nature and required level of</p>	<p>Internal Audit to audit performance targets to ensure the SMART approach is applied.</p>	<p>Internal Auditor , Manager: IDP/PMS and Municipal Manager</p>	<p>On-Going</p>	

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performance.				
6. The FMPPI requires that performance indicators must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. Performance indicators must also be verifiable.	Internal Audit to audit performance targets to ensure the SMART approach is applied.  Constant review of the targets by conducting monthly and quarterly assessments to be done.	Internal Auditor , Manager: IDP/PMS and Municipal Manager	-On-Going -Monthly -Quarterly	
7. The measurability of planned targets and indicators could not be assessed due to a lack of technical indicator descriptions and formal standard operating procedures	Internal Audit to audit performance targets to ensure the SMART approach is applied.	Internal Auditor , Manager: IDP/PMS and Municipal Manager	On-Going	
8. The FMPPI requires auditees to have	Departments to submit portfolio of evidence on a	Internal Auditor ,	-On-Going -Monthly	

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<p>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. Overall, 91% of the targets were not reliable because we were unable to obtain sufficient appropriate audit evidence for them. In addition, 64% of the significantly important targets] were not valid, accurate and complete when compared to the source information or evidence provided. This was due to a lack of frequent review of the</p>	<p>monthly basis and Internal Audit to audit the submitted POEs on a quarterly basis</p> <p>Accounting Officer will assess POEs on a monthly basis</p>	<p>Manager: IDP/PMS and Municipal Manager</p>	<p>-Quarterly</p>	

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validity of reported achievements against source documentation				
9. Key performance indicators, including input, output and outcome indicators, in respect of each of the development priorities and objectives were not set out in the IDP, as required by section 41(1)(a) of the MSA and the Municipal planning and performance management regulation 1 and 9(1)(a).	Issue addressed. Refer to page 182 to page 225 of the 2014/15 adopted IDP	Internal Auditor , Manager: IDP/PMS and Municipal Manager	N/A	
10. The annual performance report for the year under review did not include a comparison with the	The issue has been addressed and the APR does include a comparison of the previous year.	Internal Auditor , Manager: IDP/PMS and	N/A	

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previous financial year, as required by section 46(1)(b) of the MSA		Municipal Manager		
11. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, contrary to SCM regulation 36(1).	All section 36 deviations are being properly reviewed for practicality before they are approved by the accounting officer. Services that were procured through the Section 36 deviation process have been advertised by the municipality.	SCM	Immediate	

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<p>12. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) and (c).</p>	<p>All section 36 deviations are being properly reviewed for practicality before they are approved by the accounting officer. Services that were procured through the s36 deviation process have been advertised by the municipality.</p>	<p>SCM Manager</p>	<p>Immediate</p>	
<p>13. Awards were made to providers who are in the service of other state institutions or whose directors/principal shareholders are in the service of other state institutions, in contravention of section 112(j) of the MFMA and SCM regulation 44</p>	<p>Companies were found to have had members that are in the service of the state, these transactions to be submitted to council for ratification and approval in the 2014/15 financial year.</p>	<p>SCM Manager</p>	<p>30 June 2015</p>	



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14. Reasonable steps were not taken to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA	The controls are already in place to prevent unauthorised , irregular and fruitless and wasteful expenditure, all transactions will be properly analysed and reviewed by the accounting officer for practicality before approval.	SCM Manager	Immediate	
15. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.	Munsoft votes will be locked to avoid over expenditure.	CFO	Immediate	

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16. Irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, in accordance with the requirements of section of section 32(2) of the MFMA	Investigation will be done and submitted to council on the irregular expenditure found by AG.	CFO	31 March 2015	
17. Management did not put adequate measures in place to implement the action plan or prevent material misstatements and material non-compliance, primarily due to vacancies in key positions during the year	Vacancies to filled.	Director Corporate Services/HR	31 March 2015	

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<p>18. Management did not implement adequate systems to ensure the accuracy and completeness of the financial statements and annual performance report due to poor record keeping and lack of timely reconciliation being and skilled personnel to monitor and report on performance information.</p>	<p>Skilled personnel to report and monitor performance information.</p> <p>Interim Annual Financial Statements to be prepared to ensure proper record keeping and timely reconciliation.</p>	<p>CFO/ Director Corporate Services</p>	<p>31 March 2015</p>	
<p>19. The risk assessment process did not adequately address the accuracy and completeness of financial and performance reporting resulting in material</p>	<p>Risk assessment to be reviewed to address accuracy and completeness of financial and performance reporting.</p>	<p>Municipal Manager/ Director Corporate Services</p>	<p>31 March 2015</p>	

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<p>misstatements and non-compliance with legislation. The risk assessment did not identify risks pertaining to skilled personnel with the ability to report in a timely manner.</p>				