

3 January 2012

GREATER TZANEEN MUNICIPALITY AUDIT ACTION PLAN 2010-2011

ASSESSMENT OF ENVIRONMENT

- (a) Asset Register- Property, Plant, and Equipment
- (b) Revenue
- (c) Expenditure
- (d) Supply Chain Management
- (e) Budget & Reporting
- (f) Performance Management
- (g) Human Resources

A. ASSET REGISTER – PROPERTY, PLANT AND EQUIPMENT

CONCERNS TO BE ADDRESSED

- Unbundling of assets to the lowest level of infrastructure
- Identification of individual assets and bar coding
- Verification of assets
- Validation of data on asset register
- Continuous capturing of asset additions throughout the financial year
- Accuracy of accounting of assets
- Skills levels of personnel managing assets

THE ABOVE MENTIONED CONCERNS WILL BE ADDRESSED AS FOLLOWS:

A Project will be running hand in hand between Greater Tzaneen Municipality and Deloitte where all asset data will be verified with the following;

- Identifiability of each assets
- Unbundling of each asset to the lowest level
- Verification of asset location

In future biannual asset verification will be conducted of which one will be done on a sample base and the other on a 100% base.

Training of personnel on GRAP 13 &17.

Request to Auditor General for a information sharing meeting to share knowledge on the information of assets. (Before end of January 2012).

Request to Auditor General for interim audit on asset register to be scheduled for April 2012.

B. REVENUE

CONCERNS TO BE ADDRESSED

1. VALUATION ROLL

- Timeous processing of changes to the valuation roll due to changes to the value of property for various reasons.
- Validation of valuation roll to the Financial system
- Publishing approval of supplementary valuation roll to comply with MPRA
- Controls on billing & verification of accounts

2. BILLING

- Accuracy of billing data base
- New connections
- Consumer accounts opened
- Meters billed correctly
- Unverifiable debtors
- Debtors Age analysis

3. CREDIT CONTROL

- Final notices handovers
- Reconnection fees
- Bad Debts-Write off confirmation from lawyers
- Bad debt provision excluding government and state accounts

4. INDIGENT REGISTER

- Identification of indigents
- Verification of applications
- Write offs of Indigents

5. CASH CONTROL

- Timeous processing of bank debits relating to income
- Agency fees
- Rental income
- Cash Reconciliation
- Deposit Reconciliation

THE ABOVE MENTIONED CONCERNS WILL BE ADDRESSED AS FOLLOWS:

1. VALUATION ROLL

Work hand in hand with Tlhaola Dynamics to ensure that supplementary valuation is done at least once a year

- Follow processes to ensure information is received from building and housing division
- Submit information to valuers to ensure updated valuations and record in valuation register
- Follow-up on information received from valuers
- Update supplementary information on council's financial system

2. BILLING

- Process to be determined by end of March 2012 through which unknown debtors will be identified on Municipal accounts.
- Process to ensure that all new connections are captured on council's financial system and billed accordingly.
- Data verification with contractor UMS and Greater Tzaneen Municipal staff within 18 months starting from February 2012.
- Monthly exporting of Debtors Age analysis and follow up on long outstanding Debts.

3. CREDIT CONTROL

- Implement and manage credit control with credit man credit control software with UMS, three (3) year project.
- Day to day follow up on outstanding accounts
- Continuous adjusting of deposits
- Draft and implement debt collection register
- Draft and implement procedure register to manage all debtors handed over for collection by end of March 2012.
- Keep records of correspondence from Lawyers for write off confirmation
- Draft and implement procedure to guide the provision for bad debts
- Verification of indigent register and determination of write-offs.

4. CASH CONTROL

- Daily Reconciliation of deposits to bank statements
- Follow up on unknown deposits with no reference numbers
- Daily updating of bank debits relating to income
- Monthly cash reconciliations
- Reconciling E-Natis income with councils records
- Review revenue enhancement and revenue protection strategies

C. EXPENDITURE

CONCERNS TO BE ADDRESSED

1. Journal register and supporting documents
2. Delegation of Authority
3. Long term loans
4. Payment within 30 days
5. Vat reconciliation
6. Bank reconciliation
7. Internal Control

THE ABOVE MENTIONED CONCERNS WILL BE ADDRESSED AS FOLLOWS:

1. JOURNAL REGISTER AND SUPPORTING DOCUMENTS

Drafting of procedure for Journals and updating of journal register to include all supporting documentation by end March 2012.

2. DELEGATION OF AUTHORITY

Drafting Financial delegation of authority by end March 2012

3. LONG TERM LOANS

Ensure that interest accrued be well accounted for

4. PAYMENT WITHIN 30 DAYS

Creditors will be paid within 30 days after satisfactory rendering of services

5. VAT RECONCILIATION

Controls will be put in place to ensure that vat balances can be verified

6. BANK RECONCILIATION

- Timeous clearing of Bank Reconciliation
- Monthly correction of Bank Reconciliation
- Put measures in place to address all deviations

7. INTERNAL CONTROL

- Review of internal controls and procedures within the Expenditure Division by end May 2012
- Review of internal controls and procedures within the Revenue Division by end May 2012.

D. SUPPLY CHAIN MANAGEMENT

CONCERNS TO BE ADDRESSED

1. Compliance to MFMA and regulations to supply chain management
2. Skills level of employees
3. Supply Chain Management policy not reviewed & updated
4. Admin, records system of bids and contract documents.

THE ABOVE MENTIONED CONCERNS WILL BE ADDRESSED AS FOLLOWS:

Training of supply chain management, members of committee and Directors on the supply chain regulations and requirements.

- General assessment of supply chain unit activities to put in place procedures and controls which will ensure general compliance
- Submission of quarterly deviation reports to audit committee
- Update and review supply chain management policy
- Drafting of procedures which will guide the recording of bid documents and accurate record keeping of original documentation
- Contract Management

E. BUDGET & REPORTING

CONCERNS TO BE ADDRESSED

1. Delegation of authority on Investments
2. Disclosures in Annual Financial Statements
3. Time to review Annual Financial Statements

THE ABOVE MENTIONED CONCERNS WILL BE ADDRESSED AS FOLLOWS:

1. DELEGATION OF AUTHORITY ON INVESTMENTS

Draft and implement delegations to ensure that all transactions are reviewed and authorised Properly.

2. DISCLOSURES IN ANNUAL FINANCIAL STATEMENTS

Ensure that disclosure in the Annual Financial Statements is reviewed prior to submitting thereof to the Auditor General.

3. TIME TO REVIEW ANNUAL FINANCIAL STATEMENTS

Stick to year end time table to ensure that Annual Financial Statements can be reviewed

- Ensure that proper working papers are submitted to the Auditor General with the commencement of the audit.
- Obtain electronic system to compile quarterly Financial statements

F. PERFORMANCE MANAGEMENT

1. NO ALLOCATIONS PER PERFORMANCE OBJECTIVES / PRIORITY

CONCERNS TO BE ADDRESSED:

Legislative requirement is not realistic. Performance Management office consulted with the Department of Local Government as well as the Auditor General and none could give direction as to how this should be achieved.

THE ABOVE MENTIONED CONCERNS WILL BE ADDRESSED AS FOLLOWS:

Performance Management office will officially take up the matter with the Provincial Department of Cooperative Governance, Housing and Traditional Affairs for them to provide clarity on how municipalities are expected to adhere to the legislative requirement.

2. INCONSISTENCY BETWEEN THE SDBIP & IDP

CONCERNS TO BE ADDRESSED:

Programmes, projects and Key Performance Indicators (KPIs) contained in the SDBIP are not aligned to the IDP. This was caused by the non-adherence to the IDP review programme resulting in the non-revision of the programmes and strategic KPIs during the IDP process. The IDP also did not contain 5 year targets for KPIs to guide the SDBIP. Programmes, projects and KPIs are then only revised during the finalisation of the SDBIP resulting in amendments that are not captured in the IDP.

THE ABOVE MENTIONED CONCERNS WILL BE ADDRESSED AS FOLLOWS:

- A detailed breakdown of activities will be included in the IDP process plan to ensure that all aspects of the Strategy phase are dealt with at the appropriate time and to such an extent that it forms the basis of the SDBIP.
- The IDP process will therefore review the programmes, projects and KPIs as part of the strategic phase.
- IDP projects will be finalised by 30 March to allow the SDBIP to be ready along with the IDP & Budget by 31 May.

3. NO TARGETS DOCUMENTED ON THE SDBIP

CONCERNS TO BE ADDRESSED:

Some indicators in the SDBIP do not have targets. This was the result of either baseline information not being available or information was not submitted to the Performance Management office in time. Also, national indicators which are a legislated requirement for which GTM do not have baseline information, therefore no targets could be set e.g. *Households earning less than R1100 with access to services*.

THE ABOVE MENTIONED CONCERNS WILL BE ADDRESSED AS FOLLOWS:

- KPIs will be revised to ensure that only measurable KPIs are contained in the IDP (SDBIP).
- Submission of information to the PM office, by Directors, will be within the required timeframes.
- Municipal Manager will liaise with the Minister to establish how reporting on National Indicators should be done in the absence of accurate baseline information.

4. INCONSISTENCY BETWEEN THE ANNUAL PERFORMANCE REPORT AND THE IDP

CONCERNS TO BE ADDRESSED:

Contents of the Annual Performance report is not in line with the IDP due to the fact that no targets have been set in the IDP and the fact that the strategic phase of the IDP was not revised. The Annual Performance Report is drafted in line with the SDBIP and not the IDP (if IDP and SDBIP is aligned this will be correct)

THE ABOVE MENTIONED CONCERNS WILL BE ADDRESSED AS FOLLOWS:

- Alignment between the IDP & SDBIP will be improved to ensure that the Performance Report align with the IDP

5. NO COMPARATIVES ON ANNUAL PERFORMANCE REPORT

CONCERNS TO BE ADDRESSED:

Previous year's performance results are not contained in the annual performance report due to multiple amendments to KPIs and projects.

THE ABOVE MENTIONED CONCERNS WILL BE ADDRESSED AS FOLLOWS:

Previous year achievements will be included in the performance report

6. REPORTED RESULTS NOT VERIFIABLE

CONCERNS TO BE ADDRESSED:

Information submitted as actual achieved against the set targets for the financial year are not verifiable by the Departments.

THE ABOVE MENTIONED CONCERNS WILL BE ADDRESSED AS FOLLOWS:

- All Directors will keep a portfolio of evidence for the SDBIP on a quarterly basis
- Internal Audit will verify actual reporting prior to approval by Council

G. HUMAN RESOURCES

CONCERNS TO BE ADDRESSED:

- Leave approved after it was taken
- Minimum of annual leave as per the collective agreement not taken
- Excessive number of leave days retained by employees from previous leave cycle
- Rental Policy
- Remuneration package per employment contract differ with remuneration package on the advertisement

THE ABOVE MENTIONED CONCERNS WILL BE ADDRESSED AS FOLLOWS:

- Seeing that most of the concerns are leave related, we will make sure that we put the necessary administrative processes in place to deal with those identified concerns.

- The concern of the rental policy will also receive an urgent attention in order to comply with the legislation.
- It should be indicated that for unknown reasons, when changes are effected on the advert in a form of 'erratum', the erratum should be filled with the initial/original advert for future reference. These matters will be addressed with the officials concerned for compliance purposes.

SUMMARY

PRIORITY AREAS

- Delegation of authority to be reviewed, updated and approved
- General review and updating of internal controls and procedures
- Supply Chain management unit training and assessment of full compliance
- Improvement of source documents for all transaction and filing and records keeping.