



UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

PLAN OF CORRECTIVE MEASURES: FINAL AUDIT REPORT: FY 2009-10

Plan of Corrective Measures by the respective departments to address findings raised by the AG in the Audit Report (Final): FY 2009-10

REGULARITY AUDIT

Category	Ref.	Findings	Action Plan	Person Resp.	Due Date
Unauthorised Expenditure	10	As disclosed in note 36 to the financial statements, unauthorised expenditure to the amount of R12, 307 million was incurred, as the total budget was exceeding.	<p>This unauthorised expenditure was as a result of two predominate factors : 1) Non Cash deprecation being higher than budgeted. 2) Transfer of the disaster management grant of R 7.8 million to Ugu for the Park Rynie industrial park.</p> <p>However, to avoid a re-occurrence of this matter i.r.o operational items the weekly unauthorised expenditure reports shall be issued to MANCO and amended to include a “response from responsible HOD” column.</p>	GMFS (MBC)	30 June 2011

REGULARITY AUDIT

Category	Ref.	Findings	Action Plan	Person Resp.	Due Date
Irregular Expenditure	11	As disclosed in note 36 to the financial statements, irregular expenditure to the amount of R218 027 was incurred, as supply chain management regulations were not adhered to.	<p>The root causes of the irregular expenditure has been identified and additional control measures have been developed. The quarterly reporting to council shall be augmented to include monthly reporting to MANCO and monthly reporting to F an A is being considered.</p> <p>Further , HOD's shall be required to sign off on all monthly reports to ensure accuracy and completeness.</p>	GMFS , ALL HOD's	March 2011
Unauthorised Expenditure	20	The accounting officer did not take steps to prevent unauthorised expenditure as required by section 62(1)(d) of the MFMA.	The Accounting Officer has implemented steps , e.g. Annual verification of Unauthorised expenditure by HOD's and budget workshops , however additional control measures shall be implemented as detailed in the point above. <ref 10>	GMFS : ALL HOD's	March 2011
Irregular Expenditure	21	Irregular expenditure as defined in section 1 of the MFMA, was incurred due to non compliance with section 12 of the Municipal Supply Chain Management Regulations relating to procurement processes.	Ref to the second point above <ref 11> for the detailed response.	GMFS : ALL HOD's	March 2011

REGULARITY AUDIT

Category	Ref.	Findings	Action Plan	Person Resp.	Due Date
Unauthorised Expenditure	22	Contrary to the requirements of section 122(1)(a) of the MFMA, the municipality made material adjustments to the annual financial statement that was submitted for audit. These misstatements related to the disclosure of unauthorised expenditure and expenditure incurred in terms of section 36 of the Municipal Supply Chain Management Regulations.	<p>The measures in effect in the previous financial year did not identify these areas of unauthorised expenditure. The additional controls implemented in terms the above < ref 10> shall prevent a re-occurrence.</p> <p>The matters relating to Sec 36 are as a result of interpretation differences of the Supply Chain Regulations. Now that the areas of ambiguity have been resolved on , this matter shall not be repeated.</p>	GMFS : ALL HOD's	30 June 2011
Risk Assessment	23	A risk assessment was not prepared by the municipality in terms of section 62(1)(c)(i) of MFMA.	<p>In line with the phased in approach of risk management within Umdoni , the 2009/10 year risk register was developed after a review of the previous year's risk register.</p> <p>With the establishment of a risk management committee , this risk register is currently undergoing a de novu review to ensure it meets the current needs of the municipality. This shall be completed for the 10/11 financial year.</p>	GMFS : ALL HOD's	Once – Off Event

REGULARITY AUDIT

Category	Ref.	Findings	Action Plan	Person Resp.	Due Date
Tabled budget not accompanied by performance objectives	24	The budget of the municipality was not tabled with measurable performance objectives for revenue as required by section 17(3)(b).	The budget for the 10/11 financial year has been prepared i.c.w the IDP and SDBIP , as such the performance objects permeates throughout these documents in the 10/11 year.	GMFS (MBC)	1 July 2010
Irregular & Unauthorized Expenditure	27	The accounting officer has exercised oversight responsibility over reporting and compliance with laws and regulations and internal control, however the controls in the area of irregular and unauthorised expenditure has been noted to be weak and needs immediate attention.	Additional controls to mitigate the resurgence of this matter has been detailed in the points above <ref 10 , ref 11>	GMFS : ALL HOD's	March 2011
Non – Compliance & Accuracy	28	The financial statements were not sufficiently reviewed for accuracy and compliance before submission for audit.	This statement is due to the adjustments processed in relation to irregular , fruitless and unauthorised expenditure. Due to the additional identification methods implemented ,the additional disclosure required in the 9/10 year shall not re-occur.	GMFS	30 June 2011

PERFORMANCE AUDIT

Category	Ref.	Findings	Action Plan	Person Resp.	Due Date
----------	------	----------	-------------	--------------	----------

Municipal Systems Act	16	<p>There was no community participation in the review of appropriate key performance indicators and targets as required by section 42 of the Municipal System's Act.</p>	<p>The indicators and targets were presented in the IDP Rep Forum that was held on the 11 March 2011 and the IDP will also be advertised for public comments where indicators and targets will be part of the document.</p>	<p>OMM (Snr. Man. Strategic Planning & Development)</p>	<p>30 June 2011</p>
Municipal Finance Management Act	17	<p>Section 53(1)(c)(ii) of MFMA requires that the municipality's service delivery budget implementation plan is approved by the mayor within 28 days of the approval of the budget. This section was not complied with.</p> <p>Usefulness of reported performance information</p> <p>The following criteria were used to assess the usefulness of the planned and reported performance:</p> <ul style="list-style-type: none"> • Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents? • Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets? 	<p>The municipality will again ensure compliance for 2011/12 as we had complied for 2010/11 and as the SDBIP will be adopted within 28 days of the adoption of the budget. The strategic plan session has transpired on the 3rd and 4th March 2011.</p>	<p>OMM (Snr. Man. Strategic Planning and Development)</p>	<p>30 June 2011</p>

		<ul style="list-style-type: none"> • Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound? 			
Reported performance information not reliable	18	<p>Indicators / measures do not have clear, unambiguous definitions to allow for data to be collected consistently.</p> <p>Reliability of reported performance information</p> <p>The following criteria were used to assess the reliability of the planned and reported performance:</p> <ul style="list-style-type: none"> • Validity: Has the actual reported performance occurred and does it pertain to the entity i.e. can the reported performance information be traced back to the source data or documentation? • Accuracy: Amounts, numbers and other data relating to reported actual performance has been recorded and reported appropriately. • Completeness: All actual results and events that should have been recorded have been included in the 	Will endeavour for compliance in the 2011/12 financial year.	OMM (Snr. Man. Strategic Planning and Development)	30 June 2011

		reported performance information.			
Lack of effective, efficient and transparent systems and internal controls regarding performance management	19	For the selected programme, the municipality did not have effective, efficient and transparent systems of control for eight indicators.	Will endeavour for compliance in the 2011/12 financial year.	OMM (Snr. Man. Strategic Planning and Development)	30 June 2011
Reported performance information not reliable	24	The budget of the municipality was not tabled with measurable performance objectives for revenue as required by section 17(3)(b).	Will endeavour for compliance in the 2011/12 financial year.	OMM (Snr. Man. Strategic Planning and Development)	30 June 2011