

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE PHUMELELA LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the Phumelela Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2013, the statements of financial performance, changes in net assets, cash flows for the year then ended, statement of comparison of budget and actual amounts, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2012 (Act No. 5 of 2012) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Property, plant and equipment

4. I was unable to obtain sufficient appropriate audit evidence about the property, plant and equipment of the municipality as the municipality did not adequately reconcile the fixed asset registers to the disclosures made in the financial statements; discrepancies were found in the comparison of land and buildings between the properties as per the fixed asset register and the valuation roll; additions to assets were not accurately recorded and discrepancies were found on physical verification of assets. I was unable to confirm the property, plant and equipment by alternative means. Additionally, there is a consequential impact on the depreciation and the accumulated surplus. Consequently, I was unable to determine whether any adjustment relating to property, plant and equipment stated at R536 934 816 (2012: R497 732 898) in the financial statements was necessary.

Inventories

5. I was unable to obtain sufficient appropriate audit evidence about inventories of vacant land for sale as some erven recorded as inventory did not meet the definition of inventory. It was also found that some erven that met the definition of inventory were not recorded as inventory. Additionally, the municipality did not perform regular updates and reconciliations of the inventory registers. I was unable to confirm the inventories by alternative means. Furthermore, there is a consequential impact on the accumulated surplus. Consequently, I was unable to determine whether any adjustment relating to inventories stated at R12 107 800 (2012: R12 107 800) in the financial statements was necessary.

Service charges

6. I was unable to obtain sufficient appropriate audit evidence about service charges income as controls were overridden which prevented the revenue system from calculating the appropriate estimated usage of consumers. Consequently, consumers were not billed for their consumption. I was unable to confirm service charges income by alternative means. Consequently, I was unable to determine whether any adjustment relating to service charges income stated at R22 592 369 in the financial statements was necessary. Additionally, there is a consequential impact on receivables from exchange transactions.
7. The municipality did not make a provision for the estimated/unmetered consumption in accordance with Standards of Generally Recognised Accounting Practice, GRAP 9 *Revenue* for all debtors at year-end. Consequently, service charges income is understated. Additionally, there is a consequential impact on receivables from exchange transactions, VAT receivable and the accumulated surplus. I was unable to determine the full extent of the understatement for the current and corresponding financial years as it was impracticable to do so.
8. The municipality did not evaluate any indigent debtor applications nor were the consumers registered as indigents, which require half-yearly verifications, re-evaluated in terms of the council's indigent policy. Additionally, registered indigents were found to be earning more than the stipulated threshold. Consequently, revenue from service charges and consumer debtors is understated by an amount of R1 088 802 due to the free services granted to indigents during the year. Additionally, there is a consequential impact on the receivables from exchange transactions.

Irregular expenditure

9. I was unable to obtain sufficient appropriate audit evidence about irregular expenditure as the municipality could not provide a reconciliation between the register of irregular expenditure and the details of irregular expenditure disclosed. Additionally, adjustments amounting to R2 156 899 were made to the irregular expenditure without adequate explanation or supporting documentation and the municipality did not investigate the full extent of the prior year irregularities as disclosed in the prior year's financial statements. I was unable to confirm the irregular expenditure by alternative means. Consequently, I was unable to determine whether any further adjustments to irregular expenditure stated at R123 971 570 (2012: R110 064 925) in the financial statements were necessary.
10. The municipality did not disclose irregular expenditure incurred due to non-compliance with the SCM regulations in accordance with section 125(2)(d) of the MFMA. Consequently, irregular expenditure as disclosed in the financial statements is understated by R13 586 152.

Payables from exchange transactions

11. I was unable to obtain sufficient appropriate audit evidence to verify the nature and source of the items payments received in advance, the contract in process amounting to R965 734 (2012: R 999 905) and unallocated receipts and deposits amounting to R12 611 878 (2012: R9 661 450) included in payables from exchange transactions, as the municipality could not provide a proper reconciliation of the balances with appropriate reasons for the items included in the balance. I was unable to confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustments to the payables from exchange transactions stated at R59 871 310 (2012: R41 243 691) in the financial statements were necessary. Additionally, there is a consequential impact on consumer debtors, VAT receivable, surplus for the year and the accumulated surplus.

Prior period errors

12. I was unable to obtain sufficient appropriate audit evidence for adjustments made by the municipality to prior year balances as a journal adjustment of R7 425 315 was processed to the accumulated surplus without adequate explanation or supporting documentation. Additionally, the opening balances as previously reported in the statement of changes in net assets of R527 545 895 for July 2011 and R483 059 991 for July 2012 do not agree to the prior year published financial statements. Consequently, I was unable to determine whether any adjustments to the accumulated surplus as at 30 June 2012 stated at R488 573 833 in the financial statements were necessary.

13. The municipality did not disclose the prior period errors in accordance with the Standard of Generally Recognised Accounting Practice, GRAP 3, *Accounting policies, changes in accounting estimates and errors* as the prior year errors were incorrectly included in note 45 to the financial statements, which is the reclassification of comparative figures. For the amounts disclosed as prior year errors, the nature of each event that took place and the effect on each line item per event were not disclosed. Additionally, the individual effects per line items are incorrect as these do not agree to the restated amounts. Not all restatements were included as part of the line item comparison, while a reconciliation to the correction of errors disclosed in the statement of changes in net assets was not included and the effects on the cash flow statement were not disclosed. Consequently, the disclosure for prior period errors is incorrect and incomplete.

Interest received (trading)

14. I was unable to obtain sufficient appropriate audit evidence about interest charged on outstanding consumer debtor accounts as not all debtors are being charged interest in terms of the credit control and debt collection policy of the municipality. Consequently, interest received is understated. I was unable to confirm the interest received from trading by alternative means. Consequently, I was unable to determine whether any adjustment relating to interest received (trading) stated at R3 539 175 in the financial statements was necessary. Additionally, there is a consequential impact on the receivables from exchange transactions, receivables from non-exchange transactions and consumer debtors.

Cash flow statement

15. I was unable to obtain sufficient appropriate audit evidence about the cash flow statement for the current and prior years due to the limitations placed on my audit of various components of the financial statements, as well as differences between my calculations and amounts disclosed in the cash flow statement. I was unable to confirm the cash flow statement by alternative means. Consequently, I was unable to determine whether any adjustment relating to the cash flow statement in the financial statements was necessary.

Material water and electricity losses

16. I was unable to obtain sufficient appropriate audit evidence about material water and electricity losses as the municipality did not maintain adequate records of water and electricity consumption and purchases. I was unable to confirm the particulars and amounts of the material losses disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to material losses stated at R11 812 513 (2012: R4 699 572) in note 51 to the financial statements was necessary.

Receivables from exchange transactions, receivables from non-exchange transactions and consumer debtors

17. I was unable to obtain sufficient appropriate audit evidence about sundry debtors as there was no movement on the accounts for the year under review and supporting documentation could not be provided to confirm the balances or whether the amounts are recoverable by the municipality. I was unable to confirm the sundry debtors by alternative means. Consequently, receivables from exchange transactions are overstated by R1 303 119 (2012: R1 303 119). Additionally, there is a consequential impact on the surplus for the year and the accumulated surplus.
18. The municipality did not classify receivables from exchange transactions, receivables from non-exchange transactions and consumer debtors in accordance with Standards of Generally Recognised Accounting Practice, GRAP 9 *Revenue* as the votes relating to these items were not allocated and split correctly between the three line items. Consequently, the disclosure of receivables from exchange transactions, receivables from non-exchange transactions and consumer debtors is incorrect.

Financial instruments

19. The municipality did not disclose financial instruments in accordance with Standards of Generally Recognised Accounting Practice, GRAP 104 Financial instruments. This includes receivables from exchange transactions, receivables from non-exchange transactions, consumer debtors, cash and cash equivalents, payables from exchange transactions and bank overdraft. Not all the required disclosures relating to ageing, impairments, reconciliation of impairments, past due not impaired, ageing of past due not impaired, maximum exposure to credit risk and liquidity risk were included. Additionally, the disclosed amounts for the receivables from exchange transactions, receivables from non-exchange transactions and consumer debtors could not be confirmed to supporting evidence and the reconciliations disclosed do not agree to the carrying values. Consequently, the disclosure for financial instruments in the notes to the financial statements is incorrect and incomplete.

Rental of facilities and equipment

20. The municipality did not recognise all rental income correctly in accordance with Standards of Generally Recognised Accounting Practice, GRAP 9 *Revenue* as discrepancies were found between the amounts billed and the corresponding rental agreements, while corrections were made to the rental income which could not adequately supported. Consequently, rental income is understated by R795 017 and the operating lease liability is overstated by R659 921. Additionally, there is a consequential impact on the accrued income (receivable), income received in advance (liability) and VAT receivable and the accumulated surplus.

Commitments

21. I was unable to obtain sufficient appropriate audit evidence that management has properly accounted for all commitments for the prior year as the municipality did not maintain a project management system for the identification and recognition of contracts. I was unable to confirm the commitments by alternative means. Consequently, I was unable to determine whether any adjustment to commitments stated at R4 843 658 as at 30 June 2012 in the financial statements was necessary.

Deviations from supply chain management regulations

22. The municipality did not include particulars of deviations from SCM regulations in note 53 to the financial statements, as required by SCM regulation 36(2).

Employee benefit obligations

23. The municipality did not adequately disclose the long-term service award in accordance with the South African Statement of Generally Accepted Accounting Practice, IAS 19, *Employee benefits*, as the required disclosures for characteristics, methods, assumptions, input data, sensitivity analysis and a reconciliation from the opening balance to the closing balance were not included. Consequently, the disclosure in the note of employee benefit obligation in the financial statements is incomplete.

Budget

24. The municipality did not disclose the budget in accordance with the Standards of Generally Recognised Accounting Practice, GRAP 24, *Presentation of budget information in financial statements* as explanations were not provided for material line item differences. Consequently, the disclosure of the budget in the financial statements is incomplete.

Government grants and subsidies

25. The municipality did not adequately disclose government grants and subsidies in the prior year as the regional bulk infrastructure grant recognised of R5 690 362 does not agree to the amount transferred to revenue of R4 442 754 in the reconciliation of the particular grant. Consequently, the disclosure in the appropriation statement is incorrect and incomplete.

Appropriation statement

26. The municipality did not disclose capital expenditure correctly in the appropriation statement nor was the actual capital amounts spent from internally generated funds and from transferred funds received disclosed. Consequently, the disclosure in the appropriation statement is incorrect and incomplete.

Disclaimer of opinion

27. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

28. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Going concern

29. Note 47 to the financial statements indicates that the Phumelela Local Municipality's current liabilities exceed its current assets as at 30 June 2013. This condition, along with the other matters as set forth in note 47, indicates the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

Additional matter

30. I draw attention to the matter below. My opinion is not modified in respect of these matters.

Material inconsistencies in other information included in the annexures

31. The municipality did not correctly disclose government grants and subsidies in appendix F for the current year as the total per the appendix is overstated by R2 176 475 when compared to note 25 to the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

32. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

33. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages xx to xx of the annual report.

34. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
35. The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
36. The material findings are as follows:

Usefulness of information

37. The Municipal Systems Act (MSA), section 41(c) requires disclosure in the annual performance report of measures taken to improve performance where planned targets were not achieved. Measures to improve performance for a total of 100% of the planned targets not achieved were not reflected in the annual performance report. This was due to management failing to take responsibility for implementing the necessary controls and structures to ensure compliance with the requirements of the applicable legislation.

Performance indicators not well defined

38. The National Treasury *Framework for managing programme performance information* (FMPPI) requires that indicators/measures should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 22% of the indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the fact that management was aware of the requirements of the FMPPI but chose not to apply the principles contained therein.

Reliability of information

Reported performance not reliable

39. The National Treasury FMPPI requires that institutions should have 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.
40. For all the indicators and targets in respect of the development priorities water, sanitation, municipal roads and storm water, refuse removal, institutional transformation and development and good governance and public participation the actual performance was not reported on quarterly as prescribed or was just not available. This was due to limitations placed on the scope of my work because of the absence of information systems, the fact that the institution could not provide sufficient appropriate evidence in support of the information presented with respect to the development priority and the fact that management had failed to implement proper record keeping regarding their reported performance objectives.

Compliance with laws and regulations

41. I performed procedures to obtain evidence that the entity had complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations, as set out in the general notice issued in terms of the PAA, are as follows:

Strategic planning and performance management

42. The annual performance report for the financial year under review was not prepared as required by section 46 of the MSA and section 121(3)(c) of the MFMA.

Budget

43. 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.

44. Quarterly reports on the implementation of the budget and financial state of affairs of the municipality were not submitted to council within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.

Annual financial statements, performance and annual reports

45. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion.

46. The annual report for the year under review does not include the accounting officer's assessment of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each budget vote, as required by section 121(3)(f) of the MFMA.

47. The annual report for the year under review does not include particulars of any corrective action taken or to be taken in response to issues raised in the audit report, as required by section 121(3)(g) of the MFMA.

48. Particulars of non-compliance with the MFMA disclosed in the financial statements, as required by section 125(2)(e) of the MFMA, are not complete.

49. The 2011-12 annual report was not made public immediately after the annual report was tabled in the council, as required by section 127(5) of the MFMA.

50. The council's oversight report on the 2011-12 annual report was not made public within seven days of its adoption, as required by section 129(3) of the MFMA.

51. The annual report for the year under review does not include an assessment by the accounting officer of any arrears on municipal taxes and service charges, as required by section 121(3)(e) of the MFMA.

Audit committee

52. The audit committee did not advise the council on matters relating to internal financial control and internal audits, risk management, accounting policies, effective governance, performance management and performance evaluation, as required by section 166(2)(a) of the MFMA.
53. The audit committee did not advise the council on matters relating to compliance with legislation, as required by section 166(2)(a)(vii) of the MFMA.
54. The audit committee did not respond to the council on the issues raised in the 2011-12 audit reports of the Auditor-General, as required by section 166(2)(c) of the MFMA.

Internal audit

55. The internal audit unit did not function as required by section 45 of the MSA in that the results of performance measurements in terms of section 41(1)(c) were not audited as prescribed.
56. The internal audit unit did not function as required by section 165(2) of the MFMA as no recommendations made to management per the internal audit reports were implemented.
57. The municipality did not have and maintain effective, efficient and transparent systems of financial and risk management and internal controls, as required by section 62(1)(c) of the MFMA.
58. The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA.

Procurement and contract management

59. 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).
60. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a).
61. The preference point system was not applied in all procurement of goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act and SCM regulation 28(1)(a).
62. Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the CIDB Act and CIDB regulation 18.
63. Contracts and quotations were awarded to and accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
64. Contracts and quotations were awarded to and accepted from providers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.

65. Awards were made to providers who are in the service of the municipality in contravention of section 112(j) of the MFMA and SCM regulation 44. Furthermore, the provider failed to declare that he/she was in the service of the municipality, as required by SCM regulation 13(c).
66. 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 MFMA 112(j) and SCM regulation 44.
67. Persons in the service of the municipality who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by SCM regulation 46(2)(e), the code of conduct for councillors and the code of conduct for staff members issued in terms of the MSA.

Human resource management and compensation

68. The municipality did not ensure that it had adequate human resource capacity to enable it to perform its functions and exercise its powers in an economical, effective, efficient and accountable manner as required by section 67(1)(a) of the MSA as several key positions were vacant during the year under review.
69. The competencies of financial and SCM officials were not assessed in order to identify and address gaps in competency levels, as required by the Municipal regulations on minimum competency levels regulation 13 and section 83 of the MFMA.

Expenditure management

70. Money owing by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA.
71. Reasonable steps were not taken to prevent unauthorised, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Transfers and conditional grants

72. The municipality did not make the conditions for the allocation of grants public, as required by section 11(2)(a) of DoRA.
73. The municipality did not certify to National Treasury that it had made public the conditions of the (schedule 4) allocation, as required by section 11(2)(a) of DoRA.

Revenue management

74. The credit control and debt collection policy of the municipality was not implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of the MFMA.
75. An adequate management, accounting and information system, which accounts for revenue, debtors and receipts of revenue, was not in place, as required by section 64(2)(e) of the MFMA.

Assets management and liability management

76. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

Consequence management

77. Unauthorised expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.
78. Irregular expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.
79. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.

Internal control

80. I considered internal control relevant to my audit of the financial statements, the service delivery performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the service delivery performance report and the findings on compliance with laws and regulations included in this report.

Leadership

81. Key management positions were vacant during the year under review as the process of appointment took more than five months. The vacancies in leadership cause a lack of oversight responsibility to address weaknesses in the finance and SCM directorate. This resulted in non-compliance with applicable legislation which gave rise to unauthorised, fruitless and wasteful and irregular expenditure.
82. Management did not review financial statements before submission for auditing, resulting in findings which could have otherwise been avoided.
83. The leadership did not establish and communicate all relevant policies and procedures to support the effective achievement of internal control objectives, execution processes as well as managing accountability for the responsibilities assigned.
84. The lack of decisive action to mitigate emerging risks, implement timely corrective measures and address non-performance was evidenced by the failure of management to adequately address the external audit findings in a timely manner. The municipality failed to properly analyse the control weaknesses and did not develop and monitor the implementation of appropriate follow-up actions that adequately address the root causes. This resulted in the audit findings in the prior year report recurring in the current year. Furthermore, the action plan in place did not address all the findings reported in the prior year.
85. There was an overall lack of an IT governance framework to direct the positioning of IT, resource requirements, risk and internal control management.

Financial and performance management

86. Effective performance systems, processes and procedures, as well as the management thereof, have not been adequately developed and implemented by management.
87. The municipality did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting. This was due to the fact that effective controls over the daily and monthly reconciling of transactions were not implemented and supervised by management.
88. Findings were raised regarding the completeness and reliability of information submitted for audit purposes. Management did not adequately review and reconcile the sub-ledgers to the ledgers in the general ledger due to the lacking of adequate skills. The asset register did not reconcile to the financial statements, while supporting documentation to verify assets was not readily available during the audit.
89. The financial statements and asset registers prepared by the consultants were not properly reviewed for completeness and accuracy by management or internal audit prior to submission to the Auditor-General of South Africa. This resulted in various findings relating to incorrect disclosure or non-disclosure in the financial statements.
90. Additionally, management did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information.
91. The municipality did not have the capacity to address the financial and asset management system problems, resulting in the need to appoint consultants for the preparation of an asset register and financial statements. Finance staff had insufficient understanding of the accounting framework, which contributed to the numerous matters raised on the municipality's financial statements.

Governance

92. Internal control deficiencies were not identified, communicated and corrected in a timely manner by the governance structures of the municipality. Ongoing monitoring and supervision were not undertaken by management to enable an assessment of the effectiveness of internal control over financial and performance reporting. The implementation of external audit recommendations was not prioritised and also not monitored, which resulted in the prior year audit findings not being substantially addressed and therefore reported on again in the current year.
93. Although the municipality had an internal audit division, it was not adequately resourced and functioning. This was corroborated by the fact that information requested by the internal audit division to perform the necessary internal audit testing was not timeously supplied to the internal audit division by the staff of the municipality. Management and heads of departments did not adhere to due dates set for the implementation of the internal audit recommendations made by the internal audit division and no recommendations were implemented.

94. The audit committee did not promote accountability and service delivery through evaluating and monitoring responses to risks and providing oversight of the effectiveness of the internal control environment. This included financial and performance reporting and compliance with laws and regulations.
95. The audit committee meetings held during the year under review where the internal audit findings were raised and reported on. The audit committee could therefore not engage with management to guide and assist with the implementation of corrective measures.

Bloemfontein

30 November 2013



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence