

RESPONSE TO THE AUDIT REPORT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2011

In accordance with the Public Audit Act, Council has to consider the Audit Report within one month after its first sitting after the audit report has been submitted by the Auditor General.

Council has received an unqualified audit report and has certified that the Consolidated and Separate Financial Statements present fairly, in all material respects, the financial position of the Cacadu District Municipality as at 30 June 2011, and their financial performance and cash flows for the year in accordance with GRAP and the requirements of the MFMA and DORA.

Emphasis of Matter

The Auditor General has under the heading Emphasis of Matter raised a number of issues without modifying his opinion.

Restatement of corresponding figures

The comments are noted.

Irregular Expenditure

The comments are noted. The irregular expenditure was incurred mainly as a result of non-compliance to the Preferential Procurement Policy Framework Act in respect of procurement transactions with a value between R30 000 and R200 000. The transactions were investigated and it was found that no supplier was unfairly disadvantaged nor did the Council incur any financial loss. These transactions were reported to Council and the irregular expenditure was condoned by Council at Council meeting held on 30 November 2012.

The necessary policies and procedures have now been implemented, so as to ensure that all supply chain management regulations and policies are complied with. A strategic Supply Chain Management (SCM) training intervention was conducted on 05 December 2011 to ensure that all departments are aware and comply to the SCM regulations, policies and procedures.

Report on Legal and Regulatory Requirements

Predetermined objectives

As there were no material findings in the annual performance report concerning the presentation, usefulness and reliability of the information no further comments are required.

Compliance with laws and regulations

Consolidated and separate annual financial statements

Material misstatements

Material misstatements of expenditure and disclosure items identified by the Auditor –General were corrected.

Strategic Planning and Performance Management

The comments are noted.

Procurement and Contract Management

The issue regarding the non-compliance to the Preferential Procurement Policy Framework Act was responded to under the heading “Irregular Expenditure”.

Awards to persons in the service of the state who declared that they nor any member of their families were in the service of the state discovered by the Auditor General will be brought to the attention of the South African Police Services.

Expenditure Management

The fruitless and wasteful expenditure refers to interest raised by the Auditor-General on the late payment on audit fees in December 2010.

The matter was investigated and no official could be found guilty of any misconduct. The amount was condoned by Council at a Council meeting held on 30 November 2011.

The cases of alleged irregular expenditure that may constitute a criminal offence as well as alleged theft and fraud referred by the Auditor-General will be reported to the South African Police Services after the completion of the forensic audit.

Internal Control

Leadership

The issue of leadership with specific reference to the improvement of financial reporting, compliance with SCM regulations, human resource management and the addressing of IT risks are receiving focused attention. Continued review of internal controls and procedures as well as the training of management will be undertaken to address weaknesses in controls and leadership.

Financial Performance Management

Comments are noted.

Governance

The municipality has received its risk management policies and will work with the provincial government to strengthen controls and the risk management framework.

Other reports

Investigations

The SCM investigation referred to elsewhere in the report relates to disaster management procurement transactions is now subject to a forensic audit. Once the detailed report is available appropriate action will be taken if there is evidence of fraud or corruption.