



**Western Cape
Government**

Provincial Treasury

Local Government Financial Governance Review & Outlook 2011

Overview

Objective

- Aimed at annual assessment and reporting
- Providing guidance for financial management improvement
- Strengthening operation clean audit (OPCA)
- Improvement of service delivery

Assessment Area's

- Corporate Governance
- Supply Chain and Movable Asset Management
- Accounting

Rating

Desired Rate for the Province: 3

Corporate Governance

Assessment Area's

- Internal Audit
- Enterprise Risk Management
- Audit Committees
- Regulatory Compliance (delegations)
- Strategic Leadership
- Budget & Treasury Office (BTO) capacitation

Findings and recommendations

Corporate Governance

Finding	Impact /risk	Recommendation
Risk management unit not fully functional	Possibility of emerging risks not identified.	Implementation of ERM to avoid unidentified risks from materialising.
Non compliance to IIA standards	Business continuity Inability to provide assurance that the IA function is efficient and effective	Document an audit approach Ensure that the IA function is subjected to quality assurance by a qualified reviewer
Lack recruitment, selection, retention policy and work place skills plan	Inability to attract and retain suitably skilled individuals Service delivery	Adoption and implementation of relevant plan/policy/framework
System of delegations not reviewed annually	Legal, financial and operational risk Service delivery	Adoption of a reviewed system of delegations which is aligned with the principles and criteria set in Circular 33 of 2011



Findings and recommendations cont...

Corporate Governance

Finding	Impact /risk	Recommendation
Lack of evidence of audit committee reports to stakeholders regarding the status of the municipality's controls, risk management and governance processes was availed	Lack of assurance to stakeholders relating to internal controls	Report to stakeholders regarding the status of the municipality's assurance processes. The annual report is the standard instrument for this purpose
Lack of committees to oversee the coordinated implementation of ERM	Lack of oversight over the ERM process within the municipality	The Municipal Manager should appoint a Risk Management Committee to assist him/her in the discharge of his/her risk management duties

Supply Chain and Movable Asset Management

Assessment Area's

- Organisational structure
- Policies and control systems
- Compliance and risk mitigation
- Reporting and data integrity
- Capacity and skill development

Findings and recommendations

Supply Chain and Asset Management

Finding	Impact /risk	Recommendation
Inadequate SCM structure	Compromises unit's deliverables	Evaluation of SCM structure
Non Compliance with Legislation	Irregular expenditure Legal risk	Ensure that sub delegations are in place
No skills development plan is in place.	Inability to identify development needs for staff	Development of a training programme.

Findings and recommendations cont...

Supply Chain and Asset Management

Finding	Impact /risk	Recommendation
No standard operating procedures are in place for SCM	Institutional memory and uniformity of operational execution can not be assured	Operational processes relating to asset management should be documented as a matter of urgency
Lack of SCM officials meeting the necessary competency levels as prescribed by the National Treasury	SCM processes not effectively executed	That the further training of officials to meet the necessary competency levels is continued
Lack of Evidence for the quarterly reporting to Council	Lack of SCM accountability to council	Ensure that there is consistent and comparable SCM reporting to council

Accounting

Assessment Area's

- Generally recognised accounting practice (GRAP) reporting framework
- Standard Operating Procedures (SOPs)
- Accounting System
- Capacitation of Accounting Staff

Findings and recommendations

LG Accounting

Finding	Impact /risk	Recommendation
Use of external service provider to compile AFS.	Lack of skilled staff	Ensure transfer of skills.
No documented SOPs	Lack of business continuity Service delivery	Document SOPs
System's inability to produce AFS	Possible high costs of preparation of the AFS Delay in preparation of AFS	Constant liaison with FUJITSU and other users of PROMIS Investigate possible software for AFS preparation

Provincial Treasury's response and way forward

- Capacitation: USB-Ed
- Standard Operating Procedures (SOPs): USB-Ed
- Enterprise Risk Management: CRO forum
- Internal Audit: CAE forum
- Supply Chain Management:
 - Virtuous cycle assessments
 - Quarterly SCM forum
 - SCM Helpdesk
- Accounting:
 - Accounting systems projects
 - Accounting helpdesk : Pthelpme@pgwc.gov.za Subject: LG Accounting

PT – better together

1. PT accounting and corporate governance :

pthehelpme@pgwc.gov.za

2. Schedule to manage audit costs in 2012

3. Checklists to be provided to assist with the compliance with laws and regulations.

4. Checklists to assist municipalities with PDOs

5. Focus areas of the auditors :

Supply chain management

Human Resource management

Audit rates not to increase by more than 5.6%

The quarterly visits should not be charged for – only S&T

6. Financial sustainability – PT will be providing a template for self checking

PT will be communicating via email over the next couple of months – please provide the correct email details to ensure you get the most current information.

QUESTIONS AND ANSWERS

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Thank you