

# Endumeni Municipality Audit Committee

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON WEDNESDAY, 23 JUNE 2010 AT  
10h00 IN THE MAIN COMMITTEE ROOM, CIVIC CENTRE, DUNDEE 3000

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**PRESENT:** Mr N Rajkumar, The Chairman  
Mr V Mseleku, Member  
Mr L Steenkamp, Member  
Mr JB Maltman, The Acting Municipal Manager  
Mr I Grisdale, Chief Financial Officer  
Mr S Perumall, Manager: Corporate Services  
Mr Ryaan Lahidas, Gobodo Inc.

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**1. OPENING**

Mr N Rajkumar, the Chairman welcomed everyone.

**2. NOTICE OF MEETING**

Mr JB Maltman, read the Notice of the Meeting aloud.

**3. APPLICATION FOR LEAVE OF ABSENCE / APOLOGIES**

Mr Cebekhulu who is on leave.

**4. OFFICIAL ANNOUNCEMENTS**

None

**5. CONFIRMATION OF PREVIOUS MINUTES**

The minutes of the meeting held on the 10<sup>th</sup> of June 2010 and attached to the Agenda as Annexure A was approved.

**6. STATUTORY APPOINTMENTS AND ELECTIONS**

Nil

**7. QUESTIONS OF WHICH NOTICE HAS BEEN GIVEN**

None

**8. MATTERS ADJOURNED FROM PREVIOUS MEETING, INCLUDING MATTERS TO BE RE-CONSIDERED (MOTIONS) EXCLUDING DEFERRED MOTIONS**

Nil

**9. PECUNIARY INTEREST**

None

**10. DETERMINATION OF AGENDA**

**AC 4(1)**

**PERFORMANCE MANAGEMENT SYSTEMS REPORT BY GOBODO FOR THE 3<sup>RD</sup> QUARTER OF THE 2009/2010 FINANCIAL YEAR**

That the Audit Committee notes the Performance Management Systems Report by Gobodo for the 3<sup>rd</sup> quarter of the 2009/2010 Financial Year, and recommends the approval thereof by Council.

**AC 4(2)**

**AUDITOR GENERAL REPORT**

To be tabled at Audit Committee Meeting scheduled for Monday 28 June 2010 at 09h00

**AC 4(3)**

**FRAUD PREVENTION STRATEGY & RISK MANAGEMENT POLICY**

To be tabled at Audit Committee Meeting scheduled for Monday 28 June 2010 at 09h00.

**AC 4(4)**

**INTERNAL AUDIT PLAN 2010/2011**

Risk Assessment to be done before Audit Action Plan can be presented by Gobodo. Date for risk assessment set for 14 July 2010 at 10h00 with Section 57 Managers and relevant Section Heads.

Final Audit Plan to be tabled at Audit Committee Meeting scheduled for 28 July 2010.

AC 4(5)

**INTERNAL AUDIT CHARTER**

To be tabled at Audit Committee Meeting scheduled for Monday 28 June 2010 at 09h00.

AC 4(6)

**GOBODO VISIT 1 REPORT**

Queries to be finalised by Mr Grisdale by the latest, Wednesday 30 June 2010. To be discussed thereafter with Gobodo and Audit Committee.

**11. CLOSURE**

There being no further items to discuss, the Chairman declared the meeting closed at 11h00.

Chairperson:  .....

Date: *24/06/2010* .....

**CHIEF FINANCIAL OFFICER'S RESPONSE TO AUDITOR GENERAL'S REPORT FOR YEAR ENDED  
30 JUNE 2009**

**Paragraphs 1 to 8 noted**

**Paragraph 9**

- The reasons for budgeted expenditure being exceeded are a result of conversion to the GRAP framework of accounting. It is submitted that the use of the term "overspent" is misleading if one has regard to the definition of expenditure (not defined in the MFMA) contained in businessdictionary.com and which is recorded below:

Expenditure is defined as "Actual payment of cash or cash-equivalent for goods or services, or a charge against available funds in settlement of an obligation as evidenced by an invoice, receipt, voucher or other such document. A revenue expenditure is cash used in payment for goods and services consumed in a short period. A capital expenditure is cash used in purchase of fixed assets that last one year or more."

In the case of Endumeni Municipality the conversion to GRAP as at 30 June 2009, resulted in the budget being exceeded by non-cash items which were offset by cash items as noted in the reconciliation below:

	<b>2009</b>
	<b>R000's</b>
Budget Expenditure	112 885
Adjustment for depreciation (non-cash)	4 933
Adjustments for debtors impairment (non-cash)	3 694
Total budgeted expenditure after non-cash adjustments noted above	121 512
Net cash savings on other expenditure votes	(4 205)
Total actual expenditure per annual financial statements	117 305

Neither depreciation nor debtor impairment fall within the definition of "expenditure" as contained in the business dictionary. It is the view of council management that should it be necessary to highlight as Emphasis of Matter the cause of budgeted expenditure varying from actual, the true nature of the cause of the variance must be recorded in the management letter and the audit report. If this is the case, attention must also be drawn to the net cash savings on other votes which amounted to R4.2 million.

**Paragraphs 10 to 14 – noted**

**Paragraph 15** – in order to comply with the MFMA Council meetings will have to be re-scheduled so as to take place in April, July, October and January of each year.

**Paragraphs 16 to 28 – noted**