



**treasury**

Department:  
Treasury  
**PROVINCE OF KWAZULU-NATAL**

**PROCEDURES FOR THE REVIEW OF MUNICIPALITY'S ANNUAL FINANCIAL STATEMENTS  
FINANCIAL YEAR END: 30 JUNE 2015**

**MUNICIPALITY NAME:**

**DATE OF REVIEW:**

**PERFORMED BY:**

No.	PROCEDURE	COMMENT	RESOLVED (Yes/No)
<b>1</b>	<b>Prior Year amounts</b>		
1.1	Agree the prior year comparatives to the prior year audited AFS as disclosed in the annual report		
	Ensure that the closing balances as per the previous year trial balance agrees to the opening balance on the current year trial balance.		
1.2	Agree the latest closed off trial balance for the prior year to the prior years AFS to ensure all the adjusting journal entries have been processed.		
<b>2</b>	<b>Current Year TB</b>		
2.1	Agree the TB which has been imported to the AFS software template to the Financial system trial balance.		
2.2	Ensure that the Financial System TB is the correct TB used.		
2.3	Check that all the items on the TB have been correctly mapped.		
2.4	Review and investigate any assets or expenditure accounts that have negative balances (credits) or income, liabilities or surplus accounts that are in debit.		
<b>3</b>	<b>Statement of Financial Performance</b>		
3.1	Agree all amounts per the Statement of Financial Performance to the TB and that all accounts have been correctly mapped.		
3.2	Agree all amounts per the Statement of Financial Performance to the notes to the financial statements.		
3.3	<b>Income</b> a) Inspect monthly rates reconciliation and agree the monthly billing report to the general ledger property rates account in the ledger (trial balance). b) Review the service charges reconciliation and verify that the service charges billing report amount agrees with the amount in the general ledger. c) For all other sources of income, establish the process for recording such income and agree to adequate supporting documentation.		
3.4	<b>Payroll</b> a) Check that total employee costs as per the payroll system agree to the General Ledger salaries vote. b) Where differences exist, review the reconciling items.		
<b>4</b>	<b>Statement of Financial Position</b>		
4.1	Agree amounts to the trial balance.		
4.2	Agree the amounts disclosed on the Statement of Financial Position to the notes to the financial statements.		
4.3	<b>Inventory:</b> a) Agree inventory closing balance to supporting documentation. b) Verify that inventory counts have been performed and such counts are reconciled to the accounting records. c) Verify that any write downs of inventory or disposals are in accordance with the inventory policy and the accounting records have been updated correctly. d) Review the valuation of the inventory to ensure that it is in accordance with the accounting policy adopted by the municipality.		
4.4	<b>Cash and Cash equivalents</b> a) Agree the bank balance to the bank reconciliation and the bank statement. Ensure that there is supporting documentation for reconciling items. b) Ensure that there is source documentation for all petty cash balances e.g. the year end reconciliation. c) Agree the balance per the investment register to the bank statement and Trial Balance.		

**PROCEDURES FOR THE REVIEW OF MUNICIPALITY'S ANNUAL FINANCIAL STATEMENTS**  
**FINANCIAL YEAR END: 30 JUNE 2015**

**MUNICIPALITY NAME:**  
**DATE OF REVIEW:**  
**PREFORMED BY:**

No.	PROCEDURE	COMMENT	RESOLVED (Yes/No)
4.50	<p><b>Receivables</b></p> <p>a) Review the working papers for receivables to ensure it agrees to the notes, all relevant information is included and that the ageing is reasonable.</p> <p>b) Review the reconciliation between the consumer debtor sub-ledger and the General Ledger and agree the amount to the financial statements.</p> <p>c) Obtain the other receivables listing/reconciliation and agree the closing balance agrees to the Trial Balance.</p> <p>c) Consider the reasonableness of the method used by the municipality to consider impairment of receivables.</p> <p>d) Use the ageing of the receivables report to assess the reasonableness of the allowance for doubtful accounts.</p> <p>e) Determine whether all bad debts have been written off in accordance with the municipality's Bad debt write-off policy., and can be supported by Council approvals.</p> <p>f) Recalculate the short-term portion (capital repayments within 12 months after year-end) from the amortization schedules of the long-term debtors and confirm the correctness of the amount in the balance sheet.</p>		
4.60	<p><b>VAT Receivable/Payable</b></p> <p>a) Re-perform the reconciliation between VAT201 returns and the general ledger for the year under review.</p> <p>b) Vouch reconciling items against supporting documentation</p> <p>c) Reconcile the year end balance as per the general ledger to the outstanding VAT returns at year-end and agree to payments made / received after year-end.</p> <p>d) Agree the closing balance on the VAT reconciliation to the VAT 201 and Trial Balance.</p>		
4.70	<p><b>Assets: Property, Plant and Equipment</b></p> <p>a) Review the asset register and ensure that the opening balance for the various categories as per the asset register agrees with the opening balance as per the prior year annual financial statements.</p> <p>b) Review the asset register and ensure that the closing balances for the various categories as per the asset register agrees with the closing balance as per the trial balance.</p> <p>c) Review the componentisation of the asset register, and verify if all assets have been appropriately "broken down". In instances where this is not the case, record as such and discuss with the municipality on possible ways to address this.</p> <p><b>Asset Additions:</b></p> <p>d) Select a sample of 5 additions from the asset register and verify the additions to adequate supporting documentation i.e. invoices / bill of quantities / practical completion certificate.</p> <p>e) Trace a sample of 5 additions of assets from the capital ledger account and agree to the fixed asset register.</p> <p><b>Disposals of Assets:</b></p> <p>f) Trace a sample of 5 disposals from the asset register and ensure that the required approvals by Council for disposal of assets is available for audit purposes.</p> <p>g) Ensure that the proceeds received on disposals have been correctly recorded on the Trial Balance and appropriately supported by the relevant documentation.</p> <p><b>Depreciation:</b></p> <p>h) Verify whether depreciation has been calculated for the year, and ensure that such calculations have been appropriately performed in accordance with the accounting policy.</p> <p><b>Work in progress</b></p> <p>i) With regard to assets that are work in progress, verify that the municipality has a mechanism in place to identify completed projects (generally upon issue of a practical completion certificate). Ensure that the projects are being identified, and capitalised correctly in a timeous manner.</p>		
4.80	<p><b>Assets: Intangible assets</b></p> <p>a) Ensure that opening balances as per the register agree to opening balance as per the prior year AFS.</p> <p>b) Verify that all items recorded as intangible meet the definition of such.</p> <p>c) Verify that the amortisation calculated is consistent with the accounting policy.</p> <p>d) Verify that the closing balance as per the intangible asset register agrees to the closing balance as per the trial balance.</p>		
4.90	<p><b>Assets: Investment Property</b></p> <p>a) Verify the opening balance for investment property as per the asset register and agree the opening balance to the prior year AFS.</p> <p>b) Verify additions to investment property, and ensure that such additions have been appropriately valued and recorded.</p> <p>c) Ensure that the closing balance for investment property as per the asset register, agrees to the trial balance.</p> <p>d) Ensure that investment property has been valued by a valuator and has a valuation certificate and that the revaluation has been accounted for correctly in the annual financial statements.</p>		

**PROCEDURES FOR THE REVIEW OF MUNICIPALITY'S ANNUAL FINANCIAL STATEMENTS  
FINANCIAL YEAR END: 30 JUNE 2015**

**MUNICIPALITY NAME:**  
**DATE OF REVIEW:**  
**PREFORMED BY:**

No.	PROCEDURE	COMMENT	RESOLVED (Yes/No)
4.10	<p><b>Liabilities: Unspent Conditional Grants and Receipts</b></p> <p>a) Review the grants register and ensure that the opening balance for each grant agrees to the opening balance as per the GL, and the total to the closing balance per the Trial Balance</p> <p>b) Verify that the total expenditure reflected on the grants schedule/register agrees to the grant expenditure reflected on the General Ledger.</p> <p>c) In terms of income, ensure that all grants in terms of DORA have been recorded on the grants schedule correctly.</p> <p>d) Ensure that all grants are supported by DORA or Service Level Agreements, and that supporting documentation is available for all expenditure.</p> <p>e) Verify that grant income is recognised in accordance with the grant expenditure.</p>		
4.11	<p><b>Trade and other payables</b></p> <p>a) Agree the closing balance on the creditors ledger and accruals listing to the trial balance</p> <p>b) Select a sample of 2 creditors from the creditors ledger and reperform the creditors reconciliation.</p> <p>c) Obtain a summary of the accruals at year-end and perform the following procedures:</p> <p>i) Test the mathematical accuracy of the listing.</p> <p>ii) Compare the current year listing to that of the prior year and obtain explanations from management for any changes to ensure that there are no unrecorded liabilities.</p> <p>iii) Select a sample of 5 items (deemed large or unusual) from the listing and trace to relevant documentation.</p> <p>d) Select a sample of 2 payments from the July and August cash book and trace to supporting documentation. Identify invoices relating to the year-end but paid after year end, trace the invoices to the list of accruals to ensure that it is included.</p>		
4.12	<p><b>Other payables / Provisions</b></p> <p><b>Leave Pay Provision:</b></p> <p>a) Obtain the schedule prepared for the leave pay provision:</p> <p>(i) Trace a sample of 2 leave credits per the schedule to the leave file of the employee and ensure that the amount agrees.</p> <p>(ii) Agree the annual salary of the employee as per the schedule to the employees personnel file.</p> <p>(iii) Recalculate the amount of the leave pay provision to ensure mathematical accuracy.</p> <p>(iv) Ensure that the employee does not have more accumulated leave credit than allowed by the leave policy.</p> <p>(v) Select a sample of employees from the payroll and ensure through inspection of the provision listing whether they were included in the provision.</p> <p><b>Performance bonus</b></p> <p>a) Obtain the schedule of performance bonus payable at year-end. Determine through inspection of performance evaluation and council minutes that:</p> <p>(i) performance based bonuses were due only after an evaluation of performance of the employee against a pre-determined set of key performance indicators.</p> <p>(ii) approval of such evaluation was given by the municipal council concerned.</p> <p>(iii) recalculate the bonus payable based on the score given and the conditions and bonuses as per the signed performance agreement</p> <p>iv) Consider based on inspection of the evaluations and council minutes inspected</p>		

**PROCEDURES FOR THE REVIEW OF MUNICIPALITY'S ANNUAL FINANCIAL STATEMENTS**  
**FINANCIAL YEAR END: 30 JUNE 2015**

**MUNICIPALITY NAME:**  
**DATE OF REVIEW:**  
**PERFORMED BY:**

No.	PROCEDURE	COMMENT	RESOLVED (Yes/No)
4.13	<p><b>Other payables / Provisions (cont.)</b></p> <p><b>Long Service awards</b></p> <p>a) Obtain the basis used to calculate the provision and consider the suitability thereof.</p> <p>b) Evaluate the reasonableness of any assumptions used in the calculation of the provision.</p> <p>c) Confirm the completeness of the provision by selecting a sample of 2 employees from the payroll of the municipality that would qualify for long term service awards in future and confirm that these employees were included in the provision.</p> <p><b>Provision for Post Retirement Medical Aid</b></p> <p>a) Ensure that the municipality has appointed actuarial valuers to assist them with the calculations of the provision at year end in preparation for the annual financial statements</p> <p>b) Inspect the valuator/expert report and agree the details of the valuation i.e. amount, period, to the amount disclosed in the financial statement.</p> <p><b>Provision for the rehabilitation of landfill sites</b></p> <p>a) Inspect financial statements and determine whether there is provision for the rehabilitation of the landfill site.</p> <p>b) Inspect the valuator/expert report and agree the details of the valuation i.e. amount, period, to the amount disclosed in the financial statement.</p> <p><b>Retention fees</b></p> <p>Selected a sample of 2 retention fees as per the list of retentions:</p> <p>a) Recalculate the retention fees on the outstanding contracts by agreeing the % to the contract and inspection of the last project evaluation certificate.</p> <p>b) To ensure completeness of retention fees inspect the project register and select a sample of projects from the register and inspect the list of retentions to ensure</p>		
4.14	<p><b>Consumer deposits</b></p> <p>a) Review the reconciliations/deposit listings for all deposit vote accounts and ensure that the opening balance on these listings agrees with the opening balance as per TB.</p> <p>b) Select a sample of 5 deposits received during the year and inspect the relevant contracts for the terms and conditions. Recalculate the amount receivable and compare it to the actual amount received as per the general ledger. Follow the receipts through to the Bank statement.</p> <p>c) Ensure that supporting documentation is available for refunds/payments made in terms of deposit reimbursements.</p> <p>d) Agree the closing balance on the deposit reconciliation to the closing balance on the Trial Balance</p>		
4.15	<p><b>Loans</b></p> <p>a) Obtain the external loans register for the year and agree the opening balance for the year to the prior year AFS.</p> <p>b) Agree closing balance as per the loan bank statements to the loans register.</p> <p>c) Ensure that the interest paid has been correctly reflected on the loans register.</p> <p>d) Agree the closing balance on the external loans register to the balance as per the Trial Balance</p>		
<b>5</b>	<b>Statement of Changes in Net Assets</b>		
5.1	Agree amounts to the trial balance		
5.2	Review balances for reasonableness.		
5.3	<p>Equity: Accumulated Surplus account</p> <p>Ensure that proper working papers are maintained to support all prior year adjustments.</p>		
<b>6</b>	<b>Cash Flow Statement</b>		
6.1	Confirm the accuracy of the cash flow statement by reperformance.		
6.2	Agree amounts on the cashflow to the statement of financial performance and financial position.		
6.3	Check the notes to the cashflow statement.		
<b>7</b>	<b>Budget Statement</b>		
7.1	Agree the budget statement amounts disclosed on the annual financial statements to the Council approved budget.		
7.2	Agree the adjustment budget amounts to minutes of the Council meeting.		
7.3	Review the correspondence of evidence of submission of the budget to Treasury within 10 working days after council approved the annual budget.		
7.4	Check the calculation of unauthorised expenditure, ensuring that the savings on conditional grants are taken into account		

**PROCEDURES FOR THE REVIEW OF MUNICIPALITY'S ANNUAL FINANCIAL STATEMENTS**  
**FINANCIAL YEAR END: 30 JUNE 2015**

**MUNICIPALITY NAME:**  
**DATE OF REVIEW:**  
**PERFORMED BY:**

No.	PROCEDURE	COMMENT	RESOLVED (Yes/No)
7.5	Determine if the municipality only incurred expenditure in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget. Note: Perform a comparison of budgeted expenditure to actual per vote and determined if the budgeted limits were exceeded for any vote.		
<b>8</b>	<b>Disclosure notes</b>		
8.1	<b>Contingent Liability</b> a) Review the working papers for contingent liabilities and assets to ensure the amounts disclosed appears reasonable. Compare to prior years. b) Review the contingent liability raised at year end and agree it to the legal confirmations received.		
8.2	<b>Commitments</b> a) Review the working papers for capital commitments and inspect supporting documents. Ensure correct split between capital and current, approved and not approved. b) Agree the amounts for lease commitments to working papers. Ensure the future payments are calculated correctly.		
8.3	<b>Unauthorised, irregular, fruitless and wasteful expenditure</b> a) Agree the Opening Balance as per the unauthorised, fruitless and wasteful expenditure registers to the closing balances as disclosed in the prior year AFS. b) Agree the closing balance on the register to the disclosure note in the AFS. c) Agree a sample of 5 irregular expenditure to supporting documentation, ensuring it is disclosed correctly. d) Agree a sample of 2 fruitless and wasteful expenditure to supporting documentation, ensuring it is disclosed correctly c) Review the note on unauthorised expenditure, irregular, fruitless and wasteful expenditure to ensure correct disclosure. Ensure that the relevant registers are included. d) For all expenditure condoned, review the relevant council resolutions / Treasury approval.		
8.4	<b>Related party</b> Enquire with management with regard to all related party transactions and confirm that such transactions have been disclosed		
<b>9</b>	<b>GRAP Standards</b>		
9.1	Review the annual financial statements for completeness of disclosure of GRAP standards using the GRAP disclosure checklist.		
<b>10</b>	<b>Accounting Officer's Report</b>		
10.1	Review the Report of the Accounting Officer ensuring that the amounts disclosed on the Accounting Officer's report agrees to the financials.		
<b>11</b>	<b>General</b>		
11.1	a) The following are included in the financial statements: - Report of the Accounting officer. - Statement of financial performance. - Statement of financial position. - Statement of changes in net assets - Cash flow statement. - Budget statement - Accounting policies. - Notes to the annual financial statements.  b) All totals cast and cross cast.  c) The following information is provided on all the pages of the financial statements and is correct on all the pages: - Name of the Municipality. - Statement heading. - Reporting date.  d) The following information is disclosed prominently in the financial statements: - Presentation currency. - Level of rounding used in presenting amounts.  e) The sequence of page numbers is correct and complete.		