Auditing to build public confidence

AUDITOR-GENERAL
SOUTH AFRICA

Final management report

Tswelopele Local Municipality

30 June 2021

Communicated to the accounting officer on: 30 November 2021

Auditing to build public confidence

AUDITOR-GENERAL SOUTH AFRICA

Management report

Tswelopele Local Municipality

30 June 2021

CONTENT

Management report to the accounting officer on the audit of the Tswelopele Local Municipality for the year ended 30 June 2021

INTRODUCTION

1. The purpose of the management report is to communicate audit findings and other key audit observations to the accounting officer. The report does not constitute public information. This management report includes audit findings arising from the audit of the financial statements, performance information and compliance with legislation for the year ended 30 June 2021.

2. These findings were communicated to management. The report details management's response to these findings and includes information on the internal control deficiencies that we identified as the root causes of the matters reported. Addressing these deficiencies will help to improve the audit outcome.

3. In accordance with the terms of engagement, our responsibility in this regard is to:

   - express an opinion on the financial statements
   - express an opinion in the management report on the usefulness and reliability of the reported performance information for the selected key performance area, and report the material findings in the auditor's report
   - report on material findings raised on compliance with specific requirements in key applicable legislation, as set out in the general notice issued in terms of the Public Audit Act 25 of 2004 (PAA).
   - notify the accounting officer of any material irregularity or suspected material irregularities identified during the audit, and report on it in the auditor's report.

   Our engagement letter and the addendum to the engagement letter sets out our responsibilities and those of the accounting officer in detail.

4. This management report consists of the overall message arising from the audit, summary of key findings and observations, annexures containing the detailed audit findings, annexures to the report on the audit of performance information, as well as the annexure to internal control deficiencies reported.

5. The auditor's report is finalised only after the management report has been communicated. All matters included in this report that relate to the auditor's report remain in draft form until the final auditor's report is signed. In adherence to section 50 of the PAA, we do not disclose any information obtained during the audit and contained in this management report.

6. Please note that the information contained in these documents is confidential, privileged and only for the information of the intended recipient(s). It may not be used, published or redistributed without the prior written consent of the Auditor-General of South Africa (AGSA). Any form of reproduction, dissemination, copying, disclosure, modification, distribution and/or publication of this material is strictly prohibited. Should the information be used or processed in a manner that contravenes any laws in the Republic of South Africa, the AGSA is fully indemnified from liability that may arise from such contravention.

7. The **figure** that follows provides a pictorial summary of the audit results and our key messages on how to improve the audit outcomes, with the focus on the following:

- Status of the audit outcomes
- Status of the level of assurance provided by key role players
- Status of the drivers of internal controls
- Status of risk areas
- Root causes to be addressed

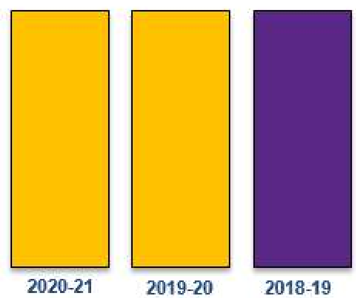
Movement from the previous year is depicted as follows:

/ ⇧ Improved

/ ⇔ Unchanged / slight improvement / slight regression

/ ⇩ Regressed

Stagnation in audit outcomes



Types of audit outcomes

- Unqualified with no findings
- Unqualified with findings
- Qualified with findings
- Adverse with findings
- Disclaimed with findings

Assurance levels

First level of assurance
- Senior management
- Municipal manager/CEO
- Mayor/Executive mayor

Second level of assurance
- Audit committee
- Internal audit

Third level of assurance
- Municipal council
- MPAC

Provides assurance | Provides some assurance | Provides limited/no assurance | Vacant/ not established

1 To improve/maintain the **audit outcomes** ...

2 ... the key role players need to **assure** that ...

3 ... attention is given to the **key controls** and ...

4 ... the **risk areas** and ...

5 ... the **root causes** are addressed ...

... the **best practices** are maintained.

Root causes should be addressed

- Lack of adequate records to support financial transactions, performance reporting and compliance activities.
- Some key positions were filled temporarily and some key appointments were made during the financial reporting period.
- Lack of adequate regular reconciling controls for significant financial reporting transactions.
- Over-reliance on consultants for accurate financial reporting.

Risk areas

- Quality of submitted financial statement
- Quality of submitted performance information
- Supply chain management
- Financial health
- Human , resource management
- Information technology

Good | Of concern | Intervention required

Status of drivers of internal controls

Leadership
- Effective leadership culture
- Oversight responsibility
- HR Management
- Policies and procedures
- Audit action plans
- IT Governance

Financial and performance management
- Proper record keeping
- Processing and reconciling control
- Regular reporting
- Compliance monitoring
- IT system controls

Governance
- Risk management
- Internal audit
- Audit committee

Good | Of concern | Intervention required

OVERALL MESSAGE

8. The overall audit outcomes of the municipality stagnated from the previous year mainly due to shortcomings in the billing system. These shortcomings were also highlighted to management during the previous audit but due to the limited time available after the previous audit, management was not in a position to address all the shortcomings.

9. The audit outcomes in respect of the reporting of actual achievements against predetermined objectives remained unchanged at a qualified audit conclusion in the management report.

10. A significant number of material findings were noted in the preparation of both the annual financial statements as well as the annual performance report. Complete and accurate information is not easily available and significant delays were experienced in the submission of information for audit purposes.

11. Although findings identified in respect of procurement and contract management are of concern, compliance with SCM laws and regulations have shown a slight improvement from the previous year. Leadership intervention is required by exercising stronger oversight responsibility on compliance with SCM laws and regulations.

12. The municipality had limited funds available to meet all of its financial obligations and service delivery targets. Measures to ensure that spending is minimised should be strengthened to ensure that the financial pressures are gradually relieved. Management in conjunction with political leadership should develop a strategy on how to increase debt collections as the poor collection rate is causing severe concerns on the municipality's ability to operate in future.

SECTION 1: Interactions with stakeholders responsible for oversight and governance

13. During the audit cycle, we met with the following key stakeholders responsible for oversight and governance to communicate matters relating to the audit outcome and matters identified during our status of records reviews of the municipality:

Key stakeholder	Purpose of interaction	Number of interactions
Municipal council	Building an understanding to the audit report	1
Municipal public accounts committee	No interaction due to Covid-19 measures	0
Executive mayor	Audit status update	1
Municipal manager	Communication of the engagement letter and audit strategy Fraud risk considerations Weekly steering committee meetings	1 2 14
Audit committee	Communication of the engagement letter, audit strategy and fraud risk considerations Audit status update	2

Key stakeholder	Purpose of interaction	Number of interactions
Other key and influential stakeholder(s)	Provincial Treasury	1

14. At these interactions, we shared the following key matters affecting audit outcomes and the auditee:

- Amendment to the engagement letter for reporting on material irregularities.
- Material misstatements in services charges and receivables.
- Change in treatment of availability charges in services charges.

15. Some stakeholders made commitments to implement initiatives that can maintain the audit outcome. The commitments given and the progress of previous commitments are included in section 3, which deals with the assessment of assurance providers.

SECTION 2: Matters relating to the auditor's report

Audit of the financial statements

16. We commend the municipality for submitting financial statements that were free from material misstatements.

Material misstatement			Impact R current year	Impact R previous year
Financial statement item	**Finding**	**Occurred in prior year**		
Material misstatements corrected				
Various line items	AFS High-level review differences between the TB and GL (CoAF 7) (Non-current assets, Current assets, Liabilities, Revenue, Disclosures)	No		
Non-current assets				
Property plant and equipment	AFS High-level review differences between the TB and GL (CoAF 7)	No	10 768 883	
Current assets				
Receivables from exchange transactions	Differences between GL, Aging & Receivables (CoAF 36)	No	3 607 459	
Receivables from non-exchange transactions	Differences between GL, Aging & Receivables (CoAF 36)	No	5 444 916	
Liabilities				
Payables	Overstatement of leave provision (CoAF 19)	No	4 970 529	

Material misstatement			Impact R current year	Impact R previous year
Financial statement item	**Finding**	**Occurred in prior year**		
Revenue				
Government grants	Difference in Equitable shares and AFS (CoAF 169)	No	2 523 033	
Expenditure				
Debt impairment	Debt impairment is not consistent with movements in gross impairment balance (CoAF 235)	No	7 185 859	
Debt impairment	Inconsistent presentation of amounts in note 36 (CoAF 218)	No	5 256 721	
Disclosures				
Irregular expenditure	Non-compliance with SCM requirements (CoAF 95, 123, 128, 129, 130)	No	2 131 816	
Fruitless and wasteful expenditure	Fruitless and wasteful expenditure 2021 is overstated (CoAF 245)	No	2 606 391	
Segment reporting	Differences identified before caseware journals were taken into account (CoAF 189)	No	89 883 653	
Cash flow statement	Differences identified in the cash flow statement (CoAF 211)	No	2 578 393	
Statement of budget and comparison	Differences identified statement of comparison of budget to actual (CoAF 147)	No	54 986 634	
Contingent liabilities	Contingent liability – RazzMatezz (CoAF 22)	No	7 384 024	

Matters to be brought to the attention of users

Emphasis of matter paragraphs

17. The following emphasis of matter paragraphs will be included in our auditor's report to draw the users' attention to matters presented or disclosed in the financial statements:

Irregular expenditure

18. As disclosed in note 55 to the financial statements, the municipality incurred irregular expenditure of R25 279 466 (2020: R38 931 707), due to non-compliance with supply chain management (SCM) requirements. In addition, the full extent of irregular is in process of being determined.

Restatement of corresponding figures

19. As disclosed in note 49 to the financial statements, the corresponding figures for 30 June 2020 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2021.

Material impairment

20. As disclosed in note 36 to the financial statements, receivables from exchange transactions and re ceivables from non-exchange transactions were impaired by R17 699 080 (2020: R16 204 720).

Material losses

21. As disclosed in note 37 to the financial statements, material electricity distribution losses of 15,06% (2020: 17,63%) were incurred by the municipality mainly due to line losses, tampering and theft.

Material uncertainty relating to going concern

22. I draw attention to the matter below. My opinion is not modified in respect of this matter.

23. Note 61 to the financial statements indicates that the municipality's current liabilities exceeded its current assets by R44 753 959 as at 30 June 2021. In addition, the municipality owed Eskom R51 859 855 (2020: R45 931 583) and the water board R11 336 897 (2020: R12 621 170) as at 30 June 2021, both of which debts were long overdue. These events or conditions, along with other matters as set forth in note 61, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Other matter paragraphs

24. The following other matter paragraphs will be included in our auditor’s report to draw the - users’ attention to matters regarding the audit, the auditor’s responsibilities and the auditor’s report:

Unaudited disclosure notes

25. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Audit of the annual performance report

26. In terms of the general notice issued in terms of the PAA, the opinion on the audit of reported performance information will be included in the management report. The report is included below to enable management and those charged with governance to see what the report will look like once it is published in the auditor's report. We will report all the audit findings included under the basis for opinion and the other matter sections of this report in the auditor's report.

Introduction and scope

27. We have undertaken a reasonable assurance engagement on the reported performance information for the following selected objectives presented in the municipality's annual performance report for the year ended 30 June 2021:

Development priority	Pages in annual performance report	Opinion	Movement
KPA 2 – Infrastructure development and service delivery	x – x	Qualified	►

28. We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements, ISAE 3000(R): *Assurance engagements other than audits or reviews of historical financial information.*

29. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPA 2 – Infrastructure development and service delivery

Qualified opinion

30. In our opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of our report, the reported performance information for KPA2 - Infrastructure development and service delivery is useful and reliable in accordance with the applicable criteria as developed from the performance management and reporting framework set out in annexure D to this report.

Basis for qualified opinion

Various indicators

31. I was unable to obtain sufficient appropriate audit evidence for the achievements for 2 of the indicators relating to this objective. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was

unable to determine whether any adjustments were required to the reported achievements in the annual performance report for the indicators listed below: (ISS.199)

Indicator description	Planned target	Report achievement
Provide formalized households, public facilities and businesses with access to clean, quality and sustainable water services	90% of formalised households, public facilities and businesses supplied with clean, quality and sustainable water services	100% of formalised households, public facilities and businesses supplied with clean, quality and sustainable water services
Provide formalized households, public facilities and businesses with access to safe and sustainable sanitation services.	90% of all formalised households, 100% of public facilities and businesses with access to safe and sustainable sanitation services	100% of all formalised households, public facilities and businesses have access to safe and sustainable sanitation services

Other matters

32. We draw attention to the matters below. Our opinion is not modified in respect of these matters.

Achievement of planned targets

33. Refer to the annual performance report on pages … to … for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the reliability of the reported performance information in paragraphs 31 to 33 of this report.

Adjustment of material misstatements

34. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of KPA2 - Infrastructure development and service delivery. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Responsibilities of the accounting officer for the reported performance information

35. The accounting officer is responsible for the preparation of the annual performance report in accordance with the prescribed performance management and reporting framework set out in annexure D to this report, and for such internal control as the accounting officer determines is necessary to enable the preparation of performance information that is free from material misstatement in terms of its usefulness and reliability.

Auditor-general's responsibilities for the reasonable assurance engagement on the reported performance information

36. Our objectives are to obtain reasonable assurance about whether the reported performance information for the selected key performance area presented in the annual performance report is free from material misstatement, and to issue a management report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that the assurance engagement conducted in accordance with the relevant assurance standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if they could reasonably be expected to influence the relevant decisions of users taken on the basis of the reported performance information.

37. Our procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the municipality. We have not evaluated the appropriateness of the performance indicators established and included in the planning documents. Our procedures do not examine whether the actions taken by the municipality enabled service delivery. Our procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our opinion does not extend to these matters.

38. A further description of our responsibilities for the reasonable assurance engagement on reported performance information is included in annexure E to this report.

Audit of compliance with legislation

39. Included below are material findings on compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

Annual financial statements

40. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

41. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The value of R25 279 466, as disclosed in note 55, is not complete, as management was still in the process of quantifying the full extent of the irregular expenditure. The majority of the disclosed irregular expenditure was caused by non-compliance with procurement processes when awarding quotations and competitive bids. Irregular expenditure amounting to R6 870 461 was incurred on the construction of toilet structures and sewer connections reticulation (499 sites) in Tikwana and Hoopstad.

42. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R1 387 000, as disclosed in note 53 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by the overspending of the approved budget.

Revenue management

43. An adequate management, accounting and information system which accounts for revenue was not in place, as required by section 64(2)(e) of the MFMA.

44. An effective system of internal control for debtors was not in place, as required by section 64(2)(f) of the MFMA.

Asset management

45. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

Procurement and contract management

46. Some of the written quotations were accepted from prospective providers who were not on the list of accredited prospective providers and did not meet the listing requirements prescribed by the SCM policy, in contravention of SCM regulations 16(b) and 17(1)(b).

47. Some of the quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43. Similar non-compliance was also reported in the prior year.

48. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a).

49. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5. Similar non-compliance was also reported in the prior year.

50. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2) of the MFMA.

51. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management as required by section 116(2)(c)(ii) of the MFMA.

Consequence management

52. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by as required by section 32(2)(a) of the MFMA.

53. Irregular expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Other information

54. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor’s report and those selected key performance area presented in the annual performance report that have been specifically reported in the auditor’s report.

55. Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion on thereon.

56. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected key performance area presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

57. The following paragraphs will be included in the auditor’s report to highlight to the users whether any inconsistencies in the other information exist:

58. I did not receive the other information prior to the date of this auditor’s report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor’s report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal controls

59. The significant deficiencies in internal control that led to our overall assessment of the status of the drivers of key controls, as included in the figure in paragraph 7, are described below. The detailed assessment of the implementation of the drivers of internal control in the areas of financial statements, performance reporting and compliance with legislation is included in annexure F.

Leadership

Effective leadership culture

60. Adequate policies and procedure for regular reconciling controls were not communicated and implemented over financial reporting, performance reporting and compliance activities.

Oversight responsibility

61. Leadership did not adequately exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls resulting in similar findings that occurred in the prior year.

62. Leadership also did not effectively apply consequence management by keeping staff members accountable for not adhering to the MFMA and SCM regulations resulting in irregular expenditure. There has also been little indication that the officials that caused repeated non-compliance would be held accountable.

Human resource management

63. The high vacancy rates indicate the leadership did not in all instances implement effective human resource management to ensure that adequate and sufficiently skilled resources are available.

Policies and procedures

64. I Management did not have updated/frequently reviewed policies and procedures to guide the operations of the municipality, resulting in numerous instances of non-compliance with the MFMA, as detailed under the findings on compliance with legislation section of this report

Action plans to address internal control deficiencies

65. Management was slow to implement the recommendations on internal control weaknesses raised by the internal audit unit. Some of the findings in the action plan’s dates are overdue and the status is also not indicated which shows that they are not being monitored.

66. The municipality developed a plan to address internal and external audit findings, but the appropriate level of management did not monitor adherence to the plan in a timely manner.

Financial and performance management

Proper record keeping

67. Management 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 results in numerous requests for information not being responded to within the three working day timeline. Numerous communications were also not responded to with the five working day timeline.

68. Various financial reporting transactions, performance reporting transactions and compliance activities were not supported by complete, relevant and accurate documentation. This resulted in significant limitation of scope findings reported during the financial audit.

Daily and monthly processing and reconciling of transactions

69. Management did not implement the following daily and monthly controls designed for the municipality's business processes:

    - Valuation rolls are inadequately updated contradict consumer accounts information captured in the reporting systems.
    - Inadequate review of the billing report to ensure that all information being processed are updated and processed correctly.
    - Regular reconciling of the receivables aging were not performed.
    - Monthly bank reconciliations were not adequately reviewed.

Regular, accurate and complete financial and performance reports

70. Various material misstatements were identified and corrected during the audit period over the financial statements. This was due to poor quality of financial statements compared to the previous financial reporting period.

71. Various consumer accounts with debit totals were corrected due to errors in the consumer debt process and capturing of approved consumer debtors related transactions.

72. Material performance indicators were not supported by accurate performance reports.

Compliance monitoring

73. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored.

74. Management's non-adherence to policies, procedures, laws and regulations relevant to the finance and supply chain management sections resulted in a weak internal control environment that gave rise to irregular expenditure and the procurement processes not followed to procure goods and services.

Governance

Internal audit

75. We are concerned about the following matters regarding the effectiveness of the internal audit unit, which require attention:

- The internal audit section is not adequately staffed or resourced in relation to the size and risk of the municipality
- Management did not implement all recommendations provided to them by internal audit, which could have assisted in addressing the weak internal control environment.
- The internal audit unit did not adequately follow-up the implementation of external audit recommendations to address internal control deficiencies related to audit findings.

Summary

76. The matters above, as they relate to the basis for the qualified opinion, findings on the annual performance report and findings on compliance with legislation, will be summarised in the auditor's report as follows:

77. Leadership did not adequately monitor and enforce the implementation of the corrective measures included in the audit action plan to address inadequate internal control measures. Leadership also did not apply consequence management for weaknesses in the finance and SCM directorates relating to procurement and contract management to prevent irregular expenditure.

~~78.~~ Management's failure to prioritise, develop and apply standard operating procedures to manage performance reporting, including the safeguarding of information and effective monitoring and evaluation of reported performance information, resulted in material adjustments to the annual performance report.

79. Management's lack of detailed review of the financial statements and the underlying records, due to significant vacancies in the finance division, resulted in material misstatements. These misstatements were not detected and corrected or prevented by the municipality's internal processes. The corrected misstatements resulted in material non-compliance included in the report.

SECTION 3: Assurance providers and status of implementation of commitments and recommendations

Assessment of assurance providers

80. The annual report is used to report on the financial position of auditees, their performance against predetermined objectives, and overall governance. One of the important oversight functions of the municipal council is to consider auditees' annual reports. To perform this oversight function, they need assurance that the information in the annual report is credible. To this end, the annual report includes our auditor's report, which provides assurance on the credibility of the financial statements and the annual performance report, as well as on the auditee's compliance with legislation.

81. Our reporting and oversight processes reflect on past events, as they take place after the end of the financial year. However, management, the leadership and those charged with governance contribute throughout the year to the credibility of financial and performance information and compliance with legislation by ensuring that adequate internal controls are implemented.

82. I assess the level of assurance provided by these assurance providers based on the status of internal controls (as reported in section 2.6) and the impact of the different role players on these controls. We provide our assessment for this audit cycle below.

First level of assurance

Senior management: provides limited assurance

- My assessment is based on the overall key control assessment of financial and performance management controls. Management did not in all instances adhere to policies, processes and procedures relevant to the finance and supply chain management sections.
- Furthermore, management did not implement all recommendations by the internal audit to improve the internal control environment and audit outcomes. However, senior management did adequately address some material findings raised in prior year (such as: investment property and property, plant and equipment). These matters are not reported in in the current year.
- There were inadequate processes and internal controls in place to ensure proper management of assets and management's over-reliance on consultants, to provide support for critical functions, lead to slow responses to address critical audit findings. Management did not ensure that the full extent of irregular- and unauthorised expenditure is investigated.

Accounting officer: provides some assurance

- My assessment is based on the overall key control assessment of leadership controls and risk management activities. The municipal manager provides some assurance as there was improved oversight to ensure that the prior year recommendations are correctly addressed. While the recommendations and oversight role of the municipal manager improved, there lacked appropriate support from senior management. What is still of concern is the lack of oversight to ensure compliance with supply chain management regulations, performance management and the GRAP. Irregular- and unauthorised expenditure were not prevented and sufficient processes are not in place to mitigate political influence in the supply chain management function of the municipality.

Mayor: provides some assurance

- The mayor is not involved in the administration of the municipality; however, some assurance could be obtained from his oversight role and the reporting done to the council.

Second level of assurance

Internal audit unit: provides some assurance

- Legislation in South Africa requires the establishment of, and provides for, the roles and responsibilities of internal audit units. Internal audit units must form part of the internal control and governance structures of the municipality and must play an important role in its monitoring activities. Internal audit must provide an independent assessment of the municipality's governance, risk management and internal control processes.

- The internal audit unit of a municipality must prepare a risk-based audit plan and internal audit programme for each financial year. It must advise the accounting officer and report to the audit committee on implementation of the internal audit plan and matters relating to internal audit; internal controls; accounting procedures and practices; risk and risk management; performance management; loss control and compliance with the MFMA. The internal audit unit must also perform such other duties as may be assigned by the accounting officer.

- Despite the fact that the some of the recommendation are not taken into account to be implemented by management and the vacancy rate within the unit, the internal audit unit functioned efficiently and effectively. The internal audit unit adequately followed-up the implementation of material external audit recommendations to address audit findings.
- Although the governance structures made an effort to influence the internal control environment of the municipality, the impact was not adequate to improve the internal control environment and processes which was mainly attributable to lack of thorough review of the asset and revenue function by the internal audit division.

Audit committee: provides some assurance

- The audit committee must be an independent advisory body to the council, accounting officer and the management and staff of the municipality on matters relating to internal financial control and internal audits; risk management; accounting policies; the adequacy, reliability and accuracy of financial reporting and information; performance management; effective governance; the MFMA and any other applicable legislation; performance evaluation and any other issues.

- The audit committee is also expected to review the annual financial statements to provide an authoritative and credible view of the municipality, its efficiency and effectiveness and its overall level of compliance with the applicable legislation.

- The audit committee is dependant on the assurance that management provides since their oversight is based on the available information. Due to the fact that there were shortcomings in the financial and performance reporting, the audit committee's ability to provide assurance is reduced.

Third level of assurance

Municipal council: provides limited assurance

- The municipal council did not provide oversight responsibility as there were recurring material findings reported-on and council had no process in place to monitor the improvement of these matters.

Municipal public account committee (MPAC): provides limited assurance

- MPAC is functioning and considered irregular-, unauthorised- and fruitless and wasteful expenditure during the year. Proper evidence was not kept of the investigation performed, as well as the decision taken by MPAC on these matters. The lack of monitoring of the action plan also reduced the assurance that MPAC provided.

Status of implementing commitments and recommendations

83. Below is our assessment of the progress in implementing the commitments made by the municipality to address the previous and current years' audit findings.

<table>
<tr><th>No.</th><th>Commitment</th><th>Made by</th><th>Date</th><th>Origin of commitment</th><th>Status</th></tr>
<tr><td>1</td><td>Investment properties – The properties will be reviewed to identified errors and improve the quality of the information</td><td rowspan="2">Municipal Manager</td><td rowspan="2">30 November 2019 and 24 March 2021</td><td rowspan="2">Audit report</td><td rowspan="2">Addressed</td></tr>
<tr><td>2</td><td>Property, plant and equipment – The register would be updated with errors identified and verifications would be performed to further improve the quality of the information in the asset register.</td></tr>
</table>

- Two (2) audit recommendations accepted by management in the previous year on matters included in the auditor's report and other important matters were implemented, or alternative actions were taken to resolve the finding.

- Details on the status of implementing the previous year's recommendations are provided in section 9, which summarises the detailed audit findings.
- The implementation of controls and checks to address the audit findings resulted in similar errors being prevented or detected and corrected in the 2020-21 financial year.

SECTION 4: Specific focus areas

Financial viability

84. Our audit included a high-level overview of the municipality's financial viability as at year-end. The financial viability assessment provides useful information for accountability and decision-making purposes and complements the financial statements by providing insights and perspectives thereon. The financial viability assessment is expected to enhance timely remedial decision-making and policy reforms where financial viability may be at risk. It will also highlight to management those issues that may require corrective action and the urgency and magnitude of the reforms and decisions necessary to maintain operations. The information should be used to complement, rather than substitute, management's own financial assessment.

FINANCIAL VIABILITY ASSESSMENT			
		As at 30 June 2021	As at 30 June 2020
Expenditure management			
1.1	Creditor-payment period	**412 Days**	**425 Days**
Revenue management			
2.1	Debt-collection period (after impairment)	**153 Days**	**122 Days**
2.2	Debt-impairment provision as a percentage of accounts receivable	**70%**	**73%**
	• Amount of debt-impairment provision • Amount of accounts receivable	**R86 659 348** **R123 967 733**	**R71 391 198** **R98 354 325**
Asset and liability management			
3.1	A deficit for the year was realised (total expenditure exceeded total revenue)	**No**	**Yes**
	• Amount of the surplus / (deficit) for the year	**R8 762 187**	**(R20 447 903)**
3.2	A net current liability position was realised (total current liabilities exceeded total current assets)	**Yes**	**Yes**
	• Amount of the net current assets / (liability) position	**(R44 753 959)**	**(R51 842 452)**

FINANCIAL VIABILITY ASSESSMENT			
		As at 30 June 2021	**As at 30 June 2020**
3.3	A net liability position was realised (total liabilities exceeded total assets)	**No**	**No**
	• Amount of the net asset / (liability) position	**R536 529 094**	**R527 766 906**
Cash management			
4.1	The year-end bank balance was in overdraft	**No**	**No**
	• Amount of year-end bank balance (cash and cash equivalents) / (bank overdraft)	**R12 487 087**	**R11 536 684**
4.2	Net cash flows for the year from operating activities were negative	**No**	**No**
	• Amount of net cash in / (out)flows for the year from operating activities	**R39 862 403**	**R18 336 305**
4.3	Creditors as a percentage of cash and cash equivalents	**763%**	**755%**
	• Amount of creditors (accounts payable) • Amount of cash and cash equivalents / (bank overdraft) at year-end	**R95 249 208** **R12 487 087**	**R87 150 237** **R11 536 684**
4.4	Current liabilities as a percentage of next year's budgeted resources **	**106%**	**93%**
	• Amount of current liabilities • Amount of next year's budgeted income **	**R99 992 850** **R94 010 000**	**R96 939 144** **R104 095 000**
Overall assessment			
Overall, the financial viability is assessed as:		**Red (unfavourable – intervention required)**	**Red (unfavourable – intervention required)**

* *This (these) amount(s) has (have) been adjusted for uncorrected misstatements that resulted in the modification of the audit opinion and will therefore not agree with the financial statement amounts.*

** *This amount excludes the portion of next year's budgeted resources that is budgeted to be spent on employee costs and remuneration of councillors.*

High-level comments

85. During the assessment of the municipality's ability to continue as a going concern, material uncertainties relating to events or conditions, which may cast doubt upon the municipality's ability to continue as a going concern or to meet its obligations as they fall due, were identified. This has a direct impact on the extent of service delivery, but also the cost of operations, since a supplier would have to take the delay in receiving payment into account when bidding.

86. The municipality’s creditors days were 412 days, which is twelve months longer than the legislated 30 days. This is less than the prior year (425 days) and the improvement is dependent on cost containment, even though the municipality’s recovery of outstanding debts improved slightly and the impairment decreased from 73% to 70% of total receivables.

87. The long term impact of the financial health of the municipality is that service delivery and infrastructure maintenance will be delayed until the municipality is at a point that projects can start and run to conclusion without the municipality having to wait for external funding or until it has enough cash available to pay the contractor to resume work.

88. The other critical indicators are that the municipality reported a net current liability of R44 753 959 which indicates that if all current liabilities were to be due and payable immediately, the municipality would have to sell off some assets to cover a remaining liability of R44,7 million.

Procurement and contract management

89. The audit included an assessment of procurement processes, contract management and the related controls in place. These processes and controls must comply with legislation to ensure a fair, equitable, transparent, competitive and cost-effective supply chain management (SCM) system and to reduce the likelihood of fraud, corruption, favouritism and unfair and other irregular practices. A summary of the findings from the audit are as follows:

Irregular expenditure

90. R19 805 365 (100%) of the irregular expenditure incurred in the current financial year was as a result of the contravention of SCM legislation. Further, irregular expenditure incurred in previous years amounting to R5 474 101 was identified in the current year. The root cause of the lack of effective prevention and detection is poor planning.

Awards to persons in the service of the state

91. Regulation 44 prohibits awards to persons in the service of the auditee (i.e. employees and councillors), persons in the service of any other state institution and entities owned/managed by them. The audit included the identification of such prohibited awards. Further testing was also performed to determine whether the legislated requirements with regard to declarations of interest were adhered to.

92. The findings were as follows:

Nature of finding	Number and value of awards made	Number and positions of officials/councillors identified	Number of suppliers identified	Further non-compliance or irregularities regarding the awards			
				Supplier did not submit declarations of interest	Supplier did not declare interest (false declaration)	Official/ councillor did not declare interest	Official/ councillor was involved in awarding the contract/ accepting the quotation
Awards made to councillors of the municipality	1 R5 930	1 Mayor	1	0	1	1	0

Awards to close family members of persons in the service of the state

93. Awards to providers owned/managed by close family members of persons in the service of the state, whether at the municipality or any other state institution, are not prohibited. However, such awards of more than R2 000 must be disclosed in the financial statements of the municipality for the sake of transparency and as required by SCM regulation 45. The audit included the identification of awards to close family members. Further testing was performed to determine whether the financial statement disclosure was made and the legislated requirements with regard to declarations of interest were adhered to.

94. No matters were identified.

Procurement processes

95. The table below is a summary of findings identified on procurement processes:

	Total		Quotations		Contracts	
	Number	Value *R*	Number	Value *R*	Number	Value *R*
Awards selected for testing	*74*	*78 192 165,79*	*39*	*4 040 210,30*	*35*	*74 151 955,49*
Expenditure incurred on selected awards – current year		*64 095 902,89*		*4 010 210,30*		*60 055 692,59*
Limitations – awards selected	*3*	*1 935 926,00*	*1*	*13 685,00*	*2*	*1 922 241,00*

	Total		Quotations		Contracts	
	Number	Value *R*	Number	Value *R*	Number	Value *R*
but could not be tested						
Awards where non-compliance was identified	*24*	*22 723 445,05*	*9*	*894 654,72*	*15*	*21 828 790,33*
Irregular expenditure identified	*14*	*5 142 775,09*	*9*	*894 654,72*	*5*	*4 248 120,37*
Instances of irregular expenditure where goods/services were not received	*0*	*0*	*0*	*0*	*0*	*0*

Limitations on audit

96. As indicated in the table above, sufficient appropriate audit evidence could not be provided that three (3) of the selected awards to the value of R1 935 926 were made in accordance with the requirements of applicable SCM legislation. No alternative audit procedures could be performed to obtain reasonable assurance that the expenditure incurred on these awards was not irregular.

97. The reasons for the limitations were lack of adequate audit trail. As a result of these limitations, the findings reported in the rest of this section may not reflect the true extent of irregularities and SCM weaknesses.

Procurement processes – general

- Four (4) contracts to the value of R1 784 261,26 were procured without inviting competitive bids, and the deviations were not approved. (CoAF 123, 128, 129, 130)

- Nine (9) quotations to the value of R894 655 were procured from suppliers whose tax matters had not been declared by the South African Revenue Services to be in order. (CoAF 120)

- One (1) quotations and contracts to the value of R530 191 were awarded to bidders who had not submitted a declaration on whether they are employed by the state or connected to any person employed by the state. (CoAF 123)

- One (1) contract to the value of R530 191 were awarded to bidders who had not submitted a declaration of past supply chain practices such as fraud, abuse of the SCM system and non-performance.

Contract management

- Three (3) contracts were amended or extended without approval by a delegated official. The total value of the extensions was R12 324 825. (CoAF 229)

- The performance of nine (9) contractors or providers was not monitored monthly. The total value of related contracts was R20 362 510. (CoAF 32)

- The contract performance and monitoring measures and methods applied in monitoring four (4) contract to the value of R15 230 947 were insufficient to ensure effective contract management. (CoAF 228)

Internal control deficiencies

98. Deviations are not adequately documented and approved by the delegated official, where it is impractical to follow procurement processes. Further, deviations from procurement processes are not adequately supported by standard documentation applicable.

99. Procurement of quotations and contracts is processed and approved without supplier declaration of interest, state employment or state employment of connected person employed.

100. Monthly contract management and monitoring is not adequate implemented and poor performance or delays are not timely identified and addressed to limit impact of service delivery. Further, suppliers and contractors are not held accountable for poor performance by invoking penalties.

Fraud and consequence management

101. The primary responsibility for preventing and detecting fraud rests with management and those charged with governance. We are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and for issuing an auditor's report that includes our opinion. Due to the inherent limitations of an audit, there is a risk that some material misstatements, including fraud, may not be detected.

102. Below is a summary of fraud risk factors identified during the audit that should be addressed to ensure that sufficient measures/controls are in place to prevent material misstatement/ non-compliance due to fraud.

- Due to certain vacancies, as well as lack of consequence management that discourage officials from procurement non-compliance, the risk of fraud through the procurement process increases. The lack of action on external and internal audit findings increases this risk.
- There have been various findings on SCM which indicates that the risk of fraud exists within the processes.
- The decision taken by the Department of Cooperative Governance and Traditional Affairs (COGTA) to place the municipality under section 106(3)(b) of the Municipal System Act No

32 of 2000 lead to the suspension of the Mayor. This raises the risk of fraud, since such a change places (perceived or actual) the employment of a number of officials at risk.

103. The MFMA and its regulations clearly stipulate that matters such as incurring unauthorised, irregular and fruitless and wasteful expenditure; the possible abuse of the SCM system (including fraud and improper conduct); and allegations of financial misconduct should be investigated. Disciplinary steps should be taken based on the results of the investigations. Our audits included an assessment of the municipality's management of consequences. The significant findings are provided below:

Ongoing investigations

104. A total of one (1) investigation into allegations relating to financial misconduct, fraud or improper conduct in SCM was ongoing at year-end. The Municipal Regulations on Financial Misconduct, Procedures and Criminal Proceedings and the Disciplinary Regulations for Senior Managers require that each investigation be completed within 30 days from the date of appointing the investigator. The table below provides a summary of investigations which had not been completed as at year-end:

Total number of ongoing investigations at year-end	1
• Number of SCM-related investigations	1
Number of investigations exceeding 3 months	1

Failure to deal properly with allegations reported in the previous year

105. The table below provides a summary of transgressions from the previous year that were either not investigated or proper disciplinary steps were not taken after investigation.

Unauthorised and irregular expenditure

Finding	Value *R*
Unauthorised expenditure	
Unauthorised expenditure identified in the previous year was not investigated to determine whether any person was liable for the expenditure	20 597 282
Irregular expenditure	
Irregular expenditure identified in the previous year was not investigated to determine whether any person was liable for the expenditure	109 708 305

Transgressions reported to management for investigation

106. During the previous year's audit, we reported findings relating to transgressions by officials or other role players, for management to investigate. During the current year audit, we performed follow-up tests to determine whether the matters reported were dealt with by management.

107. The table below provides a summary of the transgressions reported in the previous year and the year under review that must be investigated and disciplinary steps taken based on the results of the investigations.

	Findings raised in the previous year			Findings reported in current year	
Finding	Number of instances	Number of instances investigated	Number of instances resolved from those investigated	Number of instances	Value (R)
Other fraud/corruption allegations					
It was discovered that there is an official who forged the MM's signature on some trading certificates in 2018/19 (i.e. certificates which are issued to traders, allowing them to carry business within the municipality). The Municipal Manager subsequently opened a case at SAPS.	1	1	1	0	0
Procurement related documentation for 3 high valued contracts or tenders were not submitted for audit. This indicates processes may have not been followed and there is a fraud risk as a result.	0	0	0	3	2 452 432

108. Unauthorised, irregular, fruitless and wasteful expenditure disclosed in note 53, 54 and 55 to the financial statements must be investigated to determine whether any official is liable for losses incurred as a result of this expenditure. Disciplinary steps must be taken against officials who caused or permitted the unauthorised, irregular, fruitless and wasteful expenditure and losses incurred must be recovered from the person liable.

109. In terms of section 225 of the IESBA code, we have a responsibility to consider reporting identified and suspected non-compliance with laws and regulations to an appropriate authority. The following matters will be escalated to the council for them to ensure that appropriate steps are taken to address the non-compliance:

- CoAF 116: Unauthorised expenditure not properly investigated
- CoAF 187: Irregular expenditure not properly investigated
- CoAF 188: MPAC recommendations and consequence management not implemented
- CoAF 35: Limitation on competitive bids - RFI 23

Internal control deficiencies

- The action plan did not contain the necessary measures to address the weaknesses relating to the supply chain management function. Leadership did not effectively apply consequence management by keeping staff members accountable for not adhering to the SCM regulations resulting in irregular expenditure.
- The quotations, request for proposals, bid documentation and evaluation calculations are not always readily available when requested. This resulted in some instances where inadequate and incomplete information was submitted for audit. The challenges experienced indicate weaknesses in the documentation retention processes of the municipality. Appropriate internal control procedures are not in place so that the reasons for deviations are reasonable and justifiable.

Conditional grants

110. For the financial year under review, the audit included an assessment of the effectiveness of the municipality's use of the following conditional grants received:

- Municipal Infrastructure grant
- Regional Bulk Infrastructure grant
- Water Services Infrastructure grant

111. There were no compliance findings raised on the utilisation of the selected grants.

112. For each of the grants tested as per the table above, we selected key projects funded by the grant and audited the use of grants for the projects. The audit findings raised on each project are reported in the table below.

Key projects funded by the grant				
Summary of selected key project and result of testing	**Details**	**Details**	**Details**	**Details**
Name of grant	*Municipal Infrastructure Grant*	*Municipal Infrastructure Grant*	*Regional Bulk Infrastructure Grant*	*Water Services Infrastructure Grant*
Project/initiative funded by the grant	*Construction of 837 Toilet Structures in Ext 7 & 8*	*The Construction of Toilet Structures & Sewer Connections-Reticulation (499) Sites Tikwana/Hoopstad*	*Bultfontein and Hoopstad Phase 3: Upgrading of Bulkwater supply*	*Refurbishment of Hoopstad/Tikwana Sewer Pump Stations*
Audit findings				
Planned completion target for the selected project were not achieved	No	No	Yes	Yes
Project stage of completion was not assessed	Yes	Yes	Yes	Yes
Project stage of completion assessed by the municipality is incorrect	Yes	Yes	Yes	Yes
Findings on the procurement of goods and services for the project	Yes	No	Yes	Yes
Misstatements in the accounting for the expenditure relating to the project	Yes	Yes	Yes	Yes

Key projects funded by the grant				
Summary of selected key project and result of testing	**Details**	**Details**	**Details**	**Details**
Name of grant	*Municipal Infrastructure Grant*	*Municipal Infrastructure Grant*	*Regional Bulk Infrastructure Grant*	*Water Services Infrastructure Grant*
Project/initiative funded by the grant	*Construction of 837 Toilet Structures in Ext 7 & 8*	*The Construction of Toilet Structures & Sewer Connections-Reticulation (499) Sites Tikwana/Hoopstad*	*Bultfontein and Hoopstad Phase 3: Upgrading of Bulkwater supply*	*Refurbishment of Hoopstad/Tikwana Sewer Pump Stations*
Audit findings				
Payments were made for goods/services not received	Yes	Yes	Yes	Yes
Misstatements in the accounting of funds used through implementing agents	Yes	Yes	Yes	Yes
Process for appointing implementing agents did not comply with legislation	Yes	Yes	Yes	Yes
Implementing agents failed to comply with SCM prescripts when spending the funds	Yes	Yes	Yes	Yes

SECTION 5: Using the work of internal auditors

113. The auditing standards allow external auditors the option to use the work of internal audit for external audit purposes and for direct assistance. We have used internal audit as follows:

- The following internal audit reports were used for risk identification:
  - Performance information Q1
  - Performance information Q2
  - Performance information Q3
  - Performance information Q4
  - Revenue management
  - Supply chain management
  - Annual financial statements
  - Expenditure management
  - Governance and public participation
  - Asset management
  - Review of risk management

- The internal audit function was used for external audit purposes or for direct assistance as follows:
  - Internal audit function performed physical verification of employees procedures as agreed with the external auditors.

SECTION 6: Emerging risks

Accounting, performance management/reporting and compliance matters

New pronouncements

Standards of Generally Recognised Accounting Practice (GRAP)

114. The ASB has issued the following GRAP pronouncements, with effective dates as indicated:

GRAP pronouncement	Effective date
GRAP 25 on Employee benefits (revised)	To be determined
GRAP 104 on *Financial instruments* (revised)	To be determined
IGRAP 7 on *The limit on a defined benefit asset, minimum funding requirements and their interaction* (revised)	To be determined
IGRAP 21 on *The effect of past decisions on materiality*	To be determined
Guideline on *Accounting for landfill sites*	To be determined

Withdrawal of MFMA Ministerial Exemption Notice No. 429 of 30 March 2020 (MFMA Exemption)

115. With effect from 30 June 2021 the Minister of Finance has withdrawn the MFMA Ministerial Exemption Notice No. 429 of 30 March 2020. As from 1 July 2021 all municipalities and municipal entities will be required to adhere to all the requirements of the MFMA going forward and ensure that all internal controls are fully effective. The implication of this is that the Auditor-General may again audit adherence with all relevant MFMA legislative requirements i.e. including those which were subject to the MFMA exemption during the 2020-21 period.

Matters relating to revenue from exchange and non-exchange transactions

116. The Standards of GRAP require an entity to distinguish between revenue from exchange transactions and revenue from non-exchange transactions. The consistent accounting treatment of availability/basic charges levied by municipalities has been identified as an area of concern during the audit. It was identified that more guidance is required from National Treasury/ASB to clarify the correct accounting treatment within their GRAP accounting guidance. It should furthermore be noted that this matter may also have an impact on the disclosure of receivables from exchange- and non-exchange transactions in the statement of financial position. This matter does not have an impact on this report, but may result in a misstatement to the financial statements in the future if not correctly accounted for. The municipality is therefore encouraged to continue their engagement with the treasuries on this matter.

Subsequent events

117. No subsequent events identified.

Audit findings on matters that may be recognised as material irregularities in future audits

Audit findings identified in the current year

118. .The amendments to the PAA and the Material Irregularity Regulations issued in terms of the PAA became effective on 1 April 2019.

119. The amendments introduce the concept of a material irregularity. As per the definition in the PAA, a material irregularity means any non-compliance with, or contravention of, legislation, fraud, theft or a breach of a fiduciary duty, identified during an audit performed under the PAA that resulted in or is likely to result in a material financial loss, the misuse or loss of a material public resource or substantial harm to a public sector institution or the general public.

120. The AG has a statutory discretion to determine the manner in which, and the time frames within which, certain elements of the amendments are implemented. For the 2019-20 audits,

the AG opted to apply a phased approach to the handling of material irregularities, which includes implementing the process only at selected auditees.

121. Although Tswelopele LM was not selected in this phase of implementation, we highlight the following significant matters that came to our attention during the audit which may be recognised as material irregularities in future when the process is implemented at the municipality. The matter is reported as an audit finding in the annexures to this report.

Contract performance monitoring not adequately implemented

122. Engineering Aces is the appointed project consultant for the construction of 499 toilets. The first contractor (Best Enough/Ketwayo Construction JV) failed to finish the project yet still collected R15 877 280 from the contract of R18 379 444. The project consultant failed to prevent the payments while the project was not completed. Further, the municipality appointed a contractor (Irrigation Equipment) to complete the project at a further cost of R12 728 615 over and above the payments to the first contractor payments. Management have noted the challenges that led to higher project costs than contracted for such as, underground water, unstable area that used to be a farm and area is very flat which made the pipelines designs to be deeper for adequate flows of gravity for sewer. The management comment supports that the project engineer was not able to identify this challenges and escalate to management timely for corrective action or the corrective action was not implemented timely. This resulted in R15 877 280 from the contract of R18 379 444 while there was minimal progress. (CoAF 228)

123. Progress report 6 records that Unathi Civils' overall progress is at 68% when expenditure has been claimed up to 92% for construction of 837 toilet structures in Ext 7 & 8. Also, the planned completion date of 5 March 2021 has not been met. No penalties were invoked on the payment certificates. The project consultant (Tswela Tsweu Consulting) has also not made recommendation to invoke penalties. Various cession agreements have been entered into for the project and this could further indicate performance deficiencies by the contractor. Management sighted delays of completion due to rainfall, slippery area and material shortages caused by Covid 19. The municipality signed cession agreements to avoid high prices and high fuel prices resulting from Covid 19. This further supports that there is not adequate contract management supported by detailed documents as this challenges were not adequately documented and submitted to support contract management. (CoAF 228)

124. Management is encouraged to take appropriate, effective and timeous action on this matter to prevent any losses, misuse or harm and to recover any losses. Appropriate steps should also be taken against the responsible officials or other parties.

Audit findings on the annual performance report that may have an impact on the audit opinion in future

125. The planned and reported performance information of selected key performance area was audited against the following additional criteria as developed from the performance management reporting framework:

- Presentation and disclosure – overall presentation
    - Overall presentation of the performance information in the annual performance report is comparable and understandable.
- Relevance – completeness of relevant indicators
    - Completeness of relevant indicators in terms of the auditee's mandate, including whether:
        - relevant core functions are prioritised in the period under review
        - relevant performance indicators are included for the core functions prioritised in the period under review

126. Material audit findings arising from the audit against the additional criteria do not have an impact on the audit opinion of the selected key performance area in this report. However, they may have an impact on the audit opinion in future.

127. No material findings were identified in respect of the additional criteria.

Matters relating to revenue from exchange and non-exchange transactions

128. The Standards of GRAP require an entity to distinguish between revenue from exchange transactions and revenue from non-exchange transactions. The consistent accounting treatment of availability/basic charges levied by municipalities has been identified as an area of concern during the audit. It was identified that more guidance is required from National Treasury/ASB to clarify the correct accounting treatment within their GRAP accounting guidance. It should furthermore be noted that this matter may also have an impact on the disclosure of receivables from exchange- and non-exchange transactions in the statement of financial position. This matter does not have an impact on this report, but may result in a misstatement to the financial statements in the future if not correctly accounted for. The municipality is therefore encouraged to continue their engagement with the treasuries on this matter.

SECTION 7: Ratings of detailed audit findings

129. For the purposes of this report, the detailed audit findings included in annexures A to C have been classified as follows:

- Matters to be included in the auditor's report: these matters should be addressed as a matter of urgency.
- Other important matters: these matters should be addressed to prevent them from leading to material misstatements of the financial statements or material findings on the performance report and compliance with legislation in future.

- Administrative matters: these matters are unlikely to result in material misstatements of the financial statements or material findings on the performance report and compliance with legislation.

SECTION 8: Conclusion

130. The matters communicated throughout this report relate to the three fundamentals of internal control that should be addressed to achieve sustained clean administration. Our staff remain committed to assisting in identifying and communicating good practices to improve governance and accountability and to build public confidence in government's ability to account for public resources in a transparent manner.

Yours sincerely

Natasha Zwane

Acting Senior Manager: Free State

30 November 2021

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Distribution:

Audit committee

Head of internal audit unit

Executive authority

SECTION 9: Summary of detailed audit findings

		Classification					Rating				
Page no.	**Finding**	**Misstatements in financial statements**	**Misstatements in annual performance report**	**Non-compliance with legislation**	**Internal control deficiency**	**Service delivery**	**Matters affecting the auditor's report**	**Other important matters**	**Administrative matters**	**Number of times reported in previous three years**	**Status of implementation of previous year(s) recommendation**
Cash and cash equivalents											
69	EV CoAF 211 - Differences identified in the cash flow statement	✓						✓			In progress
Governance											
73	R3 CoAF 12 - Overall Planning - Requested information not received RFI 3 -(Addressed)			✓				✓			In progress
74	SM - CoAF 10 - Governance: Organisational structure not regularly reviewed and/or revised			✓				✓		All three previous years	In progress
76	(PARTIALLY RESOLVED) SM - CoAF 15 - Governance: Limitation of scope (RFI19) relating to skills transfer				✓			✓		Year - 1 and 2	In progress
78	SM - CoAF 27 - Governance: High vacancies in key municipal divisions				✓			✓		Year - 1	In progress
79	SM - CoAF 84 - Governance: Valuation roll information outdated				✓			✓			In progress
80	EvCoAF 85 - Contracted services - Journals processed without being duly authorised (Internal control deficiency)				✓			✓			In progress
82	EvCoAF 86 - Bulk Purchases - Payments not made within 30 days			✓				✓			In progress

		Classification					Rating				
Page no.	**Finding**	**Misstatements in financial statements**	**Misstatements in annual performance report**	**Non-compliance with legislation**	**Internal control deficiency**	**Service delivery**	**Matters affecting the auditor's report**	**Other important matters**	**Administrative matters**	**Number of times reported in previous three years**	**Status of implementation of previous year(s) recommendation**
284	EV CoAF 153 VAT receivable_Control deficiency_Journals not auhorised as per delegations				✓				✓		In progress
285	EV CoAF 173 - Grants (Control deficiency): Journals are not approved according to authorised delegations				✓				✓		In progress
Irregular Expenditure											
287	EV CoAF 187 - Irregular Expenditure: Accuracy of the amounts written off			✓					✓		In progress
83	EV CoAF 188 - Irregular Expenditure: MPAC recommendations and consequence management not implemented			✓				✓			In progress
Fruitless and Wasteful expenditure											
86	EV CoAF 99 - Fruitless and wasteful expenditure: Difference between write-off schedule and AFS - Corrected				✓			✓			In progress
92	EV CoAF 171 - Fruitless and Wasteful expenditure: Lack of follow up and recovery of fruitless & wasteful expenditure			✓				✓			In progress
Unauthorised Expenditure											
94	EV CoAF 116 - Unauthorised Expenditure - Not investigated by council committee			✓				✓			[In progress / Not addressed]
Subsequent Events											

		Classification					Rating				
Page no.	**Finding**	**Misstatements in financial statements**	**Misstatements in annual performance report**	**Non-compliance with legislation**	**Internal control deficiency**	**Service delivery**	**Matters affecting the auditor's report**	**Other important matters**	**Administrative matters**	**Number of times reported in previous three years**	**Status of implementation of previous year(s) recommendation**
96	EV (Partially Resolved) CoAF 247 - Limitation on RFI 163 for subsequent events and reasons for variations on the budget:			✓				✓			In progress
Debt Impairment											
97	ADJ EV CoAF 235 - Debt impairment is not consistent with movements in gross impairment balance	✓						✓			In progress
99	EV CoAF 237 - Debt impairment: Difference between AFS and the write-off schedules	✓						✓			In progress
Immovable assets											
100	SM - CoAF 172 - Property, plant and equipment: Differences identified on WIP	✓						✓			In progress
103	SM - CoAF 244 - Property, plant and equipment: Effective system of internal control not in place				✓			✓		All three previous years	In progress
Movable assets											
104	SM - CoAF 152 - Property, plant and equipment: Unable to physically verify some movable assets	✓						✓		Year - 1	In progress
105	SM - CoAF 208 - Property, plant and equipment: Incomplete disclosure of change in estimates	✓						✓			In progress
Operating expenditure											
107	EV CoAF 49 - Operating expenditure: Limitation of scope (RFI45) relating to PY follow-up	✓						✓			In progress

		Classification					Rating				
Page no.	**Finding**	**Misstatements in financial statements**	**Misstatements in annual performance report**	**Non-compliance with legislation**	**Internal control deficiency**	**Service delivery**	**Matters affecting the auditor's report**	**Other important matters**	**Administrative matters**	**Number of times reported in previous three years**	**Status of implementation of previous year(s) recommendation**
119	EV CoAF 96 - General expenses - Internal control deficiency				✓			✓			In progress
120	EV CoAF 97 - General expenses - Internal control deficiency (allocation per GL vote)				✓			✓			In progress
289	EV CoAF 146 - Finance Cost: Internal control deficiencies - journals				✓				✓		In progress
289	EV CoAF 160 - Operating lease rentals: (Internal control deficiency) Journal approvals				✓				✓		In progress
51	CoAF 248 - Expenditure managment: non-compliance with MFMA requirements to prevent UIF&W expenditure			✓			✓				In progress
Payable											
121	EV (Partially resolved) CoAF 184 - Payables: Difference is amount of advance payments	✓						✓		Year - 1	In progress
Predetermined objectives											
122	EV CoAF 17 - AOPO - Control deficiencies on reported performance		✓					✓		Year - 1	In progress
125	EV CoAF 41 - AOPO - Indicator: Cleaning municipal cemetries - Differences identified between APR and audited achievement		✓					✓			In progress
127	EV CoAF 83 - AOPO - Limitations noted on the APR supporting documents		✓					✓			In progress

		Classification					Rating				
Page no.	Finding	Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters	Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
52	EV CoAF 199 - AOPO- Provide formalized households, public facilities and businesses with access to water and sanitation services (Limitations noted)		✓				✓				In progress
Procurement and Contract Management (to confirm for removal)											
128	EV COAF 8 - SCM: Control deficiencies in the SCM process				✓			✓		Year - 2	In progress
129	EV CoAF 32 - SCM - Limitation on contract management RFI 24			✓				✓			In progress
56	EV CoAF 35 - SCM - Limitation on competitive bids - RFI 23			✓			✓				In progress
58	LATE EV CoAF 95 - SCM: Non compliance on the construction of 499 toilet structures & sewer connections			✓			✓				In progress
132	EV CoAF 117 SCM - Quotations - Declaration of interest not provided			✓				✓		Year - 1	In progress
133	EV COAF 118 - SCM: Capacity and capability are not evaluated in some bids			✓				✓			In progress
291	EV CoAF 119 SCM (Control deficiency) - Incompelete tender register				✓				✓		In progress
134	(PARTIALLY RESOLVED) EV CoAF 120 - SCM: CSD registration not attached on payments			✓				✓		Year - 1	In progress

		Classification					Rating				
Page no.	**Finding**	**Misstatements in financial statements**	**Misstatements in annual performance report**	**Non-compliance with legislation**	**Internal control deficiency**	**Service delivery**	**Matters affecting the auditor's report**	**Other important matters**	**Administrative matters**	**Number of times reported in previous three years**	**Status of implementation of previous year(s) recommendation**
136	EV (Partially resolved) CoAF 121 SCM - Demand forms and evaluation forms outstanding			✓				✓		Year - 1	In progress
139	EV CoAF 122 - SCM: Deviations not reported to Council			✓				✓		Year - 1	In progress
63	EV COAF 123 - SCM: Construction company contracted for debt collection services			✓			✓				In progress
141	EV CoAF 125 - SCM: Interest not declared between key management and supplier			✓				✓		Year - 1	In progress
66	EV CoAF 128 - SCM: Deviation not documented and approved by accounting officer			✓			✓				In progress
142	EV CoAF 191 - SCM: Limitation of scope (Quotations)			✓				✓			In progress
143	EV CoAF 228 - Contract management: Contract performance monitoring not adequately implemented			✓				✓			In progress
147	EV CoAF 229 - Contract management: Reasons for variations not documented and approved			✓				✓			In progress
149	EV CoAF 230 - Contract management: No action taken to replace expiring contract				✓			✓			In progress
150	EV CoAF 231 - Contract management: Rentention fee paid while contract is ongoing				✓			✓			In progress
Receivables											

		Classification					Rating				
Page no.	**Finding**	**Misstatements in financial statements**	**Misstatements in annual performance report**	**Non-compliance with legislation**	**Internal control deficiency**	**Service delivery**	**Matters affecting the auditor's report**	**Other important matters**	**Administrative matters**	**Number of times reported in previous three years**	**Status of implementation of previous year(s) recommendation**
292	EV (Partially Resolved) CoAF 64 - Rental & Misc Receivables - Limitation of scope RFI 67	✓							✓	Year - 1	In progress
151	EV CoAF 134 - Receivables Adjustments - Limitation of scope (RFI 129)	✓						✓			In progress
153	EV CoAF 135 - Receivables: Incorrect debtor amount recorded in the aging	✓						✓			In progress
154	EV (Partially resolved) CoAF 159 - Receivables: Properties not linked / billed for some services	✓						✓			In progress
169	EV (Partially resolved) CoAF 213 - Receivables: Differences identified between meter readings on statements and meter reading books				✓			✓			In progress
173	EV (Partially Resolved) CoAF 214 - Receivables: Differences identified between meter readings on statements and meter reading books				✓			✓			In progress
175	EV CoAF 219 - Receivables from non-exchange transactions - Difference in impairment allowance (CoAF115 of 2019/20)	✓						✓			In progress
177	EV (Partially Resolved) CoAF 233 - Receivables - Existence of accounts could not be confirmed (CoAF 97 of 2019/20)	✓						✓			In progress
179	EV CoAF 234 - Receivables from exchange transaction are not complete (CoAF 93 of 2019/20)	✓						✓			In progress
181	EV CoAF 243 - Limitation of scope: Interface reports (receivables) RFI 162	✓						✓			In progress

		Classification					Rating				
Page no.	**Finding**	**Misstatements in financial statements**	**Misstatements in annual performance report**	**Non-compliance with legislation**	**Internal control deficiency**	**Service delivery**	**Matters affecting the auditor's report**	**Other important matters**	**Administrative matters**	**Number of times reported in previous three years**	**Status of implementation of previous year(s) recommendation**
Related parties											
182	EV CoAF 102 - Related parties - Difference between AFS and billing report	✓						✓			In progress
184	EV CoAF 110 - Related parties - Bonus and performance related payments disclosure	✓						✓			In progress
186	(PARTIALLY RESOLVED) CoAF 124 - Related parties - Difference between AFS disclosure and recalculations	✓						✓			In progress
Revenue											
188	EV CoAF 51 - Revenue: Limitation of scope (RFI47) relating to PY follow-up	✓						✓			In progress
231	EV CoAF 81 - Property rates - Control deficiencies regarding improvements on supplementary valuation rolls				✓			✓			In progress
233	EV (Partially resolved) CoAF 87 - Service Charges - Sewerage and sanitation - Occurrence	✓						✓			In progress
235	EV CoAF 88 - Service Charges - Sewage & Sanitation - Incorrect tariffs billed	✓						✓			In progress
237	(PARTIALLY RESOLVED) EV.3-CN CoAF 89 - Service Charges - Water - Occurrence				✓			✓			In progress
244	EV (Partially Resolved) CoAF 91 - Service Charges - Water - Differences between the billing report and auditors recalculations	✓						✓			In progress

		Classification					Rating				
Page no.	Finding	Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters	Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
253	EV (Partially Resolved) CoAF 93 - Service Charges - Electricity – Occurrence properties not valuation roll				✓			✓		Year - 1	In progress
256	EV CoAF 100 - Service Charges - Refuse Removal - Incorrect tariffs billed	✓						✓			In progress
257	EV(Partially resolved) CoAF 109 - Service Charges - Refuse removal - Completeness	✓						✓			In progress
260	EV CoAF 156 - Revenue: compliance with MFMA requirements			✓				✓			In progress
262	EV CoAF 161 - Property rates - Difference between billing report and indigent register	✓						✓			In progress
263	EV CoAF 174 - Service Charges - Indigents - control deficiencies				✓			✓			In progress
266	EV CoAF 175 - Rental of facilities and equipment: Internal control deficiency				✓			✓			In progress
267	EV CoAF 176 - Rental of facilities and equipment (Completeness) - Amount due to municipality could not be confirmed	✓						✓			In progress
268	EV CoAF 180 - Service charges - Indigents approved without required supporting documents				✓			✓			In progress
270	EV CoAF 186 - Service charges: Incorrect account type on billing report	✓						✓			In progress

		Classification					Rating				
Page no.	**Finding**	**Misstatements in financial statements**	**Misstatements in annual performance report**	**Non-compliance with legislation**	**Internal control deficiency**	**Service delivery**	**Matters affecting the auditor's report**	**Other important matters**	**Administrative matters**	**Number of times reported in previous three years**	**Status of implementation of previous year(s) recommendation**
271	EV CoAF 194 - Service charges: Limitation of scope RFI 157	✓						✓		Year - 1	In progress
272	EV CoAF 220 - Service charges : Completeness of water	✓						✓			In progress
273	EV (Partially Resolved) CoAF 221 - Service charges : Completeness of Sewerage	✓						✓		Year - 1	In progress
275	EV CoAF 223 - Service charges: church billed as indigent (Sewerage)	✓						✓			In progress
277	EV (Partially Resolved) CoAF 224 - Service charges: Completeness of refuse	✓						✓		Year - 1	In progress
279	EV CoAF 225 - Service charges: Church billed as indigent (Refuse)	✓						✓		Year - 1	In progress
280	EV (Partially Resloved) CoAF 226 - Service Charges - Electricity - Completeness - Properties not on billing report	✓						✓			In progress

Detailed audit findings

Annexure A: Matters affecting the auditor's report

Operating expenditure

1. ISS.248-CoAF 248 - Expenditure managment: non-compliance with MFMA requirements to prevent UIF&W expenditure

Audit finding

Section 62(1)(d) of the MFMA state that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented;

Section 15 of the MFMA state that municipality may, except where otherwise provided in this Act, incur expenditure only -
a) in terms of an approved budget; and
b) within the limits of the amounts appropriated for the different votes in an approved budget.

Nature
During the audit of irregular expenditure and unauthorised expenditure the following were identified:
1) Reasonable steps were not taken to prevent irregular expenditure and unauthorised expenditure from incurring.
2) Expenditure was not incurred in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget or an adjustment budget.

Cause
This was was caused by lack of review of the internal control systems over expenditure.

Impact
Non-compliance with the requirements of MFMA.

Internal control deficiency

Financial and performance management
Management did not in all instances review and monitor compliance with applicable laws and regulations.

Recommendation

Management should implement controls to prevent irregular expenditure, and unauthorised expenditure.

Management's response

Date:

Auditor’s conclusion

Predetermined objectives

2. ISS.199-EV CoAF 199 - AOPO- Provide formalized households, public facilities and businesses with access to water and sanitation services (Limitations noted)

Audit finding
Section 46 of the MSA states that a municipality must prepare for each financial year a performance report reflecting:
(a) the performance of the municipality and of each external service provider during that financial year;
(b) a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year.

Section 62(1)(b) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

Nature
During the audit of predetermined objectives, the following limitations were noted:

Performance Indicator	Planned performance target	Reported performance achievement	Limitations noted
Provide formalized households, public facilities and businesses with access to clean, quality and sustainable water services	90% of formalised households, public facilities and businesses supplied with clean, quality and sustainable water services	100% of formalised households, public facilities and businesses supplied with clean, quality and sustainable water services	Inspected the progress report to confirm the total number of households, businesses and public facilities that has access to water and confirmed that the municipality determined the total number of households using the general household survey by the stats SA (2016) and there are total of 12 523 households in the municipality. However through inspection of the STATS SA it could be noted that the total number of households is 13 705, therefore it could not be confirmed how the municipality determined the adjusted number of 12 523 due to lack of supporting evidence For the businesses and the public facilities, the numerator and denominator could not be confirmed as the progress report provides that all the schools, businesses, churches and clinics have access to clean water. The report does not state the total number of these institutions as well as the total number that have access to water. There is also no supporting evidence in this regard. Alternatively, the auditors have used the billing report to determine the total number of households, public facilities and businesses that have access to water and there were material differences noted between the reports and the billing report.

Performance Indicator	Planned performance target	Reported performance achievement	Limitations noted
Provide formalized households, public facilities and businesses with access to safe and sustainable sanitation services.	90% of all formalised households, 100% of public facilities and businesses with access to safe and sustainable sanitation services	90% of all formalised households, 100% of public facilities and businesses with access to safe and sustainable sanitation services	Inspected the progress report to confirm the total number of households, businesses and the public facilities that receives access to water and confirmed that the municipality determined the total number of households using the general household survey by the stats SA (2016) and there are total of 12 523 households in the municipality. However through inspection of the STATS SA it could be noted that the total number of households is 13 705, therefore it could not be confirmed how the municipality determined the adjusted number of 12 523 due to supporting evidence. For the businesses and the public facilities, the numerator and denominator could not be confirmed as the progress report provides that all the schools, businesses, churches and clinics have access to clean sustainable sanitation. The report does not state the total number of these institutions as well as the total number that have access to sustainable sanitation. There is also no supporting evidence in this regard. Alternatively, the auditors have used the billing report to determine the total number of households, public facilities and businesses that have access to sanitation and there were material differences noted between the reports and the billing report.

Cause
The cause of the above is that management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Impact
This will result in a limitation misstatement in the reported performance as per the APR.

Internal control deficiency
Financial and performance management
Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.
Recommendation
Management should consider the reported matters and:

- conduct an assessment to determine the number of the total households, businesses and the public facilities within the municipality.

- conduct an assessment to determine the number of total households, businesses and the public facilities with access to the basic services and should report on the annual performance report based on the assessment.

Management's response
Management agrees with the finding, the APR will be adjusted. Note should be taken that council of the municipality in February 2021 adopted the revised service delivery and budget implementation plan of the municipality in line with the Actual Performance of the municipality. The municipality received the final Audit Report for 2019/2020 in March 2021 which had adjusted number of households, businesses and the public facilities.

The agreed adjusted numbers (11 472) could have been effected during the revision process of the SDBIP and correctly reported on in the Annual Performance Report of the municipality. Management will utilise the adjusted numbers going forward and include any new formalised households, businesses and the public facilities substantiated by sufficient reliable evidence.

Name: Vuyisile Frans
Position: Strategic Manager
Date: 10 November 2021

Auditor's conclusion

Management's response is noted and it is evaluated as follows:

1. There is no supporting evidence on how management determined the total number of households of 11 472.

2. For businesses and public facilities, there is no information provided indicating the total number of these businesses and facilities.

Therefore, the finding remains unresolved.

Procurement and Contract Management

3. ISS.35-EV CoAF 35 - SCM - Limitation on competitive bids - RFI 23

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Nature

The following information is outstanding from the following request for information (RFI) communicated on 07 September 2021:

1. Approved bids specifications
2. Bid specifications meeting minutes & attendance register
3. Proof of advertisement
4. Bids box opening register
5. All bids documentation received
6. Bid evaluation (Minutes & recommendation)
7. Bid adjudication (Minutes & recommendation)
8. Deviation motivation and approval (where applicable)
9. Bid award or appointment letter
10. Service level agreement
11. Council resolution approving the contract (only for longer than 3 years contracts)
12. BBBEE certificates
13. CSD tax compliance (At time of award)
14. MBD4 Declaration of interest form
15. Municipal rates and taxes and service charges statement (At time of award)
16. Municipal consultant or advisor declaration of interest (where applicable)
17. Proof of monitoring of the contract implementation

(Payments number are added for reference in the event there is a deviation)

Supplier	Payment number	Total current year amounts	Outstanding information
DK Specialised security Servic	EF004479-0001 'EF004591-0001	(1 603 466)	All above information or deviation is outstanding.
KGB Group	EF004096-0001 'EF004877-0001	(865 953)	SLA is received
Zalisile Msebenzi Civils	EF004744-0001 'EF004863-0001	(7 374 287)	All above information or deviation and payments are outstanding.
Pelatona Projects (Pty) Ltd	'EF004356-0001	(9 304 813)	All above information or deviation is outstanding.
NEP CONSULTING ENGINEERS	'EF004355-0001	(1 496 076)	All above information or deviation is outstanding.
Mega Water Trading & Projects	EF004656-0002	(4 993 320)	All above information or deviation is outstanding.
Irrigation Equipment	EF004221-0001 'EF004745-0001	(7 901 030)	All above information or deviation is outstanding.
Engineering Aces	EF004227-0001 'EF004888-0001	(4 271 232)	Bids specifications and all bids are outstanding
Silver Lake Trading 305 (Pty) Ltd	'EF004292-0001	(733 048)	All above information or deviation is outstanding.
Selatile Moloi Consulting Engineers	'EF004226-0001	(318 775)	All above information or deviation is outstanding.
Upsurge Construction	'EF004099-0001	(530 191)	All above information or deviation is outstanding.
MODISENYANE PROPERTY CO	'EF004618-0001	(622 783)	All above information or deviation is outstanding.
William Hunt Midrand	'EF004991-0001	(1 198 797)	Bids specifications and all bids are outstanding

Cause
These matters resulted due to internal controls not being adequately established and implemented by management.

Impact
This results in scope limitation on the audit work over procurement.

Internal control deficiency
Financial and performance management
Management did not implement adequate controls over daily and monthly processing and reconciling of transactions.

Recommendation
Management should ensure the requested information is provided for audit purposes with in the agreed time period.

Management's response
No management response provided.

Auditor's conclusion

The limited information was partially provided for audit and the following were not received:

Supplier	Payment number	Total current year amounts	Outstanding information
DK Specialised security Services	EF004479-0001 'EF004591-0001	(1 603 466)	Deviation memo is outstanding.
Upsurge Construction	'EF004099-0001	(530 191)	All above information or deviation is outstanding.
Selatile Moloi Consulting Engineers	'EF004226-0001	(318 775)	All information or deviation is outstanding. "SLA is received"
Engineering Aces	EF004227-0001 'EF004888-0001	(4 271 232)	Bids specifications outstanding

The limitation's impact on compliance with procurement processes will further be reported on.

4. ISS.95-LATE EV CoAF 95 - SCM: Non compliance on the construction of 499 toilet structures & sewer connections

Audit finding

Section 112(1) of the MFMA states that the supply chain management policy of a municipality or municipal entity must be fair, equitable, transparent, competitive and cost effective and comply with a prescribed regulatory framework for municipal supply chain management, which must cover at least the following:

(a) The range of supply chain management processes that municipalities and municipal entities may use, including tenders, quotations, auctions and other types of competitive bidding;
(b) when a municipality or municipal entity may or must use a particular type of process;
(c) procedures and mechanisms for each type of process;
(d) procedures and mechanisms for more flexible processes where the value of a contract is below a prescribed amount;
(e) open and transparent prequalification processes for tenders or other bids;
(f) competitive bidding processes in which only prequalified persons may participate;
(g) bid documentation, advertising of and invitations for contracts;
(h) procedures and mechanisms for—
  (i) the opening, registering and recording of bids in the presence of interested persons;
  (ii) the evaluation of bids to ensure best value for money;
  (iii) negotiating the final terms of contracts; and
  (iv) the approval of bids;
  (i) screening processes and security clearances for prospective contractors on tenders or other bids above a prescribed value;
  (j) compulsory disclosure of any conflicts of interests prospective contractors may have in specific tenders and the exclusion of such prospective contractors from those tenders or bids;
(k) participation in the supply chain management system of persons who are not officials of the municipality or municipal entity, subject to section 117;
(l) the barring of persons from participating in tendering or other bidding processes, including persons—
  (i) who were convicted for fraud or corruption during the past five years;

(ii) who wilfully neglected, reneged on or failed to comply with a government contract during the past five years; or

(iii) whose tax matters are not cleared by South African Revenue Service;

(m) measures for—

(i) combating fraud, corruption, favouritism and unfair and irregular practices in municipal supply chain management; and

(ii) promoting ethics of officials and other role players involved in municipal supply chain management;

(n) the invalidation of recommendations or decisions that were unlawfully or improperly made, taken or influenced, including recommendations or decisions that were made, taken or in any way influenced by—

(i) councillors in contravention of item 5 or 6 of the Code of Conduct for Councillors set out in Schedule 1 to the Municipal Systems Act; or

(ii) municipal officials in contravention of item 4 or 5 of the Code of Conduct for Municipal Staff Members set out in Schedule 2 to that Act;

(o) the procurement of goods and services by municipalities or municipal entities through contracts procured by other organs of state;

(p) contract management and dispute settling procedures; and

(q) the delegation of municipal supply chain management powers and duties, including to officials.

Section 21(b) of the Municipal Supply Chain Management Regulations states that a supply chain management policy must determine the criteria to which bid documentation for a competitive bidding process must comply, and state that in addition to regulation 13 the bid documentation must include evaluation and adjudication criteria, including any criteria required by other applicable legislation.

Section 28(1)(a)(i) of the Municipal Supply Chain Management Regulations stated that a bid evaluation committee must evaluate bids in accordance with the specifications for a specific procurement.

Nature

The bid adjudication committee (BAC) recommended a different bidder than the bid evaluation committee on project SCM/TSW/11/2017 for construction of 499 toilet structures and sewer connections.

The BAC report dated 14 December 2017 indicates there are errors in the BEC report for the project by having disqualified the winning bidder (Engineering Aces) on functionality and functionality criteria are not applied as per the published bidding documents. The winning bidder’s functionality assessment is re-performed below per the bidding documents:

1. Company experience (by recommendation letters)

>6 recommendation letters attached excluding 3 appointment letters & 1 quotation acceptance. (1 appointment letter is signed March 2017 indicating the said contract is likely not complete by time of this award).

>correct points for 5-10 similar projects is 20*5=100 points

2. Capacity number of professionals (Registration with ECSA)

2.1 professional engineer with >10 year experience

criteria is met. Allocate 20*5=100 points

2.1 Project manager >5 year experience
criteria is met. Allocate 20*5=100 points

3. Methodology (Scope, Quality, Risk, Time, Cost, Communication, Report) criteria is met. Allocate 10*5=50 points
Total functionality points is 350 points over a total of 500 points
The functionality score (350/500=70%)

The winning bidder did not meet the functionality score of 80% stated in the bidding documents and should have been disqualified as evaluated by the BEC.
The tender bid specifications minutes were not submitted for audit.

Item description	**Award value**	**Total payments**
Engineering Aces	(785 234,47)	(2 783 559,11)

Cause
The BAC re-performed the functionality assessment not following the advertised or published bidding documents and concluded differently to the BEC on the preferred suppliers.

Impact
The above non-compliance with procurement process will result in irregular expenditure on consulting engineer fees.

Internal control deficiency
Leadership
Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation
The accounting officer should ensure compliance with approved policies and procedures of the municipality and report the applicable irregular expenditure identified from non-compliance with procurement processes.

The accounting officer should also take note that the construction project is still ongoing 4 years later and the professional fees incurred for the consulting engineer have exceeded the bid amount.

Management's response
1. The tender was audited in 2018 by AGSA and no differences were found from the Bid Adjudication Committee. The appointed service provider met all the criteria as per the Bid Adjudication Committee. The AGSA must provide guidance on this exercise.

2. The management does not agree with the finding.
The service provider was appointed using the bills of quantities in page 56 of the tender document. At the top of page 56 it reads that ''The normal services shall be calculated based on a estimated cost of work R17 000 000.00 (VAT incl). The bills of quantities is based on 2015 ECSA guidelines which entails normal services and tariff of fees according to page 50,51 52, 53, 54, 55 and 56 of the tender document.
Page 52 of the tender document indicates the following:

‘’The payment to be paid to the Service Provider for providing the Services required in terms of this Agreement and for reimbursement for all expenses and costs incurred in performing the Services shall be in accordance with the following and marked up or down as set out in the priced bill of quantities.’’

‘’Government Gazette 39480, 4 December 2015– Guideline Scope of Services and Tariff of Fees for Persons Registered in terms of the Engineering Profession Act No. 46 of 2000 as amended by the Schedule of Amendments to Guideline Scope of Services and Tariff of Fees (Government Gazette 39480, 4 December 2015 and set out in section C3 Scope of work, Brief.’’

‘’Estimated value payable (R) indicates the estimated rand value that would be payable to the Service Provider in terms of paragraph two above. It includes mark ups set out in the gazette. This value is subject to re-measurement in terms of the Contract.
Rate is the percentage or amount by which the tenderer wishes to mark up or down the Estimated value payable (R).
Tendered price for items 1,2 and 4 is the Estimated value payable (R) adjusted up or down in accordance with the % Mark-up or Markdown.
The tender sum is the sum of the tendered prices for items 1, 2 and 4 and the applicable VAT.’’

Explanation: The above paragraphs indicates that estimated value payable (R) column in page 56 (Bill of Quantities) is a re-measurable item which will be based on the final construction amount. The Rate is actually the determining factor of how much the Municipality is going to pay the service provider in terms of percentage. Items 1,2 and 4 are actually going to be adjusted up or down depending on the final construction amount.

Page 53 of the tender document indicates the following:
‘’Tenderers shall calculate their prices for the various stages based on the “Normal Services” described in the said ECSA guidelines, Clause 3.1’’
‘’The municipality has calculated the engineering professional fees costs of the project as shown in the bills of quantities. Tenderers shall enter a percentage of the estimated engineering professional fees amount in the rates column of the bills of quantities against each of the relevant stages of the project. The amount for each stage shall then be calculated and entered in the schedule.’’
‘’The tendered percentages for each stage will be used to determine an adjusted professional fee in the event of a variation in the construction cost.’’

‘’Fees payable for the Preliminary Design, Detailed Design and Tender Documentation, and the Working Drawings stages will be finalised when the construction contract is awarded and will be based on the value of the construction contract. These fees will not be re-adjusted on completion of construction.’’

‘’Design changes during the construction stage will be treated on merit. No additional fees will be paid if such changes are necessary due to the Tenderer’s negligence. (Refer to the Special Conditions of Contract)’’

Page 54 of the tender document indicates the following:
‘’Percentage rates and lump sums shall include full compensation for overheads, profits, incidentals, tax (other than VAT), etc, and for the completed stages of work as specified. Full compensation for completing the stages of work, including during the defects liability period, as specified in the ECSA guidelines and scope of services, and for all the risks, obligations and

responsibilities specified in the general conditions of contract, special conditions of contract, ECSA guidelines and scope of services, shall be considered as provided for collectively in the items of payment given in the bills of quantities, except in so far as the values given in the bills of quantities are only approximate.''

''The tendered percentage rates shall be valid irrespective of any change in the quantities during the execution of the contract.''

''The short descriptions of the payment items in the bills of quantities are only given to identify the items and to provide specific details. Reference shall, inter alia, be made to the ECSA guidelines, in particular the references to "Normal Services" and Additional Services", the scope of services, the general conditions of contract and the special conditions of contract for more detailed information regarding the extent of services entailed under each item.''

Explanation:
The R17 000 000.00 is inclusive of the VAT, construction and consultant costs which was used by all service providers as a base for determining the consultant costs. The consultant with a higher rate (more discount for fees) will probably get appointed depending if they pass the functionality stage. The appointed service provider has tendered for R785234.47 which consists of tariff and fixed costs. This is because the Bill of Quantities is inclusive of the tariff costs and the fixed costs in accordance with the ECSA guidelines. The rate indicates 40% fee (60% discount) under item 1.0 (Normal Services) which is actually what the service provider has tendered for which means that the Municipality will get a 60% discount minimum on any construction cost after the tendering of the contractors. The Municipality is also at liberty of negotiating more discount when the construction cost goes higher.

The service provider estimated that the construction cost of R13 951 228.53 during tendering and claimed the fees based on that. The contractor was appointed at R15 982 125.50 (excl VAT) but the service provider only linked the fees from invoice no.6 in May 2019 of which it can be obligation to the Municipality if it follows the pricing instruction to the latter (based on page 53 of the tender document)..

Under item 2.0 Additional Services: The provisional sums were provided to make sure that service providers don't quote other things that are not required. And if during construction/designs the amounts are found not to be aligned with provisional sums because of being external services. Page 54 indicates that provisional sums will be full compensation.

The rate for site supervision for level 4 per month is R46 425.00 which is also included in the total of R785 234.47. If the duration of construction is 24 months therefore supervision will be 24xR46 425.00 = R1 114 200.00 (excl VAT) which is not included in the R785 234.47.

The period of construction can only be determined after the appointment of the contractor. The contractors will develop different programs during tendering and the supervision will be linked to that program. The Municipality opted for the site supervision because the area is already having residents with deep excavations on the pipelines, collapsing material, lots of underground water and monitoring of safety on daily basis.

The above concludes that the tendered amount of R785 234.47 was not a fixed cost as per the tender document based on 2015 guidelines Engineering Council of South Africa as it is a norm for engineering consultants under construction services.

The management has attached one invoice as an example of 2015 ECSA guidelines and page 56 signed Bill of Quantities.

Name:
Position:
Date:

Auditor's conclusion
Management comment is noted and the evaluated as follows:

1. The assertion that the contract was audited by AGSA in 2017 is being made by management. Thus, the auditor cannot verify that assertion. All payments made by the municipality are subject to audit and such, the contract was identified for audit in the 2021 financial year due to payments made and audited based on submitted information. The non-compliance as identified and reported by the AGSA in 2021 in this communication will result in irregular expenditure.

2. Management have explained in detail why the actual payments to service provider have exceeded the amount appointed for. Management have not responded to the issue raised that the service provider did not meet functionality points and thus, the appointed supply was not correctly appointed based on advertised criteria contained in the bidding documents.

The finding will remain to extent irregular expenditure is not reported for the service provider.

The accounting officer should evaluate the total amounts as paid to the service provider and compare to other service providers recommended by the BEC to determine the extent of the losses incurred. Consideration should be given to whether the extensions would have been incurred had the BEC recommended service provider been appointed.

5. ISS.123-EV COAF 123 - SCM: Construction company contracted for debt collection services

Audit finding
Regulation 36(1)(a) of the Municipal Supply Chain Management Regulations states that a supply chain management policy may allow the accounting officer to dispense with the official procurement processes established by the policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only:

1. in an emergency;

2. if such goods or services are produced or available from a single provider only;

3. for the acquisition of special works of art or historical objects where specifications are difficult to compile;

4. acquisition of animals for zoos; or

5. in any other exceptional case where it is impractical or impossible to follow the official procurement processes;

Regulation 38(1)(e) of the Municipal Supply Chain Management Regulations states that a supply chain management policy must provide measures for the combating of abuse of the supply chain management system, and must enable the accounting officer to reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract.

Regulation 38(1)(g)(i&ii) of the Municipal Supply Chain Management Regulations states that a supply chain management policy must provide measures for the combating of abuse of the supply chain management system, and must enable the accounting officer to reject the bid of any bidder if that bidder or any of its director:

1. has abused the supply chain management system of the municipality or municipal entity or has committed any improper conduct in relation to such system;

2. has been convicted for fraud or corruption during the past five years

Regulation 13(c)(i) of the Municipal Supply Chain Management Regulations states that a supply chain management policy must state that the municipality or municipal entity may not consider a written quotation or bid unless the provider who submitted the quotation or bid has indicated whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months.

Regulation 45 of the Municipal Supply Chain Management Regulations states that the notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including:

1. the name of that person;

2. the capacity in which that person is in the service of the state; and

3. the amount of the award.

Regulation 36(2) of the Municipal Supply Chain Management Regulations states that the accounting officer must record the reasons for any deviations in terms of sub-regulation (1) (a) and (b) and report them to the next meeting of the council, or board of directors in the case of a municipal entity, and include as a note to the annual financial statements.

Section 62(1)(d) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented.

Section 62(1)(a) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically.

Nature
The following bid transactions did not follow established procurement processes and the below non-compliances were identified:

Supplier	Payment number	Total current year amounts
Upsurge Construction	EF004099	(530 191)

1. The competitive bidding process was not followed and no approved deviation was submitted for audit. The deviation is not as a result of an emergency, services available from sole provider, special works of art or historical objects, acquisition of animals or impracticality to follow procurement process. The services procured are debt collection from only the Department of Rural Development.

2. The municipality directly contracted the provider without documented evidence of consideration of any other service provider rendering debt collection services. It should also be noted the service provider operates in construction services.

3. A signed MBD4 form declaring the interest of the service provider (Including connected persons in the employment of the state) is not provided for audit.

4. The deviation has not been recorded on standard deviation memorandum and approved by the accounting officer.

5. The deviation has not been reported to council.

6. The deviation was also not disclosed in the annual financial statements submitted for audit.

7. The service provider is only appointed to collect debt from Department of Rural Development. The municipality has options of recovering any debt through the Treasury and other applicable state organs, as the department is part of government.

8. There is no evidence to support that the services were received as the department paid directly to the municipality. The payment could be made in vain.

9. The procurement was not economical as the service provider has been paid 20% of the amount paid by the department whereas, IPES Utility (service provider appointed for debt collection by the municipality) had only charged 7,5%.

Cause
The established procurement policies and processes were not followed in the appointment of the service provider.

Impact
The above non-compliance with procurement process, results in irregular expenditure.

Internal control deficiency
Financial and performance management
Management did not review and monitor compliance with applicable laws and regulations.

Recommendation

The accounting officer should determine the full extent of the non-compliance to implement appropriate consequence management. Furthermore, the financial statements should be adjusted to disclose the irregular expenditure, as well as the deviation.

Management's response

Management agrees with the finding. The service provider approached the municipality and made a presentation to management for collection of revenue from the Rural Development on behalf of the municipality.

The municipality was faced with financial challenges and therefore developed a revenue enhancement strategy. The management had to exhaust all the avenues i.e. revenue collection and cost cutting measures. It is worth taking note that in the 2017/18 financial year the municipality used the conditional capital grants for operations which also let to more irregular expenditure.

The department of Rural Development on 30 June 2020 owed the Municipality about R 2.9 Million. The service provider appointed managed to Collect R 2.6 Million of the R2.9 Million. As at 30 June 2021 the department is owing the municipality and amount of R2 million. The purpose of showing the history is to indicate that the municipality is struggling on its own to collect the money owed by the department and that there is a benefit from the work done by the service provider in collecting the money on behalf of the municipality.

Management agrees that the processes were not followed to appoint the service provider therefore an amount of R530 190.80 should classified as irregular and be reported to council for investigation. The management should also put internal control measures in place to avoid such appointments and follow the provisions of supply chain management processes. The management will furthermore engage provincial treasury to intervene and assist the municipality in collecting government debt.

Name: T J Matyesini
Position: Chief Financial Officer
Date: 27 October 2021

Auditor's conclusion

Management agree with the non-compliances as reported in the communication. The non-compliance will be reported on further and irregular expenditure corrections will be followed up upon receipt of corrected financial statements.

6. ISS.128-EV CoAF 128 - SCM: Deviation not documented and approved by accounting officer

Audit finding

Regulation 36(1)(a) of the Municipal Supply Chain Management Regulations states that a supply chain management policy may allow the accounting officer to dispense with the official procurement processes established by the policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only:

1. in an emergency;
2. if such goods or services are produced or available from a single provider only;

3. for the acquisition of special works of art or historical objects where specifications are difficult to compile;

4. acquisition of animals for zoos; or

5. in any other exceptional case where it is impractical or impossible to follow the official procurement processes;

Regulation 36(1)(b) of the Municipal Supply Chain Management Regulations states that a supply chain management policy may allow the accounting officer to ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

Regulation 36(2) of the Municipal Supply Chain Management Regulations states that the accounting officer must record the reasons for any deviations in terms of sub-regulation (1) (a) and (b) and report them to the next meeting of the council, or board of directors in the case of a municipal entity, and include as a note to the annual financial statements.

Nature
The following deviation resulted in the non-compliance with regulations as listed below:

Item description	Expenditure (Payments) – current year
JICAMA 167	(399 375)

1. No procurement documentation is provided to support the process followed to appoint the bidder.

2. The municipality already had an appointed service provider (Mega Water) to supply water purification chemicals. However, the above payment has also been made for water purification chemicals outside the tender process.

3. Reasons for the deviation from procurement processes have not been documented and approved by the accounting officer.

4. The deviation has not been documented to be from an emergency, services available from sole provider, special works of art or historical objects, acquisition of animals or impracticality to follow procurement process.

Cause
Reasons for the deviation have not been documented and approved by the delegated official according to the supply chain management policy and processes.

Impact
The above non-compliance will result in irregular expenditure of R399 375 and the understatement to irregular expenditure will be aggregated with other misstatements.

Internal control deficiency
Financial and performance management
Management did not review and monitor compliance with applicable laws and regulations.

Recommendation

The accounting officer should determine the full extent of the non-compliance and correct the financial statements to disclose the irregular expenditure.

Management's response

Item description	Expenditure (Payments) – current year	Response
JICAMA 167	(399 375)	I Do agree with the finding, Procurement was done by means of cession between Jicama and Megawater

Name:
Position:
Date:

Auditor's conclusion

Management agree with the finding. The non-compliance will be reported on further.

Annexure B: Other important matters

Cash and cash equivalents

1. ISS.211-EV CoAF 211 - Differences identified in the cash flow statement

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature

1. The following differences were identified in the cash flow statement calculation and presentation:

Description	AGSA calculation	AFS	Difference	Comment
Receipts (including VAT)				
Sale of goods and services	67 873 376	66 450 033	1 423 343	Incorrect payments used in advance of R4 946 856; Incorrect receivables from non-exchange transactions of R15 553 007; Receivables from traffic fines applied twice to calculation; Incorrect debt impairment amount used of R16 673 570.
Grants and subsidies received	132 217 548	131 065 498	1 152 050	Incorrect closing unspent balance of R3 894 321; Incorrect grants revenue amount of R132 217 548.
Payments (including VAT)				
Suppliers (for trading goods/services)	63 137 157	82 250 452		
Interest paid	19 181 118	-		
Transfers and subsidies paid	-	-		
Sub-total	157 165 352	157 097 528	67 824	
Investing activities				
Purchase of Property Plant and Equipment	(40 309 134)	(40 130 416)		
Proceeds on disposal of Property Plant and Equipment	407 199	-		
Proceeds on disposal of assets and liabilities	400 052	1 034 692		
Sub-total	(39 501 883)	(39 095 724)	(406 159)	

2. The following differences were identified in note 43 cash generated from operations:

Description	AGSA Calculation	AFS	Difference
Loss allowance	22 454 009	-	22 454 009
Profit / Loss on sale of asset	2 033 805	(1 112 381)	3 146 186
Movement in other receivables from exchange transactions	63 768	(88 801)	152 569
Opening balance	1 655 188		
Prior period adjustments	13 133		
Public contributions	152 569		
Closing balance	(1 757 122)		
Movement in Receivables from non-exchange	(8 264 852)	(2 576 862)	(5 687 990)
Opening balance	5 166 661		
- Loss allowance (movement)	(5 687 990)		
Closing balance	(7 743 523)		
Movement in Receivables from exchange transactions	(20 358 235)	(4 081 846)	(16 276 389)
Opening balance	19 818 873		
- Loss allowance (movement)	(9 580 160)		
- bad debts written off	(7 185 859)		
Closing balance	(23 411 089)		
Movement in trade and other payables (including vat and income tax payable):	4 267 559	13 702 498	(9 434 939)
Opening balance	89 974 412		
Finance costs	2 633 874		
Accrued leave pay	3 300 085		
Accrued bonus	451 257		
Prior period adjustments	(158 856)		
Closing balance	(100 468 331)		
Movement in payments received in advance	595 123	-	595 123
Opening balance	(1 571 847)		
Closing balance	2 166 970		

Cause
Lack of adequate review of financial statements before submission for audit.

Impact
Inconsistencies identified in the cash flow calculation result in material misstatements on the cash flow statement.

Internal control deficiency
Financial and performance management
Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation

The accounting officer should implement a detail review supervisory control to enhance the quality of the financial statements.

Management's response

Management response

Management partially agree with the finding.

Management agree with some of the adjustments and do not agree with some of the adjustments.

A meeting was held with AGSA where the Cashflow statement was discussed as clarity is required on some of the recalculations performed by AGSA.

Management requested AGSA to clarify some of their calculations as we could not determine how AGSA got to the various amounts. It was agreed upon that the calculations of AGSA will not be provided, but that the cashflow calculations should be submitted to AGSA showing where AGSA's calculations and/or clarity are required to resolve the finding. It was agreed that AGSA will look at the items where AGSA's calculations and/or clarity were required and respond back on the items so that the cashflow can be adjusted accordingly. It was agreed upon that further discussion can be held on the cashflow relating to unclear items where AGSA's calculations are required, so that the cashflow can be correctly updated with the adjusted AFS.

Please find attached the updated Cashflow as the differences identified workings.

In the updated cashflow it is indicated where clarity is required from AGSA as well AGSA's calculations. In the differences identified working paper the adjustments are indicated per finding as well as where clarity is required from AGSA as well as AGSA's calculation.

Name: Thabiso Matyesini
Position: CFO
Date: 09/11/2021

Auditor's conclusion

Auditor's conclusion

The auditor does not agree with the following:

1. Management included debtors and revenue from fines in the sale of goods even though these should be separately presented and disclosed, as is consistent with the prior year financial statements.

2. Management included the movement in inventories in the cash flow from sale of goods. This should rather be included in the cash paid to suppliers as it is not related to cash generated from cash received from debtors.

3. No cash finance costs were separately presented on the face of the cash flow statement even though finance costs were paid on finance leases and the DBSA loan.

4. A cash payment was presented on the face of the cash flow statement for repayment of the other financial liabilities, however the interest for the year on the loan amounted to R881 243 and payments amounted to R661 125, therefore the payments relate to payment of

finance costs rather than capital repaid. Finance costs repaid should be separately presented on the face of the cash flow statement.

5. Finance costs on finance leases were included in the repayment amount presented on the cash flow statement even though it should be separately presented.

6. When calculating the movement in trade payables management did not take into account non-cash movements such as finance costs and increases in accrued leave pay and accrued bonuses, therefore incorrectly accounting for the entire movement in the balances as cash movements.

7. Management did not take into account the non-cash public contributions in the movement calculated for other receivables.

8. Management did not take into account non-cash movements in employee benefit obligation when calculating the cash flow movement in the note to the cash flow statement, such as finance costs and actuarial gains/losses.

9. Management did not remove all non-cash movements and items that has to be presented separately from the profit before tax in the note to the cash flow statement, such as bonus accruals, leave accruals, all finance costs, dividends received, interest accrued etc.

The finding is therefore deemed to not be resolved for the above.

Governance

2. ISS.12-R3 CoAF 12 - Overall Planning - Requested information not received RFI 3 - (Addressed)

Audit finding

Section 15(1)(a) of Public Audit Act states the following when performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee.

Section 74(1) of the MFMA states the following the accounting officer of a municipality must submit to the National Treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.

Paragraph 46 bullet 5 of the signed engagement letter state ”In terms of section 15(2)(b) of the PAA and in order to comply with applicable legislated auditing and tabling deadlines in the MFMA, as well as to allow adequate time for conducting the audit in accordance with the relevant auditing standards the municipality should adhere to the following:

All documentation and information in support of the financial statements, the annual performance report and compliance with legislation must be available on request and be retrievable within a reasonable time. This documentation and information is also relevant to disclosures in the financial statements and could include information outside the general and subsidiary ledgers. If this information is not provided in the time agreed, it will be regarded as a limitation on the audit which could result in a modification of the audit opinion”.

Nature
The following information was requested as per RFI 3 of 2021 on 10 August 2021 (due date 13 August 2021), however was not submitted.
Please provide the auditors with the information below in electronic format (e-mail), if possible:

1. The MPAC meeting minutes for 2020/21

2. Resolutions taken by MPAC during 2020/21

Cause
Management did not prioritise the request for information from the audit team to ensure that it is provided within a reasonable time.

Impact
This will result in a limitation of scope to the following:

Unauthorised expenditure : R20 348 832
Fruitless and wasteful expenditure : R2 381 474
Irregular expenditure : R74 714 896

Internal control deficiency
Financial and performance management
Management 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.

Recommendation
Management should ensure that information is readily available and that information is submitted for audit purposes.

Management's response
No formal repsonse was received from management but management provided the information requested including the MPAC reports however the minutes or recording of the MPAC meeting was not received.

Date:

Auditor's conclusion
Management provided the information requested including the MPAC reports however the minutes or recording of the MPAC meeting was not received. Therefore this is partially resolved.

3. ISS.10-SM - CoAF 10 - Governance: Organisational structure not regularly reviewed and/or revised

Audit finding
Section 66(1)(a) of the MSA states that a municipal manager, within a policy framework determined by the municipal council and subject to any applicable legislation, must develop a staff establishment for the municipality and submit the staff establishment to council for approval.

Section 51 of the MSA states that a municipality must within its administrative and financial capacity establish and organise its administration in a manner that would enable the municipality to:
(a) be responsive to the needs of the local community
(g) perform its functions through operationally effective and appropriate administrative units and mechanisms, including departments and other functional or business units; and when necessary, on a decentralised basis.

The Municipal System Act 32 of 2000 states that a municipal manager, within a policy framework determined by the municipal council and subject to any applicable legislation, must:
(a) approve a staff establishment for the municipality;
(b) provide a job description for each post on the staff establishment;
(c) attach to those posts the remuneration and other conditions of service as may be determined in accordance with any applicable labour legislation; and
(d) establish a process or mechanism to regularly evaluate the staff establishment and, if necessary, review the staff establishment and the remuneration and conditions of service.

Nature
During 2016, the municipal manager, in consultation with management conducted an in-depth environmental scanning and compliance audit of the municipality in order to determine whether the organisational structure is responsive to the municipality meeting its constitutional obligations. Such scanning is important to keep abreast of change, as the environment and/or circumstances are continually changing.

Through inspection of the council minutes, dated 29 May 2019, it was identified that management embarked on a comprehensive organisational review of the municipality to ensure that its organisational structure remains relevant to the changing needs of the municipality.

Through inspection of the council minutes in the 2020/21 financial year, no evidence could be identified that the municipal organisational structure was reviewed or revised within the current financial year.

Within the 2018/19 financial year management concluded that 11 new positions had to be created within the municipal structure in order to maintain relevance, effectiveness and efficiency in support of internal controls. This change was not approved by the council. The fact that new positions are required, proves that the current organisational structure is not in line with the municipal objectives as set out in the SDBIP (strategic, operations and compliance objectives).

This matter was raised during the external audit process in 2018/19 and 2019/20. This matter was also raised by internal audit in the Institutional Governance and Public Participation Audit Report in the 2020/21 financial year, which managment agreed with.

Cause
1. Inadequate planning and implementation integration;
2. Management's lack of commitment in ensuring that they comply with applicable laws and regulations; and
3. Compliance matters not being monitored.

Impact
This could result in:

- Inability to identify key vacancies that need to be filled,
- Non-achievement of certain targets in the SDBIP due to lack of capacity,
- Low staff morale due to available staff being overworked, and
- Inability to comply with the municipality's constitutional mandate.

Internal control deficiency
Leadership
Management did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.

Recommendation
Management should address this weakness within the internal control environment by:

- Establishing a policy for the regular review of the organisational structure,
- During review of the structure, ensure that it is reviewed in terms of relevance, effectiveness and efficiency in realising municipal objectives, and
- Ensure that the reviewed and/or revised organisational structure is presented to council for approval before the start of the financial year.

Management's response

No formal response was received from management.

Date:

Auditor's conclusion
No management response received.

Accordingly, the matter remains and will reported on - as appropriate.

4. ISS.15-(PARTIALLY RESOLVED) SM - CoAF 15 - Governance: Limitation of scope (RFI19) relating to skills transfer

Audit finding
Section 15(1)(a) of Public Audit Act states the following when performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee.

Section 74(1) of the MFMA states the following the accounting officer of a municipality must submit to the National Treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.

Paragraph 46 bullet 5 of the signed engagement letter state ”In terms of section 15(2)(b) of the PAA and in order to comply with applicable legislated auditing and tabling deadlines in the MFMA, as well as to allow adequate time for conducting the audit in accordance with the relevant auditing standards the municipality should adhere to the following:

All documentation and information in support of the financial statements, the annual performance report and compliance with legislation must be available on request and be retrievable within a reasonable time. This documentation and information is also relevant to disclosures in the financial statements and could include information outside the general and subsidiary ledgers. If this information is not provided in the time agreed, it will be regarded as a limitation on the audit which could result in a modification of the audit opinion”.

Nature
The following information requested as per RFI 19 of 2021 issed on 06 September 2021 (due date 09 September 2021), was not submitted at the date of this communication:

Please provide the auditors with the information below in electronic format (e-mail), if possible:

- Training and skills transfer plan and progress report, from appointed consultants for the 2020/21 financial year services renderred

Cause
This is due to management not providing the requested information for audit purposes within the required timeframe.

Impact
This may result in insufficient audit evidence obtained to conclude on management's use of consultants.

Internal control deficiency
Financial and performance management
Management 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.

Recommendation
Management should provide all the requested information within the agreed upon deadline.

Should no information be provided the limitation will remain.

Management’s response
Management agrees with the finding.

Please find attached to the response the following documentation:

- EMS and INFRATEC skills transfer plans

Name: TJ Matyesini

Position: CFO
Date: 20 September 2021

Auditor's conclusion
We inspected the skills transfer report for EMS Solutions and confirmed that there were signed progress reports by officials who received the training/skills transfer and that the training/skills transfer received was 100% complete.

Accordingly, clear evidence could be provided that the skills transfer took place. This matter is resolved.

We inspected the skills transfer report for Infra-tec and noted that it was not signed, we further noted that there was no other documents indicating that training/skills transfer was provided by Infra-tec and received by municipal officials.

Therefore, no evidence for training of skills transfer were identified.

Overall, this finding is partially resolved.

5. ISS.27-SM - CoAF 27 - Governance: High vacancies in key municipal divisions

Audit finding

Section 62(1)(a) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically.

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Nature
The municipality is experiencing high vacany rates in the key divisions listed below. This was identiifed through submitted information on RFI 07 of 2021. This is an indication that management did not in all instances implement effective HR management to ensure that adequate and sufficiently skilled resources are in place.

Key divisions	**Vacancy rate- (2020/21)**
Finance and SCM division	29,41%
Corporate division	16,00%
Office of the Municipal manager	28,57%
Community services division	24,58%
Technical services	35,54%

Cause
Vacancies might not be filled as a result of budget constraints.

Impact
Effective HR management is not implemented to ensure that adequate and sufficiently skilled resources are in place.

Internal control deficiency
Leadership
Management did not in all instances implement effective HR management to ensure that adequate and sufficiently skilled resources are in place.

Recommendation
Management should ensure the key divisions within the municipality is sufficiently staffed and resourced.

Management's response
We agree with the finding the management has advertised positions of Senior Committee Clerk, Driver/Messenger, Secretary to CFO as a commitment to fill vacancies.

Name: VJ Frans
Position: Senior Internal Auditor
Date: 27 September 2021

Auditor's conclusion
Management is in agreement with the finding. The matter remains and will be reported on, as appropriate.

6. ISS.84-SM - CoAF 84 - Governance: Valuation roll information outdated

Audit finding
Section 62(1)(a) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically.

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Nature
During the audit of investment property, reliance was placed on the property description contained in the municipal valuation roll. During testing it was identified that the following sample of properties are incorrectly described as 'vacant' on the municipal valuation roll:

Owner	Title Deed	Street	Unit/ Property	Zoning	Remark	Valuation roll
Tswelopele local municipality	T8096/1986	1189 PHAHAMENG	101189	Community Facility	Vacant	PHAHAMENG

Owner	Title Deed	Street	Unit/ Property	Zoning	Remark	Valuation roll
Tswelopele local municipality	T8096/1986	1574 PHAHAMENG	101574	Single Residential	Vacant	PHAHAMENG
Tswelopele local municipality	T20022/1992	2207 PHAHAMENG	102207	Single Residential	Vacant	PHAHAMENG
Tswelopele local municipality	T20022/1992	2595 PHAHAMENG	102595	Single Residential	Vacant	PHAHAMENG
Tswelopele local municipality	T20023/1992	2745 PHAHAMENG	102445	Single Residential	Vacant	PHAHAMENG
Tswelopele local municipality	T20023/1992	2859 PHAHAMENG	102859	Single Residential	Vacant	PHAHAMENG
Tswelopele local municipality	T20023/1992	2915 PHAHAMENG	102915	Single Residential	Vacant	PHAHAMENG

Cause
This may have resulted, due to the valuation roll not being frequently updated.

Impact
This will result in an internal control deficiency as the information contained in the valuation roll is outdated.

Internal control deficiency
Financial and performance management
Management did not in all instances 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.

Recommendation
Management should frequently review the valuation roll to ensure that the information in the valuation roll is correct, complete and valid.

Management’s response
Outstanding

Auditor’s conclusion
No management response received.

The matter remains and will be reported on, as appropriate.

7. ISS.85-EvCoAF 85 - Contracted services - Journals processed without being duly authorised (Internal control deficiency)

Audit finding
Section 62 (1) of the MFMA states:

The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure (a) that the resources of the municipality are used effectively, efficiently and economically; (b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards

Nature

During the journal testing of contracted services, the following journals were identified as part of the population for contracted services but were not duly authorised by the municipality as they had been processed on Caseware:

Trans Date	Doc Type	Doc No.	Remarks	Debit	Credit
2021/06/30	Caseware	69	Contracted services labour	317 056	-
2021/06/30	Caseware	69	Expenditure: Contracted Services: Contractors: Safegu	2 191 628	-
2021/06/30	Caseware	70	Expenditure: Contracted Services: Consultants and Pr	-	(811 570)

Cause

Management did not in all instances implement controls that enable them to exercise oversight to the financial information at all times.

Impact

This will result in a weak internal control environment that might result in expenses for the respective departments to not be accurately determined and reported.

Internal control deficiency

Leadership

Management did not in all instances exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Recommendation

Management should ensure internal controls are adhered to at all times and that all journals are appropriately authorized.

Management's response

Management agrees with the finding.

Management will implement controls to ensure that all CaseWare journals are reviewed and appropriately authorised by the municipal officials.

Name: T. Matyesini

Position: CFO

Date: 20 October 2021

Auditor's conclusion

Management agrees with the finding.

The finding will be reported on as a control deficiency.

8. ISS.86-EvCoAF 86 - Bulk Purchases - Payments not made within 30 days

Audit finding
Section 65(1) of the MFMA states that:

The accounting officer of a municipality is responsible for the management of the expenditure of the municipality. (2) (e) The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure
Nature
During the testing of Bulk Purchases, transactions were identified where the municipality did not pay the supplier within the prescribed 30 days leading to non- compliance with MFMA regulations.

1. The following transactions were paid after 30 days of receipt of invoices:

No.	Doc No.	Doc Ref No	Remarks	Debit	Date of invoice	Date of payment	Difference in days
5	774156858103	EF004386-0002	ESKOM - PHAHAMENG Eskom - Phah	61 651	2020/07/28	2020/09/09	43
7	625205012060	EF004373-0003	ESKOM - STAND 178 Eskom - Stan	1 210	2020/07/07	2020/09/09	64
14	50814	EF004936-0004	Sand-Vet Water purchases	245 194	2021/02/20	2021/03/30	38
16	46444	EF004476-0003	Sand-Vet Water usage for Bultf	247 508	2020/10/01	2020/11/02	32
19	891235965352	EF004757-0001	ESKOM - FREE BASIC ELEC Eskom	211 852	2021/01/12	2021/02/12	31
22	847627756542		ESKOM - BULTFONTEIN & H Eskom	2 203 680	2021/06/03	2021/07/06	33

2. The following transactions were not paid as at year end, however the invoices had already exceeded 30 days at year end:

No.	Doc No.	Remarks	Debit	Date of invoice	Date of payment	Difference
1	847090770929	ESKOM - BULTFONTEIN & H Eskom	2 528 267	2021/06/02	Creditors	N/A
11	46753	Sand-Vet Water purchases for B	220 057	2021/01/01	Creditors	N/A
15	50142	Sand-Vet Water purchases	245 194	2020/11/01	Creditors	N/A
23	847501216830	ESKOM - BULTFONTEIN & H Eskom	4 989 951	2021/09/01	Creditors	N/A
25	847348311966	ESKOM - BULTFONTEIN & H Eskom	2 312 628	2020/12/31	Creditors	N/A

Cause

Management did not at all times implement controls to ensure compliance with all applicable laws and regulations

Impact
Non-compliace with MFMA requirements.

Internal control deficiency
Leadership
Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation
Management should ensure that suppliers are paid within 30 days of receipt of supplier invoices.

Management should also please provide us with the reasons for the instances of non-compliance and the steps that will be taken to rectify the matter in future.

Management's response
Management agrees with the finding. The non-compliance was due to cashflow problems that the municipality is facing. The municipality has in place an arrangement with Eskom. During this financial period management engaged with Sand-vet and a payment arrangement was finalised. The payment arrangements are aimed at working towards clearing the long outstanding debt that the municipality has with its bulk suppliers. The municipality will therefore be making all efforts to comply with the arrangement and continually engage with Eskom and Sand-vet.

Name: T. Matyesini
Position: CFO
Date: 20 October 2021

Auditor's conclusion
Management responded and agree with the finding.

The finding will however remain and be reported on as part of the compliance subject matters.

Irregular Expenditure

9. ISS.188-EV CoAF 188 - Irregular Expenditure: MPAC recommendations and consequence management not implemented

Audit finding
Section 32 (2) (b) of the MFMA states that a municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure is after investigation by a council committee, certified by the council as irrecoverable and written off by the council.

Section 62 (1) (b) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards

Paragraph 17 of GRAP 1, Presentation of financial statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature
During the testing of Irregular Expenditure write off's, MPAC investigations were inspected and the following issues were noted:
1. Recommendations by MPAC were not properly implemented

1. The MPAC investigation found that the Bid Adjudication Committee did not meet the minimum requirements for the composition of BAC as per the SCM regulation 29(2) and as such tenders that were awarded by these BAC were identified as irregular expenditure by the Auditor General. The investigation reveals that not only was the BAC's composition in contravention of the SCM policy but also the municipality does not have a senior SCM practitioner as a member of the BAC.

2. The municipality has employed manager: assets and SCM who will serve as a member of the BAC in order for it to be properly constituted as the senior SCM practitioner.

3. Upon further investigation of manager: assets and SCM qualifications, it was found that the manager does not posses extensive SCM experience and qualifications related to procurement administration. As a result the required value add to the BAC may not be obtained.

2. Consequence management was not considered in the investigation reports
The investigation report into the expenditure amounting to R59 329 373,10 did not find anybody liable for the irregular expenditure accrued from prior years as per requirements of section 32 (2) of the MFMA. This suggests that consequence management may not have been adequately considered to determine losses and the recovery thereof.
Cause
Management did not in all instances implement controls to ensure that consequence management procedures were performed before writing off irregular expenditure.

Impact
This non-compliance results in weakened controls over consequence management and lack of adequate corrective actions (Disciplinary and loss recovery) over irregular expenditure investigations.
Material non-compliance with MFMA 32(2)(b)
Note: possible understatement of Irregular expenditure as an impact?
Note: Both Financial (IE) and compliance (consequence management) to be indicated in our auditors respones?
Note: Should it not be an Audit report impact?

Internal control deficiency

Financial and performance management
Management did not in all instances review and monitor compliance with applicable laws and regulations

Recommendation
Management should ensure that the correct process and procedures are followed by MPAC to conduct investigations and to recommend write off's to Council.

Management's response
Management disagrees with the finding

The incumbent was appointed as a financial intern at the municipality and rotated in all the division with the finance department including supply chain. The incumbent was subsequently appointed as the asset practitioner and also served as bid evaluation committee member in many instances which also gave him exposure in the field of supply chain management. The municipality advertised the position of Asset and Supply chain manager after noticing the deficiency in the Bid adjudication committee and followed the normal recruitment processes and the incumbent proved to be the best out of the list of individuals that applied for the position. Since the incumbent became member of the adjudication committee the regulations have been followed and tenders have been adjudicated accordingly in the presence of the senior managers and under chairmanship of the CFO.

The investigation report into the expenditure amounting to R59 329 373, 10 did not find anybody liable for the irregular expenditure accrued from prior years because the matter was a management oversight issue and was only identified after it was identified by the Auditor General and after further engagements then the municipality decided to create a position of Asset And SCM manager.

The municipality will ensure that the new committee of council i.e. MPAC after appointed by the new council is taken to the different workshops and courses as to capacitate the members to perform investigations and consequence management.

Name: TJ Matyesini
Position: CFO
Date: 08 November 2021

Auditor's conclusion
Management's response is noted and assessed as follows:

1. Through inspection of Mr. Makoko's employee file, evidence could be found that he was the best candidate out of the the three that had applied for the position of Manager: Assets and SCM. However:

a) There was no evidence that the position was advertised as no advertisement of the position was attached in the file or on the municipalities web site.

b) As no evidence of the position being advertised could be obtained, it's difficult to say what criteria was used for the eligibility of an SCM manager. It is doubtful that in the normal job market and SCM manager would be required to have only intern experience or asset management experience only for eligibility purposes.

c) No other verifiable information was provided for the appointment of Mr. Makoko as a solution to the lack of a senior SCM officer problem the municipality faces.

d) Management's response clearly indicates that the prior year Irregular Expenditure amounting to R59 329 373,10 was a result of "Management oversight", it is therefore contradictory of the Investigative report in which nobody was found to be responsible for the irregular expenditure.

e) Based on the points above as well as the conclusion on issue 187, it can be concluded that the investigative reports were not adequately prepared, recommendations were not properly implemented and consequence management was not considered.

Conclusion:

The finding remains and will be reported on

Fruitless and Wasteful Expenditure

10. ISS.99-EV CoAF 99 - Fruitless and wasteful expenditure: Difference between write-off schedule and AFS - Corrected

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature

The following difference was identified when recasting the fruitless and wasteful expenditure written off list (The write off is overstated by R376 267,86 from the casting error):

Fruitless & wasteful expenditure	Annual Financial Statements	Re-casted list	Difference:
Amounts written off:	2 381 474,00	2 005 206,14	376 267,86

Detailed listing:

No	Date of payment	Payment Number	Amount	Description of Incident
1	03/06/2019	'77493046078300	577,61	'ESKOM – PHAHAMENG
2	18/07/2019	'88608530450900	100,59	'ESKOM - TIKWANA PUBLIC Eskom
3	18/07/2019	'EF002880-0001	2979,48	'Sala Pension Fund Sala Pensio
4	08/08/2019	'EF002880-0006	215,22	'N,F,M,W, Pension Fund N,F,M,W
5	08/08/2019	'EF002880-0008	170,63	'Municipal Councillors Pension
6	31/07/2019	EF003053-0001	1358,3	'Sand-Vet Water usage for Bult
7	01/08/2019	EF003053-0002	1271,52	'Sand-Vet Water usage for Bult

No	Date of payment	Payment Number	Amount	Description of Incident
8	01/08/2019	EF003053-0003	3406,49	'Sand-Vet Water usage for Bult
9	01/08/2019	EF003053-0004	1871,83	'Sand-Vet Water usage for Bult
10	01/08/2019	EF003053-0005	5433,11	'Sand-Vet Water usage for Bult
11	01/08/2019	EF003053-0006	2708,27	'Sand-Vet Water usage for Bult
12	01/08/2019	EF003056-0004	23784,29	'AUDITOR - GENERAL Interest ch
13	01/08/2019	EF003013-0002	85,45	'ESKOM - PERSEEL 540 TIK Exskom
14	01/08/2019	EF003049-0001	2,83	'ESKOM - KAMEELDOORNS 35 Eskom
15	30/08/2019	EF003039-0001	65,91	'ESKOM - STAND 2 TIKWANA Eskom
16	30/08/2019	EF003043-0001	17,56	'ESKOM - ERF 325 TIKWANA Eskom
17	30/08/2019	EF003045-0001	17,33	'ESKOM - NATUURRESERVAAT Eskom
18	30/08/2019	EF003047-0001	88,26	'ESKOM - GED VD WOONGEBI GED V
19	12/09/2019	EF003052-0001	59,27	'ESKOM - STAND 358 TIKWA Eskom
20	12/09/2019	EF003048-0003	81,51	'ESKOM - STAND 2138 TIKW Eskom
21	12/09/2019	EF003064-0001	9,6	'ESKOM - ERF 325 TIKWANA Eskom
22	12/09/2019	EF003064-0002	8,67	'ESKOM - ERF 325 TIKWANA Eskom
23	13/09/2019	EF003070-0001	46,74	'ESKOM - STAND 2138 TIKW Eskom
24	13/09/2019	EF003070-0002	76,04	'ESKOM - STAND 2138 TIKW Eskom
25	31/07/2019	EF002972-0007	2842,5	'Municipal Workers Retirement
26	13/09/2019	EF002972-0008	113,66	'Municipal Councillors Pension
27	31/07/2019	1032020	45,69	'THE POSTMASTER
28	12/09/2019	32021	8,13	'THE POSTMASTER THE POSTMASTER
29	03/06/2019	'77493046078300	-577,61	'ESKOM - PHAHAMENG CREDIT NOTE
30	18/07/2019	'88608530450900	-100,59	'ESKOM - TIKWANA PUBLIC CREDIT
31	31/07/2019	EF003091-0010	77,57	'SENWES LIMITED Interest charg
32	07/10/2019	EF003096-0001	51,16	Free State Pension Fund
33	07/10/2019	EF003096-0001	880,34	SAMWU Provident Fund
34	07/10/2019	EF003096-0001	51,16	Free State Pension Fund
35		EF0003091-0010	77,57	'SENWES LIMITED
36	07/10/2019	EF003096-0007	880,34	SAMWU Provident Fund
37	09/06/2017	EF003260-0013	13379,33	Eskom- FBE
38	01/08/2019	44996	17349,56	Sand-Vet water usage for Bultfontein & Hoopstad
39	31/08/2019	FC51936	5878,33	Auditor General
40	01/09/2019	45100	17822,87	Sand-Vet water usage for Bultfontein & Hoopstad
41	01/09/2019	47009	76783,21	Sand-Vet water usage for Bultfontein & Hoopstad
42	02/09/2019	847885506288	165683,18	ESKOM-Bultfontein& Hoopstad
43	02/09/2019	8478855062880	151987,34	ESKOM- Bultfontein& Hoopstad
44	02/09/2019	84788550628800	50,95	ESKOM- Bultfontein & Hooopstad
45	26/09/2019	0728858673987-EF003252-0001	541,26	ESKOM- Morgenzon 455
46	30/09/2019	FC-52413	48,33	Auditor General
47	30/09/2019	IT Sept2019	133,37	Bills Eletries
48	01/10/2019	45204	14539,48	Sand-Vet water usage for Bultfontein & Hoopstad
49	01/10/2019	47232	64975,34	Sand-Vet water usage for Bultfontein & Hoopstad

No	Date of payment	Payment Number	Amount	Description of Incident
50	28/10/2019	46786	72130,42	Sand-Vet water usage for Bultfontein & Hoopstad
51	30/10/2019	EF003187-0003	2847,80	SALA Pension Fund
52	20/11/2019	32042	33,09	THE POSTMASTER
53	20/11/2019	32043	4,75	THE POSTMASTER
54	07/11/2019	891518585814	259,18	ESKOM- FREE BASIC ELECTRICITY
55	05/11/2019	581268402174	0,28	ESKOM – STAND LIBRAIRY
56	07/11/2019	1	133,37	BILL'S ELEKTRIES
57	07/11/2019	833639523767	127,93	ESKOM – PERSEEL 540
58	07/11/2019	774417035979	792,01	ESKOM – PHAHAMENG STREETLIGHTS
59	07/11/2019	54155399689	11,81	ESKOM – STAND 358
60	07/11/2019	809706066595	17,87	ESKOM – PUMPSTATION 5
61	07/11/2019	531246550846	704,06	ESKOM – PLAAS VALENTIA
62	07/11/2019	712389680492	43,95	ESKOM – GED VD WOONGEBIED
63	07/11/2019	681891331021	50,80	ESKOM – STAND 2138 TIKWANA
64	12/11/2019	799511006658	4998,34	ESKOM - LUIPAARSVLEI
65	12/11/2019	728553825549	975,87	ESKOM – MORGENZON 455
66	12/11/2019	884157255949	4544,23	ESKOM – SEWERAGE WORKS-TIKWANA
67	14/11/2019	336	74131,00	FINGER ATTORNEY
68	19/11/2019	891190907362	639,14	ESKOM-FREE BASIC ELECTRICITY
69	21/11/2019	28618	145798,45	DOWN TOUCH INVESTMENTS
70	21/11/2019	32	492,55	SENWES
71		EF003096-0001	51,16	Free State Pension Fund
72		EF003454-0004	137,92	Eskom- Tikwana Public light
73		EF003418-0009	118,06	Bill's Elektries
74		EF003361-0001	354897,56	Eskom- Bultfontein& Hoopstad
75		EF003431-0002	2450,03	Eskom- FBE
76		EF0003443-0002	17,26	Eskom- Stand 1044
78		EF0003454-0002	115,77	Eskom- Tikwana Public lighting
79		EF0003424-0008	81,91	Senwes
80		EF0003444-0001	54,16	Eskom- Plaas Valentia
81		32050	23,47	The Postmaster
82		32051	4,06	The Postmaster
83	20/01/2020	EF003493	1404,38	Eskom - Luipaardsvlei
84	20/01/2020	EF003494	935,09	Eskom- Sewerage works
85	20/01/2020	EF003495	307,32	Eskom – Morgenzon 455
86	21/01/2020	EF003496	727,52	Eskom- FBE
87	20/01/2020	32053	29,34	The Postmaster
88	20/01/2020	32054	4,06	The Postmaster
89	08/01/2020	EF003022	800,04	Eskom - Luipaardsvlei
90	08/01/2020	EF003023	1227,05	Eskom – Sewerage works
91	08/01/2020	EF003024	158,65	Eskom- Morgenzon 455
92	23/01/2020	EF003515	9298,98	Tri-lectro Elektries
93		EF0003531	4475,44	The Auditor General
94	28/01/2020	774017392518	651,49	THE POSTMASTER
95	28/12/2019	8862730770620	96,48	ESKOM-TIKWANA
96	28/01/2020	8865770486510	114,40	ESKOM-TIKWANA
97	13/01/2020	6273576964290	537,06	ESKOM-TIKWANA

No	Date of payment	Payment Number	Amount	Description of Incident
98	13/01/2020	6180124598380	79,21	ESKOM - KAMEELDOORNS 35 LANDBOU
99	06/01/2020	7458378820320	4,70	ESKOM - NATUURRESERVAAT
100	06/01/2020	6258309232250	0,32	ESKOM - STAND 178
101	25/01/2020	728634641463	418,21	ESKOM - MORGENZON
102	25/01/2020	884066803895	1 258,30	ESKOM - SEWERAGE WORKS
103	28/02/2020	32064	4,04	THE POSTMASTER
104	19/03/2020	8914152958350	2 386,17	ESKOM- FBE
105	12/02/2020	627804387490	208,30	ESKOM - KAMEELDROONS
106	05/02/2020	988127681709	33,98	ESKOM - ERF 325
107	05/02/2020	833515268587	31,65	ESKOM - PERSEEL 540
108	27/03/2020	'EF003749-0001	421,70	NFMW 2% FUND
109	26/03/2020	32067	22,81	THE POSTMASTER
110	26/03/2020	32068	4,46	THE POSTMASTER
111	28/04/2020	8914152958350	0,49	ESKOM- FBE
112	28/04/2020	627804387490	0,14	ESKOM - KAMEELDROONS
113	08/05/2020	EF003963-0004	3,91	'ESKOM - STAND 2138 TIKW Eskom
114		32077	31,65	'TSWELOPELE MUNICIPALITY THE P
115		32078	4,61	'TSWELOPELE MUNICIPALITY THE P
116	05/05/2020	EF003948-0001	118,53	'ESKOM - PERSEEL 540 TIK Eskom
117	05/05/2020	EF003951-0001	21,64	'ESKOM - NATUURRESERVAAT Eskom
118	05/05/2020	EF003952-0001	70,26	'ESKOM - PUMPSTATION NO, Eskom
119	05/05/2020	EF003953-0001	108,85	'ESKOM - GED VD WOONGEBI Eskom
120	05/05/2020	EF003954-0001	98,53	'ESKOM - STAND 358 TIKWA Eskom
121	08/05/2020	EF003960-0001	5,26	'ESKOM - STAND 178 Eskom - Sta
122	08/05/2020	EF003960-0002	15,67	'ESKOM - STAND 178 Eskom - Sta
123	08/05/2020	EF003961-0001	97,22	'ESKOM - GED VD WOONGEBI Eskom
124	08/05/2020	EF003962-0001	5,09	'ESKOM - STAND 1755 SPOR Eskom
125	08/05/2020	EF003963-0001	2,7	'ESKOM - STAND 2138 TIKW Eskom
126	08/05/2020	EF003963-0002	176,6	'ESKOM - STAND 2138 TIKW Eskom
127	08/05/2020	EF003963-0004	28,08	'ESKOM - STAND 2138 TIKW Eskom
128	08/05/2020	EF003963-0004	20,77	'ESKOM - STAND 2138 TIKW Eskom
129	08/05/2020	EF003964-0001	11,45	'ESKOM - KLIPPUT 307
130	08/05/2020	EF003965-0001	617,78	'ESKOM -LUIPAARDSVLEI Eskom
131	08/05/2020	EF003966-0003	883,6	'ESKOM - PLAAS VALENTIA Eskom
132	31/05/2020	'084780966285700	430790,6	'ESKOM - BULTFONTEIN & H Eskom
133	31/05/2020	'084755138092900	3248765,45	'ESKOM - BULTFONTEIN & H Eskom
134	02/06/2020	'045308	14776,74	'Sand-Vet Water purchases
135	02/06/2020	'047455	69661,28	'Sand-Vet Water purchases
136	0	'0847709028332	479825,26	'ESKOM - BULTFONTEIN & H Eskom
137	0	'045412	14973,64	'Sand-Vet Water purchases
138	02/08/2019	'047678	74459,86	'Sand-Vet Water purchases
139	03/10/2019	'0847230705784	443841,26	'ESKOM - BULTFONTEIN & H Eskom
140	01/11/2019	'045516	15927,9	'Sand-Vet Water purchases
141	01/11/2019	'047902	79649,44	'Sand-Vet Water Purchases
142	02/12/2019	EF004075-0001	31,47	'ESKOM - STAND 2 TIKWANA Eskom
143	02/12/2019	EF003972-0002	838,32	'ESKOM - LUIPAARDSVLEI 9 Eskom
144	02/12/2019	'045620	17397,53	'Sand-Vet Water purchases

No	Date of payment	Payment Number	Amount	Description of Incident
145	02/01/2020	'048126	83632,11	'Sand-Vet Water purchases
146	02/01/2020	'0847744356896	503785,66	'ESKOM - BULTFONTEIN & H Eskom
147	02/01/2020	EF004075-0004	28,19	'ESKOM - STAND 2 TIKWANA Eskom
148	06/01/2020	EF003974-0001	261,76	'ESKOM - MORGENZON 455 Eskom -
149	28/01/2020	EF003973-0001	835,71	'ESKOM SEWERAGE WORKS-TI Eskom
150	01/02/2020	EF003972-0001	1103,19	'ESKOM - LUIPAARDSVLEI 9 Eskom
151	01/02/2020	'045723	19282,49	'Sand-Vet Water purchases
152	04/02/2020	'048350	88162,37	'Sand-Vet Water purchases
153	05/02/2020	'0847468893280	408798,59	'ESKOM - BULTFONTEIN & H Eskom
154	25/02/2020	'045826	22458,27	'Sand-Vet Water purchases
155	25/02/2020	'048574	93760,76	'Sand-Vet Water purchases
156	27/02/2020	'0988923885084	172,85	'ESKOM - ERF 325 TIKWANA Eskom
157	02/03/2020	EF004075-0002	148,69	'ESKOM - STAND 2 TIKWANA Eskom
158	02/03/2020	EF004075-0013	2,24	'ESKOM - STAND 2 TIKWANA Eskom
159	01/04/2020	EF004069-0003	1,37	'ESKOM - STAND 358 TIKWA Eskom
160	01/04/2020	EF004064-0001	297,6	'ESKOM - MORGENZON 455 Eskom -
161	01/04/2020	EF004062-0002	860,9	'ESKOM SEWERAGE WORKS-TI Eskom
162	03/04/2020	EF004063-0001	845,66	'ESKOM - LUIPAARDSVLEI 9 Eskom
163	03/04/2020	'1603458105	569,1	'SENWES LIMITED Interest charg
164	04/04/2020	'16034581050	358,18	'SENWES LIMITED Interest charg
165	04/04/2020	'045929	25193,26	'Sand-Vet Water purchases
166	25/04/2020	'048798	97911,85	'Sand-Vet Water purchases
167	25/04/2020	'0847280607010	96051,95	'ESKOM - BULTFONTEIN & H Eskom
168	29/04/2020	EF004071-0002	1193,21	'ESKOM - PLAAS VALENTIA Eskom
169	30/04/2020	EF004070-0001	22,55	'ESKOM - PUMPSTATION NO, Eskom
170	30/04/2020	EF004072-0001	33,54	'ESKOM - ERF 325 TIKWANA Eskom
171	01/05/2020	EF004073-0001	215,31	'ESKOM - KLIPPUT 307 Eskom - K
172	01/05/2020	EF004075-0003	100,47	'ESKOM - STAND 2 TIKWANA Eskom
173	04/05/2020	'0833167994646	44,18	'ESKOM - PERSEEL 540 TIK Eskom
174	06/05/2020	EF004069-0001	91,44	'ESKOM - STAND 358 TIKWA Eskom
175	06/05/2020	EF004074-0001	122,98	'ESKOM - STAND 2138 TIKW Eskom
176	06/05/2020	EF004000-0001	63,18	'Rijan Veiligheid Cameras at M
177	06/05/2020	'0884928569276	2,16	'ESKOM - STAND 1755 SPOR Eskom
178	06/05/2020	EF004062-0001	1732,73	'ESKOM SEWERAGE WORKS-TI Eskom
179	06/05/2020	EF004064-0002	672,33	'ESKOM - MORGENZON 455 Eskom -
180	06/05/2020	EF004063-0002	1094,12	'ESKOM - LUIPAARDSVLEI 9 Eskom
181	06/05/2020	EF004053-0021	824,04	'SENWES LIMITED interest charg
182	08/05/2020	'046032	27947,54	'Sand-Vet Water purchases
183	19/05/2020	'049022	102131,76	'Sand-Vet Water purchases
184	25/05/2020	'0847695542232	56685,89	'ESKOM - BULTFONTEIN & H Eskom
185	26/05/2020	EF004072-0002	35,04	'ESKOM - ERF 325 TIKWANA Eskom
186	27/05/2020	EF004075-0005	90,92	'ESKOM - STAND 2 TIKWANA Eskom
187	31/05/2020	EF004069-0002	,02	'ESKOM - STAND 358 TIKWA Eskom
188	01/06/2020	EF004067-0001	,44	'ESKOM - STAND 178 Eskom - Sta
189	01/06/2020	'0681372889415	8,11	'ESKOM - STAND 2138 TIKW Eskom
190	02/06/2020	EF004071-0001	90,69	'ESKOM - PLAAS VALENTIA Eskom
191	03/06/2020	EF004073-0003	3,25	'ESKOM - KLIPPUT 307 Eskom - K
192	03/06/2020	-32044	-33,09	'TSWELOPELE MUNICIPALITY THE P

No	Date of payment	Payment Number	Amount	Description of Incident
193	03/06/2020	-32045	-4,75	'TSWELOPELE MUNICIPALITY THE P
194	03/06/2020	132042	33,09	'THE POSTMASTER THE POSTMASTER
195	03/06/2020	132043	4,75	'THE POSTMASTER THE POSTMASTER
196	05/06/2020	'0728753456910	229,94	'ESKOM - MORGENZON 455 Eskom -
197	08/06/2020	'0884896650348	2092,4	'ESKOM SEWERAGE WORKS-TI Eskom
198	11/06/2020	'0799735178578	303,47	'ESKOM - LUIPAARDSVLEI 9 Eskom
199	11/06/2020	'1603483745	455,83	'SENWES LIMITED Interest charg
200	18/06/2020	'0774807120169	188,42	'ESKOM - PHAHAMENG Eskom - Pha
201	18/06/2020	'0886885256069	33,09	'ESKOM - TIKWANA PUBLIC Eskom
202	25/06/2020	'046135	31659,64	'Sand-Vet Water purchases
203	27/06/2020	'049246	107347,49	'Sand-Vet Water purchases
204	29/06/2020	32083	11,23	'THE POSTMASTER THE POSTMASTER
205	30/06/2020	132050	11,23	'THE POSTMASTER THE POSTMASTER
206	01/07/2020	32084	1,63	'THE POSTMASTER THE POSTMASTER
207	01/07/2020	0	80354,28	'ESKOM - BULTFONTEIN & H Eskom
208	01/07/2020	32050	-11,23	'THE POSTMASTER THE POSTMASTER
209	01/07/2020	'412	-430790,6	'ESKOM - BULTFONTEIN & H CREDI
210	02/07/2020	'413	-3248765,45	'ESKOM - BULTFONTEIN & H CREDI
211	02/07/2020	'414	-479825,26	'ESKOM - BULTFONTEIN & H CREDI
212	02/07/2020	'415	-443841,26	'ESKOM - BULTFONTEIN & H CREDI
213	03/07/2020	'416	-503785,66	'ESKOM - BULTFONTEIN & H CREDI
214	10/07/2020	'417	-408798,59	'ESKOM - BULTFONTEIN & H CREDI
215	14/07/2020	'418	-96051,95	'ESKOM - BULTFONTEIN & H CREDI
216	14/07/2020	'419	-56685,89	'ESKOM - BULTFONTEIN & H CREDI
217	14/07/2020	'420	-80354,28	'ESKOM - BULTFONTEIN & H CREDI
218	14/07/2020	'421	-231313,31	'ESKOM - BULTFONTEIN & H CREDI
219	14/07/2020	'422	-76,45	'ESKOM - BULTFONTEIN & H CREDI
220	14/07/2020	'423	-146919,2	'ESKOM - BULTFONTEIN & H CREDI
221		201909/202006	36 458,00	SARS VAT201
222			72 000,00	FINGER ATTORNEYS
		Total	2 005 206,14	

Cause
The above resulted from inadequate review to detect the casting error on the write off schedule or listing.

Impact
The write off is overstated by R376 267,86 resulting in an understatement of fruitless and wasteful expenditure closing total.

Internal control deficiency
Financial and performance management

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation

The accounting officer should ensure amounts reported in the financial statements are supported by accurate and complete schedules or listings.

If in agreement with the finding, the annual financial statements should be adjusted accordingly.

Management's response

Management agrees with the finding. The municipality maintains the F & W expenditure register on excel. However, on submission to council the register is copied to a Microsoft word document. We have compared the excel schedule to the word schedule that was sent to Council and noted that the differences were caused by duplications, print error and understatement of amount with the total amounts of;

Duplications	- 1 193,60	These amounts were mistakenly duplicated on the schedule that was submitted for write-off
Print error	378 313,42	The amounts were on excel schedule but on copying to word they did not reflect. However, the amounts are included in the total amount written off.
Understatement	- 854,42	The total amount written off was incorrectly stated.
	376 265,40	

The write-off amount in the AFS will be corrected for the duplications of R1193.60. And the misstatement of R854.42 will be corrected in the Council submissions of Fruitless and Wasteful expenditure of the financial period 2022.

Management will also implement controls to ensure that the schedule being submitted to Council for write-off is adequately reviewed for casting accuracy.

We have attached supporting documentation to the amounts that make up the difference and also a detailed schedule of the differences.

Name: T. Matyesini
Position: CFO
Date: 22 October 2021

Auditor's conclusion

Management comment is noted. The R376 265,40 reported as written off in the AFS was included in the council write-off amount. Thus, the finding is resolved upon receipt of the adjustment listing. The internal control deficiency will be reported on as house keeping matters.

11. ISS.171-EV CoAF 171 - Fruitless and Wasteful expenditure: Lack of follow up and recovery of fruitless & wasteful expenditure

Audit finding

Section 62(1)(d) of the MFMA states that the accounting officer of a municipality should take all reasonable steps to ensure that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented.

Section 32(2) of the MFMA states that the municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure .

Nature
Fruitless and wasteful expenditure below relates to VAT incorrectly charged by a non-vendor on an invoice for which the municipality paid and the additional amount is not claimable as input VAT. No documentation has been provided to support recovery of the VAT charged by a non-vendor. There is lack of consequence management to hold the supplier accountable for overcharging the municipality.

Document number	Supplier	Amount (R)	General comments
EF0003898	ZXXX 23 TRADING Z1058	24 039,00	VAT not recovered from a none registered vendor

Cause
Lack of adequate consequence management over fruitless and wasteful expenditure.

Impact
There is non-compliance with laws and regulation. Also the non-compliance highlights the weak control environment on consequence management.

Internal control deficiency
Leadership
Management did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities.

Recommendation
The accounting officer should ensure implementation of adequate consequence management over unauthorised, irregular and fruitless & wasteful expenditure incurred by the municipality.

Management's response
Management agrees with the finding. Follow ups will be made with supplier ZXXX23 Trading and any other incidences that may be noted where VAT is charged incorrectly to the municipality.

Name: T. Matyesini
Position: CFO
Date: 29 October 2021

Auditor's conclusion

Management agree with the finding. The non-compliance will be reported on.

Unauthorised Expenditure

12. ISS.116-EV CoAF 116 - Unauthorised Expenditure - Not investigated by council committee

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 32(2)(a) of the MFMA states that a municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure in the case of unauthorised expenditure, is certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council.

Nature

Contrary to the above requirements, unauthorised expenditure was written-off without proper investigation by council committee. Through inspection of the investigation report it was indicated that:

"Most of the transactions here cannot be traced as most of the information that was captured on the system was lost during the migration from Sebata system to the newly installed system of Munsoft, it therefore became a problem to collect some of the information for investigation purposes. MPAC should therefore recommend that council write off this unauthorised expenditure."

Cause

This was due to the unavailability of records from the prior years.

Impact

This will result in non-compliance with the requirements of MFMA and understatement of unauthorised expenditure by R20 348 832

Internal control deficiency

Financial and performance management

Management did not review and monitor compliance with applicable laws and regulations.

Recommendation

Management should ensure proper record keeping to enable investigations of unauthorised expenditure by council committee.

Management's response

The management disagrees with the finding

The management along with the council committee exhausted all the avenues to try and collect all the necessary evidence during the investigation of the unauthorised expenditure. Note should be taken that indeed the municipality due to MSCOA requirements migrated from SEBATA which held up an off-site backup of the municipal financial information and as a result due to the unfavorable result of the procurement processes for acquiring the MSCOA compliant system, the municipality struggled to get the financial information from SEBATA instead only the opening balances were successfully captured into the new system.

Over and above these challenges the management along with MPAC worked with the available information and in the process the Auditor General was engaged to give guidance on how to do it best. It should also be noted that the term of the council committee i.e. MPAC has ended along with the council term and it therefore means they are no longer the members of council and cannot perform any council work after the local elections. The management is confident that MPAC performed the investigations and compiled detailed reports that were tabled and approved by council.
The municipality appointed Munsoft and after realising the challenges the municipality had with SEBATA then the management decided to maintain both on-site and off-site backups to ensure that the municipality has got access to its information without permission by the system provider.

Note should be taken that if the municipality has to reinstate R20 348 832 as outlined under the “Impact”, it will still be impractical for the municipality to obtain the information from SEBATA by any means and therefore the incoming council will not be able to make any determination for the unauthorized expenditure and consequence management thereof.

“Section 32(2)(a) of the MFMA states that a municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure in the case of unauthorised expenditure, is certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council”

The municipal council after consideration of the report from MPAC along with their working papers then decided to write off the unauthorised expenditure as it was irrecoverable.

Auditor’s conclusion
After management’s response was received the following was noted:

Through inspection of the MPAC investigation report it was noted that MPAC should make a recommendation to council for the write off of unauthorised expenditure.

The MPAC minutes of 22 June 2021 was inspected and it was noted that the matter is not yet resolved as the chairperson of the meeting indicated that officials should be available for consultation and information requested to finalize the investigation should be submitted to the committee on time.

Through inspection of the council meeting minutes of 30 June 2021 it was confirmed that Tswelopele Local Municipality's councilors voted to implement the recommendations of MPAC and write off the unauthorised expenditure amounting to R20,348,773.

We determined through inspection of the contract that the change from SEBATA to Munsoft took place on 1 January 2017. The committee's explanation that they were limited in their investigation as they no longer had access to information as per the previous accounting system, can therefore be relevant only to the period prior to the Munsoft implementation date. Therefore the only amount accepted by the auditors for write-off is prior to 2016/17 financial year, which is 2014/15 and 2015/16 as per MPAC report (R5 033 915, R3 946 145 respectively) = R8 980 060

Inspected the adjusted AFS submitted on 26 November 2021 and confirmed that management has corrected the unauthorised expenditure note.

However, due to insufficient information for MPAC to ensure proper investigation and recoverability of the amount as required by section 32(2)(a) of the MFMA, This suggests that consequence management may not have been adequately considered to determine losses and the recovery thereof. This matter is partially resolved and will be reported as material non-compliance with legislative requirements.

Subsequent events

13. ISS.247-EV (Partially Resolved) CoAF 247 - Limitation on RFI 163 for subsequent events and reasons for variations on the budget:

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Nature

The following information is outstanding from the following request for information (RFI) 163 communicated on 03 November 2021:

1. Dividends allocation letters for all dividends received 30 June 2021; budget for before 30 June 2021.
2. Grant allocation letters for indirect grants received for the year ended 30 June 2021
3. Minutes of meetings for council, management committees, MPAC and APRC for period 1 July 2021 to 30 October 2021.
4. Management’s report or valuation for subsequent events.

Cause

Lack of adequate controls over record keeping of financial records to allow for easy access to financial information as and when required.

Impact

This will result in limitation of scope over audit of subsequent events and reasons for budget variances.

Internal control deficiency

Financial and performance management

Management did not in all instances 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

Recommendation

Management should ensure the requested information is provided for audit purposes with in the agreed time period.

Management's response
Management agrees with the finding;

Attached; support to the COAF as requested.

Name: Thabiso Matyesini
Position: CFO
Date: 15/11/2021

Auditor's conclusion

The finding is partially resolved. The following was not submitted by management:

3. Minutes of meetings for council, management committees, MPAC and APRC for period 1 July 2021 to 30 October 2021.

Debt impairment

14. ISS.235-ADJ EV CoAF 235 - Debt impairment is not consistent with movements in gross impairment balance

Audit finding
Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature:
The movement of the debt impairment in the balance sheet (R15 006 291) should be equal to the debt impairment in the income statement. This is however not the case. Debt impairment in the income statement is R22 192 150. This cause a R7 185 859 difference in the financial statements.

Description	Non- exchange	Exchange	Totals
Total Gross Impairment 2020	26 845 237	44 339 926	
Total Gross Impairment 2021	32 271 368	53 920 086	
Difference	-5 426 131	-9 580 160	-15 006 291
Total Debt impairment (Excluding traffic 7 write off)			22 192 150
	Difference		7 185 859

Cause
Lack of adequate review of the financial statements before submission for audit.

Impact
This results in a material overstatement of debt impairment by R7 185 859. The crontra account leg to this misstatement is unknown.

Internal control deficiency
Financial performance and management
Management 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.

Recommendation
The accounting officer should ensure consistent presentation and disclosure of the debt impairment in the AFS.

Management's response
Management partially agrees with the finding. Management proposed an adjustment with COAF 36 findings and after the proposed adjustment the Total debt impairment (excluding Traffic 7 write off) amount is R17 437 221 as shown in the below calculation:

Description	**Non- exchange**	**Exchange**	**Totals**
Total Gross Impairment 2020	26 845 237	44 339 926	
Total Gross Impairment 2021	32 271 368	53 920 086	
Difference	-5 426 131	-9 580 160	-15 006 291
Total Debt impairment after COAF 36 adjustments (Excluding traffic 7 write off)			17 437 221
	Recalculated Difference		2 430 930

That then gives a re-calculated difference of R 2 430 930. That difference is due to bad debts written off on consumer debts that is also included in the total debt amount. Therefore, the debt impairment is also inclusive of bad debts written off and not just the impairment performed on debtors.

Management is furthermore proposing the below adjustment to note 36 in the AFS:

Name: Thabiso Matyesini
Position: CFO
Date: 09/11/2021

Auditor's conclusion
Management comment is noted. An adjustment proposed for the debt impairment appears to be consistent for presentation. No journal is proposed to correct the general ledger accounts affected.

15. ISS.237-EV CoAF 237 - Debt impairment: Difference between AFS and the write-off schedules

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature:
The AFS presented the debt write-off as R2 692 788 in note 36 and the debt writeoff schedules provided from management document the total amount as R3 159 855. Therefore, there is a difference of R467 067.

Cause:
Management did not take all schedules into account when they calculated debt write off.

Impact:
This results in understatement of debt impairment - writeoff by R467 067.

Internal control deficiency

Financial performance and management
Management 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.

Recommendation

Management should ensure that all amounts that are written off for debt impairment purposes are recorded in the AFS.

Management's response

Management partially agrees with the finding.

The auditors did not consider the following:

1) The 5% write off list

For all farmers settling they're accounts in a stipulated timeframe, a rebate of 5% is received. Therefore, the 5% rebate goes off against the revenue. It is a discount against the revenue and will therefore not be found in the expenditure vote of bad debts written off as it is not a debt that was written off. The total 5% write off list amount is R 65 654.93.

2) VAT

The write off amounts in the lists are inclusive of VAT, and the bad debt in the general ledger which is expenditure is exclusive of VAT. Therefore, part of the difference comes from the VAT that is excluded from expenditure and recognised in a separate vote. Auditors did not exclude this Total VAT of R316 016.58 from the total debt write off amount, the VAT per write off list has been attached.

Name: Thabiso Matyesini
Position: CFO
Date: 12/11/2021

Auditor's conclusion
Management's response is noted. After performing additional work with the VAT amount and the 5% write off list, there still remains a difference of R85 395,49 and therefore this finding is partially resolved.

Immovable assets

16. ISS.172-SM - CoAF 172 - Property, plant and equipment: Differences identified on WIP

Audit finding
Section 62(1) of the MFMA, General financial management functions states that:
The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure (b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

Nature
A) During audit work performed on WIP it was noted that the following projects were completed during the year. These projects were however not transferred to infrastructure.
1. Upgrading of Bulk Water Supply Pipeline Phase 2B R2 500.01
2. The Construction of water reticulation Ext 9 in Phahameng/Bultfontein R 831 549

B) During our work performed it was furthermore noted that not all expenditure incurred was capitalised against the project as follow:

Project no:	Project Name	Expenditure per WIP	Expenditure per commitment register	Difference
1	The Construction of Toilet Structures & Sewer Connections-Reticulation (499) Sites Tikwana/Hoopstad	6 742 620,07	7 451 165,54	(708 545,47)
2	The Construction of 1,3 KM Paved road & stormwater in Phahameng/Bultfontein	268 374,24	272 060,33	(3 686,09)
3	Phahameng/Bultfontein: Construction of 837 Toilet Structures in Ext 7 & 8	9 862 193,30	9 862 171,56	21,74
4	The Construction of water reticulation Ext 9 in Phahameng/Bultfontein	831 549,10	815 399,74	16 149,36

Project no:	Project Name	Expenditure per WIP	Expenditure per commitment register	Difference
5	WSIG: Refurbishment of Hoopstad/Tikwana Sewer Pump Stations	9 565 744,53	9 565 891,48	(146,95)

Please also take note that the prior period error disclosure in Note 49 relating to WIP should also be updated with management's repsonse.

Cause
This is due to inaccurate review of financial information by accounting officials.

Impact
This will result in the following:
A) Overstatement of WIP and understatement of infrastructure assets amounting to R834 049,01. This also has a resulting impact on depreciation and accumulated depreciation.
B) Factual disagreement misstatement between WIP and commitments recorded project expenditure amounting to R696 207,41

Internal control deficiency
Financial and performance management

Management did not in all instances implement controls over daily and monthly processing and reconciling of transactions.

Recommendation
Management should:
A) Reclassify the completed WIP projects to infrastructure and consider the impact on depreciation
B) Management should investigate the differences and make the necessary corrections to either the WIP or commitments register. The evidence must be submitted to the audit team on the proposed correction.

Management's response

1. Management agrees and the projects will be moved to infrastructure and correctly depreciated.

Project no:	Project Name	Expenditure per WIP	Expenditure per commitment register	Difference	Management Response
1	The Construction of Toilet Structures & Sewer Connections-Reticulation (499) Sites Tikwana/ Hoopstad	6 742 620,07	7 451 165,54	(708 545,47)	Management disagrees, the R708 545.47 was capitalised during the last financial year 2019/2020 please refer to Creditors.

Project no:	Project Name	Expenditure per WIP	Expenditure per commitment register	Difference	Management Response
2	The Construction of 1,3 KM Paved road & stormwater in Phahameng/ Bultfontein	268 374,24	272 060,33	(3 686,09)	Management agrees, the Vat amount was incorrectly calculated and the WIP expenditure will be adjusted with an amount of R3 686.09
3	Phahameng/ Bultfontein: Construction of 837 Toilet Structures in Ext 7 & 8	9 862 193,30	9 862 171,56	21,74	Management disagrees, the amount of R21.74 is a rounding difference.
4	The Construction of water reticulation Ext 9 in Phahameng/ Bultfontein	831 549,10	815 399,74	16 149,36	Management disagrees, the correct is R815 399.74 of both the expenditure and the Commitment register.
5	WSIG: Refurbishment of Hoopstad/ Tikwana Sewer Pump Stations	9 565 744,53	9 565 891,48	(146,95)	Management disagrees, the amount of R146.95 is a rounding difference.

Name: B Dikoko
Position: Director Infrastructure
Date: 03 November 2021

Auditor's conclusion
Through inspection of the adjusted AFS, the following was noted:

Evaluation of section A)
The Construction of water reticulation Ext 9 in Phahameng/Bultfontein amounting to R831 549 was transferred from WIP to infrastructure, at an amount of R831 552. This was confirmed through inspection of adjusting journal number 118, please refer:C.1.19
This journal was as a result of this audit communication, therefore the accuracy and validity of this journal is confirmed.

Further, inspected and reperformed the depreciation calculation and confirmed that it is accurate and complete. Also, inspected the adjusting journal number 119 and confirmed that the journal is correctly processed by increasing the depreciation expense and decreasing the PPE balance by the confirmed amount of R5 780,99

Confirmed through inspection that the upgrading of Bulk Water Supply Pipeline Phase 2B amounting to R2 500,01 that this is correctly removed from WIP and not capitalized as

infrastructure as part of PPE. Through further evaluation of the nature of the expense it was not related to this project but consumable expenditure. Accordingly, the amount was correctly removed from WIP and allocated to expenditure as a write-off in line with adjusting journal number 122 - please refer: C.1.19
This journal was as a result of this audit communication, therefore the accuracy and validity of this journal is confirmed.

Accordingly, section A of this finding is resolved.

Evaluation of section B)
No adjustments were made to the additions to WIP, as confirmed through inspection of the adjusted AFS. Please refer:C.1.14

Accordingly, the misstatement amounting to a factual overstatement on WIP R12 463,27 will be accumulated:

Accordingly, section B of this finding is not resolved.

17. ISS.244-SM - CoAF 244 - Property, plant and equipment: Effective system of internal control not in place

Audit finding
Section 63(2)(c) of the MFMA requires that reasonable steps be taken to ensure that the municipality has and maintains a system of internal control of assets, including an asset register.

Nature
During the audit of property, plant and equipment the following were identified:
1) Significant deficiencies in the internal controls for assets, as a result of the fixed assets register not agreeing to the financial statements submitted on 31 August 2021.
2) The internal control deficiencies resulted in material misstatements, the difference between the annual financial statements and the fixed asset register resulted in a material disagreement misstatement of R2 268 476,23 which required adjustments to the fixed assets register.
3) Similar internal control deficiencies were identified and reported to management in prior year, which can be traced to paragraph 38 of the 2019/20 audit report.

Cause
This was was caused by lack of review and comparison of the FAR to the AFS before submission of the AFS and FAR on 31 August 2021.

Impact
An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

Internal control deficiency
Financial and performance management
Management did not in all instances review and monitor compliance with applicable laws and regulations

Recommendation
Management should in future ensure that a sound system of internal control of assets, including an asset register, is in place.

Internal audit should prioritise the audit of the fixed asset register during the 2021/22 financial year.

Management's response
Management accepts the finding, and will implement AG's recommendations.

Name: T Makoko
Position: Manager Assets and SCM
Date: 10 November 2021

Auditor's conclusion
Management is in agreement with the finding.

The matter remains and will be reported as non-compliance in the audit report.

Movable assets

18. ISS.152-SM - CoAF 152 - Property, plant and equipment: Unable to physically verify some movable assets

Audit finding
Section 63(1)(a) of MFMA states the accounting officer of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.

Section 63(2)(a) of the MFMA states the accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality.

Nature
During the physical verification of assets, for following movable asset could not be identified (traced from the fixed asset register to the floor):

#	Ref	Asset Barcode	Description	Site Name	Carrying Value - As at 30 June 2020 (R)
1	MOV000063	08737	Refuse Trailer	BULTFONTEIN TEC	37 073,01

We also confirmed that this asset do not form part of the municipal impairment listing.

Cause
This was caused by:
- Inappropriate management of assets and asset records
- Improper safeguarding of assets

Impact
The matter results in:

- A limitation on the audit work performed on property, plant and equipment.
- Overstatement of PPE (2019/20 closing balance) by R144 080,58.P.1.2
- Overstatement of PPE (2020/21 closing balance) by R99 458,71.J.9.25
- Non-compliance with section 63(2)(a) of the MFMA.

Internal control deficiency
Leadership
Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation
Management should investigate the identified discrepancy and revisit the entire population to identify similar errors.

Management's response
Management does not agree, the trailer was subsequently found at the Hoopstad technical office please see the picture below, the trailer's barcode has faded. The picture below was taken from the last verification.

Name: Mr P Makoko
Position: Manager: Assets and SCM
Date: 22 October 2021

Auditor's conclusion
Management response noted, however management indicates that the picture was taken during the last asset verification - accordingly the asset is still not found at the date of this audit communication.

Given the fact that the barcode is faded and no information could be provided regarding the registration number of the trailer, there is no other alternative method to trace the asset in the procure to the fixed asset register.

Accordingly, the matter remain and will be reported on - as appropriate.

19. ISS.208-SM - CoAF 208 - Property, plant and equipment: Incomplete disclosure of change in estimates

Audit finding
As per GRAP 3.13 Changes in accounting policies:
An entity shall change an accounting policy only if the change:
(a) is required by a Standard of GRAP; or
(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

As per GRAP 3.38

The effect of a change in an accounting estimate, other than a change to which paragraph .39 applies, shall be recognised prospectively by including it in surplus or deficit in:
(a) the period of the change, if the change affects that period only; or
(b) the period of the change and future periods, if the change affects both.

As per GRAP 3.39
To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of net assets, it shall be recognised by adjusting the carrying amount of the related asset, liability or item of net assets in the period of the change.

According to Section 62 of the MFMA Act:
General financial management functions (1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure -
(b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

Nature
During the testing work performed the following assets selected as part of the sample could not be traced to the change in estimate schedule:

Component ID	Temp ID	Bar Code
5714561	MOV000045	001932
35714573	MOV001195	CVM076FS
35714626	MOV003478	001161
35714676	MOV001020	001684
35714699	MOV000484	001969
35714750	MOV001174	002797
35714843	MOV002807	004491
35714948	MOV004010	05521
35716341	MOV000385	001395
35717979	MOV003628	05462

Cause
This is due to incomplete review of annual financial statements to ensure the annual financial statements is complete and accurate.

Impact
This will lead to an understatement of the change in estimate of other assets (R802 551,20) and possibly community assets for the projected amount that is not individually material.

Internal control deficiency
Financial and performance management

Management did not in all instances prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation

Management should investigate the entire population and ensure that all assets affected by change in estimates are disclosed in the AFS note 48.

Management's response
Management agrees with the findings. The population was revisited to ensure completeness of assets affected by change in estimate and the disclosure thereof.

Name: TJ Matyesini
Position: CFO
Date: 05 November 2021

Auditor's conclusion
Management has corrected the entire population of change in estimate note 48. Through assessment of management's process it was confirmed that management re-visited the entire population in note 48 in order to confirm that it is complete. Accept-reject testing is performed as it will provide reasonable assurance in the most effective way. Please refer to testing performed:J.9.37

Unfortuanetly, the results of the accept-reject testing did not confirm the expectation that management corrected the population and that the population contains no misstatements. The auditor reverts back to the normal tests of details sample results, which included an extrapolated misstatement of R802 551,20.

The matter remains and will be reported on, as appropriate.J.9.25

Operating expenditure

20. ISS.49-EV CoAF 49 - Operating expenditure: Limitation of scope (RFI45) relating to PY follow-up

Audit finding
Section 15(1)(a) of Public Audit Act states the following when performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee.

Section 74(1) of the MFMA states the following the accounting officer of a municipality must submit to the National Treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.

Paragraph 46 bullet 5 of the signed engagement letter state "In terms of section 15(2)(b) of the PAA and in order to comply with applicable legislated auditing and tabling deadlines in the MFMA, as well as to allow adequate time for conducting the audit in accordance with the relevant auditing standards the municipality should adhere to the following:

All documentation and information in support of the financial statements, the annual performance report and compliance with legislation must be available on request and be retrievable within a reasonable time. This documentation and information is also relevant to disclosures in the financial statements and could include information outside the general and subsidiary ledgers. If this information is not provided in the time agreed, it will be regarded as a limitation on the audit which could result in a modification of the audit opinion".

Nature
The following information requested as per RFI 45 of 2021 issued on 13 September 2021 (due date 17 September 2021), was not submitted at the date of this communication:

Refer below for all unresolved 2019-20 matters relating to Operating expenditure.

Where other information has become available that will possibly resolve the matter - this should please be submitted for audit purposes.

Where management is in agreement with the audit finding please communicate it as such.

Please specifically provide the following information:

- Management action plan to address the root cause of the issue
- Status of recommendations implemented
- Adjustments made (if any) and related support with journals
- Management process to revise the entire population of affected item, together with support that such a process took place

1. General expenses - differences identified between recorded amount and invoice (ISS.136)

Audit finding

Section 62(1)(b) of MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year;

Paragraph 17 of GRAP 1, Presentation of Financial Statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature
The following invoices were inaccurately recorded:

Date	Doc No	Doc Ref No	Remarks	Amount	Description	Invoice Amount	Difference
08/05/2020	2	EF003885-0001	FLIGHT SPECIALS FLIGHT SP	21 000	CAR HIRE FOR MAYOR	28 661 (excl. VAT)	-7 661,05
Total							-7 709,05

Cause
A lack of proper review by management to ensure that transactions are recorded at correct amounts.

Impact
This will result in understatement of general expenses with projected amount of R46 214,72.

Internal control deficiency
Financial and performance management
Management 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.

Recommendation
Management should develop adequate review processes to ensure transactions are recorded at correct amounts.

The errors identified should be investigated to determine corrections needed.

Management's response
No management response received.

Auditor's conclusion
No management response received and the matter is reported accordingly.

2. General expenses - unresolved prior period issues due to limitations (ISS.140)

Audit finding

Section 15(1)(a) of Public Audit Act states the following when performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee.

Section 74(1) of the MFMA states the following the accounting officer of a municipality must submit to the National Treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.

Section 1 of MFMA states that "irregular expenditure", in relation to a municipality or municipal entity, means:

(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;

(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure";

Nature
1. 2019's Issue 87:

Part A
During the prior year auditing of general expenditure, it was noted that expenditure that was incurred amounting to R6 041,25 for monthly subscription services for the municipal staff was done so without any contract between the municipality and Vodacom.

Through enquiry with management, it was further noted that the municipality had a contract with Vodacom but the contract has expired and has not been renewed.

Below is an extract from the general ledger of all the expenditure the municipality incurred from goods and services received from Vodacom:

Document ref. no.	**Transaction date**	**Account**	**Amount (R)**
EF002474-0002	2018/08/17	VODACOM Monthly account -	677,90
EF002474-0002	2018/08/17	VODACOM Monthly account -	677,90
EF002474-0002	2018/08/29	VODACOM Monthly account -	677,91
EF002241-006	2018/09/03	VODACOM Monthly Account-	677,91
EF002267-006	2018/11/03	VODACOM Monthly Account-	677,91
EF002311-007	2018/12/03	VODACOM Monthly account -	677,91
EF002311-007	2019/03/11	Vodacom Monthly Account D	677,90
EF002546-0002	2019/02/28	VODACOM Monthly account -	677,91
EF002587-0005	2019/03/03	VODACOM Monthly account -	677,91
EF002587-0005	2017/08/25	VODACOM Modem for Municip	589,86
EF002587-0005	2018/11/03	VODACOM Monthly account -	677,91
EF002587-0005	2019/04/03	VODACOM Monthly account -	702,60
EF002587-0005	2019/05/03	VODACOM Monthly account -	702,60
EF002587-0005	2019/06/30	VODACOM Monthly account -	702,60
EF002587-0005	2019/07/03	VODACOM Monthly account -	702,60

Document ref. no.	Transaction date	Account	Amount (R)
EF002587-0005	2018/08/17	VODACOM Monthly account -	382,61
EF002587-0005	2018/08/17	VODACOM Monthly account -	382,61
EF002587-0005	2018/08/29	VODACOM Monthly account -	382,61
EF002241-001	2018/09/03	VODACOM Monthly Account-	382,61
EF002267-001	2018/11/03	VODACOM Monthly Account-	382,61
EF002311-002	2018/12/03	VODACOM Monthly account -	382,61
EF002311-002	2019/03/11	Vodacom Monthly Account D	382,61
EF002546-0006	2019/02/28	VODACOM Monthly account -	382,61
EF002587-0002	2019/03/03	VODACOM Monthly account -	382,61
EF002587-0002	2018/11/03	VODACOM Monthly account -	382,61
EF002587-0002	2019/04/03	VODACOM Monthly account -	396,52
EF002587-0002	2019/05/03	VODACOM Monthly account -	396,52
EF002587-0002	2019/06/30	VODACOM Monthly account -	396,52
EF002587-0002	2019/07/03	VODACOM Monthly account -	396,52
EF002587-0002	2018/08/17	VODACOM Monthly account -	95,65
EF002587-0002	2018/08/17	VODACOM Monthly account -	669,57
EF002587-0002	2018/08/17	VODACOM Monthly account -	95,65
EF002587-0002	2018/08/17	VODACOM Monthly account -	669,57
EF002587-0002	2018/08/29	VODACOM Monthly account -	669,57
EF002587-0002	2018/08/29	VODACOM Monthly account -	95,65
EF002241-003	2018/09/03	VODACOM Monthly Account-	669,57
EF002267-004	2018/11/03	VODACOM Monthly Account-	679,12
EF002311-005	2018/12/03	VODACOM Monthly account -	717,38
EF002311-005	2019/03/11	Vodacom Monthly Account D	717,39
EF002546-0001	2019/02/28	VODACOM Monthly account -	717,39
EF002587-0001	2019/03/03	VODACOM Monthly account -	717,39
EF002587-0001	2018/11/03	VODACOM Monthly account -	679,12
EF002587-0001	2019/04/03	VODACOM Monthly account -	741,74
EF002587-0001	2019/05/03	VODACOM Monthly account -	741,74
EF002587-0001	2019/06/30	VODACOM Monthly account -	741,74
EF002587-0001	2019/07/03	VODACOM Monthly account -	740,87
EF002587-0001	2018/08/17	VODACOM Monthly account -	1 192,04
EF002587-0001	2018/08/17	VODACOM Monthly account -	1 192,04
EF002587-0001	2018/08/29	VODACOM Monthly account -	1 192,06
EF002587-0001	2018/09/03	VODACOM Monthly Account-	1 192,06
EF002267-007	2018/11/03	VODACOM Monthly Account-	1 096,41
EF002311-001	2018/11/14	VODACOM Monthly account -	1 096,41
EF002311-001	2019/03/11	Vodacom Monthly Account D	1 096,41
EF002529-0002	2018/11/14	VODACOM Vodacom	498,75
EF002546-0005	2019/02/28	VODACOM Monthly account -	1 096,41
EF002587-0006	2019/03/03	VODACOM Monthly account -	1 096,41
EF002587-0006	2017/08/25	VODACOM Modem for Municip	1 246,14
EF002587-0006	2018/11/03	VODACOM Monthly account -	1 096,41
EF002587-0006	2019/04/03	VODACOM Monthly account -	1 128,05
EF002587-0006	2019/05/03	VODACOM Monthly account -	1 128,05

Document ref. no.	Transaction date	Account	Amount (R)
EF002587-0006	2019/06/30	VODACOM Monthly account -	1 128,05
EF002587-0006	2019/07/03	VODACOM Monthly account -	1 128,05
EF002587-0006	2018/08/17	VODACOM Monthly account -	605,71
EF002587-0006	2018/08/17	VODACOM Monthly account -	681,36
EF002587-0006	2018/08/29	VODACOM Monthly account -	1 172,95
EF002241-002	2018/09/03	VODACOM Monthly Account-	1 200,93
EF002267-002	2018/11/03	VODACOM Monthly Account-	1 152,97
EF002311-003	2018/12/03	VODACOM Monthly account -	1 383,65
EF002311-003	2019/03/11	Vodacom Monthly Account D	1 235,77
EF002546-0007	2019/02/28	VODACOM Monthly account -	1 316,69
EF002587-0003	2019/03/03	VODACOM Monthly account -	1 509,72
EF002587-0003	2017/08/25	VODACOM Modem for Municip	1 246,14
EF002587-0003	2018/11/03	VODACOM Monthly account -	1 152,97
EF002587-0003	2019/04/03	VODACOM Monthly account -	1 260,15
EF002587-0003	2019/05/03	VODACOM Monthly account -	1 375,87
EF002587-0003	2019/06/30	VODACOM Monthly account -	1 396,76
EF002587-0003	2019/07/03	VODACOM Monthly account -	1 674,58
EF002587-0003	2018/08/17	VODACOM Monthly account -	1 716,00
EF002587-0003	2018/08/17	VODACOM Monthly account -	3 130,31
EF002587-0003	2018/08/29	VODACOM Monthly account -	677,91
EF002241-004	2018/09/03	VODACOM Monthly Account-	677,91
EF002267-003	2018/11/03	VODACOM Monthly Account-	773,57
EF002311-004	2018/12/03	VODACOM Monthly account -	773,57
EF002311-004	2019/03/11	Vodacom Monthly Account D	773,57
EF002529-0003	2018/11/14	VODACOM Vodacom	997,50
EF002546-0003	2019/02/28	VODACOM Monthly account -	773,57
EF002587-0007	2019/03/03	VODACOM Monthly account -	773,57
EF002587-0007	2017/08/25	VODACOM Modem for Municip	1 246,14
EF002587-0007	2018/11/03	VODACOM Monthly account N	715,40
EF002587-0007	2018/11/03	VODACOM Monthly account -	773,57
EF002587-0007	2019/04/03	VODACOM Monthly account -	801,73
EF002587-0007	2019/05/03	VODACOM Monthly account -	801,73
EF002587-0007	2019/06/30	VODACOM Monthly account -	801,73
EF002587-0007	2019/07/03	VODACOM Monthly account -	801,73
TOTAL			78 730,10

Part B

During the current year auditing of general expenditure, it was noted that expenditure that was incurred amounting to R32 316,16 for monthly subscription services without any contract between the municipality and Vodacom.

Below is an extract from the general ledger of all the expenditure the municipality incurred from services received from Vodacom:

Tran Date	DocRefNo	Remarks	Amount R
2018/11/03	EF002966-0002	VODACOM Monthly account N	677,91

Tran Date	DocRefNo	Remarks	Amount R
2019/08/30	EF003036-0003	VODACOM Monthly account J	699,71
2019/09/03	EF003239-0001	VODACOM Monthly account S	686,49
2019/10/31	EF003434-0002	VODACOM Monthly account -	702,60
2019/11/30	EF003439-0002	VODACOM Monthly account -	702,60
2019/12/03	EF003550-0004	VODACOM Monthly account -	702,60
2020/01/03	EF003646-0005	VODACOM Monthly account -	702,60
2019/08/30	EF003036-0005	VODACOM Monthly account J	1 134,78
2019/09/03	EF003239-0006	VODACOM Monthly account S	1 120,78
2019/10/31	EF003434-0006	VODACOM Monthly account -	1 128,05
2019/11/30	EF003439-0006	VODACOM Monthly account -	1 128,05
2019/12/03	EF003550-0005	VODACOM Monthly account -	1 128,05
2020/01/03	EF003646-0006	VODACOM Monthly account -	1 128,05
2019/08/30	EF003036-0002	VODACOM Monthly account J	403,25
2019/09/03	EF003239-0007	VODACOM Monthly account S	403,25
2019/10/31	EF003434-0003	VODACOM Monthly account -	396,52
2019/11/30	EF003439-0004	VODACOM Monthly account -	396,52
2019/12/03	EF003550-0001	VODACOM Monthly account -	396,52
2020/01/03	EF003646-0007	VODACOM Monthly account -	396,52
2019/08/30	EF003036-0001	VODACOM Monthly account J	748,47
2019/09/03	EF003239-0002	VODACOM Monthly account S	729,37
2019/10/31	EF003434-0005	VODACOM Monthly account -	748,70
2019/11/30	EF003439-0001	VODACOM Monthly account -	741,77
2019/12/03	EF003550-0007	VODACOM Monthly account -	741,77
2020/01/03	EF003646-0001	VODACOM Monthly account -	724,37
2019/08/30	EF003036-0006	VODACOM Monthly account J	1 403,49
2019/09/03	EF003239-0004	VODACOM Monthly account S	1 403,49
2019/10/31	EF003434-0001	VODACOM Monthly account -	1 393,34
2019/11/30	EF003439-0003	VODACOM Monthly account -	1 492,07
2019/12/03	EF003550-0003	VODACOM Monthly account -	1 586,25
2020/01/03	EF003646-0002	VODACOM Monthly account -	1 743,38
2019/08/30	EF003036-0004	VODACOM Monthly account J	808,46
2019/09/03	EF003239-0005	VODACOM Monthly account S	809,46
2019/10/31	EF003434-0007	VODACOM Monthly account -	801,73
2019/11/30	EF003439-0007	VODACOM Monthly account -	801,73
2019/12/03	EF003550-0006	VODACOM Monthly account -	801,73
2020/01/03	EF003646-0003	VODACOM Monthly account -	801,73
TOTAL			32 316,16

Through enquiry with management, it was further indicated that the vodacom contract was replaced with a new contract with MTN. However, on request of the contract from management is was not provided for audit purposes.

Below is an extract from the general ledger of all the expenditure the municipality incurred from services received from MTN:

SourceType	TranDate	Remarks	Amount R
P13JRN	2020/06/30	MTNFINANCE LEASESEF004153	315,00
P13JRN	2020/06/30	MTNDATA CHARGESEF004153	6 319,13
P13JRN	2020/06/30	MTNDATA CHARGESEF004153	7 713,57
TOTAL			14 347,70

2. 2019's Issue 99:
Occurrence on the following councillors' travel allowances could not be confirmed for reasons explained below.

M.B. Mohlabakoe	Application date: 17 September 2019 Supporting evidence provided: 1. Timetable for the Diploma in Local Government Law & Administration Contact Session (13-15 September 2019) 2. Premier Hotel Invoice - Folio number: 24432103 Arrival date : 12/09/2019 Departure date: 16/09/2019 Guest name: Councillor Mgciya Invoice total (including VAT): 25 919 Auditor's comment: There is insufficient evidence to conclude that MB Mohlabakoe attended the said event because the hotel invoice is in Councillor Mgciya's name and alternatively, no attendace registers were provided.
T.A. Soaisa	Application date: 17 September 2019 Supporting evidence provided: 1. Timetable for the Diploma in Local Government Law & Administration Contact Session (13-15 September 2019) 2. Premier Hotel Invoice - Folio number: 24432103 Guest name: Councillor Mgciya Arrival date : 12/09/2019 Departure date: 16/09/2019 Invoice total (including VAT): 25 919 3. A copy of Mr TA Soaisa's student card at the University of Forthare (UFA) 4. Travel application claim form states travel from Bultfontein to Bloemfontein 5.Trip Authority form states travel from Bultfontein to East London Auditor's comment: There is insufficient evidence to conclude that TA Soaisa attended the said event because the hotel invoice is in Councillor Mgciya's name and alternatively, no attendace registers were provided. Lastly, the travel application claim form does not agree to the trip authority form.
T.T. Taedi	Application date: 12 September 2019 Supporting evidence provided:

	1. Hotel Osner (situated in East London)'s Invoice- Booking reference: Puseletso-PO005422 Arrival date: 23 Aug 2019 Departure date: 29 Aug 2019 Invoice total (incl VAT): 38 280 2. University of Fort Hare's Nelson R Mandela School of Law's Diploma contact session timetable-24-28 August 2019 3. 4 Attendance registers for- 25/08/2019, 26/08/2018 27/08/2019, 28/08/2019 TT Taedi's signature was not found on the attendance register for the 27/08/2019, nor on the 25/08/2019 and 26/08/2019 registers. TT Taedi's signature was present on the 28/08/2019 Auditor's comment: Insufficient evidence to confirm that the attendee attended the course for the period 25-27 August 2019 because guest name does not appear on the invoice, nor is his signature evident on 3 of the attendance registers leading up to the 28 August 2019, therefore it is questionable as to whether Mr TT Taedi was required to be present in East London for the 25-27 August 2019.
T.T. Taedi	Application date: 12 November 2019 Supporting evidence provided: 1. 1. University of Fort Hare's Nelson R Mandela School of Law's December Final Exam timetable- Diploma in Local Government Law & Administration, from the 1st of November to 14th of November 2019 2. Premier Hotel East London's Invoice - Folio number: 25115904 Guest name: Councillor Soaisa Arrival date : 01/11/2019 Departure date: 13/11/2019 Invoice total (including VAT): 92 448 Auditor's comment: Insufficient evidence to conclude that TA Taedi was present at the said event because no attendance registers were provided and additionally, the Premier Hotel invoice is made out to Councillor Soaisa and not TT Taedi.
T.T. Taedi	Application date: 12 November 2019 Supporting evidence provided: 1. 1. University of Fort Hare's Nelson R Mandela School of Law's Contact Session timetable- 21-24 October 2019 2. Premier Hotel East London's Invoice - Folio number: 25026001 Guest name: Mr TA Soaisa Arrival date : 21/10/2019 Departure date: 25/10/2019 Invoice total (including VAT): 6 295 3. 3 Attendance registers- One attendance register is undated. The remaning 2 registers are dated 22/10/2019 and 23/10/2019

	Only the register for the 23/10/2019 was signed by TT Taedi Auditor's comment: There is insufficient evidence to confirm that TT Taedi attended the contact sessions because only 1/3 attendance registers were signed by TT Taedi and additionally, the Premier Hotel invoice is made out to Mr TA Soaisa and not TT Taedi.

Cause
Management did not prioritise the request for information from the audit team to ensure that it is provided within a reasonable time.

Impact
1. This will result in an understatement of irregular expenditure by R125 393.96 (R78 730,10 + R32 316,16 + R14 347,70)

2. It is not possible for the audit team to confirm the occurrence of travel allowances.

Internal control deficiency
Financial and performance management
Management 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.

Recommendation
Management should ensure that all contracts that expire are timeously identified and procurement processes initiated on it if continuation of the service rendered or delivery of goods are required.

The necessary correction should be made to the AFS.
Management should ensure that information is readily available and that information is submitted for audit purposes.

Management's response
No response received by closure of the communication on 4 March 2021.
Auditor's conclusion
Matter reported accordingly.

Cause
This is due to management not providing the requested information for audit purposes within the required timeframe.

Impact
This may result in insufficient audit evidence obtained to express an appropriate opinion.

Internal control deficiency
Financial and performance management

Management 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.

Recommendation
Management should provide all the requested information within the agreed upon deadline.

Should no information be provided the limitation will remain.

Management's response
Management attached to the communication the supporting documentation required.

Auditor's conclusion
Issue 1: Follow-up prior year issue 136 - General expenditure - Differences identified between recorded amount and invoice.
Outstanding information was submitted and inspected.
We inspected supporting documents provided within and confirmed that adjustments were made for the correct amount.
Therefore, the finding was resolved.

Issue 2: Follow-up of prior year issue 140 - General expenditure - Unable to confirm occurrence of councillor's travel allowance.
Information was submitted, however, the following matters remain unresolved:

Occurrence on the following councillors' travel allowances could not be confirmed for reasons explained below.

M.B. Mohlabakoe	Application date: 17 September 2019 Supporting evidence provided: 1. Timetable for the Diploma in Local Government Law & Administration Contact Session (13-15 September 2019) 2. Premier Hotel Invoice - Folio number: 24432103 Arrival date : 12/09/2019 Departure date: 16/09/2019 Guest name: Councillor Mgciya Invoice total (including VAT): 25 919 Auditor's comment: There is insufficient evidence to conclude that MB Mohlabakoe attended the said event as no attendance registers were provided.
T.T. Taedi	Application date: 12 September 2019 Supporting evidence provided: 1. Hotel Osner (situated in East London)'s Invoice- Booking reference: Puseletso-PO005422 Arrival date: 23 Aug 2019 Departure date: 29 Aug 2019 Invoice total (incl VAT): R38 280 2. University of Fort Hare's Nelson R Mandela School of Law's Diploma contact session timetable-24-28 August 2019

	3. 4 Attendance registers for- 25/08/2019, 26/08/2018 27/08/2019, 28/08/2019 TT Taedi's signature was not found on the attendance register for the 27/08/2019, nor on the 25/08/2019 and 26/08/2019 registers. TT Taedi's signature was present on the 28/08/2019 Auditor's comment: Insufficient evidence to confirm that the attendee attended the course for the period 25-27 August 2019 because guest name does not appear on the invoice, nor is his signature evident on 3 of the attendance registers leading up to the 28 August 2019, therefore it is questionable as to whether Mr TT Taedi was required to be present in East London for the 25-27 August 2019.
T.T. Taedi	Application date: 12 November 2019 Supporting evidence provided: 1. 1. University of Fort Hare's Nelson R Mandela School of Law's December Final Exam timetable- Diploma in Local Government Law & Administration, from the 1st of November to 14th of November 2019 2. Premier Hotel East London's Invoice - Folio number: 25115904 Guest name: Councillor Soaisa Arrival date : 01/11/2019 Departure date: 13/11/2019 Invoice total (including VAT): R92 448 Auditor's comment: Insufficient evidence to conclude that TA Taedi was present at the said event because no attendance registers were provided and additionally.
T.T. Taedi	Application date: 12 November 2019 Supporting evidence provided: 1. 1. University of Fort Hare's Nelson R Mandela School of Law's Contact Session timetable- 21-24 October 2019 2. Premier Hotel East London's Invoice - Folio number: 25026001 Guest name: Mr TA Soaisa Arrival date : 21/10/2019 Departure date: 25/10/2019 Invoice total (including VAT): R6 295 3. 3 Attendance registers- One attendance register is undated. The remaining 2 registers are dated 22/10/2019 and 23/10/2019 Only the register for the 23/10/2019 was signed by TT Taedi Auditor's comment: There is insufficient evidence to confirm that TT Taedi attended the contact sessions because only 1/3 attendance registers were signed by TT Taedi.

We inspected the evidence provided and confirmed that the evidence provided was insufficient as the municipality could not provide us with the attendance registers, therefore the audit finding is not resolved.

Therefore, this finding was partially resolved.

21. ISS.96-EV CoAF 96 - General expenses - Internal control deficiency

Audit finding
Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Nature
During the audit of general expenses, the following control deficiencies were identified:

A) Journals captured and authorised by for review by same official (JNL 789 and JNL 790)

B) Not all clock sheets for EPWP salaries were signed by the head of department. (TO000404)

C) Not all wage sheets for EPWP salaries were signed by the official capturing the information. (TO000404)

D) Payment voucher not signed by internal recorder. (EF005339)

Cause
This was due to a lack of implementation of controls by management to confirm that all documents are signed correctly and fully.

Impact
This will result in a weak internal control environment that might result in expenses for the respective departments to not be accurately determined and reported.

Internal control deficiency
Leadership
Management did not in all instances exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation
Management should ensure that controls identified are established and correctly and sufficiently implemented.

Should management agree with the findings, please indicate the reason for these control deficiencies and the steps that will be taken to rectify these matters.

Management's response
Management agrees with the finding. Management will ensure that the internal controls of the municipality are adhered to for all internal documentation.

Auditor's conclusion

Management response noted and agreed with the findings and will be reported in the management report.

22. ISS.97-EV CoAF 97 - General expenses - Internal control deficiency (allocation per GL vote)

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Nature

The allocation of expenditure into different GL votes could not be confirmed due to insufficient support, however the total invoice amount agreed to the payment voucher and GL, therefore not impacting the accuracy of total expenditure recorded:

TranDate	DocNo	Doc Ref No	Remarks	Debit	Desc1
07/04/2021	HUGO01	EF004868-0001	HUGO'S KITCHEN HUGO'S KITCHEN	684	MEALS FOR MALOKASE AND MAKOKO
08/04/2021	TSHA01	EF004872-0001	TSHARANANG LE TIYE (PTY TSHARA	97 160,6	MEN'S DENIM JACKET AND TROUSERS

Cause

This was due to a lack of implementation of controls by management to separately indicate the expenses incurred per division/department.

Impact

This will result in a weak internal control environment that might result in expenses for the respective departments to not be accurately determined and reported. It will also have a resulting impact on the actual figures used to determine the unauthorised expenditure per main division in the vote, as well as the actual figures used for the segment information disclosure note.

Internal control deficiency

Financial and performance management

Management did not in all instances implement controls over daily and monthly processing and reconciling of transactions.

Recommendation

Management should ensure that controls identified are established and correctly and sufficiently implemented.

Should management agree with the finding, please indicate the reason for these control deficiencies and the steps that will be taken to rectify these matters.

Management's response
Management agrees with the finding and will implement controls to ensure that expenses that are incurred collectively by departments such as refreshments and uniforms are allocated systematically to the different departments.

Auditor's conclusion
Management response noted and agreed with the findings and will be reported in the management report.

Payable

23. ISS.184-EV (Partially resolved) CoAF 184 - Payables: Difference is amount of advance payments

Audit finding
Section 62(1)(b) of MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;

Section 122(1) (a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year;

Paragraph 17 of GRAP 1, Presentation of Financial Statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature
During the audit of advance payments differences were identified between the net amount in the billing report and the balance of the receivables:

Information as per listing				**Information as per billing**		
No	Account number	BALANCE		Net Amount per Billing (Transferred to receivables)		Difference
1	5000893	-	11 661,19	-	12 951,52	(1 290,33)
2	50000556	-	216 640,87	-	297 499,25	(80 858,38)
3	90101227	-	21 061,64	-	28 114,33	(7 052,69)
4	90101872	-	5 966,65	-	13 678,17	(7 711,52)
5	5001042	-	6 852,50	-	8 390,44	(1 537,94)
6	50000060	-	3 900,80		1 923,28	5 824,08

Cause
The matter occurred due to internal controls not being adequately established and implemented by management.

Impact
This will result in a projected understatement for receivables with credit balances.

Internal control deficiency
Financial and performance management
Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation
Management should investigate and explain the differences.

Management should ensure that the audit file supports the information in the financial statements and they should submit all the required information to the auditors. Furthermore, controls should be implemented to ensure that the financial statements are properly reviewed before submission to the AGSA

Management's response
Management does not agree with the finding. Opening balances were not considered in the auditor's calculation, the closing balances in the age analysis include the opening balances. The billing report just indicates the movement, therefore all differences identified are opening balances.

Please find attached an extract of the 2019/20 age analysis for the accounts, which shows the closing balances of 2019/20 which are the opening balance for the 2020/21 year.

Name: Thabiso Matyesini
Position: CFO
Date: 10/11/2021

Auditor's conclusion
Management response is acknowledged. After taking into consideration the opening balances the finding is partially resolved and remains for the account listed below:

ACCOUNT_NO	CREDIT BALANCE	Written Off
50000556	-674,9	- 81 533,28

The remaining extrapolated misstatement will be aggregated with other misstatements.

Predetermined objectives

24. ISS.17-EV CoAF 17 - AOPO - Control deficiencies on reported performance

Audit finding
Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all

reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Nature
During our review of the municipal control environment, monitoring processes and the related key internal controls we identified the following weaknesses in the municipal processes:

Performance indicator	**Control weakness**
Provide formalized households, public facilities and businesses with access to clean, quality and sustainable water services	There was no evidence attached showing that the statistics taken by STATS SA was adjusted by additional formal settlements after 2016 (when the stats were taken)
Provide formalized households, public facilities and businesses with access to safe and sustainable sanitation services.	Inspected the monthly progress reports on provision of sanitation services to households and it was identified that the progress reported was on provision of water and not sanitation: There was no evidence attached showing that the statistics taken by STATS SA was adjusted by additional formal settlements after 2016 (when the stats were taken)
Refurbishment of pump station in Tikwana	The indicator measurement as per SDBIP should be reported on expenditure percentage against the budget. The expenditure percentage is not provided on the report. The report is also not signed by Director Technical

Cause
These matters resulted due to internal controls not being adequately established and implemented by management.

Impact
The impact of above mentioned is that sufficient internal controls are not in place at the municipality to prevent or detect and correct reported achievement on performance. This will also result in misstatement and/or limitations on validity, accuracy and completeness of reported performance.

Internal control deficiency
Leadership
Oversight responsibility is not exercised regarding financial and performance reporting and compliance and related internal controls.

Recommendation
Management should consider the reported matters and:
- conduct an assessment to determine the number of the total households within the municipality.
- conduct an assessment to determine the number of household with access to the basic services and should report on the annual performance report based on the assessment

- review reported performance and ensure that performance reports are supported and evidenced by reliable information

Management should provide us with the necessary supporting evidence where corrections are to be made or disagree with the findings communicated.

Management's response
I disagree with the finding, please see comments below:

Performance indicator	Control weakness	Management comments
Provide formalized households, public facilities and businesses with access to clean, quality and sustainable water services	There was no evidence attached showing that the statistics taken by STATS SA was adjusted by additional formal settlements after 2016 (when the stats were taken)	Please note that the were no additional formal settlements for the reporting period.
Provide formalized households, public facilities and businesses with access to safe and sustainable sanitation services.	Inspected the monthly progress reports on provision of sanitation services to households and it was identified that the progress reported was on provision of water and not sanitation: There was no evidence attached showing that the statistics taken by STATS SA was adjusted by additional formal settlements after 2016 (when the stats were taken)	See information attached. Please note that the were no additional formal settlements for the reporting period.
Refurbishment of pump station in Tikwana	The indicator measurement as per SDBIP should be reported on expenditure percentage against the budget. The expenditure percentage is not provided on the report. The report is also not signed by Director Technical	Expenditure incurred to date against the budget was correctly reflected in the actual performance column. Information pertaining to the project was also submitted (Reconciliation, invoices and service provider progress report)

Name: Vuyisile Frans
Position: Strategic Manager
Date: 27 September 2021

Auditor's conclusion

Performance indicator	Control weakness	Auditor's comments
Provide formalized households, public facilities and businesses with access to clean, quality and sustainable water services	There was no evidence attached showing that the statistics taken by STATS SA was adjusted by additional formal settlements after 2016 (when the stats were taken)	Management's response is noted. Based on the record of work done during the 2019/20 financial year it was confirmed that the total number of households with access to water: 11472

Performance indicator	Control weakness	Auditor’s comments
		However it can be confirmed that report indicates that the total households with the access to water is 12 523. Therefore if there were no additional formal settlements for the reporting period. The total number of households with access to water should be 11472. Therefore this part of the finding remains.
Provide formalized households, public facilities and businesses with access to safe and sustainable sanitation services.	Inspected the monthly progress reports on provision of sanitation services to households and it was identified that the progress reported was on provision of water and not sanitation: There was no evidence attached showing that the statistics taken by STATS SA was adjusted by additional formal settlements after 2016 (when the stats were taken)	The management’s response is noted and it could be confirmed that the reports relating to sanitation were submitted. Based on the record of work done during the 2019/20 financial year it was confirmed that the total number of households with access to sanitation is 10172. However it can be confirmed that report indicates that the total households with the access to sanitation is 12 523. Therefore if there were no additional formal settlements for the reporting period. The total number of households with access to sanitation should be 10172. Therefore this part of the finding remains.
Refurbishment of pump station in Tikwana	The indicator measurement as per SDBIP should be reported on expenditure percentage against the budget. The expenditure percentage is not provided on the report. The report is also not signed by Director Technical	The updated report was submitted with the corresponding invoices and the reconciliation the total progress as per the expenditure percentage is 77%. With the inspection of the adjusted APR as submitted on 22/11/2021 it is confirmed that the actual achievement was corrected to 77%. This finding is resolved.

25. ISS.41-EV CoAF 41 - AOPO - Indicator: Cleaning municipal cemetries - Differences identified between APR and audited achievement

Audit finding

Section 46 of the MSA states that a municipality must prepare for each financial year a performance report reflecting:

(a) the performance of the municipality and of each external service provider during that financial year;
(b) a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year.

Section 62(1)(b) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

Nature
During the audit of pre-determinied objectives, the following differences were identified:

Indicator	**Reported achievement per APR**	**Audited achievement**	**Difference**
Clean municipal cemeteries	Municipal cemeteries were cleaned.	3 municipal cemeteries were cleaned	1

Note: The number of cemetries cleaned were not indicated in the APR, the inconcisteny is reported in CoAF 80 of 2021. However, the planned targed per SDBIP is 4 municipal cemetries to be cleaned and the municipality has reported the indicator as achieved on the APR. Therfore, this will result in differences with the audited achievement.

Cause
The review of the performance reporting process was insufficient to identify misstatements.

Impact
This will result in a misstatement in the reported performance as per the APR.

Internal control deficiency
Financial and performance management
Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation
Management should conduct an assessment to determine the number of the cemetries that were actually cleaned and ensure that the reported results are accurate.

Management's response
I agree with the finding, an adjustment will be made on the APR.

Name: Vuyisile Frans
Position: Strategic Manager
Date: 20 October 2021

Auditor's conclusion
Management's response is noted. The auditing finding remains pending the adjustments to the APR.

26. ISS.83-EV CoAF 83 - AOPO - Limitations noted on the APR supporting documents

Audit finding

Section 46(a) of the MSA states that a municipality must prepare for each financial year a performance report reflecting the performance of the municipality and of each external service provider during that financial year;

Section 62(1)(b) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

Nature

During the audit of pre-determined objectives the information reported on the following indicators could not be confirmed due to limitations.

Indicator	Planned target per SDBIP	Reported achievement per APR	Limitations identified
Provide formalized households, public facilities and businesses with weekly waste collection services (refuse removal)	90% of formalized households, public facilities and businesses provided with weekly waste collection services (refuse removal)	90% of formalized households, public facilities and businesses are provided with weekly waste collection services (refuse removal)	Inspected the weekly waste collection reported for June 2021 and confirmed that all households within formalised residential areas received weekly removal and wastage. Businesses were also provided with the waste removal. However, it cannot be determined how the municipality reached the 90% reported achievement, as there is no proof of the denominator and numerator and it is not clear which supporting information was used to get to this achievement.
Install licenced anti virus to all municipal computers and IT Infrastructure by December 2020	100% installation of licensed anti virus to all municipal computers.	100% of anti-virus was installed	It was noted that the indicator was achieved as per the APR and it was also noted that there is an invoice indicating that anti-virus was installed (Qty 80), however the total number of computers and IT infrastructure targeted for installation of licensed anti-virus have not been specified.

Cause

The above is due to the fact that management did ensure that the APR is reviewed against the supporting evidence to ensure accuracy of the APR.

Impact

This will result in limitation misstatement in the reported performance achievement.

Internal control deficiency
Financial and Performance Management
Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation
Management should keep accurate and complete supporting evidence for the indicators reported in the APR and submit for audit.

Management's response
I agree with the finding, the APR will be adjusted.

Name: Vuyisile Frans
Position: Strategic Manager
Date: 25 October 2021

Auditor's conclusion
Management's response is noted however, the information supporting the adjustment to be made in the APR is not provided.

The audit finding remains.

Procurement and Contract Management (to confirm for removal)

27. ISS.8-EV COAF 8 - SCM: Control deficiencies in the SCM process

Audit finding
Section 65(2)(i) of the MFMA states the accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure that the municipality's supply chain management policy referred to in section 111 is implemented in a way that is fair, equitable, transparent, competitive and cost-effective.

Nature
The municipality has not put in place measures and controls for procurement relating to local content. As a result no formal support documentation and/or payment vouchers could be provided where local content requirements were applied.

Cause
Lack of adequate internal controls and monitoring of procurement of goods and services relating to local content.

Impact
The control deficiencies in the procurement process could result in non-compliance with applicable laws and regulation relating to local content.

Internal control deficiency
Financial and performance management

Management did not in all instances review and monitor compliance with applicable laws and regulations.

Recommendation
Management should ensure the procurement controls are adequately implemented and a local content procurement controls are designed and implemented to comply with applicable laws and regulations.

Management's response
I Agree with the finding, the Municipality will put internal control measures on goods/works that require Local content according to DTI Designated Sectors.

Name: PJ Loape
Position: Supply Chain Management Practitioner
Date:28/09/2021

Auditor's conclusion
Management response is acknowledged, however the finding remains and will be reported on.

28. ISS.32-EV CoAF 32 - SCM - Limitation on contract management RFI 24

Audit finding
Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Nature
The following information is outstanding from the following request for information (RFI) 24 communicated on 07 September 2021:

1. Deviation motivation and approval (where applicable)
2. Bid award or appointment letter
3. Service level agreement*
4. Proof of monitoring of the contract implementation
5. Applicable approved procurement documentation for variations and extensions

Service providers	Total expenditure for 2021	SLA received	Appointment letter received
DK Specialised security Servic	(1 603 466)		
KGB Group	(865 953)	Yes	
Irrigation Equipment	(7 901 030)		
Engineering Aces	(4 271 232)	Yes	
MODISENYANE PROPERTY CO	(622 783)	Yes	
Tswela Tsweu Consulting	(943 032)	Yes	
Munsoft (Pty)Ltd	(379 581)	Yes	
MARWIN MARKETING CC	(312 375)	Yes	
GAREPALELWENG TRADING&	(257 999)		
Iceburg Group	(1 719 097)		

Service providers	Total expenditure for 2021	SLA received	Appointment letter received
DUCHARME CONSULTING- CE	(310 221)		
BULTFONTEIN STEENWERKE	(640 844)		
BARLOWORLD EQUIPMENT	(101 873)		
BLAQ.M HOLDING PTY LTD	(191 700)		Yes

Cause
These matters resulted due to internal controls not being adequately established and implemented by management.

Impact
This results in scope limitation on the audit work over procurement.

Internal control deficiency
Financial and performance management
Management did not implement adequate controls over daily and monthly processing and reconciling of transactions.

Recommendation
Management should ensure the requested information is provided for audit purposes with in the agreed time period.

Management's response

Service providers	Total expenditure for 2021	SLA received	Appointment letter received	Response
DK Specialised security Servic	(1 603 466)			Irregular Expenditure
KGB Group	(865 953)	Yes	Yes	Attached Soft Copy
Irrigation Equipment	(7 901 030)			
Engineering Aces	(4 271 232)	Yes	Yes	Attached Soft Copy
MODISENYANE PROPERTY CO	(622 783)	Yes	Yes	Attached -Soft copy
Tswela Tsweu Consulting	(943 032)	Yes	Yes	Attached -Soft copy
Munsoft (Pty)Ltd	(379 581)	Yes		
MARWIN MARKETING CC	(312 375)	Yes		
GAREPALELWENG TRADING&	(257 999)	Yes	Yes	Attached – soft copy
Iceburg Group	(1 719 097)	Yes		Attached Hard Copy
DUCHARME CONSULTING- CE	(310 221)	Yes	Yes	SLA attached – soft copy
BULTFONTEIN STEENWERKE	(640 844)			Deviation

Service providers	Total expenditure for 2021	SLA received	Appointment letter received	Response
BARLOWORLD EQUIPMENT	(101 873)			Deviation
BLAQ.M HOLDING PTY LTD	(191 700)	Yes	Yes	SLA Attached-Hard Copy

Name:
Position:
Date:

Auditor's conclusion

The following table indicates which information as listed in the nature is still outstanding after management response:

Service providers	Total expenditure for 2021	SLA received	Appointment letter received	Documents outstanding
DK Specialised security Servic	(1 603 466)			Deviation approval not provided
KGB Group	(865 953)	Yes	Yes	Monitoring outstanding
Irrigation Equipment	(7 901 030)			All documents outstanding
Engineering Aces	(4 271 232)	Yes	Yes	Monitoring outstanding
MODISENYANE PROPERTY CO	(622 783)	Yes	Yes	Monitoring outstanding
Tswela Tsweu Consulting	(943 032)	Yes	Yes	Monitoring outstanding
Munsoft (Pty)Ltd	(379 581)	Yes		Monitoring outstanding
MARWIN MARKETING CC	(312 375)	Yes		Monitoring outstanding
GAREPALELWENG TRADING&	(257 999)	Yes	Yes	Monitoring outstanding
Iceburg Group	(1 719 097)	Yes		Monitoring outstanding
DUCHARME CONSULTING- CE	(310 221)	Yes	Yes	Monitoring outstanding
BULTFONTEIN STEENWERKE	(640 844)		Yes	Monitoring outstanding
BARLOWORLD EQUIPMENT	(101 873)			Monitoring outstanding
BLAQ.M HOLDING PTY LTD	(191 700)	Yes	Yes	Monitoring outstanding

29. ISS.117-EV CoAF 117 SCM - Quotations - Declaration of interest not provided

Audit finding

SCM regulation 13(c)(i) states that a supply chain management policy must state that the municipality or municipal entity may not consider a written quotation or bid unless the provider who submitted the quotation or bid has indicated whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months.

SCM regulation 13(c)(ii) states that a supply chain management policy must state that the municipality or municipal entity may not consider a written quotation or bid unless the provider who submitted the quotation or bid has indicated if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous 12 months.

SCM regulation 13(c)(iii) states that a supply chain management policy must state that the municipality or municipal entity may not consider a written quotation or bid unless the provider who submitted the quotation or bid has indicated whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous 12 months.

Section 5(1) of the MSA states that a staff member of a municipality who, or whose spouse, partner, business associate or close family member, acquired or stands to acquire any direct benefit from a contract concluded with the municipality, must disclose in writing full particulars of the benefit to the council.

Nature
Contrary to the above, declaration of interest forms (MBD4 forms) have not been submitted for audit for the following suppliers awarded with quotations:

No	Name of Supplier	Payment number	Expenditure (R)	Comment
1	VETRIVIER BOEREDIENSTE	EF005209	134 460	Declaration not submitted
2	LAZER TECH	EF004408	14 290	Declaration not submitted
3	Gijima	EF004897	13 685	Declaration not submitted
4	Yenza Trading 531	EF004718	185 432	Declaration not submitted
5	MVD Kalahari	EF004354	182 815	Declaration not submitted
6	Hoknana Trading	EF004357	195 800	Declaration not submitted
	Total		R726 482	

Cause
Lack of an effective internal control to ensure that all declarations of interest are obtained and maintained with procurement documents.

Impact
The above non-compliance will result in irregular expenditure totalling R726 482.

Internal control deficiency

Financial and performance management
Management did not review and monitor compliance with applicable laws and regulations.

Recommendation
The accounting officer should ensure all procurement documents are appropriately maintained to support the awards made by the municipality.

Management's response

No	Name of Supplier	Payment number	Expenditure (R)	Comment	Response
1	VETRIVIER BOEREDIENSTE	EF005209	134 460	Declaration not submitted	Declaration from attached
2	LAZER TECH	EF004408	14 290	Declaration not submitted	Declaration has been printed from emails and it is attached on the voucher
3	Gijima	EF004897	13 685	Declaration not submitted	I do Agree with the finding
4	Yenza Trading 531	EF004718	185 432	Declaration not submitted	Declaration of interest attached
5	MVD Kalahari	EF004354	182 815	Declaration not submitted	The payment is for a tender awarded to MVD Kalahari, it is not necessarily a quotation
6	Hoknana Trading	EF004357	195 800	Declaration not submitted	MBD Form is attached from the Voucher
	Total		R726 482		

Date:

Auditor's conclusion
Management response is acknowledged and the finding is partially resolved.

Due to the fact that management was unable to provide the auditors with the declaration of interest for Gijima this will result in an irregular expenditure of R13 685.

30. ISS.118-EV COAF 118 - SCM: Capacity and capability are not evaluated in some bids

Audit finding
Section 28(1)(b) of the Municipal Supply Chain Management Regulations states that a bid evaluation committee evaluate each bidder's ability to execute the contract.

Nature
The following bids were not evaluated for capability and capacity. The bid evaluation committee did not perform functionality assessment normally used to evaluate capacity and capability of bidders:

Supplier	Payment number	Total current year amounts
Mega Water Trading & Projects	EF004656	(4 993 320)
Silver Lake Trading 305 (Pty) Ltd	EF004292	(733 048)

Cause

There was no functionality assessment planned and communicated to bidders when the bids were advertised.

Impact
The above results in non-compliance with the procurement process.

Internal control deficiency
Financial and performance management
Management did not review and monitor compliance with applicable laws and regulations.

Recommendation
The accounting officer should ensure adequate implementation of designed controls and processes over procurement.

Management's response
I do agree with the finding, management will implement the internal control going forward.

Name: PJ Mashiane
Position: SCM Practitioner
Date: 27 October 2021

Auditor's conclusion
Management agree with the finding. The non-compliance will be reported on.

31. ISS.120-(PARTIALLY RESOLVED) EV CoAF 120 - SCM: CSD registration not attached on payments

Audit finding
SCM regulation 17(1)(a) states that a supply chain management policy must stipulate the conditions for the procurement of goods or services through formal written price quotations, which must include conditions stating that quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality or municipal entity.

SCM regulation 17(1)(b) states that a supply chain management policy must stipulate the conditions for the procurement of goods or services through formal written price quotations, which must include conditions stating that quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria in the supply chain management policy required by regulation 14(1)(b) and (c).

SCM regulation 13(b) states that a supply chain management policy must state that the municipality or municipal entity may not consider a written quotation or bid unless the provider who submitted the quotation or bid has authorised the municipality or municipal entity to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order.

SCM regulation 43(1) states that the supply chain management policy of a municipality or municipal entity must, irrespective of the procurement process followed, state that the municipality or municipal entity may not make any award above R15 000 to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

SCM regulation 43(2) states that before making an award to a person, a municipality or municipal entity must first check with SARS whether that person’s tax matters are in order.

MFMA circular 90 issued on 30 January 2018 details the process to be follow for the municipality to confirm tax compliance and concludes that the designated "print the tax compliance status screen view or letter with the result of the bidder’s status at the date and time of verification to file with the bidder’s bid documents for audit purposes."

Nature
Contrary to the above requirements, it was found that the CSD documentation was not attached to the suppliers listed below. Thus, the auditor is not able to verify supplier registration on the CSD and tax compliance.

No	Supplier	Payment number	Payment amount
1	IMMANUEL HARDEWARE	EF004245	19 525,57
2	BULTFONTEIN STEENWERKE	EF004140	194 303,85
3	KOMATSU SA	EF004280	198 100,28
4	MUTISI	EF005095	161 000,00
5	MVD Kalahari	EF004354	182 815,00
6	BULTFONTEIN MIDAS	EF004713	67 124,65
7	SUPA QUICK BULTFONTEIN	EF004611	59 106,55
8	Gijima	EF004897	13 685,00
9	LAZER TECH	EF004408	14 290,00
10	MASEGO PROJECT AND BUSINESS VE/ LAPA GUEST HOUSE	EF004347	27 540,00
11	Jerminahmanoto Projects	EF004715	131 750,00
12	VETRIVIER BOEREDIENSTE	EF005209	134 460,00

Cause
Inadequate management oversight over the bid and quotation records maintained.

Impact
The impact of this is:

- Non-compliance with laws and regulations
- Possible irregular expenditure.

Internal control deficiency
Financial and performance management
Management did not review and monitor compliance with applicable laws and regulations.

Recommendation
The matters should be investigated and the relevant CSD documentation be submitted.

The accounting officer should ensure that there are effective controls to prevent irregular expenditure. The identified irregular expenditure should be correctly disclosed in the annual financial statements.

Management's response

No	Supplier	Payment number	Payment amount	Response
1	IMMANUEL HARDEWARE	EF004245	19 525,57	I Agree with the finding, CSD document will be attached to the payment voucher
2	BULTFONTEIN STEENWERKE	EF004140	194 303,85	
3	KOMATSU SA	EF004280	198 100,28	
4	MUTISI	EF005095	161 000,00	
5	MVD Kalahari	EF004354	182 815,00	
6	BULTFONTEIN MIDAS	EF004713	67 124,65	
7	SUPA QUICK BULTFONTEIN	EF004611	59 106,55	
8	Gijima	EF004897	13 685,00	
9	LAZER TECH	EF004408	14 290,00	
10	MASEGO PROJECT AND BUSINESS VE/ LAPA GUEST HOUSE	EF004347	27 540,00	
11	Jerminahmanoto Projects	EF004715	131 750,00	
12	VETRIVIER BOEREDIENSTE	EF005209	134 460,00	

Date:

Auditor's conclusion

Management agrees with the finding and submiited the information with was outstanding. The finding is partially resolved and will remain and will result in a possible irregular expenditure of R134 460.

No	Supplier name	Payment No	Amount
1	VETRIVIER BOEREDIENSTE	EF005209	134 460,00

32. ISS.121-EV (Partially resolved) CoAF 121 SCM - Demand forms and evaluation forms outstanding

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Regulation 2(1)(b) of the MFMA states that each municipality and each municipal entity must in terms of section 111 of the Act have and implement a supply chain management policy that is fair, equitable, transparent, competitive and cost effective.

Nature

Documents listed below are not attached to the payments documentation for procurement records:

No	Payment number	Supplier	Expenditure	Outstanding document
1	EF004715	Jerminahmanoto Projects	131 750,00	Evaluation form
2	EF004531	TRI-LECTRO ELEKTRISE KO	156 415,57	Evaluation/ Demand form
3	EF004529	ACTOM PTY LTD	195 030,80	Demand form
4	EF004357	Hoknana Trading	195 800,00	Demand form
5	EF004354	MVD Kalahari	182 814,79	Demand form
6	EF005107	KALOSI TRADING	160 200,00	Demand form
7	EF004985	3 brick /Tamane Civils	130 890,19	Demand form
8	EF005173	Siraha Group	37 612,25	Evaluation/ Demand form
9	EF005114	TAMANE CONSULTING ENGIN	65 359,71	Demand form
10	EF004897	Gijima	13 685,00	Demand form

Cause
These matters resulted due to internal controls not being adequately established and implemented by management.

Impact
This results in scope limitation on the audit work over procurement.

Internal control deficiency
Financial and performance management
Management did not implement adequate controls over daily and monthly processing and reconciling of transactions.

Recommendation
The accounting officer should ensure the requested information is provided for audit purposes with in the agreed time period.

Management's response

No	Payment number	Supplier	Expenditure	Outstanding document	Response
1	EF004715	Jerminahmanoto Projects	131 750,00	Evaluation form	The procurement was advertised on the website as FWPQ 12 of 2020-2021
2	EF004531	TRI-LECTRO ELEKTRISE KO	156 415,57	Evaluation/Demand form	Demand form is attached to all payments made with regard to the Transaction of 415.57R156
3	EF004529	ACTOM PTY LTD	195 030,80	Demand form	I agree with the finding, the transaction was approved by the Municipal manager as advertised FWPQ 37 of 2019-2020 – evaluation report attached

No	Payment number	Supplier	Expenditure	Outstanding document	Response
4	EF004357	Hoknana Trading	195 800,00	Demand form	The procurement was advertised on the website as FWPQ 35 OF 2019-2020
5	EF004354	MVD Kalahari	182 814,79	Demand form	The transaction is for a tender procurement
6	EF005107	KALOSI TRADING	160 200,00	Demand form	I agree with the finding, the procurement was advertised as fwpq 10 of 2020-2021 and approved by the MM evaluation form attached
7	EF004985	3 brick /Tamane Civils	130 890,19	Demand form	Demand form used for 3 Brick will be used for Tamane as there is a cession contract between two service providers
8	EF005173	Siraha Group	37 612,25	Evaluation/Demand form	Demand form is attached in the payment voucher
9	EF005114	TAMANE CONSULTING ENGIN	65 359,71	Demand form	Demand form is attached in the voucher
10	EF004897	Gijima	13 685,00	Demand form	I agree with the finding

Name: PJ Loape
Position: Supply Chain Management Practitioner
Date:27/10/21

Auditor’s conclusion

Management response is acknowledged and the auditors’ conclusion is as follows:
1. Management response is acknowledged, the procurement was advertised, the finding is resolved
2. The attachment was provided therefore the finding is resolved
3. Management agrees and therefore the finding remains
4. Management response is acknowledged, although the procurement was advertised, the demand form was not attached to the payment voucher. Therefore, the finding remains.
5. Management response is acknowledged and the finding is resolved
6. Management agrees and therefore the finding remains
7. The attachment was provided therefore the finding is resolved
8. The attachment was provided therefore the finding is resolved
9. The attachment was provided therefore the finding is resolved
10. Management agrees and therefore the finding remains

In conclusion the finding is partially resolved

33. ISS.122-EV CoAF 122 - SCM: Deviations not reported to Council

Audit finding

Regulation 36(1)(a) of the Municipal Supply Chain Management Regulations stated that a supply chain management policy may allow the accounting officer to dispense with the official procurement processes established by the policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only:

1. in an emergency;
2. if such goods or services are produced or available from a single provider only;
3. for the acquisition of special works of art or historical objects where specifications are difficult to compile;
4. acquisition of animals for zoos; or
5. in any other exceptional case where it is impractical or impossible to follow the official procurement processes;

Regulation 36(2) of the Municipal Supply Chain Management Regulations states that the accounting officer must record the reasons for any deviations in terms of sub-regulation (1) (a) and (b) and report them to the next meeting of the council, or board of directors in the case of a municipal entity, and include as a note to the annual financial statements.

Nature

Contrary to the above requirements the following deviations were not reported to council:

No	Payment number	Name of supplier	Expenditure
1	EF004280	KOMATSU SA	198 100,28
2	EF005095	MUTISI	161 000,00
3	EF004231	Shetelizer	197 622,75
4	EF004718	Yenza Trading 531	185 431,55
5	EF004664	ZIMBA ELECTRICAL WORKS	195 500,00
6	EF005170	IVY AND NYASHA PROJECTS	159 870,26
7	EF005107	KALOSI TRADING	160 200,00
8	EF004655	KERITRIX PTY LTD	156 000,00
9	EF005173	Siraha Group	37 612,25
10	EF004531	TRI-LECTRO ELEKTRISE KO	156 415,57
11	EF004533	SEABEN TRADING AND PROJECT	48 058,80
12	EF005209	VETRIVIER BOEREDIENSTE	134 460,00
13	EF004970	PITSOKARABO CIVILS	151 970,18

Cause

Lack of adequate review and supervisor procedures over the procurement controls.

Impact

This results in non-compliance with laws and regulations over procurement processes.

Internal control deficiency

Financial and performance management

Management did not review and monitor compliance with applicable laws and regulations.

Recommendation
The above matters should be investigated and corrective actions should be implemented to ensure that the procurement processes and controls are complied with.

Management's response

No	Payment number	Name of supplier	Expenditure	Response
1	EF004280	KOMATSU SA	198 100,28	I do Agree with the finding
2	EF005095	MUTISI	161 000,00	Council Meeting -28/07/21
3	EF004231	Shetelizer	197 622,75	Council Meeting -25/08/21
4	EF004718	Yenza Trading 531	185 431,55	Council Meeting -28/04/21
5	EF004664	ZIMBA ELECTRICAL WORKS	195 500,00	Council Meeting -28/04/21
6	EF005170	IVY AND NYASHA PROJECTS	159 870,26	I do Agree with the finding
7	EF005107	KALOSI TRADING	160 200,00	I do Agree with the finding
8	EF004655	KERITRIX PTY LTD	156 000,00	I do Agree with the finding
9	EF005173	Siraha Group	37 612,25	I do Agree with the finding
10	EF004531	TRI-LECTRO ELEKTRISE KO	156 415,57	Council Meeting -25/08/21
11	EF004533	SEABEN TRADING AND PROJECT	48 058,80	Council Meeting -25/08/21
12	EF005209	VETRIVIER BOEREDIENSTE	134 460,00	I do agree with the finding
13	EF004970	PITSOKARABO CIVILS	151 970,18	Council Meeting -28/07/21

Date:

Auditor's conclusion
Management comment is noted. The finding is partially resolved as the below listed deviations were not reported to council. The non-compliance will be reported on further for the below:

No	Payment number	Name of supplier	Expenditure	Response
1	EF004280	KOMATSU SA	198 100,28	I do Agree with the finding
2	EF005170	IVY AND NYASHA PROJECTS	159 870,26	I do Agree with the finding
3	EF005107	KALOSI TRADING	160 200,00	I do Agree with the finding
4	EF004655	KERITRIX PTY LTD	156 000,00	I do Agree with the finding
5	EF005173	Siraha Group	37 612,25	I do Agree with the finding
6	EF005209	VETRIVIER BOEREDIENSTE	134 460,00	I do agree with the finding

34. ISS.125-EV CoAF 125 - SCM: Interest not declared between key management and supplier

Audit finding

SCM regulation 13(c)(i) states that a supply chain management policy must state that the municipality or municipal entity may not consider a written quotation or bid unless the provider who submitted the quotation or bid has indicated whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months.

SCM regulation 13(c)(ii) states that a supply chain management policy must state that the municipality or municipal entity may not consider a written quotation or bid unless the provider who submitted the quotation or bid has indicated if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous 12 months.

SCM regulation 13(c)(iii) states that a supply chain management policy must state that the municipality or municipal entity may not consider a written quotation or bid unless the provider who submitted the quotation or bid has indicated whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous 12 months.

SCM regulation 36(2) states that the accounting officer must record the reasons for any deviations in terms of sub-regulation (1)(a) and (b) and report them to the next meeting of the council, or board of directors in the case of a municipal entity, and include as a note to the annual financial statements.

Nature

1. Contrary to the above requirements the following relationship was identified using CAATS data. The shared interest as documented below was not declared in the supplier declaration form. The public office bearer also did not declare the interest:

Name of person	Position	Section/ component	Name associate	Relationship to person in service of the auditee	Supplier name
Frans Tankiso Matsholo	Mayor	Executive Authority	Catherina Dora Du Plessis	In business together at Tikwe farming	Lawnmower Sales And Services

Cause

The matter occurred due to lack of an effective internal control to identify suppliers connected or related to municipal personnel.

Impact

Non-compliance with laws and regulations relating to procurement.

Internal control deficiency

Financial and performance management

Management did not review and monitor compliance with applicable laws and regulations.

Recommendation
The accounting officer should also determine the relationships between the officials and the entities which they procured from and take appropriation action to remedy possible non-compliance.

Management's response
Management agree with the finding
Management will put internal controls in place to make determination for any relationships between the official, councillors and the entities/ service providers.

Name: TJ Matyesini
Position: CFO
Date: 28 October 2021

Auditor's conclusion
Management agree with the finding. The non-compliance will be reported on.

35. ISS.191-EV CoAF 191 - SCM: Limitation of scope (Quotations)

Audit finding
Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Nature
During the audit of quotations the following payment voucher number EF004897 Gigima to the amount of R13 685 did not have the following attached:

1. The demand form
2. Purchase order
3. Purchase requisition
4. CSD report
5. MBD 4

Cause
This occurred due to internal controls not being adequately established and implemented by management.

Impact
This will result in a limitation of scope in the audit of SCM.

Internal control deficiency
Financial and performance management
Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation
The accounting officer should ensure record keeping and maintenance is enhanced to maintain adequate audit trail.

Management's response
Management agrees to the finding

Management will ensure proper record keeping of all the necessary documentation for all the payment vouchers.

Name: TJ Matyesini
Position: CFO
Date: 12 November 2021

Auditor's conclusion
Management comment is noted. The finding will remain and be reported on. Due to the limitation placed in the testing of this award, it could not be determined if irregular expenditure was incurred by the municipality when making the award.

36. ISS.228-EV CoAF 228 - Contract management: Contract performance monitoring not adequately implemented

Audit finding
Clause 22.1 of General Conditions of Contract 2010 states that subject to GCC Clause 25, if the supplier fails to deliver any or all of the goods or to perform the services within the period(s) specified in the contract, the purchaser shall, without prejudice to its other remedies under the contract, deduct from the contract price, as a penalty, a sum calculated on the delivered price of the delayed goods or unperformed services using the current prime interest rate calculated for each day of the delay until actual delivery or performance. The purchaser may also consider termination of the contract pursuant to GCC Clause 23.

Clause 23 of General Conditions of Contract 2010 states the following:
23.1 The purchaser, without prejudice to any other remedy for breach of contract, by written notice of default sent to the supplier, may terminate this contract in whole or in part:

1. if the supplier fails to deliver any or all of the goods within the period(s) specified in the contract, or within any extension thereof granted by the purchaser pursuant to GCC Clause 21.2;
2. if the Supplier fails to perform any other obligation(s) under the contract; or
3. if the supplier, in the judgment of the purchaser, has engaged in corrupt or fraudulent practices in competing for or in executing the contract.

23.2 In the event the purchaser terminates the contract in whole or in part, the purchaser may procure, upon such terms and in such manner as it deems appropriate, goods, works or services similar to those undelivered, and the supplier shall be liable to the purchaser for any excess costs for such similar goods, works or services. However, the supplier shall continue performance of the contract to the extent not terminated.

23.3 Where the purchaser terminates the contract in whole or in part, the purchaser may decide to impose a restriction penalty on the supplier by prohibiting such supplier from doing business with the public sector for a period not exceeding 10 years.

23.4 If a purchaser intends imposing a restriction on a supplier or any 12 person associated with the supplier, the supplier will be allowed a time period of not more than fourteen (14) days to provide reasons why the envisaged restriction should not be imposed. Should the supplier fail to respond within the stipulated fourteen (14) days the purchaser may regard the intended penalty as not objected against and may impose it on the supplier.

23.5 Any restriction imposed on any person by the Accounting Officer / Authority will, at the discretion of the Accounting Officer / Authority, also be applicable to any other enterprise or any partner, manager, director or other person who wholly or partly exercises or exercised or may exercise control over the enterprise of the first-mentioned person, and with which enterprise or person the first-mentioned person, is or was in the opinion of the Accounting Officer / Authority actively associated.

23.6 If a restriction is imposed, the purchaser must, within five (5) working days of such imposition, furnish the National Treasury, with the following information:

(i) the name and address of the supplier and / or person restricted by the purchaser;
(ii) the date of commencement of the restriction
(iii) the period of restriction; and
(iv) the reasons for the restriction.

These details will be loaded in the National Treasury’s central database of suppliers or persons prohibited from doing business with the public sector.

23.7 If a court of law convicts a person of an offence as contemplated in sections 12 or 13 of the Prevention and Combating of Corrupt Activities Act, No. 12 of 2004, the court may also rule that such person’s name be endorsed on the Register for Tender Defaulters. When a person’s name has been endorsed on the Register, the person will be prohibited from doing business with the public sector for a period not less than five years and not more than 10 years. The National Treasury is empowered to determine the period of restriction and each case will be dealt with on its own merits. According to section 32 of the Act the Register must be open to the public. The Register can be perused on the National Treasury website.

Nature

Contrary to the above requirements, the following issues were identified:

1. Engineering Aces is the appointed project consultant for construction of 499 toilets. The first contractor (Best Enough/Ketwayo Construction JV) failed to finish the project yet still collected R15 877 280 from the contract of R18 379 444. The project consultant failed to prevent the payments while the project was not completed. Further, the municipality appointed a contractor (Irrigation Equipment) to complete the project at a further cost of R12 728 615 over and above the payments to the first contractor payments.

Item description	**Type of contract**	**Contract value**	**Total Payments from inception**	**Current year payments**
Engineering Aces	Construction consultant	(785 234)	(2 783 559)	(667 810)

2. As per payment EF004872 the municipality ordered contract goods on 10 November 2020 and delivery was only made on 29 March 2021. The signed service level agreement requires delivery within 14 days of an order. No penalties were invoked as a result of the delayed delivery.

Item description	Type of contract	Current year payments
TSHARANANG LE TIYE (PTY	Protective clothing	(314 262)

3. Based on progress report 6; it is recorded that Unathi Civils' overall progress is at 68% when expenditure has been claimed up to 92%. Also, the planned completion date of 5 March 2021 has not been met. No penalties were invoked on the payment certificates. The project consultant (Tswela Tsweu Consulting) has also not made recommendation to invoke penalties. Various cession agreements have been entered into for the project and this could further indicate performance deficiencies by the contractor.

Item description	Type of contract	Contract value	Total Payments from inception	Current year payments
Unathi Civils	Construction	11 259 700	10 398 490	4 707 587
Tswela Tsweu Consulting	Construction consultant	1 185 486	1 185 486	943 032

Cause
Lack of adequate implementation of contract management and monitoring controls.

Impact
Significant financial losses may be incurred on tendered contracts due to weak contract management and monitoring controls.

Internal control deficiency
Leadership
Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation
The accounting officer should design and implement contract management and monitoring controls to ensure the correct quality of work is received for payments made. This could enhance service delivery to the communities.

Management's response
1. The management hereby indicates the complicity of the project which could not have been avoided in order for the project be of a good quality:

- The first contractor (Best Enough/Ketwayo Construction JV) started the project very well due to their performance and meeting targets. But termination had to happen once the performance was no longer satisfactory.

- The project is located in a very unstable area which was previously used as a farm which resulted into the material being collapsible and lots of underground water.

- The unconventional method of construction had to be used in order for the works to be of good quality.
- Also the construction is within residential area which impacts on the safety of the site to be of a big magnitude.
- The area is very flat which made the pipelines designs to be deeper as a result of maintaining minimum flows of gravity for sewer pipelines.

All of the above increased the cost of the project which can only be determined on site because of the underground water cannot be finalised exactly how much can be pumped out on daily basis or how much material will be collapsing on daily basis because it would mean that the contractor will have to excavate again & again and backfill with the new material on daily basis up until the pipe is stable.

The conditions could not have been avoided as the area is unstable. The Municipality could not have moved the residents to other areas as most of them already built houses. The area opposite to 499 which was developed in 2006 also went through the same exercise whereby one general worker passed away due accident. The trench material collapsed while working inside the trench and fell on to him. One of the resident’s kid in 499 area got drowned next to the pumpstation and lost a life.

The unfortunate part about the termination is that it is a very expensive exercise and also causes lots of delays. The new contractor would have come up with new prices because of the inflation and material prices going up every year and recently its even more because of COVID-19 and high fuel prices.The payment to the consultant is as per the tender document which went through the SCM processes.

2. The delivery of protective clothing was done long after 14 days due to the following:

- The service provider was given different sizes of the employees in order to ensure that sizes are correct.
- The protective clothing is not readily available and even if is readily available the service provider will still have to put logos on the clothing.
- The order was placed immediately after the hard lockdowns of COVID-19 10 November 2020.
- The service provider indicated that the manufacturers are also working on schedules due COVID-19 which resulted to delays.
- They also indicated that there’s a high demand for PPE in the country which also contributed to delays.
- The Municipality accepted the delays as being real and fair as the COVID-19 was real and it affected lots of industries.
- The Municipality did not invoke penalties due to COVID-19 delays which could not have been avoided.

3. The planned completion date of 5 March 2021 was not met due to delays as a result of rainfall, slippery area, COVID-19 caused shortages of material in the country especially the sewer and water materials. The Municipality is also aware that the National Government directed most of the funds towards water and sewer projects due to COVID-19 pandemic. The Municipality only agreed to sign cessions with the contractor in order to make sure that the material is bought earlier in order to avoid high prices along the way due to COVID-19 pandemic and high fuel prices. The extensions of time was granted because of the conditions that could not have been avoided.
Name:
Position:
Date:

Auditor's conclusion

1. Management comment is noted. The comment provides background which further, raises the question of why the project engineer on the ground would not have communicated this challenges from the start of the project to allow the municipality to revise and obtain adequate resources and skills to complete the project. The first contractor was paid R15 877 280 from the contract of R18 379 444. Thus, a question can be raised of how the project engineer and the municipality were not aware and no timely action plan was implemented before R15 877 280 was spend. The contract management (including the project engineer) was not adequately implemented to timely address this challenges as they were identified. The finding will remain and be reported on.

2. Management comment is noted. The comment acknowledges the delayed response time which was not in line with contract. However, there is no documented record maintained and submitted to the audit to support contract management. Thus, contract management controls are not adequately implemented and supported by documentation filed and maintained. This is due to the information was requested but not supplied to auditors until this communication was raised. The lack of adequate contract management controls will be reported on further.

3. Management comment is noted. The comment provides further background on challenges experienced and how the municipality addressed them. This further supports that there is not adequate contract management supported by detailed documents as this challenges were not adequately documented and submitted to support contract management. The lack of adequate contract management controls will be reported on further.

37. ISS.229-EV CoAF 229 - Contract management: Reasons for variations not documented and approved

Audit finding

Regulation 2(1)(b) of the Municipal Supply Chain Management Regulations states that each municipality and each municipal entity must in terms of section 111 of the Act have and implement a supply chain management policy that is fair, equitable, transparent, competitive and cost effective.

Section 116(3)(a) of the MFMA states that a contract or agreement procured through the supply chain management policy of the municipality or municipal entity may be amended by the parties, but only after the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality.

Nature

Contrary to the above requirements, the following issues were identified:

1. No approved variation or extension has been submitted for audit on Unathi Civils (Contractor) and Tsela Tsweu Consulting (Project engineer) for project running over planned completion of 05 March 2021.

Item description	Type of contract	Contract value	Total Payments from inception	Current year payments
Unathi Civils	Construction	11 259 700	10 398 490	4 707 587
Tswela Tsweu Consulting	Construction consultant	1 185 486	1 185 486	943 032

2. The reasons for extension of short term insurance (BLAQ.M Holding) have not been documented, approved by the accounting officer and tabled in council of the municipality.

Item description	Type of contract	Current year payments
BLAQ.M HOLDING PTY LTD	Short term insurance	(191 700)

Cause
Lack of adequate documentation maintained to support the compliance activities of the municipality.

Impact
This results in non-compliance with the SCM regulations.

Internal control deficiency
Financial and performance management
Management did not review and monitor compliance with applicable laws and regulations.

Recommendation
The accounting officer should ensure that records are maintained for all compliance activities undertaken by the municipality.

Management's response
Good day, please see the attached approved extensions of time claims. I have included all to date.

Name: Lebohang Malokase
Position: PMU Technician
Date: 10/11/2021

Auditor's conclusion

1. Management comment is noted. The finding will remain and be reported on as the extension of time submitted was signed in June 2021 which is over 3 months from planned completion date. This further indicates inadequate contract management controls as challenges with projects are not timely escalated and responded to.

2. No response provided on the item. The finding will remain and be reported on further.

38. ISS.230-EV CoAF 230 - Contract management: No action taken to replace expiring contract

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Nature

No action has been taken to replace the following critical contract expiring within 6 months (November 2021):

Item description	Type of contract	Current year payments
Munsoft (Pty)Ltd	Accounting system	(379 581)

Cause

Lack of adequate contract management controls to timely identify lapsing contracts for critical services and take action to replace them.

Impact

This may result in deviations or extension due to poor planning and are likely to result in irregular expenditure.

Internal control deficiency

Financial and performance management

Management did not implement controls over daily and monthly processing and reconciling of transactions.

Recommendation

The accounting officer should implement controls ensuring the continuity of operations through contract management.

Management's response

Management disagrees with the finding

National Treasury issued out a memo to all municipalities using the RT25 – 2016 transversal contract indicating that there is no need for the municipalities to procure new financial systems as the contract is extended up until 2023.

Please find the attached letter from National Treasury

Name: TJ Matyesini
Position: CFO
Date: 10 November 2021

Auditor's conclusion

Management comment is noted. The NT memo attached does support that all contracts entered into in 2016 should conclude in 2021. The Munsoft appoint was made last quarter of 2016 as per the master agreement which was further amended to be valid for longer than 3 years. Thus, to comply with the NT memo, the contract concludes November 2021. The finding will remain and be reported on further.

39. ISS.231-EV CoAF 231 - Contract management: Rentention fee paid while contract is ongoing

Audit finding

Clause 1.4 of General Conditions of Contract for Construction Works 2004 states that GCC makes provision for monthly payment to Contractors based on an estimate of the value of the works (both permanent and temporary) that have been completed, a percentage of the materials on site, any additional payments that are due and any price escalation that may be provided in the contract.

Retention monies are deducted from payment certificates up to a limit stated in the Contract Data. The amount of retention to be deducted in each Interim Payment Certificate up to the limit is stated in the Contract Data.

Half of the retention money is paid to the Contractor when the Engineer issues the Certificate of Completion when the contractor has completed the works. The other half is paid within 14 days after the end of the Defects Liability Period.

Nature

Contract funds have been depleted without retaining some funds for retention for the following contract (In addition, some payments have been made on cession agreements on behalf of the contractor):

Item description	**Type of contract**	**Contract value**	**Total Payments from inception**	**Current year payments**
Unathi Civils	Construction	11 259 700	10 398 490	4 707 587
Tswela Tsweu Consulting	Construction consultant	1 185 486	1 185 486	943 032

Cause

Lack of adequate contract management and monitoring controls.

Impact

Possible defects may not be corrected by the contractors due to lack of retention funds.

Internal control deficiency

Financial and performance management

Management did not review and monitor compliance with applicable laws and regulations.

Recommendation

The accounting officer should retain some contracts fees as agreed in the service level agreement to ensure service providers follow up on construction defects post practical completion.

Management's response

The retention was handled as a guarantee was and is attached. The document will also be extended after the final hand over.

Name:
Position:
Date:

Auditor's conclusion

Management comment is noted. Instead of withholding of retention fees a guarantee agreement has been accepted by the municipality. Thus, the finding remains and will be reported on further as the municipality did not retain any funds in accordance to general conditions of contracts.

Receivables

40. ISS.134-EV CoAF 134 - Receivables Adjustments - Limitation of scope (RFI 129)

Audit finding

Section 15(1)(a) of Public Audit Act states the following when performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee.

Section 74(1) of the MFMA states the following the accounting officer of a municipality must submit to the National Treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.

Paragraph 46 bullet 5 of the signed engagement letter state "In terms of section 15(2)(b) of the PAA and in order to comply with applicable legislated auditing and tabling deadlines in the MFMA, as well as to allow adequate time for conducting the audit in accordance with the relevant auditing standards the municipality should adhere to the following:

All documentation and information in support of the financial statements, the annual performance report and compliance with legislation must be available on request and be retrievable within a reasonable time. This documentation and information is also relevant to disclosures in the financial statements and could include information outside the general and subsidiary ledgers. If this information is not provided in the time agreed, it will be regarded as a limitation on the audit which could result in a modification of the audit opinion".

Nature

The approved indigent application forms and applicable supporting documentation for the following accounts were not submitted with RFI 129:

Category	**Account number**	**Amount**
Interest	7000186	3343,04
Refuse	7000107	4799,56
	7000130	4822,54
	7000146	4939,03
Sewerage	7000070	7061,82
	7000132	7028,71

Category	Account number	Amount
	7000139	7028,71
Property rates	7303309	7176,31
	7303376	7181,03
VAT	7000051	5772,90
	7303263	2705,95
Water	7000051	11354,88

Account number	Service	Rental billed
50000005	RENT	859891,30
005S000035	RENT	215715,89
005S000035	VAT	80767,14
6700537	RENT	51400,00
6700536	RENT	20310,05
6700538	RENT	18858,12
50002418	RENT	17500,00
6700537	VAT	7710,00

Cause
Management did not prioritise the request for information from the audit team to ensure that it is provided within a reasonable time.

Impact
This may result in insufficient audit evidence obtained to express an appropriate opinion.

Internal control deficiency
Financial and performance management
Management 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.

Recommendation
Management should provide all the requested information within the agreed upon deadline.
Should no information be provided the limitation will remain.

Management's response
Management does not agree with the finding;

The information was submitted in response to the RFI (129) on the 13/10/2021. Please refer to the mails attached.

Name: Thabiso Matyesini
Position: CFO
Date: 19/10/2021

Auditor's conclusion
Management submitted debtor statements. However all information received did not support the adjustments and did not agree to the adjustment. No other explanations could be provided and thus the material extrapolated limitation will remain and be reported on further.

41. ISS.135-EV CoAF 135 - Receivables: Incorrect debtor amount recorded in the aging

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature

We re-performed the calculation on the closing balance on receivables (for all services) and identified the following difference in the calculation of the receivables closing gross balances:

Account Number	Service	Total per service	Total of prior year age analysis balance all services	Total debtor movement for the year per the billing reports	Recalculated amount for all services per debtor at year-end	Amount on current year age analysis at year-end	Difference
50001859	Sewerage	348	3 890	(410)	3 480	4 120	(640)

Cause

Lack of adequate review controls over daily transactions on receivables.

Impact

There is an overstatement on receivables from exchange transactions identified above (in a sample) due to inaccurate debtors. The extrapolated misstatement is not individually material and will be aggregated with other misstatements.

Internal control deficiency

Financial and performance management

Management did not implement adequate controls over daily and monthly processing and reconciling of transactions.

Recommendation

The difference should be investigated and explained.

If in agreement, the accounting officer should investigate the population of debtor accounts for accuracy of receivable balances to determine the full extent of the misstatement. Corrective action should be taken to correct the population and update the system with over and undercharge of receivables.

Management's response
Management agrees with the finding. Management went to revisit the entire population and calculated a misstatement of R2 229.22. Please refer to Annexure A for calculation.

Name: Thabiso Matyesini
Position: CFO
Date: 29/10/2021

Auditor's conclusion
Management comment is noted. Management annexure highlights that the difference sets off against difference of an opposite sign. The extrapolated difference is not material, however it is a significant value and will be aggregated with other misstatements to determine the impact on audit conclusion.

42. ISS.159-EV (Partially resolved) CoAF 159 - Receivables: Properties not linked / billed for some services

Audit finding
Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature
During the completeness testing of receivables from exchange transactions, various properties were traced from the valuation roll to the debtors aging for completeness of the aging analysis. The following properties are not recorded on the debtors aging:

1. The following properties did not have any service or balance recorded on the debtors aging:

Unit/ Erf	Owner	Category	Address	Town
381	W M PRETORIUS TRUST	Single Residential	STOFBERG STREET	Bultfontein
399	Nel Jacobus Frederik Lombard	Single Residential	HERTZOG STREET	Bultfontein
436	Helena Wilhelmina Janse van Rensburg	Single Residential	PASTORIE STREET	Bultfontein
560	P Lategan	Business	KERK STREET	Bultfontein
13 Prtn 3	HAVENGA EVELYN	Business	VAN ZYL STREET	Hoopstad
15 Re	COETZER PIETER JACOBUS	Dwelling	KERK STREET	Hoopstad
241	FIRSTRAND BANK LTD	Dwelling		Hoopstad
260	FOLEY JOHANNES PETRUS	Dwelling		Hoopstad

Unit/ Erf	Owner	Category	Address	Town
385	BERNARD MAREE FAMILIE TRUST	Dwelling		Hoopstad
429	FERREIRA ADRIAAN FRANCOIS	Dwelling		Hoopstad
574	SMIT ABRAHAM JOHANNES	Vacant		Hoopstad
724	LOOTS JAN HENDRIK	Vacant		Hoopstad
799	SANDOBEL 166 PTY LTD	BUSINESS		Hoopstad
3	BOTES HENDRIK OSWALD	Dwelling	PIETERSE STREET	Hoopstad
13 prtn 1	HAVENGA EVELYN	Business	VAN ZYL STREET	Hoopstad
18	HEELTYD-SPEELTYD TRUST	Business	KERK STREET	Hoopstad
55	JOLANTA TRUST	Business	VAN ZYL STREET	Hoopstad
142	OCEAN BASKET TRUST	Outbuilding	RAS STREET	Hoopstad
153	TONDER WILLEM GERRIT HENDRIK VAN	Business	LE REY STREET	Hoopstad
256	BOTHA MAGDA	Dwelling		Hoopstad
366	HETZEL CHRIS	Dwelling		Hoopstad
451	ROSSOUW JOHANNA PETRONELLA	Dwelling		Hoopstad
100005	S.J Mothabi	Single Residential	5 PHAHAMENG	Phahameng
100013	A.S Solani	Single Residential	13 PHAHAMENG	Phahameng
100018	D.E Mokete	Single Residential	18 PHAHAMENG	Phahameng

2. The following properties identified on the valuation roll are linked to debtor accounts not billed for refuse services:

Unit/ Erf	Owner	Category	Address	Town	Debtor account
75	E.M Narunsky	Business	MARKT STREET	Bultfontein	6800536
78	L.C Gritzman	Business	KERK STREET	Bultfontein	6800538
150	C.J Geldenhuys	Single Residential		Bultfontein	5000018
272	E. Smit	Single Residential	STOFBERG STREET	Bultfontein	5000171
341	S. Botha	Single Residential	BEYERS STREET	Bultfontein	6800572
471	J.L Jacobs	Single Residential	PASTORIE STREET	Bultfontein	5000587
542	L.C Botha	Single Residential	STOFBERG STREET	Bultfontein	5000770
26	COETZER JACOBUS NICOLAAS	Dwelling	KERK STREET	Hoopstad	50000095
92	OTTO ALIDA ELIZABETH	Business	LE REY STREET	Hoopstad	50000215
462	ZYL MARIA JOHANNA VAN	Dwelling		Hoopstad	50001086
501	MIENIE PHILIPPUS ALBERTUS	Dwelling		Hoopstad	50001192
519	HOOPSTAD AGRI-DIENSTE CC	Business		Hoopstad	50001250

Unit/ Erf	Owner	Category	Address	Town	Debtor account
575	PLESSIS LIZELLE DU	Vacant		Hoopstad	50001397
604	TANTUS TRADING 205 PTY LTD	Vacant		Hoopstad	50001486
649	GOOD LIFE INVESTMENTS PTY LTD	Vacant		Hoopstad	50001618
669	HENCAR TRUST	Vacant		Hoopstad	50001666
742	BURGER FAMILIE TRUST	Business		Hoopstad	50002012
88	BRUIN MYNHARDT JACOBUS DE	Vacant	RAS STREET	Hoopstad	50000211
190	VLAKPLAAS TRUST	Dwelling	VAN ZYL STREET	Hoopstad	50000422
218	SENWES LTD	Filling Station	BRUG STREET	Hoopstad	50000477
345	KOTZE HANNERIE	Dwelling		Hoopstad	50000796
100040	M Masangane	Single Residential	40 PHAHAMENG	Phahameng	7000051

3. The following properties identified on the valuation roll are linked to debtor accounts not billed for sewerage services:

Unit/ Erf	Owner	CATEGORY	ADDRESS	TOWN	Debtor account
150	C.J Geldenhuys	Single Residential		Bultfontein	5000018
272	E. Smit	Single Residential	STOFBERG STREET	Bultfontein	5000171
321	MERWE NAOMI VAN DER	Single Residential	VAN WYK STREET	Bultfontein	5000287
471	J.L Jacobs	Single Residential	PASTORIE STREET	Bultfontein	5000587
542	L.C Botha	Single Residential	STOFBERG STREET	Bultfontein	5000770
26	COETZER JACOBUS NICOLAAS	Dwelling	KERK STREET	Hoopstad	50000095
92	OTTO ALIDA ELIZABETH	Business	LE REY STREET	Hoopstad	50000215
462	ZYL MARIA JOHANNA VAN	Dwelling		Hoopstad	50001086
501	MIENIE PHILIPPUS ALBERTUS	Dwelling		Hoopstad	50001192
519	HOOPSTAD AGRI-DIENSTE CC	Business		Hoopstad	50001250
575	PLESSIS LIZELLE DU	Vacant		Hoopstad	50001397
704	MAREE JOHANNES PETRUS WILHELMUS	Small holding		Hoopstad	50502341
742	BURGER FAMILIE TRUST	Business		Hoopstad	50002012
190	VLAKPLAAS TRUST	Dwelling	VAN ZYL STREET	Hoopstad	50000422
218	SENWES LTD	Filling Station	BRUG STREET	Hoopstad	50000477

Unit/ Erf	Owner	CATEGORY	ADDRESS	TOWN	Debtor account
345	KOTZE HANNERIE	Dwelling		Hoopstad	50000796
100040	M Masangane	Single Residential	40 PHAHAMENG	Phahameng	7000051

4. The following properties identified on the valuation roll are linked to debtor accounts not billed for electricity services:

Unit/ Erf	Owner	Category	Address	Town	Debtor account
272	E. Smit	Single Residential	STOFBERG STREET	Bultfontein	5000171
471	J.L Jacobs	Single Residential	PASTORIE STREET	Bultfontein	5000587
542	L.C Botha	Single Residential	STOFBERG STREET	Bultfontein	5000770
26	COETZER JACOBUS NICOLAAS	Dwelling	KERK STREET	Hoopstad	50000095
462	ZYL MARIA JOHANNA VAN	Dwelling		Hoopstad	50001086
501	MIENIE PHILIPPUS ALBERTUS	Dwelling		Hoopstad	50001192
575	PLESSIS LIZELLE DU	Vacant		Hoopstad	50001397
742	BURGER FAMILIE TRUST	Business		Hoopstad	50002012
88	BRUIN MYNHARDT JACOBUS DE	Vacant	RAS STREET	Hoopstad	50000211
190	VLAKPLAAS TRUST	Dwelling	VAN ZYL STREET	Hoopstad	50000422
198	BRINK BROERS TRUST	Dwelling	MULLER STREET	Hoopstad	50000447
218	SENWES LTD	Filling Station	BRUG STREET	Hoopstad	50000477
345	KOTZE HANNERIE	Dwelling		Hoopstad	50000796
407	JOOSTE JACOBUS MATJAM	Dwelling		Hoopstad	50000960
100001	N..A Tooi	Single Residential	1 PHAHAMENG	Phahameng	7303997
100002	T.J Lewane	Single Residential	2 PHAHAMENG	Phahameng	7000002
100007	M.S Pankisi	Single Residential	7 PHAHAMENG	Phahameng	7000007
100009	KHAUTA NM	Single Residential	9 PHAHAMENG	Phahameng	8100095
100010	M R DLAMINI	Single Residential	10 PHAHAMENG	Phahameng	7000009
100016	M.L Mokhobo	Single Residential	16 PHAHAMENG	Phahameng	7000014
100020	M.A Mbale	Single Residential	20 PHAHAMENG	Phahameng	7000021
100030	K.G Segogo	Single Residential	30 PHAHAMENG	Phahameng	7000036
100040	M Masangane	Single Residential	40 PHAHAMENG	Phahameng	7000051
100041	M.P Pudumo	Single Residential	41 PHAHAMENG	Phahameng	7000052

5. The following properties identified on the valuation roll are linked to debtor accounts not billed for water services:

Unit/ Erf	Owner	Category	Address	Town	Debtor account
68	PORTGIETER MELISHA	Business	PRESIDENT SWART	Bultfontein	6000028
150	C.J Geldenhuys	Single Residential		Bultfontein	5000018
272	E. Smit	Single Residential	STOFBERG STREET	Bultfontein	5000171
362	L.J Pelser	Single Residential		Bultfontein	5001467
471	J.L Jacobs	Single Residential	PASTORIE STREET	Bultfontein	5000587
542	L.C Botha	Single Residential	STOFBERG STREET	Bultfontein	5000770
26	COETZER JACOBUS NICOLAAS	Dwelling	KERK STREET	Hoopstad	50000095
92	OTTO ALIDA ELIZABETH	Business	LE REY STREET	Hoopstad	50000215
501	MIENIE PHILIPPUS ALBERTUS	Dwelling		Hoopstad	50001192
519	HOOPSTAD AGRI-DIENSTE CC	Business		Hoopstad	50001250
575	PLESSIS LIZELLE DU	Vacant		Hoopstad	50001397
704	MAREE JOHANNES PETRUS WILHELMUS	Small holding		Hoopstad	50502341
742	BURGER FAMILIE TRUST	Business		Hoopstad	50002012
88	BRUIN MYNHARDT JACOBUS DE	Vacant	RAS STREET	Hoopstad	50000211
190	VLAKPLAAS TRUST	Dwelling	VAN ZYL STREET	Hoopstad	50000422
198	BRINK BROERS TRUST	Dwelling	MULLER STREET	Hoopstad	50000447
218	SENWES LTD	Filling Station	BRUG STREET	Hoopstad	50000477
345	KOTZE HANNERIE	Dwelling		Hoopstad	50000796
384	ROUX JOHANNA ADRI LE	Dwelling		Hoopstad	50000915
100040	M Masangane	Single Residential	40 PHAHAMENG	Phahameng	7000051

Cause
Lack of adequate review or supervisory controls over debtor accounts and the maintenance of the applicable accounting records.

Impact
Receivables from exchange transactions appear to be materially incomplete.

Internal control deficiency
Financial and performance management
Management did not implement adequate controls over daily and monthly processing and reconciling of transactions.

Recommendation

The above matters should be investigated and explained. If in disagreement, adequate supporting evidence should be provided on why these properties were not billed for the mentioned services.

The accounting officer should ensure all properties provided with services are adequately charged for service delivery and adequate documentation is maintained for the financial events. Management should investigate the population of receivables from exchange transactions to determine the full extent of the misstatement.

Management's response

Management response

1. The following properties did not have any service or balance recorded on the debtors aging:

Management does not agree with the finding due the following:

•Erf 381 – The property is for WM Pretorius (account no. 5000374). This account is inactive as the property was sold the to NM Mokobe and services are charged on her account (5001451). The property has a balance in the age analysis under the new owner.

•Erf 399 - JFL Nel have three different flats on the erf (5501531; 5501541 & 5501545) whereby property rates is billed and the other services are billed on the accounts of the occupiers (5501530; 0005501586 & 5501543). The balances can be found in the age analysis.

•Erf 436 - HW Janse van Rensburg (5000508) is an inactive account as the property was sold to PJ Earle (5000509) paying property rates & services are billed on account of GCD van Heerden (5000510).The balances for the property can be found under PJ Earle in the age analysis.

•Erf 560 Portion 4 -The services are billed on account (6000194) & on account (6000172) is only electricity. The balances for this property can be found in the age analysis under both accounts.

•Erf 13 Portion 3 – This is one property on three different sites (Portion 1; 2 & 3), the property is linked to account 50000039 in the age analysis. The property was sold to Maree JPW.

•Remainder of Erf 15 – This property was under Account Nr 50000051 which is an inactive account, The property sold to Van Deventer and the property rates and services billed are on account 50000059.

•Erf 241 - FNB (50000567 _ Account Inactive) sold the property to Bambi Kleuterskool Trust (50002410) and it is billing and has a balance in the age analysis.

•Erf 260 - Account Nr 50000607 for JP Foley is inactive as the property was sold to M & HP Nel (50002208). Balance for the new owners can be found in the age analysis.

•Erf 385 - Maree & Barnard family trust is the owner of the property, but the services are billed on account nr (50002370) of GE Mokhuane as the occupier. The balance of services can be found in the age analysis.

•Erf 429 - AF Ferreira (50001023) is inactive. The property was sold to H Louw (50002284) and property rates is billed under the owner, while BJ de Lange (50002409) is the occupier and other services are billed under him.

•Erf 574 - AJ Smit (50001394) is inactive. The property was sold to AJ Lubbe (50001395) it is vacant and being billed availability charges and can be found in the age analysis.

•Erf 724 - JH Loots (50001989 is inactive. The property was sold to TE de Lange (50001990) it is vacant and being billed availability charges and can be found in the age analysis.

•Erf 799 - Sandobel (50002065) is inactive. The property was sold to Agri Credit Solutions (Suides Landbou) (50002201) it is vacant and being billed availability charges and can be found in the age analysis.

•Erf 3 - HENDRIK OSWALD BOTES TESTAMENTARY TRUST OOK BEKENDAS OLLIE BOTES TRUST (50000027) is the owner paying property rates & BD Pretorius (50002190) is the occupier. The balances for this property can be found in the age analysis.

•Erf 13 Portion 1 - One property on three different sites (Portion 1; 2 & 3), the property is linked to account 50000039 in the age analysis.The property was sold to Maree JPW.

•Erf 18 - HEELTYD-SPEELTYD TRUST (50000072) is a business property trading as Hoopstad Apteek. This property has balances in the age analysis for outstanding services.

•Erf 55 - Yolanta Trust (50000156) is billed property rates as the owner and AH MOHAMMAD (50002421) is paying for the services. The property has balances in the age analysis.

•Erf 142 - OCEAN BASKET TRUST (50000284) is vacant and is billed availability charge. The balances of the property can be found in the age analysis.

•Erf 153 – It is a business Property trading as Case IH Dienste (50000321) and is being billed.

•Erf 256 - Account Nr (50000594) of M Botha is inactive. The property was sold to CAMPHER JM & H (50002255). The balances for the services for the property can be found in the billing report.

•Erf 366 - Account of C Hetzel (50000859) is inactive. Maree & Barnard Geboue Trust (50000858) is the owner is the owner of the property and paying property rates is billed on the owner account. NP Maree (50002246) is the occupier and is paying for services

•Erf 451 - The owner of the property is Qualita Seeds PTY LTD (50001068) is paying property rates & F du Toit (50002393) is the occupier paying for services.

•Erf 5 –

•Erf 13 - The property is linked to MP Solani (7000011) who is the owner of the property. This property can be found in the age analysis.

•Erf 18 - The property is linked to IE Mokete (7000019) who is the owner of the property. This property can be found in the age analysis.

2.The following properties identified on the valuation roll are linked to debtor accounts not billed for refuse services:

Management does not agree with the finding due to the following: (Please refer to Billing report as support where management is indicating that refuse was charged on the property)

•Erf 75 (6800536) – This is a vacant site and there is no refuse charged on vacant sites.

•Erf 78 (6800538) - This is a vacant site and there is no refuse charged on vacant sites

•Erf 150 (5000018) – Refuse is billed on the property.

•Erf 272 (5000171) - Refuse is billed on this property.

•Erf 341 (6800572) - This is a vacant site and there is no refuse charged on vacant sites

•Erf 471 (5000587) - Refuse is billed on the property.

•Erf 542 (5000770) - LC Botha is paying property rates only and refuse billed on the account of GA Naude (5000771) as the occupier.

•Erf 26 (50000095) – Coetzer van den Berg is the owner, and the services are billed on account 50002417 of the occupier. Refuse is billed on account 50002417.

•Erf 92 (50000215) – AE Otto is the owner and refuse is billed on account 50002269 which is the occupier’s account.

•Erf 462 (50001086) – This property is a house built on two sites (461 & 462) and refuse is billed on account nr 50001085.

•Erf 501 (50001192) – Mienie PA is the owner, refuse is billed on the account 50002455 who is the occupier.

•Erf 519 (50001250) - Refuse billed on the on this property.

•Erf 575 (50001397) - This is a vacant site and there is no refuse charged on vacant sites

•Erf 604 (50001486) - This is a vacant site and there is no refuse charged on vacant sites

•Erf 649 (50001618) - This is a vacant site and there is no refuse charged on vacant sites

•Erf 742 (50002012) - This is a vacant site and there is no refuse charged on vacant sites

•Erf 88 (50000211) - This is a vacant site and there is no refuse charged on vacant sites

•Erf 190 (50000422) – This is one building on two sites, refuse is billed on account 50000419

•Erf 218 (50000477) - Senwes is the owner paying property rates and refuse is on account nr 50000476 who is the occupier.

•Erf 345 (50000796) - H Kotze is the owner paying rates and refuse is billed on the occupier account 50002451

•Erf 40 (7000051) - Refuse was billed and reversed because M Masangane is an indigent.

Additionally, auditors must also take into consideration that most services will show as zero balances on the age analysis if a payment was done. So, it does not mean if the balance is 0 for a service in the age analysis that there was no billing for the property.

3.The following properties identified on the valuation roll are linked to debtor accounts not billed for sewerage services:

Management does not agree with the finding due to the following: (Please refer to Billing report as support where management is indicating that sewerage was charged on the property)

•Erf 150 (5000018) - Sewerage is billed on the property.

•Erf 272 (5000171) - Sewerage is billed on the property

•Erf 321 (5000287) -The client is indigent and therefore the sewerage was billed and reversed.

•Erf 471 (5000587) - Sewerage is billed on the property.

•Erf 542 (5000770) - Sewerage billed on the occupiers account nr 5000771.

•Erf 26 (50000095) - Sewerage billed on account 50002417 of the occupier

•Erf 92 (50000215) - Sewerage billed on account 50002269 of the occupier

•Erf 462 (50001086) - House built on two sites (461 & 462) & sewerage is billed on account nr 50001085.

•Erf 501 (50001192) - Sewerage billed on the account 50002455

•Erf 519 (50001250) - Sewerage billed on the on this account

•Erf 575 (50001397) - Sewerage billed (availability on vacant site)

•Erf 704 (50502341) - No waterborne sewer at the plot

•Erf 742 (50002012) - vacant site; no services provided

•Erf 190 (50000422) - This is one building on two sites, refuse is billed on account 50000419

•Erf 218 (50000477) - Senwes is the owner paying property rates and sewerage is on account nr 50000476 who is the occupier.

•Erf 345 (50000796) - H Kotze is the owner paying rates and sewerage is billed on the occupier account 50002451

•Erf 40 (7000051) - Sewerage was billed and reversed because M Masangane is indigent

Additionally, auditors must also take into consideration that most services will show as zero balances on the age analysis if a payment was done. So, it does not mean if the balance is 0 for a service in the age analysis that there was no billing for the property

4.The following properties identified on the valuation roll are linked to debtor accounts not billed for electricity services

Management does not agree with the finding due to the following: (Please refer to Billing report as support where management is indicating that electricity was charged on the property)

•Erf 272 (5000171) - Electricity is billed on the property.

•Erf 471 (5000587) - Electricity is billed on the property.

•Erf 542 (5000770) - Electricity not billed on account nr 5000771 of the occupier. The municipality could not get access to the property because the client had not been local for some time. The municipality only got access in August 2021 (current financial year). I have attached the account statement for August 2021.

•Erf 26 (50000095) -Electricity is billed on account 50002417 of the occupier

•Erf 462 (50001086) - House built on two sites (461 & 462) and electricity is billed on account nr 50001085

•Erf 501 (50001192) - Electricity billed on the occupier's account 50002455

•Erf 575 (50001397) - Electricity is billed on the property.

•Erf 742 (50002012) – Vacant site, no connection on this property

•Erf 88 (50000211) - Vacant site, no connection on this property

•Erf 190 (50000422) - This is one building on two sites, refuse is billed on account 50000419

•Erf 198 (50000447) – There has no electricity on this property for some time and the electrician have been sent to check and attend to the issue.

•Erf 218 (50000477) - Senwes is the owner paying property rates and the electricity is billed on account nr 50000476

•Erf 345 (50000796) - H Kotze is the owner paying rates and electricity is billed on the occupier's account 50002451

•Erf 407 (50000960) - There has no electricity on this property for some time and the electrician have been sent to check and attend to the issue.

•Erf 1 (7000001) - Electricity supplied by Eskom in Phahameng

•Erf 2 (7000002) - Electricity supplied by Eskom in Phahameng

•Erf 7 (7000007) - Electricity supplied by Eskom in Phahameng

•Erf 9 (8100095) - Electricity supplied by Eskom in Phahameng

•Erf 10 (7000009) - Electricity supplied by Eskom in Phahameng

•Erf 16 (7000014) - Electricity supplied by Eskom in Phahameng

•Erf 20 (7000021) - Electricity supplied by Eskom in Phahameng

•Erf 30 (7000036) - Electricity supplied by Eskom in Phahameng

•Erf 40 (7000051) - Electricity supplied by Eskom in Phahameng

•Erf 41 (7000052) - Electricity supplied by Eskom in Phahameng

Additionally, auditors must also take into consideration that most services will show as zero balances on the age analysis if a payment was done. So, it does not mean if the balance is 0 for a service in the age analysis that there was no billing for the property

5.The following properties identified on the valuation roll are linked to debtor accounts not billed for water services

Management does not agree with the finding due to the following: (Please refer to Billing report as support where management is indicating that water was charged on the property)

- Erf 68 (6000028) – Water was billed on the occupiers account.(6000352)
- Erf 150 (5000018) - Water is billed on property.
- Erf 272 (5000171) - Water is billed on property.
- Erf 362 (5000345) - Account inactive and water billing is on account nr 5001467
- Erf 471 (5000587) - Water is billed on property.
- Erf 542 (5000770) - Water is billing on account nr 5000771 of the occupier
- Erf 26 (50000095) - Water billed on account 50002417 of the occupier
- Erf 92 (50000215) - Water billed on account 50002269 of the occupier
- Erf 501 (50001192) - Water billed on the account 50002455
- Erf 519 (50001250) - Water billed on the on this account.
- Erf 575 (50001397) - Water was billed on the property.
- Erf 704 (50502341) - No water billed at the plot (Bore Holes)
- Erf 742 (50002012) -. vacant site, no connection on this property
- Erf 88 (50000211) - (vacant site)

- Erf 190 (50000422) -. This is one building on two sites, refuse is billed on account 50000419
- Erf 198 50000447) - No water readings for some time due to access
- Erf 218 (50000477) - Senwes is the owner paying property rates and water is on occupiers account nr 50000476
- Erf 345 (50000796) - H Kotze is the owner paying rates and water is billed on the occupier 50002451
- Erf 384 (50000915) - Water is billed on account nr 50002494
- Erf 40 (7000051) - Account holder is Indigent. Water billed on a flat rate in Phahameng

Additionally, auditors must also take into consideration that most services will show as zero balances on the age analysis if a payment was done. So, it does not mean if the balance is 0 for a service in the age analysis that there was no billing for the property

Name: Thabiso Matyesini
Position: CFO
Date: 28/10/2021

Auditor's conclusion

In relation to CoAF 159, please find the auditor's response below:

1.The following properties did not have any service or balance recorded on the debtors aging:

•Erf 381 – No proof was obtained that the property was sold to NM Mokobe. This is an indication of the valuation roll being outdated and incorrect.

•Erf 399 – No proof was obtained by management that the property is occupied by other users.

•Erf 436 - No proof was obtained that the property was sold to PJ Earle. This is an indication of the valuation roll being outdated and incorrect.

•Erf 560 Portion 4 – Resolved.

•Erf 13 Portion 3 – No proof was obtained that the property was sold to JPW Maree. This is an indication of the valuation roll being outdated and incorrect.

•Remainder of Erf 15 – No proof was obtained that the property was sold to van Deventer. This is an indication of the valuation roll being outdated and incorrect.

•Erf 241 - No proof was obtained that the property was sold to Bambi Kleuterskool Trust. This is an indication of the valuation roll being outdated and incorrect.

•Erf 260 - No proof was obtained that the property was sold to M & HP Nel. This is an indication of the valuation roll being outdated and incorrect.

•Erf 385 - No proof was obtained by management that the property is occupied by other users.

•Erf 429 - No proof was obtained that the property was sold to H Louw. This is an indication of the valuation roll being outdated and incorrect.

•Erf 574 - No proof was obtained that the property was sold to AJ Lubbe. This is an indication of the valuation roll being outdated and incorrect.

•Erf 724 - No proof was obtained that the property was sold to TE de Lange. This is an indication of the valuation roll being outdated and incorrect.

•Erf 799 - No proof was obtained that the property was sold to Agri Credit Solutions (Suidwes Landbou). This is an indication of the valuation roll being outdated and incorrect. Also, no proof was submitted that the property is vacant.

•Erf 3 - No proof was obtained by management that the property is occupied by other users.

•Erf 13 Portion 1 - No proof was obtained that the property was sold to JPW Maree. This is an indication of the valuation roll being outdated and incorrect.

•Erf 18 – No proof was obtained that Heeltyd Speeltyd Trust is trading as Hoopstad Apteek.

•Erf 55 - No proof was obtained by management that the property is occupied by other users.

•Erf 142 – No proof was obtained that this property is vacant.

•Erf 153 – Resolved.

•Erf 256 - No proof was obtained that the property was sold to JM & H Campher. This is an indication of the valuation roll being outdated and incorrect. Also, no proof was submitted that the property is vacant.

•Erf 366 - No proof was obtained that the property was sold to Maree & Barnard Geboue Trust. This is an indication of the valuation roll being outdated and incorrect. Also, no proof was submitted that the property is vacant.

•Erf 451 - No proof was obtained by management that the property is occupied by other users.

•Erf 5 – Resolved.

•Erf 13 – Resolved.

•Erf 18 – Resolved.

2.The following properties identified on the valuation roll are linked to debtor accounts not billed for refuse services:

•Erf 75 (6800536) – No proof was obtained from management that this site is vacant.

•Erf 78 (6800538) - No proof was obtained from management that this site is vacant.

•Erf 150 (5000018) – Refuse is not billed on this account in the age analysis.

•Erf 272 (5000171) - Refuse is not billed on this account in the age analysis.

•Erf 341 (6800572) - No proof was obtained from management that this site is vacant.

•Erf 471 (5000587) - Refuse is not billed on this account in the age analysis.

•Erf 542 (5000770) - No proof was obtained by management that the property is occupied by other users.

•Erf 26 (50000095) – No proof was obtained by management that the property is occupied by other users.

•Erf 92 (50000215) – No proof was obtained by management that the property is occupied by other users.

•Erf 462 (50001086) – Refuse is not billed on this account in the age analysis.

•Erf 501 (50001192) – No proof was obtained by management that the property is occupied by other users.

•Erf 519 (50001250) - Refuse is not billed on this account in the age analysis.

•Erf 575 (50001397) - No proof was obtained from management that this site is vacant.

•Erf 604 (50001486) - No proof was obtained from management that this site is vacant.

•Erf 649 (50001618) - No proof was obtained from management that this site is vacant.

•Erf 742 (50002012) - No proof was obtained from management that this site is vacant.

•Erf 88 (50000211) - No proof was obtained from management that this site is vacant.

•Erf 190 (50000422) – The erf number for the account number provided is 189 and not 190.

•Erf 218 (50000477) - No proof was obtained by management that the property is occupied by other users.

•Erf 345 (50000796) - No proof was obtained by management that the property is occupied by other users.

•Erf 40 (7000051) – Resolved as this account number features in the indigent register.

3.The following properties identified on the valuation roll are linked to debtor accounts not billed for sewerage services:

Management does not agree with the finding due to the following: (Please refer to Billing report as support where management is indicating that sewerage was charged on the property)

•Erf 150 (5000018) - Sewerage is not billed on this account in the age analysis.

•Erf 272 (5000171) - Sewerage is not billed on this account in the age analysis.

•Erf 321 (5000287) - Resolved as this account number features in the indigent register.

•Erf 471 (5000587) - Sewerage is not billed on this account in the age analysis.

•Erf 542 (5000770) - No proof was obtained by management that the property is occupied by other users.

•Erf 26 (50000095) - No proof was obtained by management that the property is occupied by other users.

•Erf 92 (50000215) - No proof was obtained by management that the property is occupied by other users.

•Erf 462 (50001086) - The erf number for the account number provided is 461 and not 462.

•Erf 501 (50001192) – This account number does not correspond to the account number linked to this property.

•Erf 519 (50001250) - Sewerage is not billed on this account in the age analysis.

•Erf 575 (50001397) - Sewerage is not billed on this account in the age analysis.

•Erf 704 (50502341) – No proof obtained that no waterborne sewer is available at the plot.

•Erf 742 (50002012) – No proof obtained that this property is vacant.

•Erf 190 (50000422) - The erf number for the account number provided is 189 and not 190.

•Erf 218 (50000477) - No proof was obtained by management that the property is occupied by other users.

•Erf 345 (50000796) - No proof was obtained by management that the property is occupied by other users.

•Erf 40 (7000051) - Resolved as this account number features in the indigent register.

4.The following properties identified on the valuation roll are linked to debtor accounts not billed for electricity services

•Erf 272 (5000171) - Electricity is not billed on this account in the age analysis.

•Erf 471 (5000587) - Electricity is not billed on this account in the age analysis.

•Erf 542 (5000770) - Electricity is not billed on this account in the age analysis..

•Erf 26 (50000095) - No proof was obtained by management that the property is occupied by other users.

•Erf 462 (50001086) - The erf number for the account number provided is 461 and not 462.

•Erf 501 (50001192) - No proof was obtained by management that the property is occupied by other users.

•Erf 575 (50001397) - Electricity is not billed on this account in the age analysis.

•Erf 742 (50002012) – No proof obtained that this property is vacant.

•Erf 88 (50000211) - No proof obtained that this property is vacant.

•Erf 190 (50000422) - The erf number for the account number provided is 189 and not 190.

•Erf 198 (50000447) – Electricity is not billed on this account in the age analysis.

•Erf 218 (50000477) - No proof was obtained by management that the property is occupied by other users.

•Erf 345 (50000796) - No proof was obtained by management that the property is occupied by other users.

•Erf 407 (50000960) - Electricity is not billed on this account in the age analysis.

•Erf 1 (7000001) - Electricity supplied by Eskom in Phahameng (Please provide proof of this statement).

•Erf 2 (7000002) - Electricity supplied by Eskom in Phahameng (Please provide proof of this statement).

•Erf 7 (7000007) - Electricity supplied by Eskom in Phahameng (Please provide proof of this statement).

•Erf 9 (8100095) - Electricity supplied by Eskom in Phahameng (Please provide proof of this statement).

•Erf 10 (7000009) - Electricity supplied by Eskom in Phahameng (Please provide proof of this statement).

•Erf 16 (7000014) - Electricity supplied by Eskom in Phahameng (Please provide proof of this statement).

•Erf 20 (7000021) - Electricity supplied by Eskom in Phahameng (Please provide proof of this statement).

•Erf 30 (7000036) - Electricity supplied by Eskom in Phahameng (Please provide proof of this statement).

•Erf 40 (7000051) - Electricity supplied by Eskom in Phahameng (Please provide proof of this statement).

•Erf 41 (7000052) - Electricity supplied by Eskom in Phahameng (Please provide proof of this statement).

5.The following properties identified on the valuation roll are linked to debtor accounts not billed for water services

Management does not agree with the finding due to the following: (Please refer to Billing report as support where management is indicating that water was charged on the property)

- Erf 68 (6000028) – No proof was obtained by management that the property is occupied by other users.
- Erf 150 (5000018) - Water is not billed on this account in the age analysis.
- Erf 272 (5000171) - Water is not billed on this account in the age analysis.
- Erf 362 (5000345) – No proof obtained that the account is inactive and why the other account is billed instead.
- Erf 471 (5000587) - Water is not billed on this account in the age analysis.
- Erf 542 (5000770) - No proof was obtained by management that the property is occupied by other users.
- Erf 26 (50000095) - No proof was obtained by management that the property is occupied by other users.
- Erf 92 (50000215) - No proof was obtained by management that the property is occupied by other users.
- Erf 501 (50001192) – Resolved.
- Erf 519 (50001250) - Water was not billed on this account in the age analysis.
- Erf 575 (50001397) - Water was not billed on this account in the age analysis.
- Erf 704 (50502341) - No water billed at the plot (Bore Holes) – Please provide proof of this statement.
- Erf 742 (50002012) -. Please provide proof that this property is vacant.
- Erf 88 (50000211) - Please provide proof that this property is vacant.
- Erf 190 (50000422) -. The erf number for the account number provided is 189 and not 190.
- Erf 198 50000447) - Water is not billed on this account in the age analysis.
- Erf 218 (50000477) - No proof was obtained by management that the property is occupied by other users.
- Erf 345 (50000796) - No proof was obtained by management that the property is occupied by other users.

- Erf 384 (50000915) - Water is billed on account nr 50002494
- Erf 40 (7000051) - Resolved as this account number features in the indigent register.

Date:

Auditor’s conclusion

Management's response was evaluated and the following was noted as remaining after various details submissions and discussion with management:

Issue 2 - Following properties identified on the valuation roll are linked to debtor accounts not billed for refuse services

Erf nr	Debtor account nr	Auditors conclusion
462	50001086	This matter is not resolved. As there is no proof that the resident take the refuse away in their personal capacity. The initial response was that this consist out of 2 sites (461 and 462) and that refuse is billed to a different account 50001085 and this is not the case.

Issue 5 - The following properties identified on the valuation roll are linked to debtor accounts not billed for water services

Erf nr	Debtor account nr	Auditors conclusion
384	5000915	The account number provided for the billing of water does not exist that was initially given and the connection for water was only installed in October 2021. This matter is not resolved as there remains confusion regarding the account number initially provided and the reasoning for the new connection point installed in October 2021.

43. ISS.213-EV (Partially resolved) CoAF 213 - Receivables: Differences identified between meter readings on statements and meter reading books

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature:
The water or electricity metre readings per the debtor statements at 30 June 2021 does not agree to the metre reading books, with the following differences:

ACCOUNT_NO	SERVICE	End June 2021 meter readings	Statement closing readings	Comparison
5001200	SEWERAGE	5 844	No metre reading available per statement	5 844
6000123	SEWERAGE	3 682	3 747	65
6000182	SEWERAGE	33 331	33 409	78
6000330	SEWERAGE	16 099	16 281	182
6000342	SEWERAGE	62 891	62 438	(453)
6100320	SEWERAGE	71 364	71 779	415
6200402	SEWERAGE	6 586	6 711	125
6400466	SEWERAGE	1 149	1 457	308
50000927	SEWERAGE	71 521	82 216	10 695
50001282	SEWERAGE	219 466	221 651	2 185
50001497	SEWERAGE	13 973	14 101	128
50001668	SEWERAGE	7 701	7 924	223
50002270	SEWERAGE	510 472	402 981	(122 685)
50002427	SEWERAGE	20 205	40 545	8 529
50202199	SEWERAGE	115 934	195 090	33 805
50702406	SEWERAGE	390 529	64 838	(333 559)

Cause
This is due to lack of proper review and record keeping controls to ensure that all metre readings per debtors statements agree to the metre reading books.

Impact
The service charges could be incorrect due to metre readings not being comparable and consistent.

Internal control deficiency
Financial and performance management
Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation
The accounting officer should implement adequate controls to enhance the accuracy of metre readings recording.

Management's response
Management does not agree with the finding;

The comparison made between Meter readings and the statement of accounts were not of the same billing month.
Attached to this communication is the correct statement of account relating to each readings used by the auditor.

Name: Thabiso Matyesini
Position: CFO
Date: 10/11/2021

Auditor's conclusion
Management's response is noted and additional work was performed as follows:

ACCOUNT_NO	SERVICE	End June 2021 meter readings	New Statements attached	Difference	Auditors response
5001200	SEWERAGE	5 844	No statement attached	5 844	There is no statement attached and therefore this matter is not resolved.
6000123	SEWERAGE	3 682	3 682	0	The statement agrees to the meter readings and therefore this matter is resolved.
6000182	SEWERAGE	33 331	33 331	0	The statement agrees to the meter readings and therefore this matter is resolved.
6000330	SEWERAGE	16 099	16 099	0	The statement agrees to the meter readings and therefore this matter is resolved.
6000342	SEWERAGE	62 891	62 891	0	The statement agrees to the meter readings and therefore this matter is resolved.
6100320	SEWERAGE	71 364	71 364	0	The statement agrees to the meter reading and therefore this matter is resolved.
6200402	SEWERAGE	6 586	6 586	0	The statement agrees to the meter reading and

ACCOUNT_NO	SERVICE	End June 2021 meter readings	New Statements attached	Difference	Auditors response
					therefore this matter is resolved.
6400466	SEWERAGE	1 149	1 149	0	The statement agrees to the meter reading and therefore this matter is resolved.
50000927	SEWERAGE	71 521	71 521	0	The statement agrees to the meter reading and therefore this matter is resolved.
50001282	SEWERAGE	219 466	219 466	0	The statement agrees to the meter reading and therefore this matter is resolved.
50001497	SEWERAGE	13 973	13 973	0	The statement agrees to the meter reading and therefore this matter is resolved.
50001668	SEWERAGE	7 701	7 701	0	The statement agrees to the meter reading and therefore this matter is resolved.
50002270	SEWERAGE	510 472	510 472	0	The statement agrees to the meter reading and therefore this matter is resolved.
50002427	SEWERAGE	20 205	20 205	0	The statement agrees to the meter reading and therefore this matter is resolved.
50202199	SEWERAGE	115 934	115 934	0	The statement agrees to the meter reading and therefore this matter is resolved.
50702406	SEWERAGE	390 529	390 529	0	The statement agrees to the meter reading and therefore this matter is resolved.

This matter is partially resolved due to no statement attached for account 5001200.

44. ISS.214-EV (Partially Resolved) CoAF 214 - Receivables: Differences identified between meter readings on statements and meter reading books

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.
Nature:

The metre readings per the debtor statements at 30 June 2021 does not agree to the metre reading books, with the following differences:

ACCOUNT_NO	SERVICE	End June 2021 meter readings	Statement closing readings	Comparison
5001200	REFUSE	93389	No metre reading available per debtor statement	93 389
6200379	REFUSE	136881	140455	3 574
6200400	REFUSE	249436	253437	4 001
6400466	REFUSE	583	1457	874
50000162	REFUSE	96785	97176	391
50000633	REFUSE	6035	6049	14
50000927	REFUSE	71521	82216	10 695
50001668	REFUSE	7701	7924	223
50001859	REFUSE	740576	103410	(637 166)
50002368	REFUSE	29517	30986	1 469
50002427	REFUSE	32016	40545	8 529
50002447	REFUSE	619124	618769	(355)

Cause
This is due to lack of proper review and record keeping controls to ensure that all metre readings per debtors statements agree to the metre reading books.
Impact
The service charges could be incorrect due to metre readings not being comparable and consistent.

Internal control deficiency

Financial and performance management
Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation

The accounting officer should implement adequate controls to enhance the accuracy of metre readings recording.

Management's response
Management does not agree with the finding;

The comparison made between Meter readings and the statement of accounts were not of the same billing month.
Attached to this communication is the correct statement of account relating to each readings used by the auditor.

Name: Thabiso Matyesini
Position: CFO
Date: 10/11/2021

Auditor's conclusion

Management's response is noted and additional work is performed as follows:

ACCOUNT_NO	SERVICE	End June 2021 meter readings	Meter readings per new statement received.	Auditors conclusion
5001200	REFUSE	93 389	0	No statement was received for this account and therefore this matter is not resolved.
6200379	REFUSE	136 881	136 881	The statement agrees to the meter readings and therefore this matter is resolved.
6200400	REFUSE	249 436	249 436	The statement agrees to the meter readings and therefore this matter is resolved.
6400466	REFUSE	583	583	The statement agrees to the meter readings and therefore this matter is resolved.
50000162	REFUSE	96 785	96 785	The statement agrees to the meter readings and therefore this matter is resolved.
50000633	REFUSE	6 035	6 035	The statement agrees to the meter readings and therefore this matter is resolved.
50000927	REFUSE	71 521	71 521	The statement agrees to the meter readings and therefore this matter is resolved.
50001668	REFUSE	7 701	7 701	The statement agrees to the meter readings and therefore this matter is resolved.
50001859	REFUSE	740 576	740 576	The statement agrees to the meter readings and therefore this matter is resolved.
50002368	REFUSE	29 517	29 517	The statement agrees to the meter readings and therefore this matter is resolved.

50002427	REFUSE	32 016	32 016	The statement agrees to the meter readings and therefore this matter is resolved.
50002447	REFUSE	619 124	618 769	The statement does not agree to the meter reading books and therefore this matter is not resolved.

Based on the additional work performed this matter is partially resolved due to no statement received for 5001200 and for account 50002447 the statement received does not agree to the meter reading books.

45. ISS.219-EV CoAF 219 - Receivables from non-exchange transactions - Difference in impairment allowance (CoAF115 of 2019/20)

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature

When performing audit work on receivables from non-exchange transactions, the impairment allowance 2019/20 was recalculated and the following differences have been identified:

Account	Service	Client’s score	Client's calculation	Auditor’s score	Auditor's recalculation	Difference
50002110	PROPERTY RATES	1	123 632.62	2	123 493.48	-139.14
5000677	PROPERTY RATES	1	31 564.42	2	31 468.85	-95.57
90000177	PROPERTY RATES	1	159 596.27	2	157 826.80	-1 769.47
90000460	PROPERTY RATES	1	138 302.71	2	136 769.32	-1 533.39
90000832	PROPERTY RATES	1	131 193.64	2	129 739.07	-1 454.57
50002112	PROPERTY RATES	1	113 684.77	2	112 424.33	-1 260.44
90000891	PROPERTY RATES	1	113 449.04	2	112 191.21	-1 257.83
90101706	PROPERTY RATES	1	92 856.35	2	91 826.83	-1 029.52
90101536	PROPERTY RATES	1	90 811.50	2	89 804.65	-1 006.84
90202227	PROPERTY RATES	1	90 598.64	2	89 594.16	-1 004.48
90202163	PROPERTY RATES	1	89 068.37	2	88 080.85	-987.52
90101705	PROPERTY RATES	1	86 535.55	2	85 576.11	-959.44
90202092	PROPERTY RATES	1	84 699.35	2	83 760.27	-939.08
90101439	PROPERTY RATES	1	82 322.28	2	81 409.56	-912.72

Account	Service	Client's score	Client's calculation	Auditor's score	Auditor's recalculation	Difference
90101709	PROPERTY RATES	1	81 647.91	2	80 742.67	-905.25
90101654	PROPERTY RATES	1	80 211.63	2	79 322.31	-889.32
90000846	PROPERTY RATES	1	78 616.65	2	77 745.01	-871.64
90101670	PROPERTY RATES	1	78 193.53	2	77 326.59	-866.95
Total						-17 883.16

The consultant identified these accounts as tenants, which resulted in the impairment calculation not being correct for owner accounts. These accounts were confirmed on the age analysis as owner accounts. This allocation in the score is the result of the difference in the impairment calculation.

Cause
The review of the supporting documentation was insufficient to ensure that these errors were identified timeously.

Impact
This will result in overstatement of debt impairment and understatement of receivables from non-exchange transactions for the 2019/20.

Internal control deficiency

Internal control deficiency

Financial performance and management
Management 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.

Recommendation
Management should correct the error in the calculation of the impairment for non-exchange transactions to indicate the correct amount for debt impairment in the financial statements.

A control should be implemented to prevent similar errors in future.

Management's response
Management agree with the finding.

Grap 3 Par 44 states the following:

.44 Subject to paragraph .45, an entity shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by: (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

Therefor based on the management response provided in 2019/20 the factual misstatement was R278 652.56 and not material and was not deemed material by AGSA. Based on GRAP 3 the Municipality was not required to revert back to the prior year to adjust the immaterial misstatement.

Name: Thabiso Matyesini
Position: CFO
Date: 09/11/2021

Auditor's conclusion
Management comment is noted. The finding will remain and be reported on as the misstatement has not been corrected.

46. ISS.233-EV (Partially Resolved) CoAF 233 - Receivables - Existence of accounts could not be confirmed (CoAF 97 of 2019/20)

Audit finding
Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature
The auditor was unable to trace any payments nor any usage consumption of water or electricity to confirm the existence of the following debtor accounts in 2019/20:

#	Account number	Service	Total debtor balance	Comment
1	6800606	Electricity - Unresolved	8 157,32	Unresolved
2	6800605	Electricity - Unresolved	8 094,93	Unresolved
59	50000005	Rent	892 500,00	Unresolved
75	6700490	MISC	67 494,04	Unresolved
78	6700491	MISC	55 856,81	Unresolved

Cause
Lack of adequate debtor follow up of outstanding debtor balances and maintenance of debtor records.

Impact
There is a limitation on the existence of receivables from exchange transactions 2019/20.

Internal control deficiency
Financial performance and management
Management 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.

Recommendation

The accounting officer should maintain adequate record of recoverability of debtors and ensure adequate follow-up of outstanding debt balances.

Management's response

Please see the management comments below.

#	Account number	Service	Total debtor balance	Comment	Management Comments
1	6800606	Electricity - Unresolved	8 157.32	Unresolved	Management disagrees. This property is in the industruial area. This is a business account and only the basic electricity charge is charged on the account. As per tariff listing for businesses. The owner of the site is still liable for the basic charges on the account. The property is occupied illegally by the 'various small houses', but it is a private property and has the rightful as per deeds report attached.
2	6800605	Electricity - Unresolved	8 094.93	Unresolved	Management disagrees. This property is in the industruial area. This is a business account and only the basic electricity charge is charged on the account. As per tariff listing for businesses. The owner of the site is still liable for the basic charges on the account. please see deeds report attached.
59	50000005	Rent	892 500.00	Unresolved	There was rental contract in existence for this property that expired in December 2019 (see the copy of the contract attached). The account was also last billed for until the end of the contract (see the rental billing schedule of the prior year as was attached with the 2020 AFS support).
75	6700490	MISC	67 494.04	Unresolved	This account was initially a telephone container belonging to S van Schalkwyk. It was later transferred to A Earle (owner of Nyama King). The municipal was billing this property as per the 2005 council resolution (no:15/1/5/1). See a copy of the resolution attached. The municipality is no longer billing this property because the owner is paying for business annual licence.

#	Account number	Service	Total debtor balance	Comment	Management Comments
78	6700491	MISC	55 856.81	Unresolved	This account was initially a telephone container belonging to NA Nzabe. The municipal was billing this property as per the 2005 council resolution (no:15/1/5/1). See a copy of the resolution attached. The municipality is no longer billing this property because the owner is paying for business annual licence.

Name: Thabiso Matyesini
Position: CFO
Date: 10/11/2021

Auditor's conclusion

Management's response is noted and the following was identified:

#	Account number	Account holder	Auditors response
Erf 717	6800606	PHALI, TJ	We agree with management's finding and this property exist. This matter is resolved.
Erf 712	6800605	VIVIERS, IF	We agree with management's finding and this property exist. This matter is resolved.
Portion of farm kameeldoom 36 Hoopstad	50000005	VAN BEECK FW	We inspected the lease agreement and it ended expire 31 December 2019. This matter is resolved.
Erf 3444	6700490	NYAMA KING	This matter is not resolved, no supporting documentation was submitted.
Erf 3444	6700491	VODACOM SHOP (NA NZABE)	This matter is not resolved, no supporting documentation was submitted.

Therefore, this finding is partially resolved.

47. ISS.234-EV CoAF 234 - Receivables from exchange transaction are not complete (CoAF 93 of 2019/20)

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature
The completeness of the following debtor accounts could not be confirmed as the stated services could not be traced to the 2019/20 age analysis:

#	Unit/Erf	Owner	Account number
1	710	Engen Petroleum LTD	6000207
2	711	COUNTRY TO COUNTRY PROPERTIES CC	50002271
3	799	SANDOBEL 166 PTY LTD	50002201

Cause
Lack of adequate follow up controls of outstanding debt.

Impact
Receivables from exchange transactions are incomplete.

Internal control deficiency
Financial performance and management
Management 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.

Recommendation
The accounting officer should ensure that all services are charged on the age analysis to ensure the completeness of the debtors.

Management's response

#	Unit/ Erf	Owner	Account number	Response
1	710	Engen Petroleum LTD	6000207	Management Disagree. There was billing on the tenant account. This account is in an industrial area and therefore no sewerage was charged as there is no sewerage in the industrial area. Please find attached extract of the valuation roll indicating that the zoning for the property is industrial.

#	Unit/ Erf	Owner	Account number	Response
2	711	COUNTRY TO COUNTRY PROPERTIES CC	50002271	Management Disagree. The correct account is 50001963 which is the owner's account. Property rates is billed on the owners account and the other services are billed on the tenants account (50002359). Please find attached extract of billing report as support.
3	799	SANDOBEL 166 PTY LTD	50002201	Management Disagree. The site is a vacant site, therefor only basic charges are billed. There is also payments made on the account. Please find attached extract of the billing report as support.

Name: Thabiso Matyesini
Position: CFO
Date: 09/11/2021

Auditor's conclusion

Management comment is noted. The finding is partially resolved as the Engen account is still not billed for sewerage as below:

#	Unit/ Erf	Owner	Account number	Auditor response
1	710	Engen Petroleum LTD	6000207	No sewerage is charged on account 6000207. There is no mention in the tariff schedules that sewerage is not charged in industrial zoning areas. Therefore, this issue is unresolved.
2	711	COUNTRY TO COUNTRY PROPERTIES CC	50002271	Resolved as all services were charged on account 50001963.
			50002359	Resolved as all services were charged on account 50002359.
3	799	SANDOBEL 166 PTY LTD	50002201	Resolved. Only availability charges are billed on this account in the billing report.

48. ISS.243-EV CoAF 243 - Limitation of scope: Interface reports (receivables) RFI 162

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Nature

The following information is outstanding from the following request for information (RFI) 162 communicated on 27 October 2021:

The detailed interface reports for the journals or interface batches included in the excel extract attached to this communication for receivables from exchange and non-exchange transactions.

Cause
These matters resulted due to internal controls not being adequately established and implemented by management.

Impact
This results in scope limitation on the audit work over adjustments to receivables.

Internal control deficiency
Financial and performance management
Management did not implement adequate controls over daily and monthly processing and reconciling of transactions.

Recommendation
Management should ensure the requested information is provided for audit purposes with in the agreed time period.

Management's response
No management response provided.

Date:

Auditor's conclusion
Management was unable to pull all the requested information. Alternative procedure was performed to quantify the limitation. The limitation will remain and be reported on further. Not a material limitation.

Related parties

49. ISS.102-EV CoAF 102 - Related parties - Difference between AFS and billing report

Audit finding
Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature
The following difference was identified between the AFS and billing report for related parties:

Rent paid to (received from) related parties	Amount per billing report	Amount per AFS	Difference
Councillor C Horn	47 921,66	45 671,00	2 250,66
Tikwe farming	305 457	502 493,00	-197 036,19

Cause
This occurred due to inadequate review of the financial statements prior to submission for audit to detect and correct all errors, omissions and inconsistencies in the financial statements and the notes.

Impact
This may result in the net overstatement of the related parties disclosure amount in the AFS.

Internal control deficiency
Financial and performance management
Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation
Management should investigate and explain the differences. If in agreement, the AFS should be adjusted accordingly.

Management should ensure that the audit file supports the information in the financial statements and they should submit all the required information to the auditors. Furthermore, controls should be implemented to ensure that the financial statements are properly reviewed before submission to the AGSA.

Management's response
Management does not agree with the finding.

C Horn

The GL was adjusted for the rentals and the rental will be adjusted in the 2022 financial year. This adjustment to the billing could not be made for the 2021 financial year as the error was identified after the billings for June 2021 occurred. Therefor the journals are reconciling items.

We already included the adjustments in the related parties disclosure for the purposes of the reader

There was adjustments made with journals to rentals that were taken into account with the municipalities calculations. Please refer to the rental working paper sheet named "Properties overbilled". These amount were taken into account on the cover sheet of the Billing on rental - Councilors 2021 - Related parties working paper that was supplied.

The total adjustments is R1 661.35 + R588.66 = R2 250.01. The remaining difference of R0.55 is due to rounding.

Tikwe Farming

In the rental income working paper a journal was proposed and performed on the system to include the rental not billed in 2020/21. The GL was adjusted for the rentals and the rental will be adjusted in the 2022 financial year. This adjustment to the billing could not be made for the 2021 financial year as the error was identified after the billings for June 2021 occurred. Therefor the journals are reconciling items.

We already included the adjustments in the related parties disclosure for the purposes of the reader.

There was adjustments made with journals to rentals that were taken into account with the municipalities calculations. R886 211.48 + R175 154.79 + R21 881.28 = R1 083 247.55. Please refer to the rental working paper sheet named “Billing adjustment” first journal on the sheet. These amount were taken into account on the cover sheet of the Billing on rental - Councilors 2021 - Related parties working paper that was supplied. Total adjustment R175 154.79 + 21 881.28 = R197 036.07.
Date:

Auditor’s conclusion
Management response in noted. However the finding is not resolved due to the following:

C Horn

Journal not submitted to confirm adjustments on the GL for revenue rentals

Tikwe Farming

Journal not submitted to confirm adjustments on the GL for revenue rentals

50. ISS.110-EV CoAF 110 - Related parties - Bonus and performance related payments disclosure

Audit finding
Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Paragraph 17 of GRAP 1, Presentation of Financial Statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Paragraph 35(c) of GRAP 20, Related party disclosure, states that an entity shall disclose the remuneration of management per person and in aggregate, for each class of management, bonuses and performance related payments.

Nature
Contrary to the above requirements, the bonuses (i.e 13th cheque and long service awards) and performance related payments were not disclosed in note 31 of the AFS.

Cause
Incorrect interpretation of the GRAP 20 principles and requirements.

Impact
This results in the incomplete disclosure of information in note 31 to the AFS.

Internal control deficiency
Financial and performance management
Management did not in all instances prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation
Even though no performance bonuses were paid to key management, management should consider other related payments made to key management (i.e 13th cheque and long service awards), there should be a clear disclosure on the AFS. Management should therefore update the disclosure of key management remuneration.

Management’s response
Management partially agrees with the finding.
13th cheque
Management agrees with this finding. Senior management remuneration package is structured to include a 13th cheque within the annual remuneration. This is optional to the individuals.

The disclosure of senior management will therefore be adjusted to reflect a separate line item ‘Annual bonus’.

During the 2021 financial year senior management did not receive any performance bonuses and hence no disclosure to this effect was done.

Long service awards
Management does not agree with the finding. Long service awards are governed by the Collective Agreement of which the senior management are not part of. Therefore, no long service awards were paid to senior management and as such no disclosure done to this effect. The leave pay that was paid out was on termination of employment.

GRAP 20 does refer to the disclosure of termination benefits. Leave pay was paid to former CFO on resignation and disclosed as such on the financial statements.

Name: T. Matyesini
Position: CFO
Date: 27 October 2021

Date:

Auditor's conclusion
Management comment is noted. Management corrections appear to be appropriate. The finding will be resolved upon receipt of adjusted financial statements.

51. ISS.124-(PARTIALLY RESOLVED) CoAF 124 - Related parties - Difference between AFS disclosure and recalculations

Audit finding
Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature
The following difference was identified between AFS and auditors recalculations as per rental agreements for related parties:

A) Difference identified on rent received from related parties per AFS and auditors recalculation per rental agreements:

Related party	Amount per AFS disclosure	Auditors recalculation	Differences
Councillor C Horn	45 671,00	41 671,00	4 000,00
Tikwe farming	502 493,00	195 204,05	307 288,95

B) Difference identified on amounts included in receivables from exchange and non-exchange transactions regarding related parties as per AFS and auditors recalculations:

Related party	Opening balance	Recalculated Movement	Recalculated Closing balance	Amount per AFS disclosure	Difference
Councillor C Horn	47 954,00	47 921,65	95 875,65	93 626,00	2 249,65

Related party	Opening balance	Recalculated Movement	Recalculated Closing balance	Amount per AFS disclosure	Difference
Tikwe farming	877 238,00	224 484,66	1 101 722,66	1 083 248,00	18 474,66

Cause
This occurred due to inadequate review of the financial statements prior to submission for audit to detect and correct all errors, omissions and inconsistencies in the financial statements and the notes

Impact
This may result in misstatement of related party discolsure note, overstatement of revenue (Rental of facilities and equipment) R311 288 and understatement of receivables from exhange transactions R20 724

Internal control deficiency
Financial and performance management
Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation
Management should investigate and explain the differences. If in agreement, the AFS should be adjusted accordingly.

Management should ensure that the audit file supports the information in the financial statements and they should submit all the required information to the auditors. Furthermore, controls should be implemented to ensure that the financial statements are properly reviewed before submission to the AGSA.

Management's response
Part A

Management does not agree with the finding.

C Horn

The VAT amount relating to the rent was not included in the recalculation. In addition to this, there was adjustments made with journals to rentals that were taken into account with the municipalities calculations. Please refer to the rental working paper sheet named "Properties overbilled". These amount were taken into account on the cover sheet of the Billing on rental - Councilors 2021 - Related parties working paper that was supplied

The GL was adjusted for the rentals and the rental will be adjusted in the 2022 financial year. This adjustment to the billing could not be made for the 2021 financial year as the error was identified after the billings for June 2021 occurred.

We already included the adjustments in the related parties disclosure for the purposes of the reader.

Tikwe Farming

When looking at the billing report the amount billed in terms on Rent and the VAT and interest relating thereto was R305 456.81. The amount is higher due to prior year 2019/20 billings only made in 2020/21. During the compilation of the AFS for 2020/21 it was found that Tikwe farming was not billed correctly.

In the rental income working paper a journal was proposed and performed on the system to include the rental not billed in 2020/21. The GL was adjusted for the rentals and the rental will be adjusted in the 2022 financial year. This adjustment to the billing could not be made for the 2021 financial year as the error was identified after the billings for June 2021 occurred.

We already included the adjustments in the related parties disclosure for the purposes of the reader.

Part B

Management does not agree with the finding.

C Horn

There was adjustments made with journals to rentals that were taken into account with the municipalities calculations. Please refer to the rental working paper sheet named “Properties overbilled”. These amount were taken into account on the cover sheet of the Billing on rental - Councilors 2021 - Related parties working paper that was supplied.

The total adjustments is R1 661.35 + R588.66 = R2 250.01. The remaining difference of R0.36 is due to rounding.

Tikwe Farming

There was adjustments made with journals to rentals that were taken into account with the municipalities calculations. R886 211.48 + 175 154.79 + 21 881.28 = R1 083 247.55. Please refer to the rental working paper sheet named “Billing adjustment” first journal on the sheet. These amount were taken into account on the cover sheet of the Billing on rental - Councilors 2021 - Related parties working paper that was supplied.

Name: Thabiso Matyesini
Position: CFO
Date: 31/10/2021

Auditor’s conclusion
The auditor agrees with management’s response relating to the C Horn issue.

From management’s response and supporting documents submitted, it is indicated that they arrived at the rental amount and trade receivable balance for Tikwe Farming by also taking into account the billing adjustments for the prior year. However, from the workings submitted as well as the general ledger and Caseware journal 84, it is only evident that the adjustment for the current year was taken into account, but not the adjustments relating to prior years’ incorrect billings.

The finding is therefore only partially resolved.

Revenue

52. ISS.51-EV CoAF 51 - Revenue: Limitation of scope (RFI47) relating to PY follow-up

Audit finding

Section 15(1)(a) of Public Audit Act states the following when performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee.

Section 74(1) of the MFMA states the following the accounting officer of a municipality must submit to the National Treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.

Paragraph 46 bullet 5 of the signed engagement letter state ”In terms of section 15(2)(b) of the PAA and in order to comply with applicable legislated auditing and tabling deadlines in the MFMA, as well as to allow adequate time for conducting the audit in accordance with the relevant auditing standards the municipality should adhere to the following:

All documentation and information in support of the financial statements, the annual performance report and compliance with legislation must be available on request and be retrievable within a reasonable time. This documentation and information is also relevant to disclosures in the financial statements and could include information outside the general and subsidiary ledgers. If this information is not provided in the time agreed, it will be regarded as a limitation on the audit which could result in a modification of the audit opinion”.

Nature

The following information requested as per RFI 47 of 2021 issued on 13 September 2021 (due date 17 September 2021), was not submitted at the date of this communication:

REFER BELOW FOR ALL UNRESOLVED 2019-20 MATTERS RELATING TO PROPERTY, PLANT AND EQUIPMENT.

WHERE OTHER INFORMATION HAS BECOME AVAILABLE, THAT WILL POSSIBLY RESOLVE THE MATTTER - THIS SHOULD PLEASE BE SUBMITTED FOR AUDIT PURPOSES.

WHERE MANAGEMENT IS IN AGREEMENT WITH THE AUDIT FINDING PLEASE COMMUNICATE IT AS SUCH.

PLEASE SPESIFICALLY PROVIDE THE FOLLOWING INFORMATION:

- MANAGEMENT ACTION PLAN TO ADDRESS THE ROOT CAUSE OF THE ISSUE
- STATUS OF RECOMMENDATIONS IMPLEMENT
- ADJUSTMENTS MADE (IF ANY) AND RELATED SUPPORT WITH JOURNALS
- MANAGEMENT PROCESS TO REVISE THE ENTIRE POPULATION OF AFFECTED ITEM, TOGETHER WITH SUPPORT THAT SUCH A PROCESS TOOK PLACE

1. Conditional grants - Section 74 performance indicator reports not submitted (ISS.6)

Audit finding

Section 74(1) of the MFMA states that the accounting officer of a municipality must submit to the national treasury, the provincial treasury, the department for local government in the province or the auditor-general such information, returns, documents, explanations and motivations as may be prescribed or as may be required.

Section 74(2) of the MFMA states that if the accounting officer of a municipality is unable to comply with any of the responsibilities in terms of this Act, he or she must promptly report the inability, together with reasons, to the mayor and the provincial treasury.

Section 71(1) of the MFMA states that the accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:

(a) Actual revenue, per revenue source;
(b) actual borrowings;
(c) actual expenditure, per vote;
(d) actual capital expenditure, per vote;
(e) the amount of any allocations received;
(f) actual expenditure on those allocations, excluding expenditure on—
(i) it's share of the local government equitable share; and
(ii) allocations exempted by the annual Division of Revenue Act from compliance with this paragraph; and
(g) when necessary, an explanation of—
(i) any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote;
(ii) any material variances from the service delivery and budget implementation plan; and
(iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget.

Nature

Tswelopele Local Municipality did not submit their performance indicator reports required for the period ending 30 June 2020 in terms of Section 74 of the MFMA.

Cause

This is due to lack of controls to monitor compliance with MFMA requirements and to implement accountability for non-compliance.

Impact

This resulted in non-compliance with section 74 of MFMA.

Internal control deficiency

Financial and performance management

Management did not review and monitor compliance with applicable legislation.

Recommendation

Management should put controls in place to ensure the timeous submission of all section 74 report as per legislative requirements.

Auditor's conclusion
Management response was not received; the matter was reported accordingly.

2. Conditional grants - Information not submitted (RfI 59) (ISS.36)

Audit finding

Section 15(1)(a) of Public Audit Act states the following when performing an audit referred to in section 11, the Auditor-General or an authorized auditor has at all reasonable times full and unrestricted access to any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee.

Section 74(1) of the MFMA states the following the accounting officer of a municipality must submit to the National Treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.

Nature
A request for information was sent out on 2 December 2020, whereby the following information related to conditional grants for audit purposes (12 months July 2019 to June 2020):

1. Proof of submission and acknowledgment of all s71 reports sent to Treasury

1. Proof of submission and acknowledgement of all s71 reports sent to Council

The information is still outstanding at the date of this communication.

Cause
Management did not implement controls to ensure that information is readily available to auditors within a reasonable time frame.

Impact
This will result in a limitation of scope on the audit of conditional grants.

Internal control deficiency
Financial and performance management
Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation
It is recommended that management submit the information requested for audit purposes.

Management's response
Management response was not received.
Auditor's conclusion
Management response was not received; the matter was reported accordingly.

3. Revenue (Sale of water) - Occurrence of the transaction cannot be confirmed (ISS.60)

Audit finding

Section 122 of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year;

Paragraph 17 of GRAP 1, Presentation of financial statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature
Inspected the valuation roll and the supplementary valuation roll for the following property against which water is charged and the property could be not be allocated. We also inspected the meter reading book for consumption of water and there was no consumption of water as per the meter reading book and also inspected the billing report to confirm whether any payments were made on the account and there were no payments:

#	Account no	Service	Month	Amount	Acc holder	Erf lot number	Street address	Town
1	6000001	WATER	202006	R124,46	PRIMA L/HAWE & AFSLA	0	DIAMANT STREET	BULTFONTEIN

Cause
Management did not ensure that revenue is recognised only when it occur.

Impact
This will result in a misstatement and will be reported in the management report.

Internal control deficiency
Financial and performance management
Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation
Management should ensure that is recognised when it has occurred. The matter reported should investigated to determine the error and the reason for it.

Management's response
Management response was not received.
Auditor's conclusion
Management response was not received and the matter was reported accordingly.

4. Property rates - Information on negative billing not provided (RFI 117) (ISS.72)

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Nature

The following information was requested as per RFI 108 of 2020 on 19 January 2021 (due date 22 January 2021), however was not submitted at the date of this communication:

Please provide the auditors with the reasons and support for the following property rates with negative billing as at 30 June 2020:

No	Account no	Acc holder	Service	Total	Erf no	Type
1	100170	TSWELLOPELE LOCAL MUNICIPALITY N/A	Property rates	-3 036,65	1102	Residential
2	200897	TSWELOPELE	Property rates	-3 003,32	459	Business
3	200901	UNKNOWN	Property rates	-2 101,53	557	Business
4	5001006	VLOTMAN L	Property rates	-12 927,83	628	Residential
5	6800595	PIETERSE MS	Property rates	-663,84	587	Residential
6	7303408	TSWELOPELE	Property rates	-38 265,33	2871	Residential
7	7303413	MONNE MS	Property rates	-53 178,82	2875	Residential
8	7303423	MONAONE MF PLUS 1 OTHER	Property rates	-37 831,34	2885	Residential
9	7505905	NYAMANI MM	Property rates	-416,74	5118	Indigents
10	005T000128	MATLHARE RD	Property rates	-4 067,25	107	Residential
11	005T000235	MOLEFE S	Property rates	-6 246,18	203	Residential
12	005T000581	POLANE PM	Property rates	-3 345,24	506	Indigents
13	90101031	SARDINIA TRUST	Property rates	-458 913,25	513	Business
14	90202269	BRESLER BOERDERY CC	Property rates	-186 957,21	313	Business
15	90202415	JAN HARMSE TRUST	Property rates	-3 900,86	462	Business

Cause

Management did not prioritise the request for information from the audit team to ensure that it is provided within a reasonable time.

Impact

There is a limitation on the audit of revenue from non-exchange transactions which may impact on the audit conclusion.

Internal control deficiency
Financial and performance management
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.

Recommendation
Management should ensure that the requested information is provided for audit and that information is submitted for audit purposes.

Management's response
Management Disagree with the finding: Please see comments on each account below

No	Account no	Acc holder	Service	Total	Erf no	Type	Management Comments
1	100170 TSWELLOPELE LOCAL MUNICIPALITY N/A		Property rates	-3 036,65	1102	Residential	Reversal of Property rates billed on municipal account
2	200897 TSWELOPELE		Property rates	-3 003,32	459	Business	Reversal of Property rates billed on municipal account
3	200901 UNKNOWN		Property rates	-2 101,53	557	Business	Reversal of Property rates billed on inactive account
4	5001006 VLOTMAN L		Property rates	-12 927,83	628	Residential	Amount transferred to new owner (0005001007) after deeds registration (Deeds info received late)
5	6800595 PIETERSE MS		Property rates	-663,84	587	Residential	This is a reversal on Billing duplicated on two accounts (also see account: 0005001343)
6	7303408 TSWELOPELE		Property rates	-38 265,33	2871	Residential	Write-off - adjustment: reversal on overcharged Property rates
7	7303413 MONNE MS		Property rates	-53 178,82	2875	Residential	Write-off – adjustment: reversal on overcharged Property rates
8	7303423 MONAONE MF PLUS 1 OTHER		Property rates	-37 831,34	2885	Residential	Write-off – adjustment: reversal on overcharged Property rates
9	7505905 NYAMANI MM		Property rates	-416,74	5118	Indigents	Write-off – Indigent relief: Please see the indigent register
10	005T000128 MATLHARE RD		Property rates	-4 067,25	107	Residential	Write-off - Indigent relief: Please see the indigent register
11	005T000235 MOLEFE S		Property rates	-6 246,18	203	Residential	Write-off - Indigent relief: Please see the indigent register
12	005T000581 POLANE PM		Property rates	-3 345,24	506	Indigents	Write-off – Indigent relief: Please see the Indigent register
13	90101031 SARDINIA TRUST		Property rates	-458 913,25	513	Business	Write-off – wrong tariff was used (initially Billed on FS Government Agricultural tariff)

No	Account no	Acc holder	Service	Total	Erf no	Type	Management Comments
14	90202269 BRESLER BOERDERY CC		Property rates	-186 957,21	313	Business	Write-off – wrong tariff was used (initially Billed on FS Government Agricultural tariff)
15	90202415 JAN HARMSE TRUST		Property rates	-3 900,86	462	Business	Write-off

Name: Thabiso Matyesini
Position: Acting CFO
Date: 08/02/2021

Auditor's conclusion

We have considered management's responses and the conclusion is as follows:

No	Account no	Acc holder	Auditor's conclusion
1	100170 TSWELLOPELE LOCAL MUNICIPALITY N/A		The write-off is against a municipal account and these have been calculated to a factual amount of R48 155.64.
2	200897 TSWELOPELE		See comment in account 100170.
3	200901 UNKNOWN		This was confirmed to represent a balance prior to 2019 and is therefore resolved.
4	5001006 VLOTMAN L		Confirmed the transfer on billing report. Finding is resolved
5	6800595 PIETERSE MS		Confirmed same Erf number on billing report. Finding is resolved
6	7303408 TSWELOPELE		See comment in account 100170.
7	7303413 MONNE MS		This was confirmed as a reversal of communication 119 of 2018 and the factual amountis reported under CoAF 126.
8	7303423 MONAONE MF PLUS 1 OTHER		This was confirmed as a reversal of communication 119 of 2018 and the factual amountis reported under CoAF 126.
9	7505905 NYAMANI MM		The municipality identified write-offs done against indigent debtors and adjusted these on the age analysis submitted with the audit file. Based on the response, I have no confirmed that this write-off was not included in the financial statements and therefore has no impact.
10	005T000128 MATLHARE RD		This was confirmed to represent a balance prior to 2019 and is therefore resolved.
11	005T000235 MOLEFE S		It was confirmed that this was the balance prior 2019 and no billing took place in 2019. The consumer did not maintain his/her indigent status and this resulted in billing in 2020.
12	005T000581 POLANE PM		The municipality identified write-offs done against indigent debtors and adjusted these on the age analysis submitted with the audit file. Based on the response, I have no confirmed that this write-off was not included in the financial statements and therefore has no impact.
13	90101031 SARDINIA TRUST		This was confirmed to represent a balance prior to 2019 and is therefore resolved.
14	90202269 BRESLER BOERDERY CC		This was confirmed to represent a balance prior to 2019 and is therefore resolved.

No	Account no	Acc holder	Auditor's conclusion
15	90202415 JAN HARMSE TRUST		This was a credit note against the account and this reduced the revenue and receivables. The matter is resolved.

The factual error from this communication is R48 155.64.

5. Service charges - Differences between recalculation and the amount billed (ISS.88)

Audit finding

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year;

Paragraph 17 of GRAP 1, Presentation of financial statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Paragraph 15 of GRAP 9, Revenue from exchange transactions, states that revenue shall be measured at the fair value of the consideration received or receivable.

Nature
The amount for the revenue was recalculated and the following differences were identified:

Electricity recalculation							**Meter readings**		**Statement reading**		**Tariffs used by auditors**	**Tariffs per statement**	**Recalculated amount**	**Difference**
#	**Account**	**Month**	**Amount (R)**	**Extension**	**Erf lot**	**Address**	**Opening** **Closing**	**Usage**	**Opening** **Closing**	**Usage**				
1	50502338 VAN DER WALT BJP PLUS 1 OTHER	2019 07	1 868,71	17003	546	1A BRIDGERSTRAAT, Hoopstad	15 327 16 359	1 032	15 327 16 359	1 032	0 -50 - R0,9143 51 - 350 - R1,1756 351 -600 - R1,6545 600 plus - R,9484	0 -50 - R1,033159 51 - 350 - R1,328428 351 -600 - R1,869585 600 plus - R2,201692	R1 653,73	R 214,98
	The usage occurred in June 2019, which is 2018/19 financial year and at the time the 2019/20 tariffs had not come into effect. However the tariffs used are the 2019/20 instead of the 2018/19 tariffs.													
2	50000069 JACOBS LM	2019 07	1 770,57	17003	17	34 KERKSTRAAT Hoopstad	9 666 10 408	742	9 666 10 408	742	Levy - R344,06 kWh cons. - R1,6479	Levy - R388,7878 kWh cons. -	R1 566,80	R 203,77

Electricity recalculation							Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference
#	Account	Month	Amount (R)	Extention	Erf lot	Address	Opening Closing	Usage	Opening Closing	Usage				
												R1,86212		
3	50502355 DU TOIT F	2019 07	2 678,94	17003	618	MEENTHUIS NR 1;3 KAMEELDOORN STRAAT Hoopstad	59 728 60 511	783	59 728 61 128	1 400	0 -50 - R0,9143 51 - 350 - R1,1756 351 -600 - R1,6545 600 plus – R1,9484	0 -50 - R1,033159 51 - 350 - R1,328428 351 -600 - R1,869585 600 plus - R2,201692	R2 370,74	R 308,20
4	50502334 SUIDWES LANDBOU EDMS BPK WERKSWINKEL	2019 07	1 804,09	17003	0000K5540	0 H/V JAPHET & MULLERSTRAAT Hoopstad	63 848 63 943	95	63 848 63 943	95	Levy - R344,06 kWh cons. - R1,6479	Levy - R388.7878 kWh cons. -	R1 596,46	R207,63

Electricity recalculation							Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference
#	Account	Month	Amount (R)	Extention	Erf lot	Address	Opening Closing	Usage	Opening Closing	Usage				
												R1,86212		
							78 242 78 393	151	78 242 78 393	151				
							46 411 46 925	514	46 411 46 925	514				
5	5000001 MANGANYI MP	2019 07	3 169,01	7001	3	21 FONTEIN STREET Bulfontein	49 560 51 053	1 493	49 560 51 053	1 493	>>Levy - R 344,06 >> kWh Consumption - R 1,6479	>>Levy - R 388.7878 >> kWh Consumption - R 1,86212	R2 804,37	R364,64
6	6000129 BULTFONTEIN HO-ERSKOOL	2019 07	19 260,81	7001	345	0 STOFBERG STREET Bultfontein	233 819 371 611	137 792	233 819 248 405	14 586	>>Levy - R 4 137,00 >> kWh Consumption - R 0,88495	>>Levy - R 4 674,81 >> kWh Consumption - R	R126 076,03	-R106 815,22

Electricity recalculation							Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference
#	Account	Month	Amount (R)	Extention	Erf lot	Address	Opening Closing	Usage	Opening Closing	Usage				
												0,999993		
7	6000133 W & P DIENSTE CC	2019 07	8 379,16	7001	367	42 PRESIDENT SWARTSTRAAT Bultfontein	460 100 464 391	4 291	460 100 464 391	4 291	>>Levy - R 344,06 >> kWh Consumption - R 1,6479	>>Levy - R 388.7878 >> kWh Consumption - R 1,86212	R7 415,20	R 963,96
8	50702501 GREEFF WJ	2020 03	698,84	17003	795	KAMEELDORINGS NR 10;26 HOOFDSTRAAT Hoopstad	11 238 11 591	353	11 238 11 721	483	0 -50 - R1,033159 51 - 350 - R1,328428 351 -600 - R1,869585 600 plus -	0 -50 - R1,033159 51 - 350 - R1,328428 351 -600 - R1,869585 600 plus -	R455,80	R243,04

Electricity recalculation							Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference
#	Account	Month	Amount (R)	Extention	Erf lot	Address	Opening Closing	Usage	Opening Closing	Usage				
											R2,2016 92	R2,2016 92		
	The readings as per the account statement are different from the readings as per the meter reading books.													
9	50702384 GROENEWALD CJ	2020 04	202,85	17003	00000702A	0 HOOPSTAD BUITEKLUBSTRAAT Hoopstad	3 991 3 991	0	3 991 3 994	3	Levy - R199,25 kWh cons - R1,1998	Levy - R199,25 kWh cons - R1,1998	R199,25	R3,60
10	50001668 HOOPSTAD SENTRUM VIR BEJAARDES	2020 04	28 334,56	17003	673	32 HOOFDSTRAAT Hoopstad	5 970 6 208	238	434 698 435 860	23 450	Levy - R199,25 kWh cons. - R1,1998	Levy - R199,25 kWh cons. - R1,1998	R69 241,80	-R40 907,24
							400 300	300	0 0	0	kVA Levy - R229.19 / KVA	No Billing		
11	6000325 HINTERLAND SA (PTY) LTD	2020 06	42 031,23	7001	1048	14 PRESIDENT SWARTSTRAAT Bultfontein	1 871 873	94 785	1 921 069	45 589	Levy - R388,78 78 kWh cons -	Levy - R388,78 78 kWh cons -	R201 183,97	-R159 152,74

Electricity recalculation							**Meter readings**		**Statement reading**		**Tariffs used by auditors**	**Tariffs per statement**	**Recalculated amount**	**Difference**
#	**Account**	**Month**	**Amount (R)**	**Extension**	**Erf lot**	**Address**	**Opening Closing**	**Usage**	**Opening Closing**	**Usage**				
							1 966 658		1 966 658		R1,86212	R0,909100		
							149 106	106	133 106	106	kVA Levy - R229.19 / kVA	KVA Levy - R1,86213 / kVA		
12	6100319 SENWES BEPERK (SILO'S)	202006	154 817,73	7001	1166	0 GRAANSUIERSTRAAT Bultfontein	3 671 472 3 810 025	138 553	3 717 464 3 810 025	92 561	Levy - R4 674,81 kWh cons. - R0.909085 kVA Levy - R229,19	Levy - R388.89 kWh cons. – R0.909100 kVA Levy - R1,862100	R380 862,94	-R226 045,21
							258 349	349	320 349	349				
							3 224 797	139 369	3 287 961	76 205				

Electricity recalculation							Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference
#	Account	Month	Amount (R)	Extension	Erf lot	Address	Opening Closing	Usage	Opening Closing	Usage				
							3 364 166		3 364 166					
							317 190	190	443 190	190				
Water recalculation														
1	50000454 LANDDROSKANTOOR	2019 07	6 406,38		205	12 VAN ZYL STREET Hoopstad	98 718 99 790	1 072	98 718 99 790	1 072	Metered - R5,51/ kℓ Levy - R116,87	Metered - R5,86/ kℓ Levy - R124,46	R6 023,59	R382,79
							1 147 1 147	0	1 147 1 147	0				
	The usage occurred in June 2019, which is 2018/19 financial year and at the time the 2019/20 tariffs had not come into effect. However the tariffs used are the 2019/20 instead of the 2018/19 tariffs.													
2	5000924 WERNICH M PLUS 1 OTHER	2019 07	35,16		595	61 THEUNISSENSTRAAT Bultfontein	506 518	12	506 518	12	Metered - R5,51/ kℓ	Metered - R5,86/ kℓ	R33,06	R2,10

Electricity recalculation							Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference
#	Account	Month	Amount (R)	Extension	Erf lot	Address	Opening Closing	Usage	Opening Closing	Usage				
3	5001349 EARLE B	2019 07	263,70		463	28 MARQUARDSTRAAT Bultfontein	16 727 16 750	23	16 727 16 778	51	Metered - R5,51/ kℓ	Metered - R5,86/ kℓ	R93,67	R170,03
4	8000073 TSWELOPELE BASOTHO FUNERAL SERVICES	2019 12	950,72		3448	3448 PHAHAMENG STREET Bultfontein	6 825 6 886	61	6 745 6 886	141	Metered - R5,86/ kℓ Levy - R124,46	Metered - R5,86/ kℓ Levy - R124,46	R481,92	R468,80
5	6200327 NATIONAL DEPT OF PUBLIC WORKS	2020 03	(33 816,66)		134	0 VAN DER POEL STREET Bultfontein	5 010 18	-4 992	5 810 18	-5 792	0	Metered - R5,86/ kℓ Levy - R124,46	R-	-R33 816,66
6	5001344 MABOLLOANE D	2020 06	23,44		501	41 HOFMEYERSTRAAT Bultfontein	7 474 7 485	11	7 475 7 485	10	Metered - R5,86/ kℓ	Metered - R5,86/ kℓ	R29,30	-R5,86
	The readings as per the account statement are different from the readings as per the meter reading books.													

We also identified that the tariffs used for June 2019 consumption are the 2019/20 tariffs, which came into into effect in July 2019. The readings as per the account statements are different from the readings as per the meter reading books.

We also identified negative billing as a result of the replacement of meters.

Cause
The controls to identify these errors did not function properly.

Impact
This will result in a material misstatement in service charges.

Internal control deficiency
Financial and performance management
Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation
Management should ensure that the tariffs used are tariffs applicable to the date of consumption and not the date of billing and that readings are accurately captured on the system.

Management should also ensure that there is a process in place for meter replacements that will avoid negative billings whereas there was consumption.

The matters reported should be investigated to determine the necessary corrections.

Management's response

Electricity recalculation						**Meter readings**		**Statement reading**		**Tariffs used by auditors**	**Tariffs per statement**	**Recalculated amount**	**Difference**	**Management response**
#	**Account**	**Month**	**Amount (R)**	**Extention**	**Erf lot**	**Opening**	**Usage**	**Opening**	**Usage**					
						Closing		Closing						
1	50502338	2019 07	1 868,71	17003	546	15 327	1 032	15 327	1 032	0 -50 - R0,9143	0 -50 - R1,033159	1 653,73	214,98	Management disagrees with the finding The total difference was recalculated and found not to be material Tariffs difference calculation
	VAN DER WALT BJP PLUS 1 OTHER									51 - 350 - R1,1756	51 - 350 - R1,328428			
						16 359		16 359		351 -600 - R1,6545	351 -600 - R1,869585			
										600 plus - R,9484	600 plus - R2,201692			

Electricity recalculation						Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference	Management response
#	Account	Month	Amount (R)	Extention	Erf lot	Opening	Usage	Opening	Usage					
	The usage occurred in June 2019, which is 2018/19 financial year and at the time the 2019/20 tariffs had not come into effect. However the tariffs used are the 2019/20 instead of the 2018/19 tariffs.													
2												1 566,80	203,77	Management disagrees with the finding The total difference was recalculated and found not

Electricity recalculation						Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference	Management response
#	Account	Month	Amount (R)	Extention	Erf lot	Opening	Usage	Opening	Usage					
														to be material Tariffs difference calculation
	50000069	2019 07	1 770,57	17003	17	9 666	742	9 666	742	Levy - R344,06	Levy - R388,7878			
	JACOBS LM									kWh cons. - R1,6479	kWh cons. - R1,86212			
						10 408		10 408						
3	50502355	2019 07	2 678,94	17003	618	59 728	783	59 728	1 400	0 -50 - R0,9143	0 -50 - R1,033159	2 370,74	308,2	Management disagrees with the finding The auditor did not look at the final meter readings books. This account

Electricity recalculation						Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference	Management response
#	Account	Month	Amount (R)	Extention	Erf lot	Opening	Usage	Opening	Usage					
														was closed on 201907, final meater readings were taken Closing reading per final reading 61 128 The correct consumption was included on the system The total difference was recalculated and found not to be material
	DU TOIT F							61 128		51 - 350 - R1,1756	51 - 350 - R1,328428			

Electricity recalculation						Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference	Management response
#	Account	Month	Amount (R)	Extention	Erf lot	Opening	Usage	Opening	Usage					
						60 511				351 -600 - R1,6545	351 -600 - R1,869585			
										600 plus – R1,9484	600 plus - R2,201692			
4	50502334	201907	1 804,09	17003	0000K5540	63 848	95	63 848	95	Levy - R344,06	Levy - R388.7878	1 596,46	207,63	Management disagrees with the finding The total difference was recalculated and found not to be material Tariffs difference calculation
	SUIDWES LANDBOU EDMS BPK									kWh cons. - R1,6479	kWh cons. - R1,86212			

Electricity recalculation						Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference	Management response
#	Account	Month	Amount (R)	Extention	Erf lot	Opening	Usage	Opening	Usage					
	WERKSWINKEL													
						63 943		63 943						
						78 242	151	78 242	151					
						78 393		78 393						
						46 411	514	46 411	514					
						46 925		46 925						
5	5000001	2019 07	3 169,01	7001	3	49 560	1 493	49 560	1 493	>>Levy - R 344,06	>>Levy - R 388.7878	2 804,37	364,64	Management disagrees with the finding The total difference was recalculated and found not to be material Tariffs difference calculation
	MANGANYI MP									>> kWh Consumption - R 1,6479	>> kWh Consumption - R 1,86212			

Electricity recalculation						Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference	Management response
#	Account	Month	Amount (R)	Extention	Erf lot	Opening	Usage	Opening	Usage					
						51 053		51 053						
6	6000129	2019 07	19 260,81	7001	345	233 819	14586	233 819	14 586	>>Levy - R 4 137,00	>>Levy - R 4 674,81	17 044,88	2 215,93	Management disagrees with the finding The closing reading per the meter readings book is 248 405 The closing reading and consumption was thus correctly included

Electricity recalculation						Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference	Management response
#	Account	Month	Amount (R)	Extention	Erf lot	Opening	Usage	Opening	Usage					
														on the system The total difference was recalculated and found not to be material
	BULTFONTEIN HO-ERSKOOL									>> kWh Consumption - R 0,88495	>> kWh Consumption - R 0,999993			
						248405		248 405						
7	6000133	2019 07	8 379,16	7001	367	460 100	4 291	460 100	4 291	>>Levy - R 344,06	>>Levy - R 388.7878	7 415,20	963,96	Management disagrees with the finding The total difference was recalculate

Electricity recalculation						Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference	Management response
#	Account	Month	Amount (R)	Extention	Erf lot	Opening	Usage	Opening	Usage					
														d and found not to be material Tariffs difference calculation
	W & P DIENSTE CC									>> kWh Consumption - R 1,6479	>> kWh Consumption - R 1,86212			
						464 391		464 391						
8	50702501	202003	698,84	17003	795	11 238	483	11 238	483	0 -50 - R1,033159	0 -50 - R1,033159	698,84	-	Management disagrees with the finding This account was closed on 202003, final

Electricity recalculation						Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference	Management response
#	Account	Month	Amount (R)	Extention	Erf lot	Opening	Usage	Opening	Usage					
														meater readings were taken Closing reading per final reading 11 721 The correct consumption was included on the system
	GREEFF WJ									51 - 350 - R1,328428	51 - 350 - R1,328428			
						11721		11 721		351 -600 - R1,869585	351 -600 - R1,869585			
										600 plus - R2,201692	600 plus - R2,201692			
	The readings as per the account statement are different from the													Management disagrees with the finding

Electricity recalculation						Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference	Management response
#	Account	Month	Amount (R)	Extention	Erf lot	Opening	Usage	Opening	Usage					
	readings as per the meter reading books.													No meter readings were done for this period as the nation was in hard lock down, this account was estimated, as can be seen via the E next to the new reading It is unclear where the auditor would have found the meter readings balances The consumption was

Electricity recalculation						Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference	Management response
#	Account	Month	Amount (R)	Extention	Erf lot	Opening	Usage	Opening	Usage					
														estimated, and correctly included on the system
9	50702384	2020 04	202,85	17003	00000702A	3 991	0	3 991	3	Levy - R199,25	Levy - R199,25	199,25	3,60	
	GROENEWALD CJ									kWh cons - R1,1998	kWh cons - R1,1998			
						3 991		3 994						
10	50001668	2020 04	28 334,56	17003	673	5 970	238	434 698	23 450	Levy - R199,25	Levy - R199,25	69 241,80	-40 907,24	Management disagrees with the finding No meter readings were done for this period as the nation was in

Electricity recalculation						Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference	Management response
#	Account	Month	Amount (R)	Extention	Erf lot	Opening	Usage	Opening	Usage					
														hard lock down, this account was estimated, as can be seen via the E next to the new reading It is unclear where the auditor would have found the meter readings balances per the meter reading books to include in the finding The consumption was estimated,

Electricity recalculation						Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference	Management response
#	Account	Month	Amount (R)	Extention	Erf lot	Opening	Usage	Opening	Usage					
														and correctly included on the system Furthermore there are numerous meters on this account the auditor also included statement reading of the incorrect meter
	HOOPSTAD SENTRUM VIR BEJAARDES									kWh cons. - R1,1998	kWh cons. - R1,1998			
						6 208		435 860						
						400	300	0	0	kVA Levy - R229.19 / KVA	No Billing			

Electricity recalculation						**Meter readings**		**Statement reading**		**Tariffs used by auditors**	**Tariffs per statement**	**Recalculated amount**	**Difference**	**Management response**
#	**Account**	**Month**	**Amount (R)**	**Extention**	**Erf lot**	**Opening**	**Usage**	**Opening**	**Usage**					
						300		0						
11	6000325	2020 06	42 031,23	7001	1048	1 921 069	45589	1 921 069	45 589	Levy - R388,7878	Levy - R388,7878	109 574,31	-67 543,08	Management disagrees with the finding The auditor disagrees with the opening reading The meter reading book for April was inspected and found that the reading

Electricity recalculation						Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference	Management response
#	Account	Month	Amount (R)	Extention	Erf lot	Opening	Usage	Opening	Usage					
														was 1921069 as per the opening reading in the system The amount per the system was thus correctly captured and the consumption correctly included
	HINTERLAND SA (PTY) LTD									kWh cons - R1,86212	kWh cons - R0,909100			
						1 966 658		1 966 658						
						149	106	133	106	kVA Levy - R229.19 / kVA	KVA Levy - R1,86213 / kVA			

Electricity recalculation						Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference	Management response
#	Account	Month	Amount (R)	Extention	Erf lot	Opening	Usage	Opening	Usage					
						106		106						
12	6100319	2020 06	154 817,73	7001	1166	3717464	138 553	3 717 464	92 561	Levy - R388,89	Levy - R388.89	277 344,84	-122 527,11	Management disagrees with the finding The meter reading book for April was inspected and found that the reading was 3717464 & 3287961 as per the opening

Electricity recalculation						Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference	Management response
#	Account	Month	Amount (R)	Extention	Erf lot	Opening	Usage	Opening	Usage					
														reading in the system The amount per the system was thus correctly captured and the consumption correctly included
	SENWES BEPERK (SILO'S)									kWh cons. - R0.909085	kWh cons. – R0.909100			
						3 810 025		3 810 025		kVA Levy - R229,19	kVA Levy - R1,862100			
						258	349	320	349					
						349		349						
						3287961	139 369	3 287 961	76 205					
						3 364 166		3 364 166						

Electricity recalculation						Meter readings		Statement reading		Tariffs used by auditors	Tariffs per statement	Recalculated amount	Difference	Management response
#	Account	Month	Amount (R)	Extention	Erf lot	Opening	Usage	Opening	Usage					
						317	190	443	190					
						190		190						

Auditor’s conclusion

Management response noted, however please see the attached for auditor's response

Electricity recalculation		**Difference**	**Auditors conclusion**
#	Account		
1	50502338 VAN DER WALT BJP PLUS 1 OTHER	214,98	Management response noted, and it has been determined the remaining factual misstatement in terms of this error is an overstatement of R629 198,61 and therefore the error is not material
	The usage occurred in June 2019, which is 2018/19 financial year and at the time the 2019/20 tariffs had not come into effect. However the tariffs used are the 2019/20 instead of the 2018/19 tariffs.		
2	50000069 JACOBS LM	203,77	Management response noted, and it has been determined the remaining factual misstatement in terms of this error is an overstatement of R629 198,61 and therefore the error is not material
3	50502355 DU TOIT F	308,2	Management response noted, and it has been determined the remaining factual misstatement in terms of this error is an understatement of R850 426,91 and therefore the error is not material
4	50502334 SUIDWES LANDBOU EDMS BPK WERKSWINKEL	207,63	Management response noted, and it has been determined the remaining factual misstatement in terms of this error is an overstatement of R629 198,61 and therefore the error is not material.
5	5000001 MANGANYI MP	364,64	Management response noted, and it has been determined the remaining factual misstatement in terms of this error is an overstatement of R629 198,61 and therefore the error is not material
6	6000129 BULTFONTEIN HO-ERSKOOL	2 215,93	Management response noted, and it has been determined the remaining factual misstatement in terms of this error is an understatement of R850 426,91 and therefore the error is not material
7	6000133 W & P DIENSTE CC	963,96	Management response noted, and it has been determined the remaining factual misstatement in terms of this error is an overstatement of R629 198,61 and therefore the error is not material.
8	50702501 GREEFF WJ	-	Management response noted the meter reading has been changed and there is no longer a difference, therefore in that case the finding has been resolved.
	The readings as per the account statement are different from the readings as per the meter reading books.		Management report noted, the meter readings has been provided for the period before the estimate and period after the estimate and it was determined that the appropriate readings were used. Therefore in that case the finding has been resolved.

Electricity recalculation		Difference	Auditors conclusion
9	50702384 GROENEWALD CJ	3,60	
10	50001668 HOOPSTAD SENTRUM VIR BEJAARDES	-40 907,24	Management report noted, the meter readings has been provided for the period before the estimate and period after the estimate and it was determined that the appropriate readings were used. Therefore in that case the finding has been resolved.
11	6000325 HINTERLAND SA (PTY) LTD	-67 543,08	Management response noted, and it has been determined the remaining factual misstatement in terms of this error is an understatement of R850 426,91 and therefore the error is not material
12	6100319 SENWES BEPERK (SILO'S)	-122 527,11	Management response noted, and it has been determined the remaining factual misstatement in terms of this error is an understatement of R850 426,91 and therefore the error is not material

Sale of water

Electricity recalculation		Difference	Auditors conclusion
#	Account		
1	50000454 LANDDROSKANTOOR	382,79	Management response noted, and it has been determined the remaining factual misstatement interms of this error is an overstatement of R 629198,61 and therefore the error is not material
	The usage occurred in June 2019, which is 2018/19 financial year and at the time the 2019/20 tariffs had not come into effect. However, the tariffs used are the 2019/20 instead of the 2018/19 tariffs.		Management response noted, and it has been determined the remaining factual misstatement in terms of this error is an overstatement of R629 198,61 and therefore the error is not material
2	5000924 WERNICH M PLUS 1 OTHER	2,10	
3	5001349 EARLE B	15,75	Management response noted, and it has been determined the remaining factual misstatement in terms of this error is an overstatement of R629 198,61 and therefore the error is not material
4	8000073 TSWELOPELE BASOTHO FUNERAL SERVICES	-	Management response noted, information submitted by management was inspected and the finding has been resolved.
	The readings as per the account statement are different from the readings as per the meter reading books.		

Electricity recalculation		Difference	Auditors conclusion
5	6200327 NATIONAL DEPT OF PUBLIC WORKS	-33 816,66	Management response noted, Management response noted, and it has been determined the remaining factual misstatement in terms of this error is an understatement of R33 816.66 as the error is anomalous and therefore the error is not material
	The meter was replaced and the meter was started from zero, which resulted in a negative billing, which is incorrect as there was consumption during the period.		Management response noted, information submitted by management was inspected and the finding has been resolved.
6	5001344 MABOLLOANE D	0,00	
	The readings as per the account statement are different from the readings as per the meter reading books.		

Therefore in that case the finding has been partially resolved and will be reported in the management report.

6. Revenue (Service charges) - June 2019 usage billed in 2019/20 financial year (ISS.90)

Audit finding

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Paragraph 31 of GRAP 1, Presentation of financial statements, states that an entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.

Paragraph 32 of GRAP 1 states that when the accrual basis of accounting is used, items are recognised as assets, liabilities, net assets, revenue and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the Framework for the Preparation and Presentation of Financial Statements.

Paragraph 20 of GRAP 9, Revenue from exchange transactions, states that when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
(a) the amount of revenue can be measured reliably;

(b) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
(c) the stage of completion of the transaction at the reporting date can be measured reliably; and
(d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Nature
The meter readings for the following transactions were inspected and it was confirmed that the usage of the services by the consumer occurred in June 2019, which falls outside the 2019/20 financial year, however the transaction was recognised in the 2019/20 financial year.

Sale of Electricity

#	Account	Month	Amount (R)	Extention	Erf Lot	Address
1	50502338 VAN DER WALT BJP PLUS 1 OTHER	201907	1 868,71	17003	546	1A BRIDGERSTRAAT Hoopstad
2	50000069 JACOBS LM	201907	1 770,57	17003	17	34 KERKSTRAAT Hoopstad
3	50502355 DU TOIT F	201907	2 678,94	17003	618	MEENTHUIS NR 1;3 KAMEELDOORNSTRAAT Hoopstad
4	50502334 SUIDWES LANDBOU EDMS BPK WERKSWINKEL	201907	1 804,09	17003	0000K5540	0 H/V JAPHET & MULLERSTRAAT Hoopstad
5	5000001 MANGANYI MP	201907	3 169,01	7001	3	21 FONTEIN STREET Bultfontein
6	6000129 BULTFONTEIN HO-ERSKOOL	201907	19 260,81	7001	345	0 STOFBERG STREET Bultfontein
7	6000133 W & P DIENSTE CC	201907	8 379,16	7001	367	42 PRESIDENT SWARTSTRAAT Bultfontein

Sale of water

#	Account	Month	Amount (R)	Erf lot	Address
1	50000454 LANDDROSKANTOOR	201907	6 406,38	205	12 VAN ZYL STREET Hoopstad
2	5000924 WERNICH M PLUS 1 OTHER	201907	35,16	595	61 THEUNISSENSTRAAT Bultfontein
3	5001349 EARLE B	201907	263,70	463	28 MARQUARDSTRAAT Bultfontein

These transactions met the criteria for the recognition of revenue at 30 June 2019 and therefore should be accounted for accordingly.

The impact of this for the billing done in July 2020 was not quantified.

Cause
The billing at the municipality take place one month later that consumption, therefore the meters are read at the end of the month and the billing is done in the following month.

Impact
This will result in a material misstatement in service revenue and receivables from exchange transactions.

Internal control deficiency
Financial and performance management
Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation
Management should ensure that revenue from the sale of water and electricity is recognised in the accounting period when usage occurred.

Management's response
Management disagrees that the consumption timing and tariff difference has a material impact on the Annual Financial Statements.

The timing difference impact was recalculated and found that the total difference only amounts to R629 198.61.

Attached please find workings.

Name: Thabiso Matyesin
Position: Acting CFO
Date: 2021/02/25

Auditor's conclusion

Management response noted. The amount of the misstatement is therefore confirmed at R629 198.61 and will only be resolved if adjusted.

7. Revenue (Rental of facilities) - Properties used not linked to rental contracts (ISS.130)

Audit finding

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Paragraph 17 of GRAP 1, Presentation of Financial Statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature

Rental income for the following occupied properties were not recognized:

lpi_code	Area	Category	Type	Comment
F017000 000000 03500060	HOOPSTAD RD	Land and Buildings	Farm Portion	Livestock auction grounds
F017000 000000 03500061	HOOPSTAD RD	Land and Buildings	Building	Livestock auction stores
F017000 200000 75400000	TIKWANA EXT 3	Land and Buildings	Municipal Building	

Cause

The billing information does not use the same unique identifiers as the investment property register to ensure linking is complete.

Impact

This will result in an understatement of revenue received from rental of facilities and equipment as well as receivables.

Internal control deficiency

Financial and performance management

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation

Management should determine whether there are rental contracts in place for the properties reported and also ensure that the linking between the billing system (description of property rented) and the investment property register is improved.

Management's response

Management disagree with the audit finding, please see comments below:

lpi_code	suburb	accounting_ group	asset_ category	asset_group_ type	MANAGEMENT COMMENTS
F017000000 00003500060	HOOPSTAD RD	Property Plant and Equipment	Land and Buildings	Farm Portion	The property currently has no occupier. No contract in place.
F017000000 00003500061	HOOPSTAD RD	Property Plant and Equipment	Land and Buildings	Building	The property has a contract (see attached), however the monthly billing per contract is R1.00 p.a (One Rand per year) hence no billing charged.
F017000200 00075400000	TIKWANA EXT 3	Property Plant and Equipment	Land and Buildings	Municipal Building	The property is occupied by non-profit organization and only services are charged on this property.

Auditor's conclusion
Management's comments have been assessed and the finding remains as there were no rentals charged to the property. The lease agreements were inspected and it was confirmed for the first two properties, rentals of R1.00 are charged per year.

For the property in Tikwana Ext 3 (F0170002000075400000), it was confirmed that the annual rental is R36 264 and could not be traced to the financial records. The amount is however below trivial and will be reported as an internal control matter. Te reconciliation of the rental agreements should also be combined with a register of end dates to the contracts and the formal process to communicate outstanding debt with tenants.

Cause
This is due to management not providing the requested information for audit purposes within the required timeframe.

Impact
This may result in insufficient audit evidence obtained to express an appropriate opinion.

Internal control deficiency
Financial and performance management

Management 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.

Recommendation
Management should provide all the requested information within the agreed upon deadline.

Should no information be provided the limitation will remain.

Management's response
Management took note of the Auditor's recommendation. The matter was taken into consideration and the policy was updated in order to address the matter.

Date:

Auditor's conclusion
Management response is acknowledged, however the finding remains and no changes were done to the prior year population and nor was there support provided,

53. ISS.81-EV CoAF 81 - Property rates - Control deficiencies regarding improvements on supplementary valuation rolls

Audit finding
Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Nature
Inspectors from the municipality do not keep record of properties they visited to confirm the state of improvements and there is no evidence provided to confirm improvements on the supplementary valuation rolls.

Cause
These matters resulted due to internal controls not being adequately established and implemented by management.

Impact
The impact of above-mentioned is that sufficient internal controls are not in place at the municipality to keep track of completion of improvements to properties within the municipal area, which can lead to understated market values of these properties and understated property rate revenue.

Internal control deficiency
Financial and performance management
Management did not in all instances implement controls over daily and monthly processing and reconciling of transactions.

Recommendation
Management should consider the reported matters and ensure that accurate and complete records are kept of inspections performed to confirm the progress of improvements made, as well as the completion of these improvements to ensure that market values of properties are not understated and property rates are not understated.

Management's response
Management confirms that Building Controllers does the monthly inspections and keep accurate and complete records on monthly basis. And Building Controllers on annual basis submit records to Finance Department for supplementary valuation rolls but in some instances when the appointed valuator visited those properties only to find that there are no developments and municipality then incur costs of the valuator. However, going forward management will continue to put controls in place such as the completion certificate of newly build properties.

Name: Mr Molehe Mahlanyane
Position: Director Community Services
Date: 27 October 2021

Auditor's conclusion
Management response is noted. However control deficiency remains due to the following: If building controllers perform monthly inspections and keep accurate records, they should already be aware of developments as they should have inspected it before the valuator is contacted and a valuator should then find those developments in place when they visit the properties. This is therefore indicative that there are no proper controls in place to confirm progress of improvements and construction. Completion certificates can only be valuable and properly implemented if sufficient monitoring is in place of the progress on the developments to identify when to issue these certificates.

The finding is therefore not resolved.

54. ISS.87-EV (Partially resolved) CoAF 87 - Service Charges - Sewerage and sanitation - Occurrence

Audit finding

Section 62(1)(b) of MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Paragraph 17 of GRAP 1, Presentation of financial statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

During the audit of revenue from sewerage and sanitation services, the occurrence of revenue charged on the following properties could not be confirmed:

A) The following account the property belongs to the municipality and with further inspection of the account it was determined that no property rates nor rental were charged on the property and also no payment was made on the account.

Information as per Billing Report						**Information as per Valuation roll**	
ACCOUNT_NO	**SERVICE**	**Month billed**	**Amount**	**ACCOUNT_HOLDER**	**STREET_ADDRESS**	**REGISTERED OWNER**	**REMARKS**
005T101655	SEWERAGE	2021 02	126,79	FULL GOSPEL CHURCH OF GOD .	1785 TIKWANA STREET	TSWELOPELE LOCAL MUNICIPALITY	Vacant

B) The following property per billing report could not be traced to the valuation roll.

ACCOUNT_NO	**SERVICE**	**Month billed**	**Amount**	**ACCOUNT_HOLDER**	**STREET_ADDRESS**	**SUBURB**	**ACCOUNT_TYPE**	**ERF_Lot**
005T000001	SEWERAGE	2021 02	126,79	AME CHURCH	1 TIKWANA STREET	TIKWANA	NONE	1

C) The address per billing report did not match the address per valuation roll of the following properties.

Information as per Billing Report						Information as per Valuation roll
ACCOUNT_NO	**SERVICE**	**Month billed**	**Amount**	**ACCOUNT_HOLDER**	**STREET_ADDRESS**	**PHYSICAL ADDRESS OF THE PROPERTY**
7202954	SEWERAGE	202106	68,6	BEBEZA (WILLIAM X W	3 EXTENTION 3 STREET	2543 PHAHAMENG
8000025	SEWERAGE	202106	22,9	MOLEKO (JOHN) SJ	3 EXTENTION 3STRAAT	3465 PHAHAMENG

Cause
Management did not ensure that sewer and sanitation is not charged on property that is owned by municipality and where there is no occupancy by third party.
Management did not ensure that sewer and sanitation is charged to the correct properties.

Impact
This will result in a projected overstatement of revenue from sewerage and sanitation, VAT output and receivables from exchange transaction.

Internal control deficiency
Financial and performanc management
Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation
Management should investigate the whole population of revenue from sewerage and sanitation and make necessary corrections.

Management should investigate the matters reported and provide auditors with support where corrections are made or where management disagrees with the finding.

Management's response

1. Management disagree with the finding

   It is correct the property belong to the Municipality. The client purchased the property from Municipality but did not register it on his/her name with deeds. Payments are made on this account (see attached).

   As per the Municipal property rates policy Par 8.2 (d) states the following

2. Management agree with the finding.

This was an oversight and management will put controls in place to ensure that this does not happen again.

3. Management agree with the finding

   The address were corrected during the process of internal data cleansing and the address on the system is the correct address.

Name: Thabiso Matyesini
Position: CFO
Date: 12/11/2021

Auditor's conclusion

Management response is acknowledged and the auditor's response is as follows:

Part A

Management supporting information was inspected and it could be confirmed that the payments were made on the account and that the account holder is not the municipality. The finding is therefore resolved.

Part B

Management agrees with the finding the matter is not resolved and will be reported on.

Part C

Management agrees with the finding the matter is not resolved and will be reported on.

The remaining misstatements are not individual material and will be aggregate with other misstatements.

55. ISS.88-EV CoAF 88 - Service Charges - Sewage & Sanitation - Incorrect tariffs billed

Audit finding

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Paragraph 17 of GRAP 1, Presentation of financial statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature

During the audit of revenue from sewerage and santitation, the following differences were identified.

ACCOUNT_ NO	SERVICE	Month billed	ACCOUNT_HOLDER	ACCOUNT_TYPE	CATEGORY	Amount charged	Tariff as per Tariff list	Difference
6000202	SEWERAGE	202008	THE CHURCH OF JESUS CHRIST OF LATTER-DAY	CHURCH	Church	126,79	68,6	-58,19
8000092	SEWERAGE	202106	HAYAGA VA	CRECHE	Individual	68,6	126,79	58,19
8000096	SEWERAGE	202106	THE GALATEA CHURCH OF CHRIST IN SA	CHURCH	Church	126,79	68,6	-58,19
8000025	SEWERAGE	202106	MOLEKO (JOHN) SJ	MUNICIPAL PROP	Individual	22,9	126,79	103,89
005T000001	SEWERAGE	202102	AME CHURCH	NONE	Church	126,79	68,6	-58,19
005T303927	SEWERAGE	202007	MPHATSE MP	BUSINESS	Individual	68,6	126,79	58,19

Cause
Management did not ensure that sewage and sanitation is charged on property according to the municipality's 2020/21 tariff list for services charges.

Impact
This will result in a projected understatement of revenue from exchange transactions, understatement of Output VAT payable and also understatement of receivables from exchange transactions.

Internal control deficiency
Financial and performance management
Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation

Management should investigate the whole population of revenue from sewerage charges and make necessary corrections.

Management should provide auditors with support where corrections are made or where management disagrees with the finding.

Management's response

ACCOUNT_NO	SERVICE	Month billed	ACCOUNT_HOLDER	ACCOUNT_TYPE	CATEGORY	Amount charged	Tariff as per Tariff list	Difference	Management response
6000202	SEWERAGE	202008	THE CHURCH OF JESUS CHRIST OF LATTER-DAY	CHURCH	Church	126,79	68,6	-58,19	Management agrees with the finding. An incorrect tariff for sewerage was used (linked) to these accounts.
8000092	SEWERAGE	202106	HAYAGA VA	CRECHE	Individual	68,6	126,79	58,19	
8000096	SEWERAGE	202106	THE GALATEA CHURCH OF CHRIST IN SA	CHURCH	Church	126,79	68,6	-58,19	
8000025	SEWERAGE	202106	MOLEKO (JOHN) SJ	MUNICIPAL PROP	Individual	22,9	126,79	103,89	
005T000001	SEWERAGE	202102	AME CHURCH	NONE	Church	126,79	68,6	-58,19	
005T303927	SEWERAGE	202007	MPHATSE MP	BUSINESS	Individual	68,6	126,79	58,19	

Date:

Auditor's conclusion
Management agrees with the finding therefore the finding remains.

56. ISS.89-(PARTIALLY RESOLVED) EV.3-CN CoAF 89 - Service Charges - Water - Occurrence

Audit finding
Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Paragraph 17 of GRAP 1, Presentation of financial statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

During the audit of revenue from water charges, the following concerns were identified:

A) The property address's as per billing report did not match the property address's as per valuation roll, therefore occurrence of these accounts could not be confirmed for the following accounts:

Information as per Billing Report						Information as per Valuation roll
ACCOUNT_NO	SERVICE	MONTH	AMOUNT	ACCOUNT_HOLDER	STREET_ADDRESS	PHYSICAL ADDRESS OF THE PROPERTY
5000062	WATER	202009	147,6	MANGANYI MP	26 BREDENKAMP STREET	DIAMANT STREET
6400451	WATER	202008	413,58	FS PUBLIC WORKS (WATER & ELECTRICITY)	1042 PHAHAMENG STREET	VAN DER POEL STREET
8000025	WATER	202012	27,14	MOLEKO (JOHN) SJ	3 EXTENTION 3STRAAT	3465 PHAHAMENG

B) The following properties are in the name of the municipality as per the valuation roll, however through inspection of the billing report for rentals charged on the property no rentals income was received on these properties. Furthermore the valuation roll was inspected to confirm the title deed registration for the property, and no title deed was registered to the property (Remarks: Vacant). Therefore we could not confirm occurrence of revenue billed for these properties:

Information as per Billing Report						Information as per Valuation roll		
ACCOUNT_NO	SERVICE	MONTH	AMOUNT	ACCOUNT_HOLDER	STREET_ADDRESS	REGISTERED OWNER	CATEGORY	REMARKS
005T101655	WATER	202103	37,34	FULL GOSPEL CHURCH OF GOD .	1785 TIKWANA STREET	TSWELOPELE LOCAL MUNICIPALITY	Community Facility	Vacant
005T304536	WATER	202103	37,34	MAPHISA TW	0 TIKWANA STREET	TSWELOPELE LOCAL MUNICIPALITY	Single Residential	Vacant
005T304538	WATER	202104	37,34	KHOTLE DS	0 TIKWANA STREET	TSWELOPELE LOCAL MUNICIPALITY	Single Residential	Vacant
005T304542	WATER	202105	37,34	MAGANO BS	0 TIKWANA STREET	TSWELOPELE LOCAL	Single Residential	Vacant

Information as per Billing Report						Information as per Valuation roll		
ACCOUNT_NO	SERVICE	MONTH	AMOUNT	ACCOUNT_HOLDER	STREET_ADDRESS	REGISTERED OWNER	CATEGORY	REMARKS
						MUNICIPALITY		

Cause
Management did not ensure that water is not charged on property that is owned by the municipality and where there is no occupancy by third parties. Management also did not ensure that water is charged to the correct property.

Impact
This will result in a material projected overstatement of revenue from exchange transactions, overstatement of the Output VAT payable, and overstatement of receivables from exchange transactions.

Internal control deficiency
Financial and performanc management
Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation
Management should investigate the whole population of revenue from water charges and make necessary corrections.

Management should investigate the matters reported and provide auditors with support where corrections are made or where management disagrees with the finding.

Management's response

Information as per Billing Report						Information as per Valuation roll	Management Comments
ACCOUNT_NO	SERVICE	MONTH	AMOUNT	ACCOUNT_HOLDER	STREET_ADDRESS	PHYSICAL ADDRESS OF THE PROPERTY	
5000062	WATER	202009	147,6	MANGANYI MP	26 BREDENKAMP STREET	DIAMANT STREET	The management agrees with the finding; The management is currently investigating
6400451	WATER	202008	413,58	FS PUBLIC WORKS (WATER & ELECTRICITY)	1042 PHAHAMENG STREET	VAN DER POEL STREET	

Information as per Billing Report						Information as per Valuation roll	Management Comments
ACCOUNT_NO	**SERVICE**	**MONTH**	**AMOUNT**	**ACCOUNT_HOLDER**	**STREET_ADDRESS**	**PHYSICAL ADDRESS OF THE PROPERTY**	
							all addresses where differences were identified between the System and Valuation Roll. The recommendation by the auditor is noted, the matters relating to the valuation roll was brought to the attention of property valuer recently appointed. As such, these errors will be avoided going forward.
8000025	WATER	202012	27,14	MOLEKO (JOHN) SJ	3 EXTENTION 3STRAAT	3465 PHAHAMENG	The management agrees with the finding; The property, 3465 Phahameng is located in the area that was previously known as Extention 3.

Information as per Billing Report						Information as per Valuation roll	Management Comments
ACCOUNT_NO	SERVICE	MONTH	AMOUNT	ACCOUNT_HOLDER	STREET_ADDRESS	PHYSICAL ADDRESS OF THE PROPERTY	
							The municipality is currently in a process of updating the system with the project that is currently conducted by Community Services. The process of updating these accounts started during 2021 FY. (Please see the updated account attached).

B)

Information as per Billing Report						Information as per Valuation roll			Management Comments
ACCOUNT_NO	SERVICE	MONTH	AMOUNT	ACCOUNT_HOLDER	STREET_ADDRESS	REGISTERED OWNER	CATEGORY	REMARKS	
005T101655	WATER	202103	37,34	FULL GOSPEL CHURCH OF GOD.	1785 TIKWANA STREET	TSWELOPELE LOCAL MUNICIPALITY	Community Facility	Vacant	Management does not agree with the finding; These Properties were
005T304536	WATER	202103	37,34	MAPHISA TW	0 TIKWANA STREET	TSWELOPELE LOCAL MUNICIPALITY	Single Residential	Vacant	

Information as per Billing Report						Information as per Valuation roll			Management Comments
ACCOUNT_NO	**SERVICE**	**MONTH**	**AMOUNT**	**ACCOUNT_HOLDER**	**STREET_ADDRESS**	**REGISTERED OWNER**	**CATEGORY**	**REMARKS**	
005T304538	WATER	202104	37,34	KHOTLE DS	0 TIKWANA STREET	TSWELOPELE LOCAL MUNICIPALITY	Single Residential	Vacant	purchased by the current occupiers (account holders per system names) and no rental is applicable. The properties still show Tswelopele (no title deed was registered) because the occupiers have not yet registered them with deeds office. In order to confirm occurrence of revenue billed, the municipality is currently conducting a
005T304542	WATER	202105	37,34	MAGANO BS	0 TIKWANA STREET	TSWELOPELE LOCAL MUNICIPALITY	Single Residential	Vacant	

Information as per Billing Report						Information as per Valuation roll			Management Comments
ACCOUNT_NO	SERVICE	MONTH	AMOUNT	ACCOUNT_HOLDER	STREET_ADDRESS	REGISTERED OWNER	CATEGORY	REMARKS	
									Door-to-Door project led by Community Services in order to keep a proper filing system with proof of ownership for each property within Tswelopele. This project kickstarted post completion of 2020 audit and progress to date was presented to the management of Auditor General on 30/09/2021 (refer to CoAF 47 of 2021 - on PY follow up).

Date:

Auditor's conclusion
Part A
Management response is acknowledged with regard to, the property address's as per billing report did not match the property address's as per valuation roll. The matter is remains as management agrees with the finding.

Part B

Management response is acknowledged however the matter was also raised in the prior year. We acknowledge the efforts of management doing a door to door but until the valuation roll is updated the matter will still remain.

57. ISS.91-EV (Partially Resolved) CoAF 91 - Service Charges - Water - Differences between the billing report and auditors recalculations

Audit finding
Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Paragraph 17 of GRAP 1, Presentation of financial statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature

1. During the audit of revenue from water, the following differences were identified between the billing report and auditors recalculations:

Information as per the billing report						**Auditor recalculation per tariff listing**	**Difference**
ACCOUNT_NO	**SERVICE**	**MONTH**	**ACCOUNT_HOLDER**	**ACCOUNT_TYPE**	**AMOUNT**		
5000017	WATER	202007	EARLE MC	RESIDENTIAL	110,70	147,60	- 36,90
5000018	WATER	202102	GELDENHUYS C J	RESIDENTIAL	1 334,55	1 371,45	- 36,90
5000062	WATER	202009	MANGANYI MP	RESIDENTIAL	147,60	184,50	- 36,90

Information as per the billing report						Auditor recalculation per tariff listing	Difference
ACCOUNT_NO	**SERVICE**	**MONTH**	**ACCOUNT_HOLDER**	**ACCOUNT_TYPE**	**AMOUNT**		
6000129	WATER	202104	BULTFONTEIN HOERSKOOL	GOVERNMENT	30 164,19	29 902,83	261,36
6000202	WATER	202011	THE CHURCH OF JESUS CHRIST OF LATTER-DAY	CHURCH	315,18	184,50	130,68
6400451	WATER	202008	FS PUBLIC WORKS (WATER & ELECTRICITY)	GOVERNMENT	413,58	99,82	313,76
6500465	WATER	202009	BULTFONTEIN WINGS & WHEELS	NONE	130,68	-	130,68
68000631	WATER	202106	MOTAUNG NJ & LMM	RESIDENTIAL	37,34	130,68	- 93,34
7404583	WATER	202010	THE NEW CHURCH OF SA	CHURCH	130,68	37,34	93,34
8000025	WATER	202012	MOLEKO (JOHN) SJ	MUNICIPAL PROP	27,14	130,68	- 103,54
8000092	WATER	202101	HAYAGA VA	CRECHE	37,34	130,68	- 93,34
					32 848,98	32 320,08	528,90

2. Differences identified between the billing report and account statement:

ACCOUNT_NO	SERVICE	MONTH	STREET_ADDRESS	ACCOUNT_TYPE	Amout per Billing report	Amount per account statement	Differences
68000631	WATER	202106	14 FONTEINSTRAAT	RESIDENTIAL	37,34	27,14	10,20

Cause
Management did not ensure that water is charged on property according to the municipality's 2020/21 tariff list for services charges.

Impact
This will result in a projected overstatement of revenue from water, Output VAT payable and receivables from exchange transactions.

Internal control deficiency

Financial and performance management
Management did not in all instances implement controls over daily and monthly processing and reconciling of transactions.

Recommendation
Management should ensure that sewer and sanitation is charged on property according to the municipality's tariff list.
Management should investigate the whole population of revenue from service charges and make necessary corrections.
Management should provide auditors with support where corrections are made or where management disagrees with the finding.

Management's response

Information as per the billing report						**Auditor recalculation per tariff listing**	**Difference**	**Management's response**
ACCOUNT_NO	**SERVICE**	**MONTH**	**ACCOUNT_HOLDER**	**ACCOUNT_TYPE**	**AMOUNT**			
5000017	WATER	202007	EARLE MC	RESIDENTIAL	110,70	147,60	- 36,90	Management disagrees. The difference in the first 6kilo liters of water that is free for residential households
5000018	WATER	202102	GELDENHUYS C J	RESIDENTIAL	1 334,55	1 371,45	- 36,90	Management disagrees. The difference in the first 6kilo liters of water that is free for residential households

Information as per the billing report						Auditor recalculation per tariff listing	Difference	Management's response
ACCOUNT_NO	**SERVICE**	**MONTH**	**ACCOUNT_HOLDER**	**ACCOUNT_TYPE**	**AMOUNT**			
5000062	WATER	202009	MANGANYI MP	RESIDENTIAL	147,60	184,50	- 36,90	Management disagrees. The difference in the first 6kilo liters of water that is free for residential households
6000129	WATER	202104	BULTFONTEIN HOERSKOOL	GOVERNMENT	30 164,19	29 902,83	261,36	Management disagree with the finding. The school has 3 water meters and is billed per meter. Therefor the levy of R130.68 was billed 3 times for all 3 water meters. The water meter numbers are as follows: - C-JHB4860 - JZN080 - JZN078.
6000202	WATER	202011	THE CHURCH OF JESUS	CHURCH	315,18	184,50	130,68	Management agrees

Information as per the billing report						Auditor recalculation per tariff listing	Difference	Management's response
ACCOUNT_NO	SERVICE	MONTH	ACCOUNT_HOLDER	ACCOUNT_TYPE	AMOUNT			
			CHRIST OF LATTER-DAY					with the finding. Please see the recalculated population for churches with CoAF 186
6400451	WATER	202008	FS PUBLIC WORKS (WATER & ELECTRICITY)	GOVERNMENT	413,58	99,82	313,76	Management Disagree with the finding. Departments do not fall under the Departmental tariff they fall under the Government bodies tariff as used for this calculation.
6500465	WATER	202009	BULTFONTEIN WINGS & WHEELS	NONE	130,68	-	130,68	Management disagrees with the finding. As per the approved tariff list of 2021, there is a fixed levy

Information as per the billing report						Auditor recalculation per tariff listing	Difference	Management's response
ACCOUNT_NO	SERVICE	MONTH	ACCOUNT_HOLDER	ACCOUNT_TYPE	AMOUNT			
								of 130.68 on the following categories : Businesses / Hotels / Hospitals / Prison / Schools / Government Bodies / Hostels
68000631	WATER	202106	MOTAUNG NJ & LMM	RESIDENTIAL	37,34	130,68	- 93,34	Management disagrees with the finding. A decision was taken in councilors resolution of 31 July 2019 that Tikwana and Phahameng will be billed on a flat rate Please find attached the councilors resolution rescinding that Phahameng and Tikwana must be billed on

Information as per the billing report						Auditor recalculation per tariff listing	Difference	Management's response
ACCOUNT_NO	**SERVICE**	**MONTH**	**ACCOUNT_HOLDER**	**ACCOUNT_TYPE**	**AMOUNT**			
								consumption based tarrifs.
7404583	WATER	202010	THE NEW CHURCH OF SA	CHURCH	130,68	37,34	93,34	Management agrees with the finding. Please see the recalculated population for churches with CoAF 186
8000025	WATER	202012	MOLEKO (JOHN) SJ	MUNICIPAL PROP	27,14	130,68	- 103,54	Management disagrees with the finding. The debtor was charged at the vacant erf tariff
8000092	WATER	202101	HAYAGA VA	CRECHE	37,34	130,68	- 93,34	Management disagrees with the finding. A decision was taken in councilors resolution of 31 July 2019 that Tikwana

Information as per the billing report						Auditor recalculation per tariff listing	Difference	Management's response
ACCOUNT_NO	SERVICE	MONTH	ACCOUNT_HOLDER	ACCOUNT_TYPE	AMOUNT			
								and Phahameng will be billed on a flat rate Please find attached the councilors resolution rescinding that Phahameng and Tikwana must be billed on consumption based tarrifs. Creches are billed as residential properties.
					32 848,98	32 320,08	528,90	

1. Differences identified between the billing report and account statement:

ACCOUNT_NO	SERVICE	MONTH	STREET_ADDRESS	ACCOUNT_TYPE	Amount per Billing report	Amount per account statement	Differences
68000631	WATER	202106	14 FONTEINSTRAAT	RESIDENTIAL	37,34	27,14	10,20

Management response

Management disagrees with the finding.

The following is an extract of the billing report, and the billing agrees with the statement of account

ACCOUNT_NO	SERVICE	202007	202008	202009	202010	202011	202012	202101	202102	202103	202104	202105	202106	TOTAL
68000631	MOTAUNG NJ & LMM	27.14	27.14	27.14	27.14	27.14	27.14	27.14	27.14	27.14	27.14	27.14	27.14	325.68

Date:

Auditor’s conclusion

Management response is acknowledged however; through inspection of the tariff policy, it states that: domestic water consumers registered as indigents with the municipality shall receive free the first 6 (six) kl of water consumed per month

The individuals listed below were not found on the indigent register therefore the finding remains.

Information as per the billing report						Auditor recalculation per tariff listing	Difference	Management’s response
ACCOUNT_NO	**SERVICE**	**MONTH**	**ACCOUNT_HOLDER**	**ACCOUNT_TYPE**	**AMOUNT**			
5000017	WATER	202007	EARLE MC	RESIDENTIAL	110,70	147,60	-36,90	Management disagrees. The difference in the first 6kilo liters of water that is free for residential households
5000018	WATER	202102	GELDENHUYS C J	RESIDENTIAL	1 334,55	1 371,45	-36,90	Management disagrees. The difference in the first 6kilo liters of water that is free for residential households

Information as per the billing report						Auditor recalculation per tariff listing	Difference	Management's response
ACCOUNT_NO	SERVICE	MONTH	ACCOUNT_HOLDER	ACCOUNT_TYPE	AMOUNT			
5000062	WATER	202009	MANGANYI MP	RESIDENTIAL	147,60	184,50	-36,90	Management disagrees. The difference in the first 6kilo liters of water that is free for residential households

6000129 - Management response is acknowledged, the R130.68 was used for 3 meters and totaled to R392.04. The amount does not agree to the difference. The matter remains and will be reported on

6000202 – Management agrees with the finding and the matter will be reported on

6400451- Management response is acknowledged and the matter has been resolved

6500465 – Management response is acknowledged and the matter has been resolved

68000631 – Management response is acknowledged and the matter has been resolved

7404583 – Management agrees with the finding and the matter will be reported on

8000025 – Management response is acknowledged and the matter has been resolved

8000092 - Management response is acknowledged and the matter has been resolved

2.Differences identified between the billing report and account statement:

Management response is acknowledged and the matter has been resolved

58. ISS.93-EV (Partially Resolved) CoAF 93 - Service Charges - Electricity – Occurrence properties not valuation roll

Audit finding

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Paragraph 17 of GRAP 1, Presentation of financial statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

During the audit of revenue from electricity service charges, the following were identified:
1) The following properties could not be traced to the valuation roll

Information as per account statement				
No	**Account no.**	**Date**	**Name**	**Erf no.**
1	6000162	31-Mar-21	HUIS CARPE DIEM	07001- 000000418- 000000-0000
2	50001897	31-Oct-20	HOOPSTAD BUITEKLUB (MUNISIPALITEIT)	17003- 0000ITEKL- 000UB0-0000

2) The property address's as per billing report did not match the property address's as per valuation roll, therefore occurrence of these accounts could not be confirmed for the following accounts:

Information as per the Billing Report						**Valuation Roll**
No	**ACCOUNT NO**	**Month Billed**	**Amount**	**ACCOUNT HOLDER**	**STREET ADDRESS**	**PHYSICAL ADDRESS OF THE PROPERTY**
1	50000121	202012	1 220,32	HOOPSTAD GEMEENSKAP KORREKSIES	11 HOOFDSTRAAT	RYNEVELD STREET
2	50000216	202106	- 23 028,29	SWART GIH	19 JAPHETSTRAAT	LE REY STREET

Cause
Management did not ensure that electricity is charged to the correct property.

Impact
This will result in projected overstatement of revenue from exchange transactions, overstatement of the Output VAT payable, and overstatement of receivables from exchange transactions.

Internal control deficiency
Financial and performance management

Management did not in all instances implement controls over daily and monthly processing and reconciling of transactions.

Recommendation
Management should investigate the whole population of revenue from electricity charges and make necessary corrections.

Management should investigate the matters reported and provide auditors with support where corrections are made or where management disagrees with the finding.

Management's response
Management response

1. The following properties could not be traced to the valuation roll:

Management does not agree with the finding due to the following:

6000162 - Erf 418: Huis Carpe Diem is the occupier of the property. The property (Bultfontein Hostel) is built on ten sites (417 to 426) which are consolidated to erf 1159 and 1160. The property can be traced to the valuation report. Please see the attached documents and extract of the valuation roll.

50001897 – Buiteklub is renting part of Kameeldoring 35 and has contract with Municipality. This property can be found on the valuation roll. Please see the attached extract of the valuation roll. (Extract 35 part 62)

2) The property address's as per billing report did not match the property address's as per valuation roll, therefore occurrence of these accounts could not be confirmed for the following accounts
Management does not agree with the finding due to the following:

50000121 – The property is on the corner of Hoofd & Ryneveld Street.
50000216 - The property is on the corner of Lerey & Japhet Street.

Name: Thabiso Matyesini
Position: CFO
Date: 10/11/2021

Auditor's conclusion
The auditors has taken management's response into consideration and performed additional testing. The results were as follows:

6000162 – Property could be traced to valuation roll, however address as per valuation roll could did not agree to the address as per billing report. The auditors however could manage to physically inspect the meter. Issue remains and will be reported on as an Internal control finding.

50001897 – Property still could not be traced to the valuation roll with the guidance of management's response and supporting documentation. The auditors however managed to physically inspect the meter. Issue remains ad will be reported on as an Internal control finding.

50000121 – Was confirmed that the property is on the corner of Hoofd & Ryneveld Street through inspection of supporting documentation provided and physical site inspection. Issue resolved.

50000216 - Was confirmed that property is on the corner of Lerey & Japhet Street through inspection of supporting documentation provided and physical site inspection. Issue resolved.

The finding is therefore partially resolved.

59. ISS.100-EV CoAF 100 - Service Charges - Refuse Removal - Incorrect tariffs billed

Audit finding

Section 62(1)(b) of MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Paragraph 17 of GRAP 1, Presentation of financial statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature

During the audit of revenue from refuse removal, the following differences were identified:

Information as per Billing Report						
ACCOUNT_NO	**SERVICE**	**MONTH**	**ACCOUNT_HOLDER**	**AMOUNT**	**Tariff as per Tariff list**	**Difference**
7202547	REFUSE	202105	LITSHIBANE (REBECC P R	47,27	236,68	- 189,41
8000092	REFUSE	202105	HAYAGA VA	47,27	236,68	- 189,41
6200329	REFUSE	202011	TFMC PTY LTD (BULTFONTEIN))	236,68	95,25	141,43
8000082	REFUSE	202011	AHANANG GENERAL DEALER	839,09	791,11	47,98
7000939	REFUSE	202007	NTEPE JM	95,25	47,27	47,98
8000036	REFUSE	202007	VUKA EARLY CHILDHOOD DEVELOPMENT CENTRE	95,25	236,68	- 141,43

Cause
Management did not ensure that refuse removal is charged on property according to the municipality's 2020/21 tariff list for service charges.

Impact
This will result in a projected understatement of revenue from refuse removal, understatement of output VAT payable and receivables from exchange transactions.

Internal control deficiency
Financial and performance management
Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation
Management should investigate the whole population of revenue from refuse removal and make necessary corrections.

Management should provide auditors with support where corrections are made or where management disagrees with the finding.

Management's response

Information as per Billing Report							
ACCOUNT NO	**SERVICE**	**MONTH**	**ACCOUNT HOLDER**	**AMOUNT**	**Tariff as per Tariff list**	**Difference**	**Management response**
7202547	REFUSE	202105	LITSHIBANE (REBECC P R	47,27	236,68	- 189,41	Management agrees with the finding. An incorrect tariff for Refuse was used (linked) to these accounts.

Date:

Auditor's conclusion
Management agrees with the finding and the matter remains.

60. ISS.109-EV(Partially resolved) CoAF 109 - Service Charges - Refuse removal - Completeness

Audit finding
Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.
Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of

the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.
Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature
1. The following properties from the valuation roll could not be traced to the billing report.

Unit/ Erf	Owner	CATEGORY	ADDRESS	TOWN	MARKET VALUE
8	NEDERDUITSE GEREFORMEERDE KERK-HOOPSTAD	Church offices	MULLER STREET	HOOPSTAD	560 000,00
13 Prtn 1	HAVENGA EVELYN	Business	VAN ZYL STREET	HOOPSTAD	850 000,00
17	Tswelopele local municipality	Private Open Space	17 PHAHAMENG	Phahameng	70 000,00
712	F.I Viviers	General Industrial	JOUBERTS STREET	Bultfontein	45 000,00

2. The address as per valuation roll did not match the address as per billing report for the following properties.

Information as per valuation roll					Information as per billing report					
Unit /Erf	Owner	CATEGORY	ADDRESS	TOWN	ACCOUNT_NO	SERVICE	ACCOUNT_HOLDER	ERF_EXTENTION	ERF_LOT_NUMBER	STREET_ADDRESS
82	Nafie Beleggings cc.	Business	KERK STREET	Bultfontein	6000043	REFUSE	NAFIE BELEGGINGS BEP	7001	82	6 BOSMANSTRAAT

Cause
This is due to lack of proper review and record keeping to ensure that all properties as per valuation roll are correctly captured and billed on the system.

Impact
This will result in a projected understatement of revenue from refuse removal, output VAT payable and receivables from exchange transactions.

Internal control deficiency
Financial and performance management
Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation

Management should review the properties located in its jurisdiction and ensure that all relevant rates and services are billed.
It is essential for the financial sustainability of the municipality to ensure that all possible revenue is generated and recovered.
Management should investigate the whole population of revenue from the refuse removal and make necessary corrections.

Management should provide auditors with support where corrections are made or where management disagrees with the finding.

Management's response
1. The following properties from the valuation roll could not be traced to the billing report:

1.1) NEDERDUITSE GEREFORMEERDE KERK-HOOPSTAD – Management does not agree with the finding. This property is linked to account no. 50000034 which can be found in the billing report. This church properties are built on four sites (5, 6, 7 & 8) and refuse billed on erf 7.
1.2) HAVENGA EVELYN – Management does not agree with the finding. This property is linked to account no. 50000036 which can be found in the billing report. This is one property built on three portions and refuse is billed on Portion 2 of erf 13.
1.3) Tswelopele local municipality - Management does not agree with the finding. This property is linked to account no. 1 which can be found in the billing report. This is a municipality property and is vacant, therefore there is no refuse billed on the property.
1.4) F.I Viviers – Management does not agree with the finding. This property is linked to account no. 6800605 which can be found in the billing report. Furthermore, this is a vacant site and therefore there is no refuse billed on vacant sites.

2. The address as per valuation roll did not match the address as per billing report for the following properties:

2.1) Nafie Beleggings cc – Management does not agree with the finding. The address on the valuation roll and billing report are both correct as the property is situated at the corner of Kerk and Bosman Street. And the owner prefers to use Bosman Street as proof of address, hence the use of Bosman Street on the billing report.

Name: Thabiso Matyesini
Position: CFO
Date: 21/10/2021

Auditor's conclusion
Management response is acknowledged and the auditor's response is as follows:
1.1) NEDERDUITSE GEREFORMEERDE KERK-HOOPSTAD
Account 50000034 was used to confirm if the property was billed refuse, however using the billing report it could not be confirmed. The finding remains

1.2) HAVENGA EVELYN

Account 50000036 was used to confirm if the property was billed refuse, however using the billing report it could not be confirmed. The finding remains

1.3) Tswelopele local municipality

Account 1 was found to be in the name of the municipality and the municipality does not bill itself therefore the finding is resolved

1.4) F.I Viviers

Account 6800605 was used to confirm if the property was billed refuse, however using the billing report it could not be confirmed. The finding remains
Management response is acknowledged and the auditor's response is as follows:

2.1) Nafie Beleggings cc

No additional support was provided for the owner's preference on which street address should be used therefore the finding remains. However, will be reported as internal control matted

61. ISS.156-EV CoAF 156 - Revenue: compliance with MFMA requirements

Audit finding
MFMA section 64(2)(e) states that the municipality must have and maintain a management, accounting and information system which —

- recognises revenue when it is earned;
- accounts for debtors;
- and accounts for receipts of revenue.

MFMA section 64(2)(f) states that the accounting officer must take all reasonable step to ensure that that the municipality has and maintains a system of internal control in respect of debtors and revenue, as may be prescribed;
Through inspection of the business process and work performed on revenue it was noted that the municipality uses the Munsoft system for revenue management. Monthly meter readings are also performed for monitoring. It was also noted that monthly statements are issued to users of municipal services for raising receivables.

However, material findings were identified from the audit work done on service charges for the recording and recognition of revenue, as well as receivables.

The below mentioned findings were raised.

- CoAF 36 - Receivables: Differences between GL, Aging & Receivables
- CoAF 51 - Revenue: Limitation of scope (RFI47) relating to PY follow-up
- CoAF 77 - Property rates - Negative billing
- CoAF 88 - Service Charges - Sewage & Sanitation - Incorrect tariffs billed

- CoAF 89 - Service Charges - Water - Occurrence
- CoAF 91 - Service Charges - Water - Differences between the billing report and auditors recalculations
- CoAF 94 - Service Charges - Electricity - Completeness
- CoAF 100 - Service Charges - Refuse Removal - Incorrect tariffs billed
- CoAF 101 - Service Charges - Refuse Removal - Occurence
- CoAF 109 - Service Charges - Refuse removal - Completeness
- CoAF 133 - Receivables: Properties not billed accurate due to incorrect category type
- CoAF 135 - Receivables: Incorrect debtor amount recorded in the aging
- CoAF 136 - Receivables: Incorrect gross other debtor amount recorded in the aging
- CoAF 142 - Receivables: Existence of water receivables
- CoAF 159 - Receivables: Properties not linked/ billed for some services
- CoAF 186 - Service charges: Incorrect account type on billing report
- CoAF 200 - Receivables from exhange transactions: Accounts not considered for impairment

Cause
These matters resulted due to internal controls not being adequately established and implemented by management.

Impact
Non-compliance with section 64(2)(e)(f) of MFMA.

Internal control deficiency
Financial and performance management
Management did not in all instances review and monitor compliance with applicable laws and regulations.

Recommendation
Management should ensure the controls are adequately designed and implemented to comply with applicable laws and regulations.

Management's response
Management does not agree with the audit finding;

Material findings were identified from the audit work done on service charges by the auditors. Management responded to all the material findings and where necessary the support was provided in order to resolve the findings accordingly.

Name: Thabiso Matyesini

Position: CFO
Date: 12/11/2021

Auditor's conclusion
Management comment is noted. The finding will remain as some of the material findings on revenue and receivables still remain unresolved.

62. ISS.161-EV CoAF 161 - Property rates - Difference between billing report and indigent register

Audit finding
Section 62(1)(b) of MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Paragraph 17 of GRAP 1, Presentation of financial statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature
Account number 7000721 was not billed for property rates as per the billing report with the reason of "Indigent" listed on the report. The owner of property to which the account relate, is indicated on the billing report as "JI Lentsoe", however on inspection of the indigent register it was confirmed that the account was linked to "MK Dasheka" and not "JI Lentsoe".

Cause
The matter occurred due to insufficient control and review over the indigent register and billing report to ensure these reports agree to one another.

Impact
Property rates could be understated due to residents who are not the registed owners of a property registering as an indigent and linked to a certain account number and the actual owner of the property then not being billed even though they do not qualify as indigent.
This will also result in the understatement of receivables from non-exchange transactions.

Internal control deficiency
Financial and performance management

Management 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.

Recommendation
Management should ensure that when a resident registers as an indigent, that resident is linked to the correct account number and that that individual is the registered owner of the property.

Management's response
Management does not agree with the finding;
The property with account number 7000721 belongs to JI Lentsoe, however the owner passed away in 2014 (refer to copy of death certificate attached). The property is currently under the responsibility of MK Dasheka. A copy of application form is attached together with Affidavit.

Date:

Auditor's conclusion
Management's response is noted, however the issue will be reported as an internal control deficiency, as the billing report is not updated for changes in registered owners. Even though the original owner passed away and the new owner was registered as an indigent, the billing report was not updated with the details of the new owner. The finding is therefore reported as internal control deficiency.

63. ISS.174-EV CoAF 174 - Service Charges - Indigents - control deficiencies

Audit finding
Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Paragraph 17 of GRAP 1, Presentation of financial statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature
During the audit of indigents, the following deficiencies were identified:

1. ID number as per affidavit does not agree with ID number as per Indigent Register:

Information as per Indigent Register				Information as per Affidavit
INITIALS AND SURNAME	**ERF**	**IDENTITY NR**	**ACCOUNT NR**	**ID number**
K TSHUKUDU	17004-000003556-000000-0000	6505175808087	005T304263	6505175808080
NS NQAI	17004-000003562-000000-0000	5808310246086	005T304273	5808310246088
NJ WITTES	17004-000002529-000000-0000	6712060259	005T202614	6712060259086
KJ MOHOLO	17004-000002656-000000-0000	7511090933	005T202772	7511090933085
PM MAGANO	17004-000002904-000000-0000	7512220769	005T203069	7512220769084
TD TAMANE	17004-000003158-000000-0000	5405255598	005T303481	5405255598084

2. Name of indigent as per affidavit does not agree with name of indigent as per Indigent Register:

Information as per Indigent Register				Information as per Affidavit
INITIALS AND SURNAME	**ERF**	**IDENTITY NR**	**ACCOUNT NR**	**Name**
TD TAMANE	17004-000003158-000000-0000	5405255598	005T303481	TD THAMAE

3. Name of indigent as per ID document does not agree with name of indigent as per Indigent Register:

Information as per Indigent Register				Information as per ID document
INITIALS AND SURNAME	**ERF**	**IDENTITY NR**	**ACCOUNT NR**	**Name**
TD TAMANE	17004-000003158-000000-0000	5405255598	005T303481	TD THAMAE

4. ID number as per ID Document does not agree with ID number as per Indigent Register:

Information as per Indigent Register				Information as per ID
INITIALS AND SURNAME	**ERF**	**IDENTITY NR**	**ACCOUNT NR**	**ID number**
K TSHUKUDU	17004-000003556-000000-0000	6505175808087	005T304263	6505175808080
NS NQAI	17004-000003562-000000-0000	5808310246086	005T304273	5808310246088
SM MASEKOA	17004-000000334-000000-0000	5405140639	005T000379	5405140639085
NJ WITTES	17004-000002529-000000-0000	6712060259	005T202614	6712060259086
KJ MOHOLO	17004-000002656-000000-0000	7511090933	005T202772	7511090933085

Information as per Indigent Register				Information as per ID
INITIALS AND SURNAME	ERF	IDENTITY NR	ACCOUNT NR	ID number
PM MAGANO	17004-000002904-000000-0000	7512220769	005T203069	7512220769084
TD TAMANE	17004-000003158-000000-0000	5405255598	005T303481	5405255598084

5. The following indigents as per the indigent register could not be traced to the billing report:

Information as per Indigent Register			
INITIALS AND SURNAME	ERF	IDENTITY NR	ACCOUNT NR
MM LIHLONGWANE	5543	6910102875089	
RN KOTOLA	5823	8812121661086	
MJ NTSAWANA	6104	7301026781083	
NA KEKETSI	6112	8201281044087	

6. Name of indigent as per billing report does not agree with name of indigent as per Indigent Register:

Information as per Indigent Register				Information as per Billing Report
INITIALS AND SURNAME	ERF	IDENTITY NR	ACCOUNT NR	Name
TD TAMANE	17004-000003158-000000-0000	5405255598	005T303481	TD THAMAE

Cause
Management did not ensure that consumer information is correct and consistent for billing purposes..

Impact
This will result in a internal control deficiencies regarding management of indigents.

Internal control deficiency
Financial and performance management
Management did not in all instances implement controls over daily and monthly processing and reconciling of transactions.

Recommendation
Management should implement proper controls on monitoring of indigents.

Management's response
Management agrees with the finding. Management will implement recommendations going forward.

Name: Thabiso Matyesini
Position: CFO
Date: 11/11/2021

Auditor's conclusion

Management's response has been noted. The finding remains and will be reported as an internal control deficiency.

64. ISS.175-EV CoAF 175 - Rental of facilities and equipment: Internal control deficiency

Audit finding
Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Nature
During the audit of rental of facilities and equipment, the following control deficiency was identified:

A) Journals captured and authorised by for review by same official (JNL 950)

Cause
This was due to a lack of implementation of controls by management to confirm that all documents are signed correctly and fully.

Impact
This will result in a weak internal control environment that might result in revenue for the respective departments to not be accurately determined and reported.

Internal control deficiency
Leadership
Management did not in all instances exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation
Management should ensure that controls identified are established and correctly and sufficiently implemented.

Should management agree with the findings, please indicate the reason for these control deficiencies and the steps that will be taken to rectify these matters.

Management's response
Management agrees with the finding;

The auditor's recommendation noted and will be implemented accordingly.

Date:

Auditor's conclusion
Management agree with the finding, control deficiency will be reported.

65. ISS.176-EV CoAF 176 - Rental of facilities and equipment (Completeness) - Amount due to municipality could not be confirmed

Audit finding

Section 15(1)(a) of Public Audit Act states the following when performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee.

Section 74(1) of the MFMA states the following:
The accounting officer of a municipality must submit to the National Treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.

Paragraph 46 bullet 5 of the signed engagement letter state "In terms of section 15(2)(b) of the PAA and in order to comply with applicable legislated auditing and tabling deadlines in the MFMA, as well as to allow adequate time for conducting the audit in accordance with the relevant auditing standards the municipality should adhere to the following:

All documentation and information in support of the financial statements, the annual performance report and compliance with legislation must be available on request and be retrievable within a reasonable time. This documentation and information is also relevant to disclosures in the financial statements and could include information outside the general and subsidiary ledgers. If this information is not provided in the time agreed, it will be regarded as a limitation on the audit which could result in a modification of the audit opinion".

Nature
During the audit of revenue from rental facilities and equipment, and through discussion with management it could be confirmed that the following property is rented out to Ipandele Group. However, there was not rent charged on the billing report and the lease agreement was not made available to confirm rental amount due to the municipality.

Information per investment property register					**Information per billing report**	
SG_code	**suburb**	**Accounting group**	**Asset category**	**Asset group type**	**ACCOUNT NO**	**ACCOUNT HOLDER**
F0170002000 0075400000	Hoopst ad	Investment Property	Land and Buildings	Municipal Building	5T000888	IPANDELE GROUP

Cause
This is due to management not providing the requested information for audit purposes within the required timeframe.

Impact
This may result in the understatement of Rental of facilities and equipment revenue, and Receivables - other with an unknown amount.

Internal control deficiency

Financial and performance management

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation
Management should investigate the whole population of revenue from rental of facilities and equipment and make necessary corrections.

Management should provide auditors with support where corrections are made or where management disagrees with the finding.

Management's response
Management does not agree with the finding;
The rental agreement is here attached to this response.

Name: Thabiso Matyesini
Position: CFO
Date: 08/11/2021

Auditor's conclusion
We inspected the lease agreement for property 754, it was confirmed that the rental payable was zero rand. Therefore, we agree that the amount does not need to appear on the billing report for rent.

It was however noted that stated in the contract were conditions which indicated possible control deficiencies in contracts:
- There was no indication that the municipal manager is representing the Tswelopele Local Municipality in signing the lease agreement
- The contract initially states that the property is leased for the purpose of orphanage for vulnerable children and sewing, however later it was indicated that it was exclusively for the purpose of Tuck Shop.
- The Lessee can sell the property at any time
- The rental payment being made is to be made into DR Motsoeneng's bank account instead of the municipalities account
- The insurance over the buildings and property is the responsibility of the Lessor, where in the normal contracts it's the responsibility of the Lessee.

Therefore, the finding is partially resolved.

66. ISS.180-EV CoAF 180 - Service charges - Indigents approved without required supporting documents

Audit finding
Section 62(1)(b) of MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year;

Paragraph 17 of GRAP 1, Presentation of Financial Statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature
During the audit of indigents, the following deficiencies were identified:

1. Affidavit of the below indigent was not submitted with application forms:

Nr.	INITIALS AND SURNAME	ERF	IDENTITY NR	ACCOUNT NR
13	SM MASEKOA	17004-000000334-000000-0000	5405140639	005T000379

Cause
Management did not implement controls to ensure that all indigents applications are supported by required documents for approval.

Impact
This will result in a projected understatement of revenue from service charges, output VAT payable and receivables from exchange transactions.

Internal control deficiency
Financial and performance management:
Management did not in all instances prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation
Management should ensure that the properties are billed according to the approved tariff.
Management should investigate the whole population of revenue from service charges and make necessary corrections.

Management's response
Management disagree with the finding

Please find attached the indigent application including the affidavid.
Name: Thabiso Matyesini
Position: CFO
Date: 10/11/2021

Auditor's conclusion

The auditor has taken managements response into consideration. Through the inspection of supporting documentation supplied by management, it was noted that the ID nr as per Indigent register does not match the ID nr as per Indigent affidavit. The finding is therefore not resolved, but changed from a misstatement finding to an internal control deficiency finding.

67. ISS.186-EV CoAF 186 - Service charges: Incorrect account type on billing report

Audit finding

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Paragraph 17 of GRAP 1, Presentation of financial statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature:

During the physical verification of meters it was noted that the following church was billed as a business.

Information as per Physical Verification			Information as per Billing Report			
No	**Type**	**Street Address**	**STREET ADDRESS**	**ACCOUNT NO**	**SERVICE**	**ACCOUNT TYPE**
1	Church	39 STOFBERGSTRAAT	39 STOFBERGSTRAAT	6000243	ALL SERVICES	BUSINESS

Cause

Management did not ensure that all services are charged on property according to the municipality's 2020/21 tariff list for services charges.

Impact:

This will result in a projected overstatement of revenue from service charges, VAT output and receivables from exchange transaction

Internal control deficiency

Financial and performance management

Management did not in all instances implement controls over daily and monthly processing and reconciling of transactions.

Recommendation

Management should ensure that service charges are charged on property according to the municipality's tariff list.
Management should investigate the whole population of revenue from service charges and make necessary corrections.
Management should provide auditors with support where corrections are made or where management disagrees with the finding.

Management's response
Management agrees with the finding. Management went to revisit the church population and calculated the factual overstatement of R76 214.87.Please find attached workings.
Date:

Auditor's conclusion
Management agrees with the finding remains and will be reported on. Management should further investigate the entire population to ensure that all properties are recorded accurately on the billing report.

68. ISS.194-EV CoAF 194 - Service charges: Limitation of scope RFI 157

Audit finding
Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Nature
The following information was requested as per RFI 157 of 2021 on 22 October 2021 (due date 26 October 2021), however was not submitted at the date of this communication:

Information requested

Please provide us with the detailed list of all accounts (electricity and water) where estimates were used during the financial year ended 30 June 2021.

Cause
These matters resulted due to internal controls not being adequately established and implemented by management.

Impact
This results in a scope limitation for service charges.

Internal control deficiency
Financial and performance management
Management 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.
Recommendation

Management should ensure that information is readily available and that information is submitted for audit purposes.

Management's response
Management agrees with the finding and submission was made.

Date:

Auditor's conclusion
Management response is acknowledged and was assessed as follows:

A recalculation of the June estimates for electricity and water was performed and reasonable assurance could not be obtained for the accuracy of estimates. A factual misstatement was identified as follows

Service	Type of disagreement	Amount
Water	Factual difference	15 685,13
Electricity	Factual difference	113 615,72
		129 300,85

69. ISS.220-EV CoAF 220 - Service charges : Completeness of water

Audit finding
Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature
During the physical verification of meters the following meter could not be traced back to the billing report using the ERF number and street number:

Information as per Physical Verification				Information as per Billing Report		
No	Type	Street Address	Suburb	STREET_ADDRESS	SERVICE	ACCOUNT_TYPE
1	Church	24 Van Zyl	Hoopstad	Could not be traced to billing report through use of of erf number or street address		

Cause
Management did not review the billing report to ensure that the properties within the municipal area are billed.

Impact
This will result in a projected understatement of revenue from service charges, output VAT payable and receivables from exchange transactions.

Internal control deficiency
Financial and performance management
Management did not in all instances implement controls over daily and monthly processing and reconciling of transactions.

Recommendation
Management should review the properties located in its jurisdiction and ensure that all relevant rates and services are billed.
It is essential for the financial sustainability of the municipality to ensure that all possible revenue is generated and recovered.
Management should investigate the whole population of revenue from service charges and make necessary corrections.

Management's response
Management does not agree with the finding. The church is on the corner of van Zyl and Buiten Street and is erf 99;100 and 691 and the related accounts to the property that can be traced back to the billing report are 50000227; 50000230; 50000231 & 50102190.

Name: Thabiso Matyesini
Position: CFO
Date: 10/11/2021

Auditor's conclusion
The auditors have taken management's response in to consideration and performed additional testing.
Through additional testing performed it was noted that the church was classified as business on the billing report. This resulting in over billing by the basic charge on businesses. The finding will remain and be aggregated with other misstatements.

70. ISS.221-EV (Partially Resolved) CoAF 221 - Service charges : Completeness of Sewerage

Audit finding
Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all

reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature
The following properties obtained through physical verification could not be traced to the billing report.

Information as per physical verification				**Information as per billing report**		
No	**Type**	**Street Address**	**Suburb**	**STREET_ADDRESS**	**SERVICE**	**ACCOUNT_TYPE**
1	Church	24 Van Zyl	Hoopstad	Could not be traced to billing report through use of Street Address		
2	Business	14 PRESIDENT SWARTSTRAAT	Bultfontein			

Cause
Management did not review the billing report to ensure that the properties located in its jurisdiction are billed for all services provided .

Impact
This will result in a projected understatement of revenue from service charges, output VAT payable and receivables from exchange transactions.

Internal control deficiency
Financial and performance management
Management did not in all instances implement controls over daily and monthly processing and reconciling of transactions.

Recommendation
Management should review the properties located in its jurisdiction and ensure that all relevant rates and services are billed.
It is essential for the financial sustainability of the municipality to ensure that all possible revenue is generated and recovered.
Management should investigate the whole population of revenue from the refuse removal and make necessary corrections.

Management's response

24 Van Zyl:

Management does not agree with the finding. The church is on the corner of van Zyl and Buiten Street and is erf 99;100 and 691 and the related accounts to the property that can be traced back to the billing report are 50000227; 50000230; 50000231 & 50102190.

14 President Swart Street

Management does not agree with the finding.14 President Swart Street is erf 1048 with two properties OK Foods & Puma Garage situated at the corner of President Swart, Fontein & Diamant Streets. The related account numbers are as follows: 6000271; 6000273 & 6000358 and can be traced back to the billing report.

Name: Thabiso Matyesini
Position: CFO
Date: 10/11/2021

Auditor's conclusion

The auditor could trace the property to the billing report, however it was noted a church was billed as a business, therefor revenue is overstated.

The issue is therefore partialy resolved.

71. ISS.223-EV CoAF 223 - Service charges: church billed as indigent (Sewerage)

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature

During the audit of service charges it was identified that the following church was billed as indigent:

Physical verification			Billing report		
No	Type	Street Address	STREET ADDRESS	SERVICE	ACCOUNT TYPE
1	Church	384 TIKWANA STREET	384 TIKWANA STREET	SEWERAGE	INDIGENTS

Cause
Management did not review the billing report to ensure that properties are billed according to the approved tariffs.

Impact
This will result in a projected understatement of revenue from service charges, output VAT payable and receivables from exchange transactions.

Internal control deficiency
Financial and performance management
Management did not in all instances implement controls over daily and monthly processing and reconciling of transactions.

Recommendation
Management should ensure that the properties are billed according to the approved tariff.
Management should investigate the whole population of revenue from service charges and make necessary corrections.
Management should provide auditors with support where corrections are made or where management disagrees with the finding.

Management's response
Management disagrees that the property is a church

The property was verified by Susan Phumo on the 03rd November 2021 & declared that it is residential that is why the application for indigent was approved.
The Property is registered in the name of KA Moshoeshoe. Management is not sure on what property AGSA identified the church as Erf no 384 in Tikwana is a residential property. In accordance with the 2017 valuation roll and 2021 supplementary valuation roll this property is also indicated as a dwelling. KA Moshoeshoe applied for indigency and it was approved for plot 384. Please find the indigent application attached.

Name: T Matyesini
Position: CFO
Date: 10/11/2021

Auditor's conclusion
Management response is acknowledged and the auditor's response is as follows:

Through the physical visits which were performed with the municipality official a church was verified and the address which was obtained from the official.

Through discussion held with management it was confirmed that there is a Church close to the ERF 384. We request that we be provided with the correct ERF number for the finding to be resolved.

72. ISS.224-EV (Partially Resolved) CoAF 224 - Service charges: Completeness of refuse

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature

The following properties obtained through physical verification could not be traced to the billing report for refuse:

Information as per Physical Verification				**Information as per Billing Report**		
No	**Type**	**Street Address**	**Suburb**	**STREET_ADDRESS**	**SERVICE**	**ACCOUNT_TYPE**
1	Church	24 Van Zyl	Hoopstad	Could not be traced to billing report through use of Street Address		
2	Business	14 PRESIDENT SWARTSTRAAT	Bultfontein			

Cause

Management did not review the billing report to ensure that the properties located in its jurisdiction are billed for all services provided .

Impact

This will result in a projected understatement of revenue from refuse removal, output VAT payable and receivables from exchange transactions with an amount that is not individually material, but might be material when aggregated with other misstatements.

Internal control deficiency

Financial and performance management

Management did not in all instances implement controls over daily and monthly processing and reconciling of transactions.

Recommendation

Management should review the properties located in its jurisdiction and ensure that all relevant rates and services are billed.

It is essential for the financial sustainability of the municipality to ensure that all possible revenue is generated and recovered.
Management should investigate the whole population of revenue from the refuse removal and make necessary corrections.

Management's response
24 Van Zyl:

Management does not agree with the finding. The church is on the corner of van Zyl and Buiten Street and is erf 99;100 and 691 and the related accounts to the property that can be traced back to the billing report are 50000227; 50000230; 50000231 & 50102190.

14 President Swart Street

Management does not agree with the finding.14 President Swart Street is erf 1048 with two properties OK Foods & Puma Garage situated at the corner of President Swart, Fontein & Diamant Streets. The related account numbers are as follows: 6000271; 6000273 & 6000358 and can be traced back to the billing report.

Date:

Auditor's conclusion
24 Van Zyl:

50000227 - Through inspection of the billing report the account category was found to be a business and not a church, however refuse was billed on the account

50000230 - Through inspection of the billing report the account category was found to be a business and not a church, however refuse was billed on the account

50000231- Through inspection of the billing report the account category was found to be a business and not a church

50102190 - Through inspection of the billing report the account category was found to be a resident and not a church

Based on the above assessment the finding will now we recorded as an internal control finding based on the church being classified as a business and a resident for the different accounts.

14 President Swart Street

6000271 – Through inspection of billing report the account was found but there was no billing of refuse

6000273 - Through inspection of billing report the account was found but there was no billing of refuse

6000358 - Through inspection of billing report the account was found but there was the name of the account BDP ASSIST TWENTY-FIVE (PTY) LTD and not OKB MOTORS as per there previous two accounts. Based on the information captured on the billing report this account it seems as if the account belongs OK foods.

Based on the above the finding is not resolved.

73. ISS.225-EV CoAF 225 - Service charges: Church billed as indigent (Refuse)

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature

During the audit of service charges it was identified that the following church was billed as indigent:

Physical verification			**Billing report**		
No	**Type**	**Street Address**	**STREET_ADDRESS**	**SERVICE**	**ACCOUNT_TYPE**
1	Church	384 TIKWANA STREET	384 TIKWANA STREET	REFUSE	INDIGENTS

Cause

Management did not review the billing report to ensure that properties are billed according to the approved tariffs.

Impact

This will result in a projected understatement of revenue from refuse removal, output VAT payable and receivables from exchange transactions.

Internal control deficiency

Financial and performance management

Management did not in all instances implement controls over daily and monthly processing and reconciling of transactions.

Recommendation

Management should ensure that the properties are billed according to the approved tariff.

Management should investigate the whole population of revenue from service charges and make necessary corrections.
Management should provide auditors with support where corrections are made or where management disagrees with the finding.

Management's response
Management disagrees that the property is a church

The property was verified by Susan Phumo on the 03rd November 2021 & declared that it is residential that is why the application for indigent was approved.
The Property is registered in the name of KA Moshoeshoe. Management is not sure on what property AGSA identified the church as Erf no 384 in Tikwana is a residential property. In accordance with the 2017 valuation roll and 2021 supplementary valuation roll this property is also indicated as a dwelling. KA Moshoeshoe applied for indigency and it was approved for plot 384. Please find the indigent application attached

Date:

Auditor's conclusion
Management response is acknowledged and the auditor's response is as follows:

Through the physical visits which were performed with the municipality official a church was verified and the address which was obtained from the official.

Through discussion held with management it was confirmed that there is a Church close to the ERF 384. We request the we be provided with the correct ERF number for the finding to be resolved.

74. ISS.226-EV (Partially Resloved) CoAF 226 - Service Charges - Electricity - Completeness - Properties not on billing report

Audit finding
Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 122(1)(a) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

Section 17 of the GRAP 1, Presentation of financial statements, states that the financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature

1. Through physical verification of random electricity meters, the following properties was identified to have electricity meters but could not be traced to the billing report:

Information as per physical verification			
Type	**Street Address**	**Location**	**Readings**
Business	22 Van Zyl Street	Hoopstad	4591
Church	24 Van Zyl Street	Hoopstad	299825
Church	30 Hoofdstraat	Hoopstad	63815
RESIDENTIAL	30 Coetzerstraat	Hoopstad	25683

2. Through physical verification of random electricity meters, the following properties were identified to have electricity meters. However through inspection of the billing report, it was discovered that the account type as per the billing report did not match the type of property as per physical verification.

Information as per physical verification				Information as per billing report					
Type	**Street Address**	**Location**	**Readings**	**STREET ADDRESS**	**ACCOUNT_ HOLDER**	**ACCOUNT_NO**	**SERVICE**	**ACCOUNT_TYPE**	**Account Status**
Church	8 PIENAARSTRAAT	Bultfontein	57858	8 PIENAARSTRAAT	AGS KERK	6000108	ELECTRICITY	BUSINESS	ACTIVE
Business	10 PRESIDENT SWARTSTRAAT	Bultfontein	59105	10 PRESIDENT SWARTSTRAAT	VAN DER MERWE H H	5000004	ELECTRICITY	RESIDENTIAL	ACTIVE
Church	39 STOFBERG STRAAT	Bultfontein	302905	39 STOFBERG STRAAT	BULTFONTEIN GEREFORMEERDE KERK	6000243	ELECTRICITY	BUSINESS	ACTIVE
Residential	2 PRESIDENT SWARTSTRAAT	Bultfontein	621829	2 PRESIDENT SWARTSTRAAT	BEZUIDENHOUT JCF	6000163	ELECTRICITY	BUSINESS	ACTIVE

Cause

This is due to lack of proper review and record keeping to ensure that all meter readings are correctly captured on the system.

Impact

This will result in a projected understatement of revenue from sale of electricity, output VAT payable and receivables from exchange transactions.

Internal control deficiency

Financial and performance management

Management did not in all instances implement controls over daily and monthly processing and reconciling of transactions.

Recommendation

Management should review the properties located in its jurisdiction and ensure that all electricity services are billed. It is essential for the financial sustainability of the municipality to ensure that all possible revenue is generated and recovered.
Management should investigate the whole population of revenue from the sale of electricity and make necessary corrections.

Management should provide auditors with support where corrections are made or where management disagrees with the finding.

Management's response

1. Management partially agrees with the finding:

- 22 van Zyl Street: A deed search was done by management and the property could not be found by management. According to management this property does not exist.

- 24 van Zyl Street: Management does not agree with the finding. The church is on the corner of van Zyl and Buiten Street and is erf 99;100 and 691 and the related accounts to the property that can be traced back to the billing report are 50000227; 50000230; 50000231 & 50102190.

- 30 Hoofd Street: Erf 694/33 Afrikaanse Protestantse Kerk is account nr 0050002164 the meter nr is S99.01707. The property can be traced back to the billing report using the account number.

- 30 Coetzer Street: Erf 549 JJ Pretorius account nr 0050001321 is consolidated from 476 & 477 and the street address was 30 & 32 Coetzer Street. The municipality is using street number 32 meaning 30 does not exist anymore & the meter number is 35554438. Please find arrached support.

1. Management partially agrees with the finding

- 8 Pienaar Street (AGS Church) 0006000108 – The church account type was incorrect; the entire church population has been revisited with COAF186 and management gave a factual misstatement

- 10 President Swart street – Management went to physically verify this property. The property was found to be a residential property and not business. Please find below image taken by management of the property.

- 39 Stofberg Street (Bultfontein Gereformeerde Church) 0006000243 - The church account type was incorrect; the entire church population has been revisited with COAF186 and management gave a factual misstatement.

- 2 President Street (JCF Bezuidenhout) is a business billing correctly. Erf 490 was subdivided into Portion 0 & 1 & there is a house on portion1 & a business on the Remainder (0). The billing is correct on both residential (6000164) & Business (6000163).

Date:

Auditor's conclusion

Management response is acknowledged and the auditor's response is as follows:

Part 1
22 van Zyl Street, management response is acknowledged however through physical verification the property was identified. The deed search was not also not provided by management to prove that no such a property exists.

24 van Zyl Street: Management response is acknowledged and based on the information provided the finding is resolved

30 Hoofd Street: Management response is acknowledged and based on the information provided the finding is resolved

30 Coetzer Street: Management response is acknowledged and based on the information provided the finding is resolved

Part 2

8 Pienaar Street (AGS Church) 0006000108 – Management agrees the finding remains and will be reported on.

10 President Swart street – Management response is acknowledged, however through physical verification the property was identified to be a business. We request management to take us to the property that is attached in the picture to confirm if indeed is not a business.

39 Stofberg Street (Bultfontein Gereformeerde Church) 0006000243

Management response is acknowledged and the matter will be reported on as the issue remains.

2 President Street (JCF Bezuidenhout) Management response is acknowledged however through inspection of the billing report it was identified that account 6000164 is inactive and only bills property rates. The verified property was residential and there is no indication that is get billed electricity at residential rates. The finding therefore remains and will be reported on.

Annexure C: Administrative matters

Governance (internal control deficiencies)

1. ISS.153-EV CoAF 153 VAT receivable_Control deficiency_Journals not auhorised as per delegations

Audit finding

Section 62(1)(c) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control

Nature

The following Caseware journals adjusting the VAT receivable line item have not been authorised by the delegated municipal official:

Date	ItemAcc No	Doc Type	Doc No	Remarks	Debit	Credit
30/06/2019	IA0010110010020000000000000000000000000	JRN	63	Credit notes were received in 2021 relating to the 2018 financial year.		(20 478,05)
30/06/2019	IE0100240090000000000000000000000000000					(136 520,33)
30/06/2019	IL0010060110039990000000000000000000001				156 998,38	

Cause

This is due to management not ensuring that all journals are authorised as per the delegations or MFMA.

Impact

This results in a control deficiency in financial reporting controls which could cause errors in the reported financial events or transactions.

Internal control deficiency

Leadership

Management did not in all instances exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation

Management should ensure that all journals are authorised as per the written delegations. Management should implement a written delegations manual to ensure appropriate authorisation of adjustments to financial accounts.

Management's response

Management agrees with the finding.

Management will implement controls to ensure that all CaseWare journals are reviewed and appropriately authorised by the municipal officials.

Name: T. Matyesini
Position: CFO
Date: 29 October 2021

Auditor's conclusion
Management agree with the finding. The internal control deficiency will be reported on.

2. ISS.173-EV CoAF 173 - Grants (Control deficiency): Journals are not approved according to authorised delegations

Audit finding
Section 76(1) of the MFMA states that a delegation in terms of subsection (1) –
(a) must be in writing;
(b) is subject to such limitations and conditions as the accounting officer may impose in a specific case;
(c) may either be to a specific individual or to the holder of a specific post in the municipality;
(d) may, in the case of a delegation to a member of the municipality's top management in terms of subsection (1) (b), authorise that member to sub-delegate the delegated power or duty to an official or the holder of a specific post in that member's area of responsibility; and
(e) does not divest the accounting officer of the responsibility concerning the exercise of the delegated power or the performance of the delegated duty.

Nature

The below listed journals were not approved as per written and approved system of delegations. In the absence of written delegations, all transactions of the municipality are to be approved by the municipal manager.

ItemACCNO	Source Type	Tran Date	Doc No	Remarks	Debit	Credit
IR0030050010020050020 0000000000000000	P13JRN	14/07/2021	891	RE-ALLOCATION	-	(16 204 000, 00)
IL0010070020010020050 0200300000000000	P13JRN	14/07/2021	891	RE-ALLOCATION	16 204 000,00	-
IR0030050010020050020 0000000000000000	P13JRN	14/07/2021	939	RE-ALLOCATION	-	(5 046 371,00)
IL0010070020010020050 0200300000000000	P13JRN	14/07/2021	939	RE-ALLOCATION	5 046 371,00	-
IR0030050010020050220 0000000000000000	P13JRN	30/06/2021	913	WIP Transfer	-	(224 993,48)
IR0030050010020050220 0000000000000000	P13JRN	30/06/2021	913	WIP Transfer	-	(1 314 506,92)

ItemACCNO	Source Type	Tran Date	Doc No	Remarks	Debit	Credit
IR0030050010020050220 00000000000000000	P13JRN	30/06/2021	913	WIP Transfer	-	(851 111,29)
IR0030050010020050220 00000000000000000	P13JRN	30/06/2021	913	WIP Transfer	-	(1 236 481,25)
IR0030050010020050220 00000000000000000	P13JRN	30/06/2021	913	WIP Transfer	-	(1 196 077,50)
IR0030050010020050220 00000000000000000	P13JRN	30/06/2021	913	WIP Transfer	-	(1 797 942,60)
IR0030050010020050220 00000000000000000	P13JRN	30/06/2021	913	WIP Transfer	-	(1 494 866,69)
IR0030050010020050220 00000000000000000	P13JRN	30/06/2021	913	WIP Transfer	-	(1 412 561,53)
IR0030050010020050220 00000000000000000	P13JRN	30/06/2021	913	WIP Transfer	-	(1 035 559,80)
IR0030050010020050220 00000000000000000	P13JRN	30/06/2021	913	WIP Transfer	-	(354 880,00)
IR0030050010020050220 00000000000000000	P13JRN	30/06/2021	913	WIP Transfer	-	(1 496 271,58)
IR0030050010020050220 00000000000000000	P13JRN	30/06/2021	913	WIP Transfer	-	(67 108,96)
IR0030050010020050220 00000000000000000	P13JRN	30/06/2021	913	WIP Transfer	-	(893 366,77)
IR0030050010020050220 00000000000000000	P13JRN	30/06/2021	913	WIP Transfer	-	(31 869,63)
IR0030050010020050220 00000000000000000	P13JRN	30/06/2021	913	WIP Transfer	-	(822 082,17)
IA0020160010000000000 00000000000000000	P13JRN	30/06/2021	913	WIP Transfer	14 229 680,17	-
IR0030050010020050140 00000000000000000	P13JRN	14/07/2021	890	RE-ALLOCA TION	-	(11 000 000, 00)
IL0010070020020020050 36002000000000000	P13JRN	14/07/2021	890	RE-ALLOCA TION	11 000 000,00	-
IR0030050020020050020 00000000000000000	CURJRN	28/06/2021	830	re-allocation	-	(1 168 000,00)
IL0010070020020020050 02002000000000000	CURJRN	28/06/2021	830	re-allocation	1 168 000,00	-
IR0030050020020050040 00000000000000000	CURJRN	04/06/2021	816	reallocati on	-	(1 900 000,00)
IL0010070020020020050 04003000000000000	CURJRN	04/06/2021	816	reallocati on	1 900 000,00	-

Cause

Journal transactions are not signed and acknowledged by the delegated official of the municipality.

Impact

This results in weakened controls around processing of adjustments through journals in the accounting reporting system.

Internal control deficiency
Leadership
Management did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities

Recommendation
Management should ensure that the delegations of the municipal manager should be in writing and consistently applied.

Management's response
Management agrees with the finding;

The auditor's recommendation noted and will be implemented accordingly.
Name: Thabiso Matyesini
Position: CFO
Date: 08/11/2021

Auditor's conclusion
Management agree with the finding and the internal control deficiency will be reported on.

Irregular Expenditure

3. ISS.187-EV CoAF 187 - Irregular Expenditure: Accuracy of the amounts written off

Audit finding
Section 62 (1) (b) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

Paragraph 17 of GRAP 1, Presentation of financial statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Nature
During the testing of irregular expenditure (IE) write off's, differences were identified between the amounts disclosed as write off's as per note 55 and the write off approved by council. The differences relate to the current year IE and prior years IE write off's and are as follows:

1. Current year IE write off:

Description	Current year Write Off
Council approved write off	7 335 879,50
MPAC IE investigated and recommended for write off	7 146 163,00

Description	Current year Write Off
Difference	189 716,50
Council approved write off	7 335 879,50
Amount written off as per note 55 in the AFS	7 309 328,00
Difference	26 551,50
Accumulated differences	163 165,00

2. Prior year IE write off:

Description	Prior period Write off's
Irregular Expenditure investigated as per MPAC investigative report:	
2017/ 2018 period	8 382 666,00
2018/ 2019 and 2019/ 2020 period	59 329 373,10
IE Amount investigated	67 712 039,10
Approved write off's as per Council minutes	67 436 410,02
Difference	275 629,08
Approved write off's as per Council minutes	67 436 410,02
Write off's as per AFS note 55	67 405 568,00
Difference	30 842,02
Accumulated Difference in prior year write off's	306 471,10

The differences arise from differences between the amounts Council approved for write off's, the amounts MPAC actually investigated and the final amounts written off as per note 55 of the AFS.

Cause
Management indicated that there were typing errors of amounts to be written off in the minute packs sent to council, hence council approved more than what was investigated by MPAC but the amounts disclosed in note 55 of the AFS is the correct amount.

Impact
The differences may weaken the integrity of the MPAC investigation report which informs the council write-off as there is a risk Council approved amounts that were not investigated. However, there appears to be no impact on the amounts reported in the AFS the council wrote off the same number of payments at higher amounts.

Internal control deficiency
Financial and performance management
Management did not in all instances 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.

Recommendation

Operating expenditure

4. ISS.146-EV CoAF 146 - Finance Cost: Internal control deficiencies - journals

Audit finding
Section 76(1) of the MFMA states that the accounting officer of a municipality must develop an appropriate system of delegation that should be:
(3)(a) in writing;
(b) is subject to such limitations and conditions as the accounting officer may impose in a specific case;
(c) may either be to a specific individual or to the holder of a specific post in the municipality.

Nature:
During the audit of finance cost, it was noted that the following journals were not signed off for approval by the CFO:

- Journal 842
- Journal 974

Cause:
These matters resulted due to internal controls not being adequately established and implemented by management.

Impact
This may result in inaccurate or inappropriate journal entries being recorded.

Internal control deficiency
Leadership
Management did not in all instances exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation
Management should ensure that journals are approved by the delegated official.

Management's response

Date:

Auditor's conclusion
Management agrees with the finding. The internal control deficiency will be reported on.

5. ISS.160-EV CoAF 160 - Operating lease rentals: (Internal control deficiency) Journal approvals

Audit finding

Section 76(1) of the MFMA states that the accounting officer of a municipality must develop an appropriate system of delegation that should be:
(3)(a) in writing;
(b) is subject to such limitations and conditions as the accounting officer may impose in a specific case;
(c) may either be to a specific individual or to the holder of a specific post in the municipality.

Nature

There are not proper segregation of duties for recording journal entries as we noted that the same individual (Sello Tsoleli) both checked and authorised the following entries:

- Journal 799
- Journal 859
- Caseware journal 70

Cause

This is due to there not being a proper delegation system in place for capturing, checking and authorising journal entries as required.

Impact

Incorrect authorisation process is followed for the journals selected and this could lead to inaccurate or inappropriate journal entries recorded.

Internal control deficiency
Financial and performance management

Management did not in all instances implement controls over daily and monthly processing and reconciling of transactions

Recommendation
There should be a proper delegation system in place for different individuals to capture, check and authorise journal entries.

Management's response
Management agrees with the audit finding;
The auditor's recommendation is noted and will implemented accordingly in the future.

Name: Thabiso Matyesini
Position: CFO
Date: 08/11/2021

Auditor's conclusion
Management's response is noted. Management agrees with the finding therefore the finding remains and is not resolved.

Procurement and Contract Management (to confirm for removal)

6. ISS.119-EV CoAF 119 SCM (Control deficiency) - Incompelete tender register

Audit finding

Section 62(1)(c)(i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Nature

During the audit of supply chain management, it was noted that the appointment letter of Habo Motho Enterprise Pty Ltd was signed by the Municipal Manager on 14 June 2021, but the award was not included in the tender register for year ended 30 June 2021.

Description	Award amount
Habo Motho Enterprise Pty Ltd	Operational contract

Cause

This occurred due to inadequate review of the registers prior to submission for audit to detect and correct all errors and omissions.

Impact

Weak controls on the tender and awards registers result in poor audit trail. Further, the weakness in controls may negatively affect effective contract management.

Internal control deficiency

Financial and performance management

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation

Management should ensure that all tender awards are included in the tender register to improve contract management controls.

Management's response

Management agrees with the finding.

Management will ensure that internal controls are put in place to ensure that all the tender awards are included in the tender registers.
Name: TJ Matyesini
Position: Chief Financial Officer
Date: 28 October 2021

Auditor's conclusion

Management agree with the finding. The internal control will be reported on.

Receivables

7. ISS.64-EV (Partially Resolved) CoAF 64 - Rental & Misc Receivables - Limitation of scope RFI 67

Audit finding

Section 15(1)(a) of Public Audit Act states the following when performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee.

Section 74(1) of the MFMA states the following the accounting officer of a municipality must submit to the National Treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.

Paragraph 46 bullet 5 of the signed engagement letter state "In terms of section 15(2)(b) of the PAA and in order to comply with applicable legislated auditing and tabling deadlines in the MFMA, as well as to allow adequate time for conducting the audit in accordance with the relevant auditing standards the municipality should adhere to the following:

All documentation and information in support of the financial statements, the annual performance report and compliance with legislation must be available on request and be retrievable within a reasonable time. This documentation and information is also relevant to disclosures in the financial statements and could include information outside the general and subsidiary ledgers. If this information is not provided in the time agreed, it will be regarded as a limitation on the audit which could result in a modification of the audit opinion".

Nature

The following rental agreements and metre readings that were requested as per RFI 67 of 2021 on 15 September 2021 (due date 20 September 2021), however were not submitted.

ACCOUNT NO	SERVICE	Total	ACCOUNT HOLDER
5000002	RENT	108 150,00	HELM BW
5000323	MISC	86,05	BEZUIDENHOUT JCF
5001116	RENT	754,08	MITHI GT
5001172	MISC	91,23	POTGIETER R
5001502	RENT	251,36	SHUPING MM
6000163	MISC	86,05	BEZUIDENHOUT JCF
6000367	RENT	6 956,52	MLK ENGINEERING & CONSULTANTS PTY LTD
6400422	RENT	77 930,24	NATIONAL DEPT OF PUBLIC WORKS
6500475	RENT	150,00	BUO ROLBALKLUB
6700545	RENT	59 990,00	BELTIES BEEF FARMERS PTY LTD
7303498	MISC	86,05	TAOANE SP
7505566	MISC	86,05	LUNGA (JWILI) NM PLUS 1 OTHER
7505709	MISC	91,23	RAMASHAMOLE MB
50000095	MISC	86,05	COETZER VAN DEN BERG
50000387	MISC	86,05	FABER WAE
50000649	MISC	86,05	BOTHA P

ACCOUNT NO	SERVICE	Total	ACCOUNT HOLDER
005T000899	MISC	40,00	NOTANAZA N
65000001	RENT	177 100,00	DIDI MJ PLUS 2 OTHERS
65000003	RENT	97 650,00	PALAPALA FARMERS PTY LTD
90000459	MISC	66,65	LEBONA TRUST

Cause
Management did not prioritise the request for information from the audit team to ensure that it is provided within a reasonable time.

Impact
This may result in insufficient audit evidence obtained to express an appropriate opinion

Internal control deficiency

Financial and performance management
Management 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.

Recommendation
Management should provide all the requested information within the agreed upon deadline.

Should no information be provided the limitation will remain.

Management's response
Management partly agrees with the finding;

- Rental agreements – Please find the Support attached to this response

- Metre readings – the municipality does not take readings on these properties.

Name: Thabiso Matyesini
Position: CFO
Date: 30/09/2021

Auditor's conclusion
Subsequently RFI 67 was received completely and the finding is resolved. The information is tested in the execution working paper.
The following accounts still remain outstanding, however are not significant when extrapolated:

ACCOUNT_NO	SERVICE	Total	ACCOUNT_HOLDER
7303498	MISC	86,05	TAOANE SP
50000095	MISC	86,05	COETZER VAN DEN BERG
005T000899	MISC	40,00	NOTANAZA N
90000459	MISC	66,65	LEBONA TRUST

Annexure D: Performance management and reporting framework

The performance management and reporting framework (PMRF) consists of the following:

- Legislation applicable to performance planning, management and reporting, which includes the following:
    - Municipal Finance Management Act 56 of 2003 (MFMA)
    - Municipal Systems Act 32 of 2000 (MSA)
    - Regulations for planning and performance management, 2001, issued in terms of the MSA.
    - Municipal performance regulations for municipal managers and managers directly accountable to municipal managers, 2006, issued in terms of the MSA.

- The Framework for Managing Programme Performance Information (FMPPI), issued by the National Treasury. This framework is applicable to all spheres of government.

- Circulars and guidance issued by the National Treasury and the Department of Cooperative .Governance and Traditional Affairs (Cogta) and supported by the Department of Planning Monitoring and Evaluation (DPME) regarding the planning, management, monitoring and reporting of performance against predetermined objectives.

Annexure D – Criteria developed from the performance management and reporting framework

Criteria	References to PMRF per institution
	Municipalities
Consistency: Performance indicators and targets are consistent between planning and reporting documents.	
1. Reported indicators are consistent or complete when compared to planned indicators	Section 121(3)(f) of the MFMA Sections 41(a) – (c) & section 46 of the MSA
2. Changes to indicators are approved	Section 25(2) of the MSA
3. Reported targets are consistent or complete compared to planned targets	Section 121(3)(f) of the MFMA Sections 41(a) – (c) & section 46 of the MSA
4. Changes to targets are approved	Section 25(2) of the MSA
5. Reported achievements are consistent with the planned and reported indicator and target	Section 121(3)(f) of the MFMA
Measurability: Performance indicators are well defined and verifiable, and targets are specific, measurable and time bound	
6. A performance indicator is well defined when it has a clear, unambiguous definition so that data will be collected consistently and is easy to understand and use.	FMPPI chapter 3.2
7. A performance indicator is verifiable when it is possible to validate or verify the processes and systems that produce the indicator.	FMPPI chapter 3.2
8. A target is specific when the nature and required level of performance of the target are clearly identifiable.	FMPPI chapter 3.3
9. A target is measurable when the required performance can be measured.	FMPPI chapter 3.3
10. A target is time bound when the timeframes for achievement of targets are indicated.	FMPPI chapter 3.3
Relevance: Performance indicators relate logically and directly to an aspect of the institution's mandate and the realisation of its strategic goals and objectives	
11. The performance indicator and target relate logically and directly to an aspect of the institution's mandate and the realisation of its strategic goals and objectives.	FMPPI chapter 3.2
Presentation and disclosure: Performance information in the annual performance report is presented and disclosed in accordance with the requirements contained in the legislation, frameworks, circulars and guidance	
12. Actual performance compared to planned targets and prior year performance is disclosed in the annual performance report	Section 46 of the MSA

Criteria	References to PMRF per institution
	Municipalities
13. Measures taken to improve performance are disclosed in the annual performance report	Section 46 of the MSA
14. Measures taken to improve performance are corroborated with audit evidence	Section 46 of the MSA
Reliability: Recording, measuring, collating, preparing and presenting information on actual performance achievements is valid, accurate and complete.	
15. Reported performance occurred and pertains to the reporting entity.	Section 45 of the MSA FMPPI chapter 5
16. Amounts, numbers and other data relating to reported performance are recorded and reported correctly.	
17. All actual performance that should have been recorded is included in the reported performance information.	

Annexure E: Auditor-general's responsibility for the audit of the reported performance information

1. As part of our engagement conducted in accordance with ISAE 3000(R), we exercise professional judgement and mainta8in professional scepticism throughout our reasonable assurance engagement on reported performance information for selected key performance areas.

2. We are independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International Code of ethics for professional accountants (including International Independence Standards)* (IESBA code), as well as the ethical requirements relevant to our audit in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

Quality control relating to assurance engagements

3. In accordance with the International Standard on Quality Control 1, the Auditor-General of South Africa maintains a comprehensive system of quality control that includes documented policies and procedures on compliance with ethical requirements and professional standards.

Reported performance information

4. In addition to our responsibility for the assurance engagement on reported performance information, as described in the auditor's report, we also:

   - identify and assess risks of material misstatement of the reported performance information, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. In making those risk assessments, we consider internal controls relevant to the management and reporting of performance information per selected key performance areas in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control

   - evaluate the documentation maintained by the municipality that supports the generation, collation, aggregation, monitoring and reporting of performance indicators and their related targets for the selected key performance area

   - evaluate and test the usefulness of planned and reported performance information, including presentation in the annual performance report, its consistency with the approved performance planning documents of the municipality and whether the indicators and related targets were measurable and relevant

   - evaluate and test the reliability of information on performance achievement to determine whether it is valid, accurate and complete

Communication with those charged with governance

5. We communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

6. We also confirm to the accounting officer that we have complied with relevant ethical requirements regarding independence and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, the actions taken to eliminate threats, or the related safeguards applied.

Annexure F: Assessment of internal controls

Below is our assessment of the implementation of drivers of internal control based on significant deficiencies identified during our audit of the financial statements, the annual performance report and compliance with legislation. Significant deficiencies occur when internal controls do not exist, are not appropriately designed to address the risk, or are not implemented. These either had caused, or could cause, the financial statements or the annual performance report to be materially misstated, and material instances of non-compliance with legislation to occur.

The internal controls were assessed as follows:

	The required preventative or detective controls were in place.
	Progress was made on implementing preventative or detective controls, but improvement is still required, or actions taken were not or have not been sustainable.
	Internal controls were not in place, were not properly designed, were not implemented or were not operating effectively. Intervention is required to design and/or implement appropriate controls.

The movement in the status of the drivers from the previous year-end to the current year-end is indicated collectively for each of the three audit dimensions under the three fundamentals of internal control. The movement is assessed as follows:

	Improved
	Unchanged
	Regressed

	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
Leadership						
Overall movement from previous assessment					-	
• Provide effective leadership based on a culture of honesty, ethical business practices and						

	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
good governance, and protecting and enhancing the best interests of the entity						
• Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls	😐	😐	😐	😐	😐	😐
• Implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored	☹	☹	☹	☹	☹	☹
• Establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities	☹	😐	😐	😐	😐	😐
• Develop and monitor the implementation of action plans to address internal control deficiencies	😐	😐	😐	😐	😐	😐
• Establish and implement an information technology governance framework that supports and enables the business, delivers value and improves performance	😐	😐	😐	😐	😐	😐
Financial and performance management						
Overall movement from previous assessment	⬇		⬇		↔	
• 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	☹	😐	☹	😐	😐	😐
• Implement controls over daily and monthly processing and reconciling transactions	☹	😐	😐	😐	😐	😐
• Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	☹	😐	☹	😐	😐	😐

	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
• Review and monitor compliance with applicable legislation	☹	☹	☹	☹	☹	☹
• Design and implement formal controls over information technology systems to ensure the reliability of the systems and the availability, accuracy and protection of information	😐	😐	**N/A**	**N/A**	**N/A**	**N/A**
Governance						
Overall movement from previous assessment	⇔		⇔		⇔	
• Implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of information technology risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored	😐	😐	😐	😐	😐	😐
• Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively	😐	😐	😐	😐	😐	😐
• Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation	😐	😐	😐	😐	😐	😐