Final management report

Umzumbe Local Municipality

30 June 2021

Communicated to the accounting officer on: 13 December 2021

Management report

Umzumbe Local Municipality

30 June 2021

CONTENT

Management report to the accounting officer on the audit of the Umzumbe 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 selected development priority, 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).

   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:

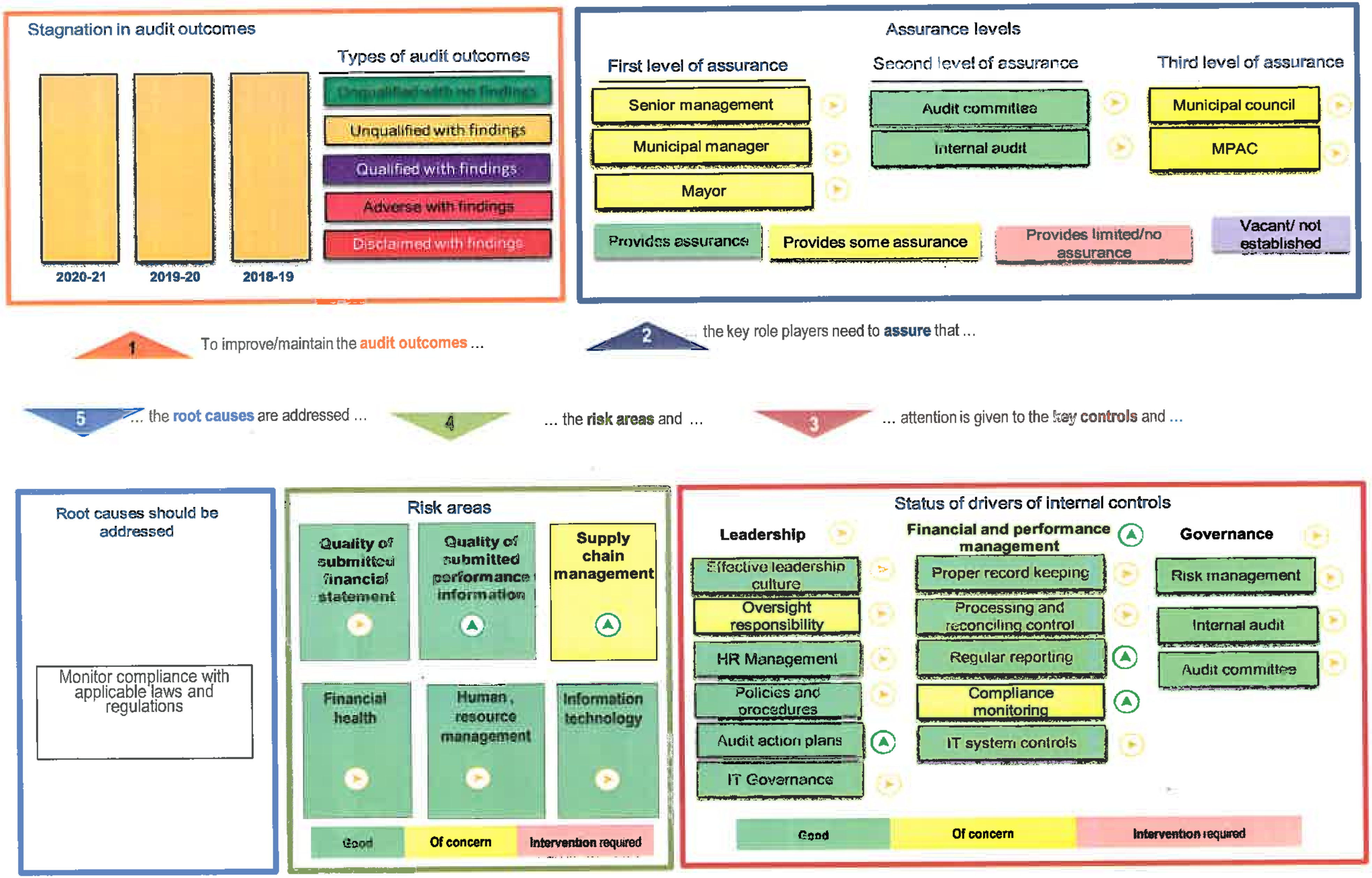
- Status of the audit outcomes
- Status of the level of assurance provided by key role players
- Status of the drivers of internal controls
- Status of risk areas
- Root causes to be addressed

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
2020-21
2019-20
2018-19
Assurance levels
First level of assurance
Senior management
Municipal manager
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 ...
5
... the root causes are addressed ...
4
... the risk areas and ...
3
... attention is given to the key controls and ...
Root causes should be addressed
Monitor compliance with applicable laws and regulations
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 audit outcomes have been stagnant due to material findings on compliance with key legislation. This was mostly due to inadequate reviews and monitoring of the compliance procedures relating to findings raised in the previous year.

SECTION 1: Interactions with stakeholders responsible for oversight and governance

9. 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 review of the municipality:

Key stakeholder	Purpose of interaction	Number of interactions
Municipal manager	Tabling of the engagement letter, engagement letter addendum and audit strategy Discussion of findings identified (Annexures) Discussion of the management report and auditor's report	3
Senior Managers and internal audit	Tabling of the engagement letter, engagement letter addendum and audit strategy Discussion of the management report and auditor's report	3
Audit committee	Review of financial statements	1

10. Some stakeholders made commitments to implement initiatives that can improve 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

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

Matters to be brought to the attention of users

Emphasis of matter paragraph

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

Underspending of the budget

13. As disclosed in the statement of comparison of budget and actual amounts, the municipality materially underspent the budget by R88,06 million (2019-20: R70,56 million) on salary related costs, general expenses and contracted services due to implementing strict cost cutting measures and re-prioritising certain projects.

Other matter paragraph

14. The following other matter paragraph 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

15. 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, we do not express an opinion on it.

Audit of the annual performance report

16. 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

17. We have undertaken a reasonable assurance engagement on the reported performance information for the following selected development priority 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 3 – Basic services and infrastructure delivery	x – x	Unqualified	▲

18. 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.*

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

KPA 3- Basic services and infrastructure delivery

Opinion

20. In our opinion, the reported performance information for Basic services and infrastructure delivery is useful and reliable, in accordance with the applicable criteria as developed from the performance management and reporting framework as set out in annexure D to this report.

Other matter

21. We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Achievement of planned targets

22. Refer to the annual performance report on pages x to x for information on the achievement of planned targets for the year.

Responsibilities of the accounting officer for the reported performance information

23. 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

24. Our objectives are to obtain reasonable assurance about whether the reported performance information for the selected development priority 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.

25. 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.

26. 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

27. 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.

Procurement and contract management

28. Bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year.

Expenditure management

29. Reasonable steps were not taken to prevent irregular expenditure amounting to R60,78 million (2019-20: R71,89 million) as disclosed in note 28 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with SCM regulations.

Other information

30. 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 the selected development priority presented in the annual performance report that has been specifically reported in the auditor's report.

31. 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.

32. 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 development priority presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

34. We did not receive the other information prior to the date of this auditor's report. When we do receive and read this information, if we conclude that there is a material misstatement therein, we are 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, we 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

35. 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

Oversight responsibility

36. Leadership did not ensure full compliance with all laws and regulations throughout the financial year.

Financial and performance management

Compliance monitoring

37. Management did not adequately monitor timeous implementation of applicable legislation to enhance compliance with applicable laws and regulations. Non-compliance could have been prevented had timeous implementation of applicable legislation been in place.

Summary

38. The matters above, as they relate to the findings on compliance with legislation, will be summarised in the auditor's report as follows:

39. The review and monitoring of compliance with applicable laws and regulations was inadequate to prevent non-compliance from occurring.

Other reports

40. We draw attention to the following engagements by various parties that have or could have an impact on the municipality's financial statements, reported performance information and compliance with applicable legislation and other related matters. The reports noted do not form part of the opinion on the financial statements or findings on the reported performance information or compliance with legislation.

41. During the 2018-19 financial year, at the request of the Umzumbe municipal council, the provincial oversight body authorised a forensic investigation into the affairs of Umzumbe municipality in terms of section 106 of the Municipal Systems Act of South Africa, 2000 (Act No.32 of 2000). The ongoing investigation is focused on alleged fraud, corruption and maladministration within the municipality.

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

Assessment of assurance providers

42. 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.

43. 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.

44. We assess the level of assurance provided by these assurance providers based on the status of internal controls (as reported in section 2) 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 some assurance

- Senior management provides some assurance by implementing financial, compliance and performance controls
- The assessment reflects that there is still room for improvement in the following areas:
  - Review and monitoring of compliance with applicable laws and regulations should be improved to enhance timeous implementation of applicable laws and regulations.

Accounting officer: provides some assurance

- The accounting officer is responsible for the auditee's internal controls, including leadership, planning, risk management as well as oversight and monitoring.
- The assessment reflects that some internal controls were not fully implemented to deal with non-compliance with legislation.

Mayor: provides some assurance

- The mayor provided general political guidance over the fiscal and financial affairs of the municipality and oversaw the exercise of oversight responsibilities assigned to the accounting officer.
- The assessment reflects that some internal controls were not fully implemented to deal with non-compliance with legislation.

Second level of assurance

Internal audit unit: provides 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.

- Internal audit followed a sound internal audit plan and produced internal audit reports that provided management with findings and recommendations to improve the control environment within the municipality

Audit committee: provides assurance

- The audit committee must be an independent advisory body to the 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 provided oversight over the internal audit function and consistently drives the good control environment at the municipality.

Third level of assurance

Municipal council: provides some assurance

- The council is required to provide assurance through monitoring and oversight, which includes approving or overseeing certain transactions and events as well as investigating and acting on, poor performance and transgressions.
- Council has established processes for MPAC to report to it on any investigations and acted on its recommendations.
- Effective oversight was not provided to ensure that adequate reviews are performed on compliance with legislation.

Municipal public account committee (MPAC): provides some assurance

- MPAC was introduced as the committee of the council to deal specifically with improving governance, transparency and accountability. MPAC was appropriately constituted with clear terms of reference and delegated powers and authority to act where necessary.
- The assessment reflects that there is still room for improvement in the following areas:
  - Appropriate tools such as compliance checklists, should be implemented and adequately monitored to facilitate compliance with legislation.

Status of implementing commitments and recommendations

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

No.	Commitment	Made by	Date	Origin of commitment	Status
1	The Accounting Officer will ensure that strong controls are implemented to prevent non-compliance with SCM Regulations and irregular expenditure.	AO	March 2021	AG Finding	In progress
2	The accounting officer will ensure that the planned indicators and targets are specific to the required level of performance.	AO	March 2021	AG Finding	Addressed

- Two audit recommendations accepted by management in the previous year on matters included in the auditor's report and other important matters were implemented.
- One recommendation is still being implemented and has not been addressed.

SECTION 4: Specific focus areas

Financial viability

46. 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	4 Days	7 Days
Revenue management			
2.1	Debt-collection period (after impairment)	563 Days	311 Days
2.2	Debt-impairment provision as a percentage of accounts receivable	28.3%	30.8%
	• Amount of debt-impairment provision • Amount of accounts receivable	R9 445 062 R33 344 776	R7 871 790 R25 587 371
Asset and liability management			
3.1	A deficit for the year was realised (total expenditure exceeded total revenue)	No	No
	• Amount of the surplus / (deficit) for the year	R83 542 044	R44 525 713
3.2	A net current liability position was realised (total current liabilities exceeded total current assets)	No	No
	• Amount of the net current assets / (liability) position	R209 249 675	R187 539 603
3.3	A net liability position was realised (total liabilities exceeded total assets)	No	No
	• Amount of the net asset / (liability) position	R672 310 378	R734 267 948
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)	R237 727 441	R238 777 471
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	R82 691 225	R103 085 644
4.3	Creditors as a percentage of cash and cash equivalents	0.3 %	0.4 %
	• Amount of creditors (accounts payable)	R57 017 797 R237 727 441	R71 445 807 R238 777 471

FINANCIAL VIABILITY ASSESSMENT			
		As at 30 June 2021	As at 30 June 2020
	• Amount of cash and cash equivalents / (bank overdraft) at year-end		
4.4	Current liabilities as a percentage of next year's budgeted resources **	36.4%	56.6%
	• Amount of current liabilities • Amount of next year's budgeted income **	R57 017 797 R156 504 859	R71 445 807 R126 293 562
Overall assessment			
Overall, the financial viability is assessed as:		Green (good)	Green (good)

High-level comments

47. Concerns have been noted on the debtor's collection period. Debtors days have increased when compared to prior year which indicates debt management processes that are not effective. The municipality experienced challenges in collecting outstanding amounts from debtors during the year as the debtors collection period was 563 days, which is longer than the agreed payment term. The municipality has taken the necessary steps to recover the debt but these have proved to be fruitless.

48. On an overall basis, the municipality is a going concern as it has no cash flow difficulties, maintains a significant bank balance to finance short term liabilities on time. Therefore, there are no other concerns regarding the municipality's financial viability.

Procurement and contract management

49. 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

50. R60,78 million (100%) of the irregular expenditure incurred in the current financial year was as a result of the contravention of SCM legislation. The root cause of the lack of effective prevention is inadequate review and monitoring of compliance procedures.

Procurement processes

51. 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	*80*	*167 383 443*	*40*	*4 131 964*	*40*	*163 251 479*
Expenditure incurred on selected awards – current year	[redacted]	*148 674 611*	[redacted]	*4 131 964*	[redacted]	*144 542 467*
Limitations – awards selected but could not be tested	*0*	*0*	*0*	*0*	*0*	*0*
Awards where non-compliance was identified	*8*	*605 045*	*8*	*605 045*	*0*	*0*
Irregular expenditure identified	*8*	*605 045*	*8*	*605 045*	*0*	*0*
Instances of irregular expenditure where goods/services were not received	*0*	*0*	*0*	*0*	*0*	*0*

Local content and production (designated sectors)

- Specifications for eight awards to the value of R605 045 did not stipulate the minimum threshold for local production and content.

Covid-related procurement and transactions

52. There were no findings identified on any Covid-related matters.

Internal control deficiencies

53. Adequate review and monitoring of timeous implementation of applicable legislation was not in place to prevent non-compliance with applicable legislation.

Fraud and consequence management

54. 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.

55. 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.

56. Nothing has come to our attention for reporting on the subject.

Ongoing investigations

57. One investigation into allegations relating to fraud was ongoing at year-end. The investigation has been ongoing for a long time. 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	0
• Number of fraud-related investigations	1
Number of investigations exceeding 3 months	1

Transgressions reported to management for investigation

58. 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.

59. 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)
A: Improper conduct in SCM by suppliers					
Supplier submitted false declaration of interest	6	6	6	2	59 701
B: Improper conduct in SCM by officials/ role players					
Officials failed to disclose their own interest or that of close family members, partners or associates	12	12	12	2	14 670

Conditional grants

60. 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

61. The were no findings identified on utilisation of grants.

SECTION 5: Using the work of internal auditors

62. 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:

63. The following areas included in the internal audit plan were taken into consideration in performing our risk assessment:

- Asset Management
- Budget management
- Revenue management
- Leave management
- Supply chain management

SECTION 6: Emerging risks

Accounting, performance management and compliance matters

New pronouncements

Standards of Generally Recognised Accounting Practice (GRAP)

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)

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.

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

64. The planned and reported performance information of selected development priorities 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

65. Material audit findings arising from the audit against the additional criteria do not have an impact on the audit opinions of the selected development priorities in this report. However, they may have an impact on the audit opinion in future.

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

Relevance – completeness of relevant indicators

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

SECTION 7: Ratings of detailed audit findings

68. 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

69. 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

Adéle Howard

Senior Manager: KZN

15 December 2021

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Audit committee

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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
Irregular expenditure											
26	CoAF 5: Expenditure: Failure to prevent irregular expenditure			✓			✓			All three previous years	In progress
Procurement and Contract Management											
27	CoAF 4: SCM: Minimum threshold for local production and content not specified in invite for quotations			✓			✓			1	In progress
Predetermined objectives											
29	CoAF1: AOPO: 2020/21 Annual Performance Report not submitted timeously				✓			✓		None	N/A
Procurement and Contract Management											

		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
30	CoAF3: CAATS: Interest – family: Awards to family members - Suppliers submitting false declarations			✓				✓		1	In progress
33	CoAF 3: CAATS: Interest - State: False declarations from Service Providers submitted			✓				✓		1	In progress

Detailed audit findings

Annexure A: Matters affecting the auditor's report

Irregular expenditure

1. ISS.8-CoAF 5: Expenditure: Failure to prevent irregular expenditure

Audit Finding

In terms of section 62(1)(d) of the MFMA, "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"

During the audit of compliance, it was found that management had incurred the following irregular expenditure for the 2020-21 financial year:

Details	Opening balance	Incurred	Written off	Closing balance
Irregular expenditure	R4 284 333	R60 778 479	- R65 062 812	R0

Reasonable steps were not taken to prevent irregular expenditure amounting to R60 778 479 as disclosed in note 28 of the annual financial statements, as required by section 62(1)(d) of the MFMA.

This results in a material non-compliance with the MFMA in respect of the failure to prevent irregular expenditure.

Internal control deficiency

The accounting officer and CFO did not implement adequate processes to prevent the occurrence of irregular expenditure.

Recommendation

The accounting officer and CFO must further review and enhance the current compliance procedures used by staff to ensure all applicable laws and regulations are included.

Management response

The audit finding is accepted to a certain extent. The irregular expenditure was mainly as a result of the prior prior years audit finding relating to the composition of the Bid adjudication committee. As the matter was identified in the previous years, it had been rectified and resolved. However as projects overlapped, this affected the current year under audit. It should further be noted that management did in fact take the necessary reasonable steps to prevent this from happening in the future. Accordingly, controls were strengthened, and these were already disclosed in the AFS. So therefore management feels that your recommendation appears to not correspond, especially since the issue has already been addressed. Management is concerned that this is assessed as material non compliance especially in light of the fact that this issue overlapped and had already been addressed.

Name: Mr. T.P. Cele

Position: Municipal Manager

Date: 8 December 2021

Auditor's conclusion

Management response is noted and the finding remains as there was still irregular expenditure incurred. The matter to be addressed is prevention of irregular expenditure. This will be reported as material non-compliance in the audit report.

Procurement and Contract Management

2. ISS.7-CoAF 4: SCM: Minimum threshold for local production and content not specified in invite for quotations

Audit finding

In terms of the paragraph 8(2) of the Preferential Procurement Regulations (PPR), "an organ of state must, in the case of a designated sector, advertise the invitation to tender with a specific condition that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content, will be considered."

Contrary to the above requirements, the following request for written quotations did not specify the minimum threshold for local production and content:

No	Supplier	Description	Expenditure (R)
1	Bhekasiphakama Trading	Protection clothing for Waste and Maintenance -	46 550
2	Andimathelo Trading	Protecting Clothing for the caretakers	74 814
3	Regency Office Furniture	Furniture	152 979
4	Hlwayela Emphakathini Project	Mink Blanket sponges & plastic sheet	50 347
5	Bheka Qwabe (Pty) Ltd	Supply of uniform technical	54 990
6	Xolamngane (Pty) Ltd	Uniform for female general workers	36 365
7	AYABONGA TELECOM (PTY) LTD	Protective clothing for Technical Service	105 000
8	Nomahlamba (Pty) Ltd	Protective clothing for Corporate service	84 000

No	Supplier	Description	Expenditure (R)
Total			605 045

These result in a material non-compliance with the PPR. These non-compliances could be assessed as material to be reported in the audit report.

In addition, it was also noted that these non compliances were appropriately disclosed as irregular expenditure in note 28 of the AFS. Hence, these non compliances do not have a financial impact.

Internal control deficiency

Financial and performance management: Management did not diligently review compliance with the PPR when compiling the request for quotations.

Recommendation

Procurement documents should be adequately reviewed by management to ensure compliance with the PPR before finalising the request for quotations/invitation to bid.

In addition, management should investigate the population and include all transactions on irregular expenditure where the municipality did not comply with paragraph 8(2) of the PPR.

Management's response

The audit finding is accepted to a certain extent. However it must be noted that, as the matter was identified in the previous financial year (2019- 2020), it was rectified and resolved. It is further to be noted that the audit for the previous financial year (2019-2020) overlapped into the current financial year under audit. Therefore, we were only made aware of this issue during the course of the audit and finalization of the audit in March 2021 upon receiving the audit report, and accordingly took the necessary steps to rectify the issues. Accordingly, this was already disclosed in the AFS. Management is concerned that this is assessed as material non compliance especially in light of the fact that this issue overlapped and had already been addressed.

Name: Mr. T.P. Cele

Position: Municipal Manager

Date: 8 December 2021

Auditor's conclusion

Management comment is noted and the finding remains as there was still irregular expenditure incurred due to late implementation of local production and content as required by the 2017 preferential procurement regulation 8(2) which also impacted the period under review. This will be included in the audit report as material non-compliance.

Annexure B: Other important matters

Predetermined objectives

3. ISS.9-CoAF1: AOPO: 2020/21 Annual Performance Report not submitted timeously

Audit finding

In terms of the Municipal Finance Management Act (MFMA) No. 56 OF 2003 section 126, the accounting officer of a Municipality:
a). must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing; and
b). must in addition, in the case of a municipality referred to in section 122 (2), prepare consolidated annual financial statements in terms of that section and, within three months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing.

Further to the above, in terms of the Auditor General of South Africa Directive issued under the Public Audit Act, 2004 (Act No. 25 of 2004) Clause 35 it states that, "In compliance with applicable legislated submission, auditing and tabling deadlines in the PFMA and the MFMA, as well as to allow adequate time for conducting the audit in accordance with the relevant auditing standards, auditees must adhere to the following:

· The annual performance reports must be submitted not later than the legislated submission date for the financial statements".

During the current year, the 2020/21 Annual Performance Report for uMzumbe Municipality was submitted later than the Annual Financial Statements for the year ended 30 June 2021. The Annual Performance Report was submitted on the 1st of September 2021 instead of the 31st of August 2021 being the latest date.

Consequently, this non-compliance will be reported.

Internal control deficiency

The Accounting Officer did not ensure that the Municipality complied with the MFMA.

Recommendation

The Accounting Officer should monitor compliance of all applicable legislation to the Municipality to ensure timeous submission of all information needed for audit purposes and compliance.

Management's response

In terms of Section 45 of the Municipal Systems Act, an audit of the performance measurements is required to be done internally and externally. In preparation of the Final Annual Performance Report for annually auditing by the Auditor General, the municipality had submitted the Draft APR to COGTA PMS, Municipal Internal Audit Unit and the Performance Audit Committee. Comments and corrections were made by the Internal Audit Unit and Performance Audit Committee by on 20 August 2021. However, COGTA PMS submitted their Comments on 31 August 2021 which clearly indicated the need to effect the corrections prior to the Final submission to the Auditor – General of South Africa (see attached correspondence). The submission of the APR on 01 September was therefore as a results of compliance and good governance practice aimed at ensuring transparency and credibility in the work submitted by the Municipality prior to Final Auditing by AGSA.

In all fairness, Section 126 (1) (a) of the MFMA speaks of the submission of the AFS within two months after the end the end of the financial year to AG and nothing on the APR.
Section 35 of the Public Audit Act referenced in the letter is irrelevant to the topic, however Section 14 also speaks of the "Submission of financial statements" to AG for auditing and not the APR. The Audit of the Annual Performance Report is as per section 15 of the Public Audit Act which refers to the general auditing powers and functions and section 45 of the MSA but no deadline is mentioned on both legislations.

Name: Sfiso Nxele
Position: Manager Development Planning
Date: 14 September 2021

Auditor's conclusion

Management comment is noted. However, it should be taken into consideration that the Auditor General has exercised its power in line with PAA 15(2)(b), and has made known to its auditees the requirement of submission of the annual performance reports not later than the legislated submission date for the financial statements upfront. This applies across the board consistently over the years. Hence, the non-compliance matter identified has been communicated as an internal control deficiency in the management report.

Procurement and Contract Management

4. ISS.4-CoAF3: CAATS: Interest – family: Awards to family members - Suppliers submitting false declarations

Audit finding

SCM Regulation 13(c) 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 –

1. 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;
2. 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 twelve months; or

3. whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (b) is in the service of the state, or has been in the service of the state in the previous twelve months.

In addition Municipal Systems Act (MSA) schedule 2: Code of conduct for municipal staff members' sec 5(1) states that, a staff member of a municipality/ municipal entity who, or whose spouse, partner, business associate or family member, acquired or stands to acquire any direct benefit from a contract concluded with the municipality/ municipal entity, must disclose in writing the full particulars of the benefit to the council/ board.

Furthermore, MSA schedule 1: Code of conduct for councillors/ directors sec. 5(2) states that, a councillor/ director who, or whose spouse, partner, business associate or family member, acquired or stands to acquire any direct benefit from a contract concluded with the municipality/ municipal entity, must disclose full particulars of the benefit of which the councillor/ director is aware at the first meeting of the municipal council/ board at which it is possible for the councillor/ director to make the disclosure.

During the testing of SCM - CAATS data using the declarations of interest that were submitted by the municipality officials and suppliers, it was noted that the some officials and suppliers submitted false declarations which stated that the official or supplier or its directors do not have spouses/family members who acquire direct benefit from a contract concluded with the municipality.

It was identified that the following suppliers have family members that are in the service of the Municipality:

No	EMPL_NO	Supplier name which is owned by the spouse of the employee	Description of award	Total rand-value of award
1	7512185350086	ZAMALINDA CATERING AND TRADING ENTERPRISE	Catering for Social crime awareness	R6 500,00
2	9205310581083	NHLANHLA YEZWE PROJECTS (PTY) LTD	Supply of LIC material	R35 170,00

The finding is due to the municipality officials and suppliers who do not truthfully complete the declaration of interest to the municipality and declarations of interest submitted when suppliers bid for contracts

This results in non-compliances with the SCM regulation 13(c), Municipal Systems Act (MSA) schedule 2: Code of conduct for municipal staff members' sec 5(1), MSA schedule 1: Code of conduct for councillors/ directors sec. 5(2) and possible fraud as the municipality officials and service providers provided false declarations. These non-compliances could be assessed as material to be reported in the audit report.

In addition, these non-compliances have financial impact as they also affect the completeness disclose of related party transactions in note 35 of the AFS.

Internal control deficiency

Financial and performance management: Management did not continuously monitor compliance with applicable laws and regulations by implementing measure on suppliers who submit false declarations.

Recommendation

Management should ensure that they scrutinise all supplier declarations and check it against all findings issued by AG concerning suppliers with interest before the award to ensure that the suppliers awarded do not have interest.

Management should also incorporate in their policy the implications of submitting false declarations and communicate those implications openly to the suppliers who intend to do business with them.

In addition, management should also consider performing a CIPC search using the ID number of directors of potential winning bidders. Results of the search should be communicated with the potential winning bidders and the employee and where appropriate the tender/quotation should not be awarded to the supplier.

For the suppliers indicated above, management is required to investigate the possible fraud. A follow up of this investigation will be performed in the subsequent year audit.

For the officials indicated above, management is required to implement disciplinary measures. A follow up of the implemented measures will be performed in the subsequent year audit.

Management may need to revise the entire disclosure of related party transactions in note 35 of the AFS to enhance completeness

Management's response

The audit finding is accepted. The municipality does not have access to a system to verify suppliers in the service of the state. However, the declarations were the only tools that could be used by the municipality to verify if there were any suppliers in the service of the state. Suppliers had submitted false declarations which was beyond the control of the municipality. Going forward, the municipality has flagged these suppliers and will investigate the matter further with the suppliers. In addition the municipality will continue to strictly monitor declarations.

Name: Mr. T.P. Cele
Position: Municipal Manager
Date: 6 December 2021

Auditor's conclusion

Management accepted the findings and this matter was assessed as immaterial. Therefore, the finding remains and will be followed up during the next audit.

5. ISS.6-CoAF 3: CAATS: Interest - State: False declarations from Service Providers submitted

Audit finding

SCM Regulation 13(c) 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 –

1. 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;

2. 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 twelve months; or

3. whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (b) is in the service of the state, or has been in the service of the state in the previous twelve months.

During the testing of SCM - CAATS data using the declarations of interest that were submitted by the suppliers, it was noted that the following suppliers submitted false declarations which stated that the supplier or its directors are not in the service of the state where in fact they are in the service of the state:

No.	Supplier name	Description of award	Name of person per employed at state institution	State institution where employed	Total rand-value of award
1	UNGUMALUSI BUSINESS ENTERPRIZE	1 Disability and 2 Normal Mobile Toilets	LINDENI REGINA THABETHE	KZN: HEALTH	R5 000,00
2	SYABULELA TRADING (PTY) LTD	Cleaning materials for Community service	NKOSINATHI MLOTSHWA	KZN: EDUCATION	R54 700,90

The finding is due to suppliers who do not truthfully complete the declarations of interest submitted when they bid for contracts

This results in non-compliances with the above quoted legislature requirements and possible fraud as the service providers provided false declarations. These non-compliances could be assessed as material to be reported in the audit report.

Internal control deficiency

Financial and performance management: Management did not continuously monitor compliance with applicable laws and regulations by implementing measure on suppliers who submit false declarations.

Recommendation

Management should ensure that they scrutinise all supplier declarations and check it against all findings issued by AG concerning suppliers with interest before the award to ensure that the suppliers awarded do not have interest.

Management should also incorporate in their policy the implications of submitting false declarations and communicate those implications openly to the suppliers who intend to do business with them.

In addition, management should also consider performing a CIPC search using the ID number of directors of potential winning bidders. Results of the search should be communicated with the potential winning bidders and the employee and where appropriate the tender/quotation should not be awarded to the supplier.

For the suppliers indicated above, management is required to investigate the possible fraud. A follow up of this investigation will be performed in the subsequent year audit.

Management's response

The audit finding is accepted. The municipality does not have access to a system to verify suppliers in the service of the state. However, the declarations were the only tools that could be used by the municipality to verify if there were any suppliers in the service of the state. Suppliers had submitted false declarations which was beyond the control of the municipality. Going forward, the municipality has flagged these suppliers and will investigate the matter further with the suppliers. In addition, the municipality will continue to strictly monitor declarations.

Name: Mr. T.P. Cele
Position: Municipal Manager
Date: 6 December 2021

Auditor's conclusion

Management accepted the findings and this matter was assessed as immaterial. Therefore, the finding remains and will be followed up during the next audit.

Annexure C: Administrative matters

There are no matters to report.

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	Municipal entities
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	Section 121(4)(d) of the MFMA
2. Changes to indicators are approved	Section 25(2) of the MSA	Section 54(1)(c) of the MFMA
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	Section 121(4)(d) of the MFMA
4. Changes to targets are approved	Section 25(2) of the MSA	Section 54(1)(c) of the MFMA
5. Reported achievements are consistent with the planned and reported indicator and target	Section 121(3)(f) of the MFMA	Section 121(4)(d) 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		

Criteria	References to PMRF per institution	
	Municipalities	Municipal entities
12. Actual performance compared to planned targets and prior year performance is disclosed in the annual performance report	Section 46 of the MSA	Section 46 of the MSA
13. Measures taken to improve performance are disclosed in the annual performance report	Section 46 of the MSA	Section 46 of the MSA
14. Measures taken to improve performance are corroborated with audit evidence	Section 46 of the MSA	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	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 maintain professional scepticism throughout our reasonable assurance engagement on reported performance information for selected development priority.

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 development priority 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 municipality that supports the generation, collation, aggregation, monitoring and reporting of performance indicators and their related targets for the selected development priorities

   - 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						