

LISTING OF DETAILED AUDIT FINDINGS

Name of auditee: LEPHALALE LOCAL MUNICIPALITY

Audit cycle: 2023/24 Financial year

Below we provide a summary of our audit findings and the listing of the detailed audit findings that were communicated to management during the audit.












The findings are rated as follows:

	Findings that will be reported in the auditor's report and should be addressed as a matter of urgency (matters affecting auditor's report).
	Findings on matters that should be addressed to prevent material misstatements of the financial statements or material findings on the performance report and compliance with legislation in future. These also includes matters that significantly affected the performance of the auditee (other important matters).
	Findings on matters that do not have a direct impact on audit outcomes or a significant performance impact. They were communicated to assist with improving processes and mitigating risks (administrative matters).


Summary of audit findings

Finding	Rating	Classification					Number of times reported in previous two years
		Financial	Performance	Compliance	Internal control	Delivery	
COMAF 13- Investment property prior period error		✓					
AFS high level review - 1.Casting differences noted on the cash flow statement		✓					





COMAF 69-Management did not adequately disclose financial instruments(note 49)	■	✓					
Accounting policy							
COMAF 64: Effects of changes in accounting polices not presented in the statement of changes in net assets	■	✓			✓		Year - 1
Cash and cash equivalents							
COMAF 50-Differences between the external confirmations and the cashbook amounts	■	✓					Year - 1
COMAF 50-Differences between the cashbook and bank statements amounts during the audit of bank reconciliations	■	✓					Year - 1
Cash flow statements							
COMAF 42: Differences in the cashflows	■	✓					Year - 1
COMAF 29: Difference between cash flow statement and statement of comparison	■	✓					Year - 1
Commitments							
COMAF 22 - Commitments Contracts	■	✓					Year - 1
COMAF 23 - Commitments Recalculations	■	✓					Year - 1
COMAF 23 : Commitments: Differences between the supporting register and auditor's recalculations	■	✓					Year - 1
Conditional grants							
AFS high level review - 19. Government grants and subsidies Note 35: Casting differences identified on Note	■	✓					Year - 1

Contingent liabilities							
AFS High level review :9.Contingent liabilities: Differences between the AFS and the listing		✓					Year - 2
COMAF 41: Contingencies (best estimate)		✓					Year - 1
COMAF 26 - Contingencies Limitation of scope		✓					Year - 1
COMAF 55: Contingent liability KP Paul, E Paul		✓					Year - 1
Employee costs							
COMAF 25: Employee cost: Overtime		✓					Year - 1
AFS high level review : 10.Employee related costs: Differences between general ledger and AFS		✓					Year - 2
COMAF 46: Related parties		✓					Year - 1
Governance							
COMAF 06: Non-Compliance with public notice requirement for the adoption of the Integrated Development Plan						✓	Year - 1
COMAF 08:Audit committee						✓	Year - 1
COMAF 09: Audit committee did not provide advice to the council on matters relating to performance evaluation						✓	Year - 1
Use of consultants							
COMAF 76: Use of consultants					✓		Year - 2

Additional disclosures required by MFMSA

COMAF 81:Additional disclosures in terms of MFMA		✓					Year - 1
--	---	---	--	--	--	--	----------

Heading 10

AFS High level review findings		✓					Year - 1
COMAF 30.2 : Reconciliation of actual amounts on comparable basis		✓					Year - 1
AFS high level review :21 Spelling errors identified on the AFS submitted		✓					Year - 1
COMAF 63:AOPO-Electrical losses			✓				Year - 1

Heading 2

COMAF 05: The approved adjustment budget not published within 10 working days after approval by council				✓			Year - 1
---	---	--	--	---	--	--	----------












Internal audit

COMAF 07 - Internal audit function				✓			Year - 1
------------------------------------	--	--	--	---	--	--	----------















Heading 5





COMAF 14: Finance lease classification (PPP)		✓					Year - 1
COMAF 15 : Segment reporting disclosure		✓					Year - 1

Heading 8

COMAF 54 - Compliance limitation				✓			Year - 1
Immovable assets							
AFS high level review- Issue 3 : Property, plant and equipment : Differences between the Trial Balance and the AFS		✓					Year - 1
AFS high level review :7 Property, plant and equipment: Differences between the AFS and Fixed Asset register		✓					Year - 1
AFS high level review - 8.Depreciation: Differences between amount per Trial Balance and the AFS		✓					Year - 1
Feasibility studies capitalised to work in progress		✓					Year - 1
Depreciation incorrectly calculated		✓					Year - 1
COMAF 78 - Write-off/Disposal of redundant assets		✓					
Inventory							
COMAF 43: Inventories – Water from borehole resources not accounted for		✓					Year - 1
COMAF 51: Inventory and assets derecognition		✓					Year - 1
Investment property							
COMAF 12- Investment property fair value adjustment		✓					Year - 1
Leases							
COMAF 10: Finance lease obligation (finance costs)		✓					Year - 2

Operating expenditure							
COMAF 35 - Payment made after 30 days			✓				Year - 3
Payable							
COMAF 04- Misclassification of payables		✓					Year - 1
COMAF 20 -Difference between Retention register and Auditors recalculation		✓					Year - 1
COMAF 49 -Duplicate of the payable journal in the GL		✓					Year - 1
Predetermined objectives							
COMAF 34.1: AOPO-Households connected to sanitation			✓				Year - 1
COMAF 66:AOPO-Differences between APR and POE-Water losses			✓				Year - 1
COMAF 34.1:AOPO-Marapong pipeline			✓				Year - 1
COMAF 34.1:AOPO-Marapong storage			✓				Year - 1
COMAF 34.1:AOPO-Percentage of Extension and Augmentation of Water Supply in Witpoort RWS 6 Completed			✓				Year - 1
COMAF 34.1:AOPO-Percentage of roads resealed			✓				Year - 1
COMAF 63:AFS-Electrical distribution losses not accurately disclosed			✓				Year - 1
COMAF 28.1: AOPO-Duplications-LED jobs			✓				Year - 1

COMAF 34.1;AOPO-MIG expenditure-NOT RESOLVED			✓				Year - 1
COMAF 33.2 :AOPO-Inconsistencies between reported achievements and performance Indicator definitions(Street vendors)			✓				Year - 3
COMAF 33.2 :AOPO-Reported achievement not consistent with indicator title			✓				Year - 3
COMAF 71: AOPO-Unspent conditional grants(MIG expenditure)			✓				Year - 1
COMAF 57: AOPO-Actual achievement understated-meeting with strategic partners			✓				Year - 1
COMAF 65 :AoPO – Measures taken to improve performance			✓				Year - 1
COMAF 28.2 : AOPO-Reported performance information is incomplete-Jobs created			✓				Year - 1
COMAF 53 - Sanitation			✓				Year - 1
COMAF 28.3:AOPO-Limitation misstatement: Jobs created			✓				Year - 1
COMAF 28.4 : AOPO-Casting of listings			✓				Year - 1
COMAF 28.5: AOPO-Information could not verified-NOT RESOLVED			✓				Year - 1
COMAF 33.1 : AOPO-Actual achievement not consistent with the indicator definition			✓				Year - 1
COMAF 56: Number of hectares-NOT RESOLVED			✓				
COMAF 60.1 :AOPO-Number of speed checks conducted overstated			✓				Year - 1

COMAF 34.1:AOPO-Households connected to water			✓				Year - 1
Procurement and Contract Management							
Communication of audit findings no. 67 of 2024 - SCM Conflict of Interest - State				✓			Year - 1
Communication of audit findings no. 74 of 2024 - Awards made to suppliers whose tax matters are not in order with SARS				✓			Year - 1
Communication of audit findings no. 85 of 2024 - Unauthorised expenditure				✓			Year - 1
Receivables							
COMAF 17 - Receivables exchange - Casting		✓					Year - 1
COMAF 18 - Impairment methodology		✓					Year - 1
AFS high level review :11.Other receivables from exchange transactions: Inconsistency between the prior year and current year Note		✓					Year - 1
AFS high level review :14 Receivables from non-exchange transactions: Inconsistency between the prior year and current year note		✓					Year - 1
AFS High level review- 15.Receivables from non-exchange transactions: Casting differences identified on Note 17		✓					Year - 1
COMAF 52 - Limitation on debt impairment		✓					Year - 1
COMAF 79 :Reclassification of impairment loss and derecognition		✓					Year - 1
COMAF 44-Other receivables(traffic fines)		✓					Year - 1
Revenue							

COMAF 16 - Receivables/Revenue exchange & Consumer deposits - Presentation and disclosure	██████	✓					Year - 1
COMAF 19 - Property rates impairment	██████	✓					Year - 1
COMAF 30.3: Incorrect reference number in the disclosure note	██████	✓					Year - 1
COMAF 30.1: Incomplete narrative disclosures	██████	✓					Year - 1
AFS high level review :16.Revenue from non-exchange transactions – Property rates (Note 33): Inconsistency between the prior year and current year	██████	✓					Year - 1
AFS high level review :17.Revenue from non-exchange transactions: Description differences	██████	✓					Year - 1
COMAF 80 - Revenue & Receivables Control Deficiency	██████	✓					Year - 1
COMAF 36 - Other revenue	██████	✓					Year - 1
COMAF 40 - Prior period error Revenue from Exchange	██████	✓					Year - 1
COMAF 47 - Basic charges: Water & Electricity	██████	✓					Year - 1
COMAF 58 - Metered Water	██████	✓					Year - 1
COMAF 61 - Prepaid Electricity	██████	✓					Year - 1
COMAF 45 - NERSA vs Afriforum High Court Judgement	██████	✓					Year - 1
COMAF 70 - Revenue Journals Limitation	██████	✓					Year - 1

COMAF 62-Revenue from non-exchange(property rates)	■	✓					Year - 1
Taxes							
COMAF 02 VAT - VAT registration number of the supplier and the recipient not disclosed	■	✓		✓			Year - 1
COMAF 31: VAT Disclosure	■	✓					Year - 1
COMAF 32: VAT not accounted for on Agency fees	■	✓		✓			Year - 1
UIFW							
COMAF 48 - Fruitless & Wasteful - Indigent	■	✓					Year - 1

DETAILED AUDIT FINDINGS

Below is the listing of the detailed audit findings that were communicated to management during the audit.

Other important matters

Inventory

1. ISS.89 - COMAF 43: Inventories – Water from borehole resources not accounted for

Audit finding

In terms of GRAP 12, Inventories are defined as assets:

1. a) in the form of materials or supplies to be consumed in the production process;
2. b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
 - c) held for sale or distribution in the ordinary course of operations; or
 - d) in the process of production for sale or distribution.

Measurements

In terms of GRAP 12, Inventories, paragraph 16,

16. where inventories are acquired through a non-exchange transaction, their cost shall be measured at their fair value as at the date of acquisition.

18. Inventories shall be measured at the lower of cost and current replacement cost where they are held for distribution through a non-exchange transactions.

Costs of inventories

19. The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Recognition as an expense

45. When inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which reversal occurs.

The municipality has boreholes that are located in the surrounding villages which distributes water for consumption to the residents at no cost. The municipality has the ability to access and regulate the benefits of the borehole water. The municipality derives future economic benefits or service potential associated with the water collected/drawn from the borehole(s) in the form of "Free basic water distribution" and the cost can be measured reliably.

The municipality incurs direct costs to operate the boreholes in extracting water into the reservoirs and subsequently distributing the water to the public. Below is a list of possible costs incurred by the municipality in operating and distributing borehole water.

- Hourly rate of pump operators to fill and distribute water resources (this may vary per borehole)
- Electricity for the pump station involved in drawing the water from the borehole(s)
- Any water purification cost processes (hourly labour and chlorination)

The municipality does not incur any costs to acquire the natural resource (water) but incurs the above costs in order to bring the water inventory into its present condition and location i.e ready for distribution and/or consumption. In terms of GRAP 12 the water inventory should be measured at the costs necessary to bring the water inventory to be ready for distribution and/or consumption.

The municipality has not determined the unit cost per litre to distribute the fee water to the citizens of Lephalale. This unit cost per litre should be utilised to determine the following:

- Value of water as at 30 June (Inventory) =(Unit cost per litre X litres available in all village reservoirs)
- Value of water expensed during the year (Expenditure) =(Unit cost per litre X units of water distributed during the year)

As a result of the municipality not accounting for and determining the necessary costs to bring the water resource from the borehole(s) to be ready for distribution and/or consumption, no disclosure of the asset and cost associated to this process have been accounted for in the annual financial statements, therefore the financial statements have not been fairly presenting in accordance to the standards of GRAP.

It has been further noted that the water extracted and distributed to the public from all the boreholes is not measured and cannot be determined for current financial period and prior periods as the municipality does not have any records to demonstrate the following:

- The amount of water extracted from the boreholes
- The amount of borehole water stored/purified and distributed

Consequently, due to the fact that the municipality has not determined the direct costs (Unit cost per litre) mentioned above and cannot measure the consumption and/or distribution, we are unable to determine the amount of inventory to be disclosed in note 12 and its related distribution cost (Expenditure) to be included in the statement of financial performance by any alternative means.

Internal control deficiency

The accounting officer did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate financial information is available to support the financial statements.

The accounting officer did not implement proper record keeping to ensure that inventory balances and inventory consumed are reliably measured and accounted for in accordance with GRAP 12.

Recommendation

The accounting officer should implement proper record keeping and internal controls to determine costs involved in bringing the water into its present location and condition to enable distribution to the public and measurement on inventory balance at year-end.

Appropriate meter reading equipment should be fitted to enable adequate data collection of the water resources.

Management's response

Management agrees with the finding and request opportunity to adjust annual financial statements by reclassifying the direct costs of free water distribution to inventory consumed. In terms of mSCOA chart version 6.7, water distributed to consumers is classified as inventory consumed.

Municipality incurred the following direct costs in the extraction and distribution of free water to consumers. (Supporting schedules attached)

Description	Amount 2024	Amount 2023
Direct salaries	6 638 260.00	6 306 347.00
Bump Operators	657 230.00	645 800.00
Electricity	4 332 169.00	4 216 086.00
Consumables	1 054 500.00	953 890.00
Water resource levy	558 050.00	498 540.00
Depreciation	11 778 983.00	10 706 869.00
Total cost of free water	25 019 192.00	23 327 532.00

The above direct costs were erroneously not capitalized into cost of inventory.

The following journals are therefore proposed

First Journal

Cr Inventory R25 019 192
 Cr Salaries R6 638 260
 Cr Operating expenditure (Electricity+ bump operators) R4 989 399
 Cr Depreciation R11 778 983
 Cr Inventory consumed (Water levy and consumables) R1 612 550

The journal was for Capitalization of water inventory before the distribution, recognition of the cost to acquire inventory. The acquisition of inventory should not be recorded as expenditure in terms of budget circular and GRAP 12. It is only expensed when distributed to consumers.

Second Journal

Dr Inventory consumed R25 004 152
 Cr Inventory 25 004 152

Transfer of water distributed to inventory consumed.

The water inventory consumed was determined by deducting the value of closing stock from the total purchases.

The closing stock was calculated as following

Management determines the total storage capacity for areas that receive free water (Rural areas) to be 10 457kl, refer to a schedule of reservoirs attached. Management did not conduct the stock count at year end and reasonable estimated that, on average the reservoirs were at 85% of their capacity which can be converted into 8 888 kiloliters.

Determining the unit cost per kiloliters.

Based on the feasibility study conducted in 2014, Municipality would need to distribute 6 mega litres of free water to rural communities per day (Total per day) which converts to 6 000kl/day. The total projection for the year is 2 190 000 (6000*365). Therefore, the total water distributed in 2024FY is reasonable estimated to be 2 190 000kl. Therefore, the unit cost for distribution of Free water for 2024 is R 11,4 /kl (25 019 192/ 2 190 000kl)

Thus, the value of the closing inventory of water equals R 101 539 (8 888*11.4/kl).

Inventory consumed was calculated to be R25 004 152, refer to workings below

Total purchases 25 019 192
 Add opening stock 86 499
 Closing stock (101 539)

The opening stock was estimated to be 8 238kl at R10.5 using the total cost of R23m for 2023.

New reservoirs for the project completed in 2024 were removed in determination of opening capacity.

N.B Management would like to urge AGSA to also consider the sensitivity analysis prepared to demonstrate that the total kiloliters distributed does not significantly affect the amount to be transferred to inventory consumed and the closing stock. The finding has a significant impact on the classification of expenditures, as inventory consumed is more of a function than a nature hence expenses such as depreciation are capitalized to stores. mSCOA has deemed the classification for inventory consumed as by nature.

In the sensitivity analysis when the total consumption for the year of 2 190 000kl p.a is increase by 50% it results in almost zero percent changes in amount transferred to inventory consumed.

Again, an increase of 100% in units distributed also results in zero% changes in amount transferred to inventory consumed.

Sensitivity analysis 1. Estimated demand for rural water distribution is increase by 50% and 100%

Discription	Minimum (Rural water demand)	Medium @50 Increase	Maximum @100% increase
Water distributed	2 190 000.00	3 285 000.00	4 380 000.00
Total costs	25 000 000.00	25 000 000.00	25 000 000.00
Opening stock	8 580	8 580	8 580
Closing stock	8 888	8 888	8 888
Units costs	11.42	7.61	5.71
Opening stock	97 945.21	65 296.80	48 972.60
Purchases	25 000 000.00	25 000 000.00	25 000 000.00
Closing stock	- 101 461.19	- 67 640.79	- 50 730.59
Inventory consumed	24 996 484.02	24 997 656.01	24 998 242.01
Changes		- 1 171.99	- 586.00

Sensitivity analysis 2. Estimated demand for rural water distribution is reduced by 25% and 50%. In all scenarios the amount to be allocated to inventory consumed remains insignificant

Discription	Minimum (50% decrease)	Medium @25% decrease	Maximum (Rural water demand)
Water distributed	1 095 000.00	1 642 500.00	2 190 000.00
Total costs	25 000 000.00	25 000 000.00	25 000 000.00
Opening stock	8 580	8 580	8 580
Closing stock	8 888	8 888	8 888
Units costs	22.83	15.22	11.42
Opening stock	195 890.41	130 593.61	97 945.21
Purchases	25 000 000.00	25 000 000.00	25 000 000.00
Closing stock	- 202 922.37	- 135 281.58	- 101 461.19
Inventory consumed	24 992 968.04	24 995 312.02	24 996 484.02
Changes		- 2 343.99	- 1 171.99

The amount to be transferred to inventory consumed always approximate the total purchases in all scenarios presented in the above tables. Therefore, the volumes of water distributed during the year have a very limited impact on the amount to be transferred to inventory consumed as long as the total cost remain fixed.

Management also holds a view that the process of determining the amount to be transferred to inventory consumed is would not be affected when it is done monthly or annually. Actual data for urban water distribution was used to determine the amount to be transferred to inventory consumed. The results when it is done monthly for the whole year (on cumulative basis) are the same as the results when is done once for the whole year.

Alternatively, this fact may be demonstrated

Description	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Purchases	182 500.00	365 000.00	1 095 000.00	4 380 000.00	912 500.00	1 095 000.00
Opening	8 580	8 580	8 580	8 580	8 580	8 580
Closing	8 888	8 888	8 888	8 888	8 888	8 888
Total costs	2 083 333.33	4 166 666.67	6 250 000.00	8 333 333.33	10 416 666.67	12 500 000.00
Unit cost	11.42	11.42	5.71	1.90	11.42	11.42
Purchases R	2 083 333.33	4 166 666.67	6 250 000.00	8 333 333.33	10 416 666.67	12 500 000.00
Opening R	97 945.21	97 945.21	48 972.60	16 324.20	97 945.21	97 945.21
Closing R	- 101 461.19	- 101 461.19	- 50 730.59	- 16 910.20	- 101 461.19	- 101 461.19
Inventory consumed	2 079 817.35	4 163 150.68	6 248 242.01	8 332 747.34	10 413 150.68	12 496 484.02

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
	1 277 500.00	1 460 000.00	1 642 500.00	1 825 000.00	2 007 500.00	2 190 000.00
	8 580.00	8 580.00	8 580.00	8 580.00	8 580.00	8 580.00
	8 888.00	8 888.00	8 888.00	8 888.00	8 888.00	8 888.00
	14 583 333.33	16 666 666.67	18 750 000.00	20 833 333.33	22 916 666.67	25 000 000.00
	11.42	11.42	11.42	11.42	11.42	11.42
	14 583 333.33	16 666 666.67	18 750 000.00	20 833 333.33	22 916 666.67	25 000 000.00
	97 945.21	97 945.21	97 945.21	97 945.21	97 945.21	97 945.21
	- 101 461.19	- 101 461.19	- 101 461.19	- 101 461.19	- 101 461.19	- 101 461.19
	14 579 817.35	16 663 150.68	18 746 484.02	20 829 817.35	22 913 150.68	24 996 484.02

Name: Tebogo Mojela
 Position: Grap and Compliance Specialist
 Date: 13/11/2024

Auditor's conclusion

Management's response acknowledged.
 In terms of mSCOA chart version 6.7, water distributed to consumers is classified as inventory consumed, the municipality has failed to account for all water extracted in the rural areas during the year.

The municipality has identified costs that are associated to the Water Department to the value of R25 019 192 for the 2024 financial period. However these are the total costs for the Department but not the cost associated in directly bring the water resource to be ready for consumption and or distribution to the public. The

municipality is required to demonstrate the unit cost per kiloliter as detailed in the body of the communication of audit finding.

The municipality requires to capitalize the determined cost of R25 019 192 as inventory consumed under expenditure, however these costs do not meet the definition of an asset. Inventory consumed as disclosed in the financial statements relates to all items initially recognised as inventory and subsequently distributed or consumed in the ordinary course of the municipality's business operations. As a result the two proposed journals stated in management's repose are incorrect.

The municipality determined a unit cost of R11.40 per kl, this cost is significantly higher than the tariff average of R3.58 between the cost from Exarro and Department of water and sanitation at R2.35 and R4.80 respectively. The information for the average was gathered from the following invoices paid: Remittance Advice: RA20/2/14638/2023-2024 and RA19/12/14333/2023-2024. This amount can be used as a reasonable cost per kl in the event the unit cost cannot be determined.

With the above estimated unit cost per kl determined, we can now determine the following:

- Projected inventory cost per kl as the stated 8 888 kl to be $(8\ 888 \times R3.58) = R31\ 819$ as at year end.
- Projected inventory cost of inventory consumed during the year $(6\ 000\text{kl} \times 365\ \text{days}) \times 3.58 = R7\ 840\ 200$.

Based on the information detailed in the sensitivity analysis in management's response the following estimated cost of inventory consumed cost during the year is calculated:

Sensitivity analysis - Auditor's work			
Sensitivity analysis 1 @ R3.58	Minimum	Medium	Maximum
Water distributed in kl	2,190,000.00	3,285,000.00	4,380,000.00
Inventory consumed	7,840,200.00	11,760,300.00	15,680,400.00
Sensitivity analysis 2 @ R3.58	Minimum	Medium	Maximum
Water distributed in kl	195,000.00	1,642,500.00	2,190,000.00
Inventory consumed	698,100.00	5,880,150.00	7,840,200.00

This is only a projection and not the actual cost for the municipality and therefore will not qualify to be recognised in the Statement of Financial Performance under Inventory Consumed. The above analysis demonstrates material estimates.

With the absence of actual meter readings to determine the exact amount of water extracted, treated and distributed to the community, we are unable to quantify the amount that should be recorded as inventory as at year end and Inventory consumed throughout the year.

Cash flow statements

1. ISS.41 - COMAF 29: Difference between cash flow statement and statement of comparison

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

1. Section 122 (1)(a) states that every municipality must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality, 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 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

during the audit of the statement of comparison of budget and actual amounts, we noted that the comparison statement was prepared and presented on comparable basis to components of the financial statements, with the exception of statement of cash flows. Material variances were identified between amounts in the cash flow statement and amounts presented in the statement of comparison. Refer to the table below:

Description	Cash flow statement-based on auditor's castings	Statement of comparison of budget and actual amounts	Variance
Net cash flows from operating activities	R134 017 766	R75 229 631,00	R58 788 135,00
Net cash flows from investing activities	R134 021 137,00	-	R134 021 137,00
Net cash flows from financing activities	R29 966 770,00	-	R29 966 770,00
Net increase/(decrease) in cash and cash equivalents	R29 970 141,00	R75 229 631,00	R45 259 490,00
Cash and cash equivalents at the end of the year	R61 290 031,00	R75 229 631,00	R13 939 600,00

Internal control deficiency

Financial and performance management

The Accounting Officer did not exercise oversight responsibility regarding financial reporting and compliance as well as related internal controls.

The Accounting Officer did not adequately perform review of the financial statements to ensure that the financial statements are accurate and compliant with the requirements of GRAP and MFMA.

Recommendation

It is recommended that Accounting Officer should review the annual financial statements and ensure that the financial statements comply with the applicable accounting standards before the annual financial statements are submitted for audit.

Management's response

Management agrees to the finding

Auditor's conclusion

we assessed the adjusted financial statement and confirmed that the adjustments were appropriately processed, no uncorrected misstatements identified. Therefore, the finding is resolved.

Commitments

2. ISS.27 - COMAF 22 - Commitments Contracts

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

In terms of section 95(c)(i) of the MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the entity and must for this purpose take all reasonable steps to ensure – that the entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

GRAP 1 par 17: 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.

GRAP 1 par 18: In virtually all circumstances, a fair presentation is achieved by compliance with applicable Standards of GRAP. A fair presentation also requires an entity:

1. (a) to select and apply accounting policies in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3), which sets out a hierarchy of authoritative guidance that management considers in the absence of a Standard that specifically applies to an item;
2. (b) to present information, including accounting policies, in a manner which provides relevant, reliable, comparable and understandable information; and
3. (c) to provide additional disclosures when compliance with the specific requirements in Standards of GRAP is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

1. CAPITAL: Contrary to the above, whilst auditing commitments, we noted that the following contracts have expired. However, no disclosure has been made to inform users of the financial statements that included in the amount of capital commitments to the value of R 188 579 836, contracts to the value of R49 632 714 have expired and or are delayed, however there is still an intention and or, obligation to continue with these contracts in future.

No	As per commitment register				Service level agreement	
	Contract/ Tender No	Supplier/Service Provider	Project Name	Commitment 2024	End date	Expired/Unsigned/ Stalled

1	T33/2013	NYELETI CONSULTING	CONSULTING OF WITPOORT & SELEKA RWS WATER PHASE 4	129 391.29	15 10 2014	Expired
2	(T48/2013-2014)	MM TRADING ENTERPRISE JV	CONSTRUCTION OF WITPOORT & SELEKA RWS WATER PHASE 4	1 747 834.69	19 01 2015	Expired
3		New Genesis	REPLACEMENT OF ASBESTOS CEMENT PIPE (AC) TO HDPE/uPVC WATER PIPES IN LEPHALALE TOWN CBD	20 193 514.17	17 06 2024	Expired
4		On spot Investment	Construction of 2X3ML Steel Reservoir in marapong	12 842 571.69	15 05 2023	Expired
5		NSK Electrical and Construction Managers	Design, Installation and Commissioning of Electrification at Various Villages(16 Highmast)	2 265 530.53	19 07 2024	Expired
6	T17 2021	MJ Mthombeni/Rapidius Phase 2	Appointment of a contractor for Thabo Mbeki Sewer	9 465 903.83	24 10 2022	Expired
7	T16 2021-2022	Molekwa Holdings	Broom Sweeper	617 391.30	04 04 2022	Expired
8		Phooko and sons	RE-CYCLING, MILLING AND RE-SURFACING OF ROADS WITH ASPHALT WITHIN MUNICIPAL AREA	499 809.65	23 05 2024	Expired
9		Nghilazi Group pty Ltd	Installation of 4 Highmastlights PHAHLADIRA	1 205 355.98	15 09 2023	Expired
10		Mavuyisi	Technical report of onverwacht roads	211 412.00	19 05 2024	Expired
11		BPM2 Consulting	Technical report of roads and storm water Marapong township	454 000.00	11 06 2024	Expired

The finding leads to a result in non-compliance with GRAP 1.

Internal control deficiency

The accounting authority did not ensure that annual financial statements submitted for auditing are prepared adequately reviewed and prepared in line with GRAP 1.

Recommendation

The accounting authority should implement controls to ensure that commitment disclosures are thoroughly reviewed, ensuring fair presentation and compliance with GRAP 1.

Management's response

Management agrees with the finding and requests the opportunity to correct annual financial statements by updating the commitment register and the note.

Date:

Auditor's conclusion

Management's response has been noted and opportunity to adjust was granted. We received the adjustments and are satisfied.

Contingent liabilities

3. ISS.67 - COMAF 41: Contingencies (best estimate)

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

In terms of GRAP 19, a contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control on the entity.

In terms of GRAP 19, paragraph 14, the amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Paragraph 49, of GRAP 19 states that, the risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision.

During the audit of contingent assets and liabilities we noted that the municipality has not developed a methodology that complies with the requirements of GRAP 19 in determining the best possible estimate for Contingencies as disclosed in note 51 to financial statements. Note 51 details contingent liabilities and assets to the value of R270 150 673 and R14 635 394 respectively for the 2024 financial period.

Details	2024	2023
Contingent liabilities	270 150 673	270 629 278
Contingent Assets	14 635 394	14 635 394

Management has disclosed contingent assets and liabilities at the claim amount (summons amount), there are no clear procedures/ methods in place to justify how management satisfied themselves with the disclosed amounts. We therefore are unable to re-perform the amounts as per the requirements of GRAP 19 (determining the best estimate).

Internal control deficiency

The accounting officer did not adequately review contingent assets and liabilities and financial statements to ensure that contingent assets and liabilities are measured at the best estimate in accordance with GRAP 19 requirements.

Recommendation

The accounting officer should adequately review the financial statements to ensure that contingent assets and liabilities are assessed and measured using the best estimate in accordance with GRAP 19.

The accounting officer should develop a methodology to determine and measure the best estimate of contingent assets and liabilities that is in accordance with GRAP 19 requirements.

Management's response

Management response not received.

Auditor's conclusion

Management developed a methodology to determine a value contingent assets and liabilities at the best estimate. Subsequent work was done and no findings were identified. Therefore, the finding is resolved.

Governance

4. ISS.6 - COMAF 06: Non-Compliance with public notice requirement for the adoption of the Integrated Development Plan

Audit finding

In terms of MSA 25(4)(a), a Municipality must, within 14 days of the adoption of its integrated development plan give notice to the public of the adoption of the plan that copies of or extracts from the plan are available for public inspection at specified places.

We noted during the audit of non-compliance with legislations that the municipality did not provide public notice of the adoption of its final Integrated Development Plan (IDP) as required by MSA. The current IDP was adopted on 30May2023. However, no evidence was found that public notice of this adoption was issued on the municipality's official website or through other recognized channels.

Internal control deficiency

Financial and performance management

The Accounting Officer did not review and monitor compliance with applicable laws and regulations.

The Accounting Officer did not provide public notice of the adoption of its Integrated Development Plan (IDP) as required by MSA.

Recommendation

The Accounting Officer should implement adequate internal controls to ensure that public notices for key council decisions, such as the adoption of the IDP, are issued within the required timeframe.

Management's response

Management agrees to the finding

Auditor's conclusion

matter will be reported as internal control deficiency

5. ISS.100 - COMAF 76: Use of consultants

Audit finding

In terms of section 62(1) (a) 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 the resources of the municipality are used effectively, efficiently and economically.

In terms of section 5(1) of the Municipal Cost Containment Regulations 2019, a municipality or municipal entity may only appoint consultants if an assessment of the needs and requirements confirms that the affected municipality or municipal entity does not have the requisite skills or resources in its full-time employ to perform the function.

Contrary to the above requirements, during the audit of Use of consultants, we noted that Management did not develop a gap analysis confirming the needs and requirements before the appointment of consultants.

The finding will result in non-compliance with the Cost containment regulations

Internal control deficiency

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

Recommendation

Management should ensure that they perform adequate needs analysis before the appointment of the consultants.

Management's response

Management response not received.

Auditor's conclusion

The internal control deficiency will be reported on in the management response.

6. ISS.5 - COMAF 05: The approved adjustment budget not published within 10 working days after approval by council

Audit finding

In terms of Municipal budget and reporting reg 26(1), 26(2)(c), the Municipal Manager must within 10 working days after the council has approved an adjustments budget make public the approved adjustments budget and supporting documentation as well as resolutions including any consequential amendment of the SDBIP that is necessitated by the adjustments budget.

We noted during the audit of non-compliance with legislations that the Municipal Manager did not publish the approved adjustment budget within the required timeframe of 10 working days. The review of council resolutions revealed that the adjustment budget was approved on 28 February 2024. However, the adjustment budget was not published until 06 June 2024, which exceeded the 10-working-day timeframe. It was further noted that the budget adjustment resolution was also not published on the municipality's official website.

Internal control deficiency

Financial and performance management

The Accounting Officer did not review and monitor compliance with applicable laws and regulations.

The Accounting Officer did not monitor compliance with requirements of Municipal budget and reporting regulations governing publication of approved adjustments budgets.

Recommendation

The Accounting Officer should implement adequate internal controls to ensure compliance with publication deadlines for adjustment budgets.

Management's response

Management agrees to the finding.

Auditor's conclusion

Instance of non-compliance will be reported in management report and the auditor's report.

Internal audit

7. ISS.4 - COMAF 07 - Internal audit function

Audit finding

In terms of MFMA section 62(1)(c)(ii), The accounting officer of the 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 internal audit operating in accordance with any prescribed norms and standards.

The Institute of Internal Audit Standard 1312 (IIA Standard 1312) states that an external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

Contrary to the above requirements, during the audit we noted that the municipality has not had an external quality assurance/review performed on the internal audit function as required by IIA 1312 in the past five 5 years (since establishment in 2005) including the current year under review. The internal audit, in performing their work, may not follow the standards as set by the Institute of Internal Auditors.

The above results in non-compliance with Section 62(1)(c)(ii) of the Municipal Finance Management Act No. 56 of 2003 and Standard 1312 of the Institute of Internal Auditors.

The above results in non-compliance with Section 62(1)(c)(ii) of the Municipal Finance Management Act No. 56 of 2003 and Standard 1312 of the Institute of Internal Auditors.

Internal control deficiency

Governance

The accounting officer did not ensure that an external assessor is appointed to conduct assessments on the internal audit function as required by standard 1312 of Institute of Internal Auditors (IIA).

Recommendation

The accounting officer should plan and appoint external assessor to assess the internal audit function to ensure that the internal audit unit in executing its duties and responsibilities in accordance with the applicable code of ethics and standards.

Management's response

We concur with the findings.

The municipality has initiated the planning process for an external quality assurance review of its internal audit activities in the 2022/23 financial year. Management and the Audit Committee have determined that, in preparation for the external review, the Chief Audit Executive (CAE) must first conduct an internal review, as mandated by IIA standards. Management plans to arrange for the comprehensive external review in the next two years, taking into account the implementation of new standards effective January 9, 2025. It is recommended that we allow a full year for this implementation before proceeding with the external review. The CAE report on the internal review will be presented to management and the Audit committee on the 25th of October 2024 and it will be shared with AGSA after approval by the audit committee.

The CAE will create a detailed plan outlining estimated dates and milestones, specifying what needs to occur, when, and who will be responsible. This plan will be presented to management and the Audit Committee for inputs and approval.

Name: GE Mathebula
Position: Chief Audit Executive
Date: 10/10/2024

Auditor's conclusion

Management's response is acknowledged. The matter will be reported as an internal control deficiency in the management report.

Predetermined objectives

8. ISS.35 - COMAF 71: AOPO-Unspent conditional grants (MIG expenditure)

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

1. Section 122 (1)(a) states that every municipality must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality, 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 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.

During the audit of the MIG expenditure, we noted that the reported expenditure in the grant register is different from the information verified through audit evidence submitted. Refer to the table below:

Description	Amount as per the grant register submitted for audit	Amount as per progress payment certificate	Variance
Construction of highmast lights	R8 816 871.34	R8 616 476.01	R200 395.33

The above result in misstatement of the unspent conditional grants line item in the financial statements and the actual achievement in the annual performance reporting.

Internal control deficiency

Financial and performance management

The Accounting Officer did not exercise oversight responsibility regarding financial reporting and compliance as well as related internal controls.

The Accounting Officer did not adequately perform review of the financial statements to ensure that the financial statements are accurate and compliant with the requirements of GRAP and MFMA.

Recommendation

It is recommended that Accounting Officer should review the annual financial statements and ensure that the financial statements comply with the applicable accounting standards before the annual financial statements are submitted for audit

Management's response

No response from management.

Auditor's conclusion

Management response not received. The above result in misstatement of the unspent conditional grants line item in the financial statements and the actual achievement in the annual performance reporting.

9. ISS.62 - COMAF 65 :AoPO – Measures taken to improve performance

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Section 46 of Municipal Systems Act No.32 of 2000 states that the 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;
- a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- measures taken to improve performance

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information.

Contrary to the above, we identified inconsistencies in performance reporting process, which affect the presentation and disclosure of the reported performance information in the annual performance report. Refer to the details below:

1. No evidence provided for measures reported to improve performance

-We could not determine if the measure was actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, we could not verify whether the reported measures were indeed taken.

Indicator title	Target	Corrective Measures for Unachieved targets
Percentage of roads Resealed at Onverwacht	100% project completion	Defects were communicated to the service provider, and he is required to address the defects prior issuance of the completion certificate

2. Measures taken to improve performance did not agree to evidence.

- The reported measures taken to improve performance against underachieved targets did not agree to the audit evidence.

Indicator	Indicator Target	Reported achievement	Reported measure	Audit comments
Number of weighbridge system repaired	1	0	Feasibility study to be conducted to address challenges and technical issues identified.	The audit evidence revealed that the feasibility study was not conducted as the project still need to go all SCM process

Contrary to the above, we identified inconsistencies in performance reporting process, which affect the presentation and disclosure of the reported performance information in the annual performance report. Refer to the details below:

1. No evidence provided for measures reported to improve performance

-We could not determine if the measure was actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, we could not verify whether the reported measures were indeed taken.

Indicator title	Target	Corrective Measures for Unachieved targets
Percentage of roads Resealed at Onverwacht	100% project completion	Defects were communicated to the service provider, and he is required to address the defects prior issuance of the completion certificate

2. Measures taken to improve performance did not agree to evidence.

- The reported measures taken to improve performance against underachieved targets did not agree to the audit evidence.

Indicator	Indicator Target	Reported achievement	Reported measure	Audit comments
Number of weighbridge system repaired	1	0	Feasibility study to be conducted to address challenges and technical issues identified.	The audit evidence revealed that the feasibility study was not conducted as the project still need to go all SCM process

We could not determine if the measure was actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, we could not verify whether the reported measures were indeed taken.

Internal control deficiency

The Accounting officer did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support performance reporting.

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the annual performance report against portfolio of evidence to ensure that the reported performance information as per the annual performance report is accurate and valid and complete.

Recommendation

The accounting officer must implement proper record keeping and prepare regular, accurate and complete performance reports that are supported by reliable information.

Management's response

Management response not received.

Auditor's conclusion

Finding not resolved.

Procurement and Contract Management

10. ISS.94 - Communication of audit findings no. 67 of 2024 - SCM Conflict of Interest - State

Audit finding

Municipal Finance Management Act section 112(1)(j) states that the supply chain management policy of a municipality 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:

- 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.

SCM Regulations 13(c) requires that a supply chain management policy must state that the municipality 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 12 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 12 months; or
3. 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 regulations 44 states that the supply chain management policy of a municipality must, irrespective of the procurement process followed, state that the municipality may not make any award to a person—

(a) who is in the service of the state;

(b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or

(c) who is an advisor or consultant contracted with the municipality.

Furthermore, the SCM policy of the municipality states that irrespective of the procurement process followed, no award may be made to a person in terms of this policy—

(a) who is in the service of the state;

(b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or

(c) who is an advisor or consultant contracted with the municipality.

During the audit of procurement and contract management, it was noted through our CAATS procedures that suppliers were awarded quotations/contracts even though they are in the service of other state institutions. We identified 14 awards to the value of R960 744,61 that were awarded to people in service of other state institutions. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM Regulation 38(1). It was further noted that the suppliers mentioned below failed to declare this in their MBD4 forms:

A - Information on person with interest

	Name of person	State institution where employed	Position/ job title	Appointment date	Supplier name	Date from when person had interest	
1	TENDANI PECY MASESANE	Eskom Holdings SOC Ltd	49584760	2022-08-01 00:00:00	BOFFO BUSINESS SOLUTIONS	02/24/2012	
2	MMAMPOPA PRECIOUS ANNA LETSWALO	Eskom Holdings SOC Ltd	49584760	2016-07-01 00:00:00	THUSHO LE KGWERANO PROJECTS	02/03/2015	
3	MOIKHUTSI ESTHER MOJAPELO	Eskom Holdings SOC Ltd	49584760	2011-12-06 00:00:00	BLEESINGS HOLDINGS	03/30/2016	
4	DENNIS NEVILLE BERGH	Eskom Holdings SOC Ltd	49584760	2015-02-10 00:00:00	DITSHABA ELECTRICAL PROJECTS	06/01/2020	
5	PJ KALE	GP: EDUCATION	TEACHER	20230114	PITJADI PROJECT MANAGEMENT	07/24/2017	
6	TUKISO EVANS CHUENE	Eskom Holdings SOC Ltd	49584760	2021-07-01 00:00:00	DIBALO	07/11/2018	
7	MOIKHUTSI ESTHER MOJAPELO	Eskom Holdings SOC Ltd	49584760	2011-12-06 00:00:00	EVERSHINING HOLDINGS	05/22/2023	
8	EM MOAGI	NW: EDUCATION & TRAINING	TEACHER	20230221	EVAM	10/25/2019	
9	LK MOREMI	NAT: HIGHER EDUCATION & TRAINING		20221101	KEAGAE ENTERPRISES	02/10/2020	
10	LETLHOHONOLO CHARLES SHONGOANE	Eskom Holdings SOC Ltd	49584760	2022-01-01 00:00:00	SENGCHAR ENG AND SUPPLIES	08/13/2020	
11	SENZO JUSTICE SHONGWE	Eskom Holdings SOC Ltd	49584760	2021-04-01 00:00:00	SENGCHAR ENG AND SUPPLIES	08/13/2020	
12	MBONGENI JUSTICE MTHETHWA	Eskom Holdings SOC Ltd	49584760	2023-04-01 00:00:00	GLAMBO	10/18/2021	
13	Ms Tembisa Marele	Financial Sector Conduct Authority	DHCLS - Departmental Head: Communication	2018-05-01	AFRICA MAINTENANCE EQUIPMENT LEPHALALE	11/15/2021	
14	TB KGATWANE	GP: EDUCATION	ADMINISTRATIVE OFFICER SENIOR	20071001	KE4LONA	02/16/2022	
15	PHS ZILWA	NAT: OFFICE OF THE CHIEF JUSTICE	JUDGE OF THE HIGH COURT	20200601	PEERMONT GLOBAL (LIMPOPO)	07/14/2006	
16	E SLABBERT	NAT: BASIC EDUCATION		20110101	ATKV SAKE (RF)	09/16/2021	

Internal control deficiency

The manager supply chain management did not adequately verify declarations made suppliers due to a lack of an integrated system that can identify/ flag company directors that are also employed by state institutions.

Recommendation

The Accounting officer should establish and maintain proper record keeping systems to ensure that complete, relevant, and accurate information is accessible and available to support financial and performance reporting within agreed timeframes.

Management's response

Management has responded with affidavits of some suppliers stating that they do not work for the state.

Auditor’s conclusion

Management response is noted, however not all suppliers could be resolved. The finding will be reported in the MR.

11. ISS.96 - Communication of audit findings no. 74 of 2024 - Awards made to suppliers whose tax matters are not in order with SARS

Audit finding

In terms of SCM regulation 43 – Prohibition on awards to persons whose tax matters are not in order
(1) 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.

(2) 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.

(3) If SARS does not respond within seven days such person’s tax matters may for purposes of subregulation (1) be presumed to be in order.

Contrary to the above requirements, during the audit of procurement and contract management, we have noted that the winning service provider’s tax matters were not declared by SARS to be in order, and no evidence was attached of the Municipality checking with SARS whether the tax affairs of Vigil Planners Hub were in order. SCM regulation 43(1)-(3).

Details of the award

RFQ NO.	Name of Service Provider	Amount
RFQ.DP.02.31	Vigil Planners Hub	R255 999

The finding will result in non-compliance with SCM regulation 43.

Internal control deficiency

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

Recommendation

Management should review and monitor compliance with applicable laws and regulations.

Management’s response

Management response not received.

Auditor’s conclusion

The internal control deficiency will be reported on in the management response.

12. ISS.106 - Communication of audit findings no. 85 of 2024 - Unauthorised expenditure

Audit finding

In terms of section 122 of the MFMA states that: Preparation of financial statements. — (1) 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; and
- Disclose the information required in terms of sections 123, 124 and 125.

Unauthorised expenditure is defined in section 1 of the MFMA as follows:

“unauthorised expenditure”, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—

- overspending of the total amount appropriated in the municipality’s approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with this Act.

During the audit of Unauthorized expenditure, we noted that the municipality incurred Unauthorized expenditure amounting to R42 717 226 whereas, the Unauthorized expenditure register together with financial statements submitted for audit indicates that the Unauthorized expenditure is R13 918 184. As a result, the Unauthorized expenditure disclosed is not complete. The table below gives highlight of the differences noted between the financial statements and auditor’s recalculations:

Line item	Amount as per AFS	Amount as per auditor’s recalculations	Variance
Unauthorized expenditure incurred in the current year	R13 918 184	R 42 717 226,00	R28 799 042

The Unauthorised was incurred as per the Votes below.

Vote	Class	Schedule B			Schedule C (C3C)	Variance
		Original Budget ('000)	Adjustment Budget ('000)	Final Budget ('000)	Actuals ('000)	Unauthorised Expenditure will be a negative amount
Vote 2 - Budget and Treasury	Opex	70 016 126,00	88 224 860	88 224 860	100 922 357,00	(12 697 497,00)
Vote 3 - Corporate Services	Opex	47 212 005,00	53 352 266	53 352 266	57 342 666,00	(3 990 400,00)
Vote 4 - Social Service	Opex	96 529 110,00	94 148 052	94 148 052	96 468 304,00	(2 320 252,00)
Vote 5 - Technical and Engineering Services	Opex	475 649 097,00	450 991 000	450 991 000	474 700 077,00	(23 709 077,00)
				686 716 178	729 433 404,00	(42 717 226,00)

The above finding result in an understatement of unauthorized expenditure.

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 strengthen the review processes of the AFS to ensure that the disclosure note is accurate and complete.

Management’s response

Management agrees with the finding and request opportunity to amend annual financial statement to reflect the correct amount.

Auditor's conclusion

Management has since adjusted the Annual Financial Statements. Therefore the finding is resolved.

Receivables

13. ISS.104 - COMAF 79: Reclassification of impairment loss and derecognition

Audit finding

J.4.4 In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

Standard of generally recognised accounting practice 1-paragraph 17 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 smart meters derecognized the following issue was identified. The smart meters with a carrying value of R4 169 627 was recognized as disposal in the statement of financial performance and the derecognition relates to replacement of the old smart meters, however the old smart meters are still with the municipality.

During the audit of smart meters derecognized the following issue was identified. The smart meters with a carrying value of R4 169 627 was recognized as disposal in the statement of financial performance and the derecognition relates to replacement of the old smart meters, however the old smart meters are still with the municipality.

The above would result in the incorrect classification of the smart meters as disposal as the smart meters are still with the municipality.

Internal control deficiency

The Accounting Officer did not adequately review the write of the assets to ensure that the write of is classified appropriately

Recommendation

It is recommended that Accounting Officer should review the write off of the smart meters to ensure that the write off is classified appropriately and not as derecognition.

Management's response

Management agrees with the finding

Auditor's conclusion

Management response is noted however finding remains until we have audited adjusted AFS.

Taxes

14. ISS.88 - COMAF 32: VAT not accounted for on Agency fees

Audit finding

In terms of section 122 (1) (a) of the MFMA, every municipality and every municipal entity must for each financial year prepare annual financial statements which- (a) 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.

In terms of Binding General Ruling 74 constituting BGR issue under section 89 of the Tax Administration Act 28 of 2011, b) the municipality is contracted to perform a function on an agency basis. The agency fee, management fee or implementation fee is consideration for a standard-rated supply of services.

- i) The municipality must account for output tax on the full price of the agency, management or implementation services.
- ii) The municipality must issue a standard-rated tax invoice under section 20 in respect of the agency services supplied to national or provincial government.
- iii) The municipality is entitled to deduct input tax on the VAT incurred on goods or services acquired in the making of the taxable supply of agency, management or implementation services.

Contrary to the above during the audit of VAT, we inspected the Memorandum of understanding between Limpopo Department of Transport and Community Safety on behalf of Limpopo Provincial Department and Lephalale Local Municipality and noted that the memorandum allows the municipality to act on behalf of the provincial government performing the service for them for an agency fee of 20% of the revenue collected on behalf of the department.

However, it was noted that the municipality is not accounting for the VAT portion on the 20% of the revenue collected for acting as an agent of the Department. A total amount of R1 181 007 should be accounted for as VAT output.

Please refer to the table below for more information:

Description	Amount as per AFS	VAT portion
Agency fee	9,054,387.00	1,181,007.00

The above results in revenue from Agency fee being overstated and VAT receivable overstated by the VAT amount on the Agency fee.

Internal control deficiency

Recommendation

The accounting officer should put measure in place to ensure that the municipality complies with all the VAT requirements and all VAT that should be collected is collected and paid over to the Revenue Services.

Management's response

Management agrees with the finding that VAT output was not charged and declared on taxable supply. However, the omission does not have overstatement impact on revenue and VAT receivables the VAT was not charged to the client, Limpopo Department of road and transport.

Name: Tebogo Mojela
Position: GRAP and Compliance Specialist
Date: 14/11/2024

Auditor's conclusion

Management's response is noted. Upon receipt of the adjusted AFS we confirmed that management did not make an adjustment and thus the finding remains.

The implication of VAT will be expected to be accounted for going forward.

UIFW

15. ISS.74 - COMAF 48 - Fruitless & Wasteful - Indigent

Audit finding

Section 74(1) of the Municipal Finance Management Act 56 of 2003 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".

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

In terms of Chapter 1 of the MFMA, "fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

In terms of section 32(2) of the MFMA, the municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure –

1. In the case of unauthorised expenditure, is –
 1. Authorised in an adjustments budget; or
 2. Certified by the municipal council, after investigation by a council committee, as recoverable and written off by the council; and
2. In the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.

GRAP 1 par 17: 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.

1. Contrary to the above, during our audit of indigent debtors, we noted 9 of the indigents have been deceased prior to the financial year and 10 of the indigents became deceased during the financial year. Thus 19 deceased indigents were included in the indigents register.

The municipality incurred fruitless and wasteful expenditure by paying for electricity for individuals who do not qualify as indigent. This expenditure is unplanned and unnecessary, reducing funds that could have been allocated to other municipal services or resources. The estimated fruitless and wasteful expenditure amounts to R26 853,33.

It has further been noted that for two of these deceased indigents are in Marapong and Thabo Mbeki, therefore the municipality also provided free services to these debtors which constitutes a loss in revenue.

To summarise the finding:

Fruitless & wasteful expenditure: R26 853,33

Loss in revenue: Unquantifiable

This finding results in non-compliance with the MFMA and an understatement of the fruitless and wasteful expenditure disclosed, as well as an understatement of revenue disclosed.

Internal control deficiency

The accounting officer did not effectively review and update the municipal indigent register to ensure that disqualified indigent debtors were removed or excluded from the list.

Recommendation

The accounting officer should implement a regular review and update process for the municipal indigent register. This process should include verifying eligibility criteria for all listed individuals, promptly removing disqualified debtors, and documenting the review steps.

Management's response

Management agrees with the finding and controls will be improved to ensure that no deceased are included in the indigent register.

Name: Amogelang Marope

Position: Manager Revenue

Date: 14/11/2024

Auditor's conclusion

Management's response has been noted, we will await the adjusted financials, subject to the approval process outlined in the engagement letter, to verify that the identified issue has been corrected before the finding can be considered resolved.

16. ISS.90 - COMAF 69-Management did not adequately disclose financial instruments (note 49)

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

GRAP 1 par 17: 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.

GRAP 104.125-Qualitative disclosures

- For each type of risk arising from financial instruments an entity shall disclose the following:
- Exposure to risk and how they arise
- Policies and processes for managing the risks as well as the methods for measuring the risks
- Any changes in (a) and (b) from the previous period

Contrary to the above, whilst auditing the disclosure and presentation of financial instruments (note 49) we noted the following:

1. The accounting policy of financial instrument is not adequate. Further noted management did not disclose the following

- For each risk the entity's exposure to the risk and how they arise.
- Policies and processes of how each risk is managed, as well as the methods of measuring the risks.
- How the above mentioned have changed from the prior year.

1. Management further did not disclose the following for each type of risk (credit, currency, interest, liquidity, market and other price risks):

(a) Summary of quantitative data about the entity's exposure to the risks as at 30 June 2024

(b) Disclosures required by paragraph.128 to 133 to the extent not provided above

(c) Concentrations of risk if not apparent from (a) and (b)

3. Disclosure as to whether the quantitative data as at 30 June 2024 is representative or not representative of the entity's exposure to the risk

2. For credit risk:

The entity did not disclose by class of financial instrument'						
(a) The amount that best represents the maximum exposure to the risk at 30 June 2024						
(b) In terms of the amount disclosed above, a description of the amount that represents security						
Information about the quality of the financial assets that are neither past due or impaired						
(c) The carrying amount of the financial assets that would otherwise be past due or impaired and whose terms have been re-negotiated						
(d) The entity did not disclose as to whether they have obtained financial or non-financial assets during the period by taking possession of collateral it holds as security or on guarantees						
3. Market risk						

Sensitivity analysis											
The entity did not disclose the following:											
(a) The sensitivity analysis for each type of market risk to which the entity is exposed to at 30 June 2024											
(b) The methods and assumptions used in preparing the sensitivity analysis and,											
(c) Changes from the previous period in the methods and assumptions used and reasons for such changes											

Lack of adequate review for the financial instruments disclosure
The finding results in a non-compliance of GRAP 104 and GRAP 1 in the financial statements submitted for audit.

Internal control deficiency

Lack of adequate review of the disclosure of revenue for financial instruments that it is presented in line with GRAP 104.

Recommendation

The accounting authority should implement controls to ensure that the disclosure of financial instruments are adequately reviewed to ensure accuracy of presentation in the annual financial statements.

Management's response

Management agrees to the finding and requests for adjustments.

Auditor's conclusion

Management response noted and the finding is resolved. The disclosure note has been disclosed adequately

17. ISS.97 - COMAF 77: RESOLVED

Audit finding

Requirement

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

Contrary to the above, during the audit of deviations as disclosed in Note 60 of the financial statements we noted that the amount as per note 60 does not agree to the supporting schedules i.e deviations register, the table below has details:

Description	Amount per deviations register	Amount per AFS	Difference
Emergency	1,876,022.44	3,521,271.00	-1,645,248.56
Sole supplier	788,714.15	752,018.00	36,696.15
Impractical to follow official procurement process	4,367,259.08	3,637,329.00	729,930.08
			-878,622.33

The above results in a misstatement of deviations as disclosed in Note 60.

Internal control deficiency

Internal control deficiency

Financial and performance management

The accounting officer did not prepare, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

The accounting officer did not adequately review the financial statements to ensure that the amounts per the financial statements is supported by the deviation register.

Recommendation

The accounting officer should adequately review the financial statements to ensure that the amounts per Note 60, deviations, in the financial statements are accurate and agree to the deviations register.

Management's response

Management response not received.

Auditor's conclusion

Upon receipt and inspection of the adjusted financial statements and confirmed that management has adjusted the financial statements accurately, the finding is therefore resolved.

Accounting policy

18. ISS.46 - COMAF 64: Effects of changes in accounting policies not presented in the statement of changes in net assets

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

1. Section 122 (1)(a) states that every municipality must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality, 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 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.

Paragraph 118 of GRAP 1 states that an entity shall present a statement of changes in net assets as required by paragraph .11. The statement of changes in net assets includes the following information:

1. (d) for each component of net assets, the effects of changes in accounting policies and the corrections of errors recognised in accordance with GRAP 3

During the audit of the statement of changes in net assets, we noted that the statement of changes in net assets was incorrectly referenced to information in the disclosure note for changes in accounting policies. The effects of changes in accounting policies as disclosed in note 2 were not presented on the statement as required by GRAP 1

The finding resulted in misstatement of the financial statements

Internal control deficiency

The Accounting Officer did not exercise oversight responsibility regarding financial reporting and compliance as well as related internal controls.

The Accounting Officer did not adequately perform review of the financial statements to ensure that the financial statements are accurate and compliant with the requirements of GRAP and MFMA.

Recommendation

It is recommended that Accounting Officer should review the annual financial statements and ensure that the financial statements comply with the applicable accounting standards before the annual financial statements are submitted for audit.

Management's response

Management agrees with the finding and request opportunity to amend Annual financial statements. Incorrect/irrelevant information was erroneously activated on CaseWare.

Auditor's conclusion

We evaluated the adjusted financial statements and noted that the misstatement was appropriately corrected. No further misstatements were identified

Cash and cash equivalents

19. ISS.68 - COMAF 50-Differences between the external confirmations and the cashbook amounts

Audit finding

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.

GRAP 1 par 17: 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 the cash and bank balances disclosed in the financial statements, we identified inconsistencies in the reported figures between bank statements and the financial disclosures:

1. Differences between bank statements balance and disclosed cash book balance

Details	Amount as per the bank statement and external bank confirmations (R)	Amount as per the cashbook (R)	Differences (R)
ABSA BANK - Current account-1470 000 038	33 320 648	33 546 421	225 773
ABSA BANK - Call Account- 407 289 4439	20 510 466	20 690 606	180 139
TOTAL	53 831 114	54 237 027	405 192

The above results in misstatement of the cash bank balance presented in the current year annual financial statements.

2. Difference between disclosed bank statements balance and confirmed bank statements balance confirmed with the bank

Details	Amount as per the bank statement and external bank confirmations (R)	Disclosed bank statement balance as per Note 18 of the annual financial statements (R)	Differences (R)
ABSA BANK - Current account-1470 000 038	33 320 648	33 074 476	246 172

Management did not adequately reconcile bank balances as per financial records and the bank statements
The above results in misstatement of the cash bank balance presented in the current year annual financial statements.

Internal control deficiency

The accounting officer did not prepare, accurate and complete financial reports that are supported and evidenced by reliable information.

The accounting officer did not adequately review the financial statements to ensure that the amounts per the financial statements agree to the amounts as per the supporting documents.

Management did not adequately reconcile bank balances as per financial records and the bank statements.

Recommendation

The accounting officer must adequately review the financial statements to ensure that the cash bank balance in the financial statements is accurate and evidenced by reliable information

Management's response

Management agrees to the finding and requests for the opportunity to adjust

Auditor's conclusion

Management response has been noted and the finding remains as no adjustment were processed. The finding remains and will be remain in the accumulation and correction as management did not make adjustments.

20. ISS.70 - COMAF 50-Differences between the cashbook and bank statements amounts during the audit of bank reconciliations

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

GRAP 1 par 17: 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 the cash and bank balances disclosed in the financial statements, we identified inconsistencies in the reported figures between bank statements and the financial disclosures
Management did not adequately reconcile bank balances as per financial records and the bank statements

The above results in misstatement of the cash bank balance presented in the current year annual financial statements.

Internal control deficiency

The accounting officer did not prepare, accurate and complete financial reports that are supported and evidenced by reliable information.

The accounting officer did not adequately review the financial statements to ensure that the amounts per the financial statements agree to the amounts as per the supporting documents.

Management did not adequately reconcile bank balances as per financial records and the bank statements.

Recommendation

The accounting officer must adequately review the financial statements to ensure that the cash bank balance in the financial statements is accurate and evidenced by reliable information.

Management's response

Management agrees with the finding and requests for the opportunity to adjust

Auditor's conclusion

Management response has been noted and the finding remains since management did not adjust

Cash flow statements

21. ISS.31 - COMAF 42: Differences in the cash flows

Audit finding

In terms of section 62(1)(b) of Municipal Finance Management Act, "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."

GRAP 1 par 17: 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.

Contrary to the above, during the audit of Statement of cash flows we identified differences between the amount as per the financial statement and the amount as per the auditor's recalculation. Refer below for differences identified:

Item description	Amount per the AFS	Auditor's recalculation	Differences
Cash flows from operating activities			
Payments	(650,863,477.00)	(648,250,128.00)	(2,613,349.00)
Cash flows from investing activities			
Net cash flows from investing activities	(134,658,784.00)	134,021,137.00	(637,647.00)
Cash flows from financing activities			
Repayment of DWS liability	(20,524,373.00)	(20,522,079.06)	(2,293.94)
Repayment of finance lease	(9,442,397.00)	(9,422,398.08)	(19,998.92)
			(3,273,288.86)

This results in a misstatement of the Statement of Cash Flows.

Internal control deficiency

The accounting officer did not adequately review the cash flow statement to ensure that the amounts recognised in the cash flow statement are accurate

Recommendation

The accounting officer should adequately review the amounts in the cash flow statement to ensure that the amount disclosed are accurate.

Management's response

Management agrees with the finding on the casting differences of 637 647 in cash flow from investing activities and request opportunity to correct annual financial statements. Management disagrees with the difference identified by the auditors from operating activities.

The workings for the cash flow statement are attached which include how management calculated cash flow from operating activities.

Name: Tebogo Mojela

Position : GRAP and Compliance Specialist

Date :12/11/2024

Auditor's conclusion

Management's response is noted, upon receipt of the adjusted AFS we noted that management did not make adjustments to the cash flow statement. Therefore, the finding remains.

Commitments

22. ISS.28 - COMAF 23 - Commitments Recalculations

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

GRAP 1 par 17: 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.

1. CAPITAL: Contrary to the above, whilst auditing commitments, we noted that the payments according to the commitment register and its supporting documents (payment reports and invoices) do not agree. See table below:

No	Commitment Register			Payment reports	Invoice	Auditors' recalculation		
	Supplier/Service Provider	Project Name	Current Year Payment June 2024	PayValue (excl VAT)	Total excl VAT	Total on Register vs Total Payments in report	Total Payments in report vs Total as per invoice	Total as per commitment register vs Total as per invoice
1	Amibase	Refurbishment and upgrading of sewer pump station	1 300 183.70	1 297 575.00	1 297 575.00	2 608.70	-	2 608.70
2	NSK Electrical and Construction Managers	Design, Installation and Commissioning of Electrification at Various Villages(16 Highmast)	2 933 302.84	2 633 914.12	2 633 914.12	299 388.72	-	299 388.72
4	MJ Mthombeni/Rapidus Phase 6	CONSTRUCTION OF THABO MBEKI SEWER NETWORK PHASE 6	5 249 337.49	5 249 337.49	5 199 337.50	-	49 999.98	49 999.98
5	Tshashu	REPLACEMENT OF ASBESTOS CEMENT PIPE (AC) TO HDPE/UPVC WATER PIPES IN Onverwacht Section B	6 018 709.64	6 018 709.64	5 626 159.05	-	392 550.59	392 550.59
						301 997.42	442 550.57	744 547.99

2. CAPITAL: Contrary to the above, whilst auditing commitments, we noted that the following contracts' contract amount and commitment disclosed do not agree:

No	As per commitment register				Service level agreement	Auditor's Recalculation		
	Supplier/Service Provider	Project Name	Revised Contract Amount	Commitment 2024	Revised contract amount	Balance	Difference of contract amounts	Difference of balances
1	MOKGOTHU BUILDING CONSTRUCTION	CONSTRUCTION OF SAFEROOM	5 579 600.97	-	3 643 008.77	(1 489 088.91)	1 936 592.20	1 489 088.91
2	NYELETI CONSULTING	CONSULTING OF WITPOORT & SELEKA RWS WATER PHASE 4	1 149 242.09	129 391.29	915 580.00	(104 270.80)	233 662.09	233 662.09
3	MM TRADING ENTERPRISE JV	CONSTRUCTION OF WITPOORT & SELEKA RWS WATER PHASE 4	6 962 236.06	1 747 834.69	5 570 175.44	355 774.07	1 392 060.62	1 392 060.62
4	Ringanani Construction	Construction of 2 Transfer station	31 596 319.53	27 468 871.70	30 726 754.31	26 599 306.49	869 565.22	869 565.22
5	New Genesis	REPLACEMENT OF ASBESTOS CEMENT PIPE (AC) TO HDPE/UPVC WATER PIPES IN LEPHALALE TOWN CBD	25 669 948.63	20 193 514.17	25 669 948.63	21 514 498.16	-	(1 320 984.00)
6	Amibase	Refurbishment and upgrading of sewer pump station	28 810 534.55	27 510 350.85	28 810 534.55	27 512 959.55	-	(2 608.70)
7	ODEVCO	CONSTRUCTION OF SAFEROOM	605 944.48	-	175 146.93	(470 213.07)	430 797.55	470 213.07
8	HWA ENGINEERS&PROJECT MANAGERS	CONSULTING OF THABO MBEKI SEWER NETWORK PHASE 1	4 177 130.26	374 778.28	3 988 100.00	185 748.02	189 030.26	189 030.26
9	NSK Electrical and Construction Managers	Design, Installation and Commissioning of Electrification at Various Villages(16 Highmast)	9 879 326.61	2 265 530.53	8 590 718.79	4 739 413.37	1 288 607.82	(2 473 882.84)
10	NSK Electrical and Construction Managers	Design, Installation and Commissioning of Electrification at Various Villages(27 Highmast)	14 503 392.61	6 590 397.45	14 503 392.61	13 434 721.45	-	(6 844 324.00)
11	MJ Mthombeni/Rapidus Phase 2	Appointment of a contractor for Thabo Mbeki Sewer	28 635 027.74	9 465 903.83	28 635 027.74	9 624 603.79	-	(158 699.96)
12	MJ Mthombeni/Rapidus Phase 6	CONSTRUCTION OF THABO MBEKI SEWER NETWORK PHASE 6	26 919 190.43	2 646 040.60	26 919 190.90	9 847 344.29	(0.46)	(7 201 303.69)
13	Tshashu	REPLACEMENT OF ASBESTOS	7 395 006.58	2 155 802.83	3 315 760.76	(1 923 442.99)	18 371 110.80	17 978 560.21

		CEMENT PIPE (AC) TO HDPE/uPVC WATER PIPES IN LEPHALALE TOWN CBD							
14	Tshashu	REPLACEMENT OF ASBESTOS CEMENT PIPE (AC) TO HDPE/uPVC WATER PIPES IN Onverwacht Section B	7 067 734.27	1 049 024.63				(5 626 159.05)	
15	Tshashu	Replacement fo Asbestos pipes to HDPE/uPVC Water pipes in Lephale Town (Residential)	7 224 130.70	2 754 935.58				(4 469 195.12)	
								24 711 426.09	4 620 377.20

3. OPERATIONAL: Contrary to the above, whilst auditing commitments, we noted that the following contracts' contract amount and commitment disclosed do not agree. Furthermore, we noted that the basis to calculate the straight lining for contracts do not follow any methodology, therefore differences arise due to these inconsistencies:

No	Commitment register					Service level agreement	Auditor's recalculation			
	Supplier/Service Provider	Project Name	Revised Contract Amount (A)	Straight Lining June 2024	Commitment Recalculation		Revised contract amount	Balance	Straight lining	Difference in contract amount
1	Manna Holdings	Valuation Roll	5 698 427.76	2 519 600.00	-	2 173 913.04	-	2 519 600.00	3 524 514.72	-
2	Cathu Consulting	Assets Management	9 724 511.30		3 654 260.17	8 036 786.20	1 966 535.07		1 687 725.10	1 687 725.10
4	SEBATA	EMS	-	10 200 000.00	-	Varies	-	9 844 066.17	Varies	355 933.83
5	Mabapa Trading	Telephone Services	3 604 380.00	1 398 788.98	-	3 604 380.00	-	1 617 722.17	-	(218 933.18)
6	LIVEWIRE	supply, delivery, Installation and commissioning maintenance of electricity smart meters and vending of prepaid electricity and pre-paid water meters	Rate basis	21 739 130.43	-	Varies	-	24 408 986.45	Varies	(2 669 856.01)

8	OLE POWER SYSTEM	METER READING	Rate Based	2 327 068.94	-	Varies	-	2 313 644.03	Varies	13 424.90
9	EDUSOLUTION	Printing Machines	2 554 212.52	-	3 625 518.00	2 576 617.89	1 946 093.00		(22 405.37)	472 893. 52
10	Muncomp	Software	-	1 195 050.78		-	-	17 9 618.01	Varies	1 015 432.77
									5 189 834.45	656 620. 93

The finding leads to a significant overstatement of the disclosed commitments balance for total commitments of R5 276 998.13, resulting in non-compliance with GRAP 1.

Internal control deficiency

The accounting authority did not adequately review the commitment register to ensure that it is accurate.

Recommendation

The accounting authority should implement controls to ensure that the commitment register is adequately reviewed to ensure accuracy of the underlying records which are disclosed in the annual financial statements.

Management's response

1. CAPITAL: Contrary to the above, whilst auditing commitments, we noted that the payments according to the commitment register and its supporting documents (payment reports and invoices) do not agree.

Management agrees with the finding and requests the opportunity to correct annual financial statements by updating the commitment register and the note. Proposed Adjustment

1. NSK Electrical to be adjusted with R299 388, 72
2. Tshashu to be adjusted with R392 550,59

R691 939,31

2. OPERATIONAL: Contrary to the above, whilst auditing commitments, we noted that the following contracts' contract amount and commitment disclosed do not agree. Furthermore, we noted that the basis to calculate the straight lining for contracts do not follow any methodology, therefore differences arise due to these inconsistencies:

No	As per commitment register				Service level agreement	Auditor's Recalculation			Responses
	Supplier/Service Provider	Project Name	Revised Contract Amount	Commitment 2024		Revised contract amount	Balance	Difference of contract amounts	
1	MOKGOTHU BUILDING CONSTRUCTION	CONSTRUCTION OF SAFEROOM	5 579 600.97	-	3 643 008.77	(1 489 088.91)	1 936 592.20	1 489 088.91	VO Attached + cession
2	NYELETI CONSULTING	CONSULTING OF WITPOORT & SELEKA RWS WATER PHASE 4	1 149 242.09	129 391.29	915 580.00	(104 270.80)	233 662.09	233 662.09	Project Completed (completion certificate on audit file)
3	MM TRADING ENTERPRISE JV	CONSTRUCTION OF WITPOORT & SELEKA RWS WATER PHASE 4	6 962 236.06	1 747 834.69	5 570 175.44	355 774.07	1 392 060.62	1 392 060.62	Project Completed
4	Ringanani Construction	Construction of 2 Transfer station	31 596 319.53	27 468 871.70	30 726 754.31	26 599 306.49	869 565.22	869 565.22	Reclassified as legal fees
5	New Genesis	REPLACEMENT OF ASBESTOS CEMENT PIPE (AC) TO HDPE/uPVC WATER PIPES IN LEPHALALE TOWN CBD	25 669 948.63	20 193 514.17	25 669 948.63	21 514 498.16	-	(1 320 984.00)	Request adjustment of Commitment Register
6	Amibase	Refurbishment and upgrading of sewer pump station	28 810 534.55	27 510 350.85	28 810 534.55	27 512 959.55	-	(2 608.70)	
7	ODEVCO	CONSTRUCTION OF SAFEROOM	605 944.48	-	175 146.93	(470 213.07)	430 797.55	470 213.07	VO Attached
8	HWA ENGINEERS&PROJECT MANAGERS	CONSULTING OF THABO MBEKI SEWER NETWORK PHASE 1	4 177 130.26	374 778.28	3 988 100.00	185 748.02	189 030.26	189 030.26	Old VO
9	NSK Electrical and Construction Managers	Design, Installation and Commissioning of Electrification at Various Villages(16 Highmast)	9 879 326.61	2 265 530.53	8 590 718.79	4 739 413.37	1 288 607.82	(2 473 882.84)	Cession to Voltex (Doc Attached)
10	NSK Electrical and Construction Managers	Design, Installation and Commissioning of Electrification at Various Villages(27 Highmast)	14 503 392.61	6 590 397.45	14 503 392.61	13 434 721.45	-	(6 844 324.00)	Cession to Voltex and Bheka and Accrual payment (Doc attached)

11	MJ Mthombeni/Rapidius Phase 2	Appointment of a contractor for Thabo Mbeki Sewer	28 635 027.74	9 465 903.83	28 635 027.74	9 624 603.79	-	(158 699.96)	Cession to geotech
12	MJ Mthombeni/Rapidius Phase 6	CONSTRUCTION OF THABO MBEKI SEWER NETWORK PHASE 6	26 919 190.43	2 646 040.60	26 919 190.90	9 847 344.29	(0.46)	(7 201 303.69)	Cession to abeco
13	Tshashu	REPLACEMENT OF ASBESTOS CEMENT PIPE (AC) TO HDPE/uPVC WATER PIPES IN LEPHALALE TOWN CBD	7 395 006.58	2 155 802.83	3 315 760.76	(1 923 442.99)	18 371 110.80	17 978 560.21	Refer to attached VO document
14	Tshashu	REPLACEMENT OF ASBESTOS CEMENT PIPE (AC) TO HDPE/uPVC WATER PIPES IN Onverwacht Section B	7 067 734.27	1 049 024.63		(5 626 159.05)			Refer to attached VO document
15	Tshashu	Replacement of Asbestos pipes to HDPE/uPVC Water pipes in Lephalale Town (Residential)	7 224 130.70	2 754 935.58		(4 469 195.12)			Refer to attached VO document
							24 711 426.09	4 620 377.20	

Proposed Adjustment

Nyeleti Consultant R233 662,09

MM Trading R1 392 060,62

New Genesis (R 1 320 984)

R304 738,00

3. OPERATIONAL: Contrary to the above, whilst auditing commitments, we noted that the following contracts' contract amount and commitment disclosed do not agree. Furthermore, we noted that the basis to calculate the straight lining for contracts do not follow any methodology, therefore differences arise due to these inconsistencies:

No	Commitment register					Service level agreement	Auditor's recalculation				Responses
	Supplier/Service Provider	Project Name	Revised Contract Amount (A)	Straight Lining June 2024	Commitment Recalculation		Revised contract amount	Balance	Straight lining	Difference in contract amount	

1	Manna Holdings	Valuation Roll	5 698 427.76	2 519 600.00	-	2 173 913.04	-	2 519 600.00	3 524 514.72	-	The contract has variable element in terms of Supplementary Valuation roll
2	Cathu Consulting	Assets Management	9 724 511.30		3 654 260.17	8 036 786.20	1 966 535.07		1 687 725.10	1 687 725.10	As a result of Escalation Clause
4	SEBATA	EMS	-	10 200 000.00	-	Varies	-	9 844 066.17	Varies	355 933.83	Commitment adjusted
5	Mabapa Trading	Telephone Services	3 604 380.00	1 398 788.98	-	3 604 380.00	-	1 617 722.17	-	(218 933.18)	Commitment Adjusted
6	LIVEWIRE	supply, delivery, installation and commissioning maintenance of electricity smart meters and vending of prepaid electricity and pre-paid water meters	Rate basis	21 739 130.43	-	Varies	-	24 408 986.45	Varies	(2 669 856.01)	Commitment Adjusted
8	OLE POWER SYSTEM	METER READING	Rate Based	2 327 068.94	-	Varies	-	2 313 644.03	Varies	13 424.90	
9	EDUSOLUTION	Printing Machines	2 554 212.52	-	3 625 518.00	2 576 617.89	1 946 093.00		(22 405.37)	472 89 3.52	Commitment Adjusted
10	Muncomp	Software	-	1 195 050.78		-	-	1 79 618.01	Varies	1 015 432.77	
									5 189 834.45	656 62 0.93	

Name: Maggie Ntwampe
Position: Manager budget and reporting
Date: 12/11/2024

Auditor's conclusion

Management's response noted, we will await the adjusted financials, subject to the approval process outlined in the engagement letter, to verify that the identified issue has been corrected before the finding can be considered resolved.

23. ISS.48 - COMAF 23: Commitments: Differences between the supporting register and auditor's recalculations

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".

Standard of generally recognised accounting practice 1-paragraph 17 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."

Differences between the supporting register and auditor's recalculations

No	Description	Register	Auditor's recalculation	Difference
		Amount		
Capital commitments				
1	MOKGOTHU BUILDING CONSTRUCTION	R0	-R231 228,72	-R231 228,72
2	ODEVCO	R0	-R39 415,52	-R39 415,52
Operational commitments				
3	Hasler Business Systems	R62 260,17	R99 728,00	-R32 467,83
4	EDUSOLUTION	R3 625 518,00	R1 923 687,63	R1 701 830,37
Totals:		R3 687 778,17	R1 752 771,39	R1 398 718,31

As a result of the above discrepancies, the financial statement submitted for audit might be materially misstated.

Internal control deficiency

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

The Accounting Officer did not adequately review the details disclosed in the annual financial statements to identify and rectify the errors as indicated.

Recommendation

It is recommended that Accounting Officer should ensure that the preparation and review processes are designed to ensure that accurate and complete information are disclosed in the financial statements. These processes should make provision for sufficient time for the production and internal review of the financial statements prior to submission thereof to audit.

Management's response

Management disagrees with the finding with regard to Edu-solution, kindly see management working paper attached. The contracts for Mokgothu and Odevco were varied

Auditor's conclusion

Management's response noted, auditors accept management's response. As further testing has led to a new finding on these issues, the auditor will provide additional responses regarding the new finding, COMAF 23. Refer to: L.6.4

Conditional grants

24. ISS.60 - AFS high level review - 19. Government grants and subsidies Note 35: Casting differences identified on Note

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".

Standard of generally recognised accounting practice 1-paragraph 17 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."

1. Government grants and subsidies Note 35: Casting differences identified on Note

2024	Note summary	Note detail "transferred to revenue"	Differences
Operating grants			
Local Government SETA	348 628,00	385 972,00	- 37 344,00
Total	348 628,00	385 972,00	- 37 344,00
2023	Note summary	Note detail "transferred to revenue"	Difference
Operating grants			
EPWP	1 293 000,00	1 292 000,00	1 000,00
Total	1 293 000,00	1 292 000,00	1 000,00
Capital grants			
Municipal Infrastructure Grant	29 930 410,00	29 923 610,00	6 800,00
Water Service Infrastructure Grant	8 057 213,00	7 425 652,00	631 561,00
Total	8 057 213,00	7 425 652,00	638 361,00

2024	Note summary	Note detail "transferred to revenue"	Difference
Operating grants			
Local Government SETA	348 628,00	385 972,00	- 37 344,00
Total	348 628,00	385 972,00	- 37 344,00
2023	Note summary	Note detail "transferred to revenue"	Difference
Operating grants			

EPWP	1 293 000,00	1 292 000,00	1 000,00
Total	1 293 000,00	1 292 000,00	1 000,00
Capital grants			
Municipal Infrastructure Grant	29 930 410,00	29 923 610,00	6 800,00
Water Service Infrastructure Grant	8 057 213,00	7 425 652,00	631 561,00
Total	8 057 213,00	7 425 652,00	639 361,00

As a result of the above discrepancies, the financial statement submitted for audit might be materially misstated.

Internal control deficiency

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

The Accounting Officer did not adequately review the details disclosed in the annual financial statements to identify and rectify the errors as indicated.

Recommendation

It is recommended that Accounting Officer should ensure that the preparation and review processes are designed to ensure that accurate and complete information are disclosed in the financial statements. These processes should make provision for sufficient time for the production and internal review of the financial statements prior to submission thereof to audit.

Management's response

Management agrees with the finding and request opportunity to correct annual financial statements

Auditor's conclusion

Management response noted and the finding has been resolved after subsequent testing.

Contingent liabilities

25. ISS.52 - AFS High level review: 9.Contingent liabilities: Differences between the AFS and the listing

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".

Standard of generally recognised accounting practice 1-paragraph 17 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."

1. Contingent liabilities: Differences between the AFS and the listing

Description	Amounts per financial statements submitted	Preliminary amounts per Contingent liabilities listing	DIFFERENCES
KP Paul, E Paul//Lephalale Local Municipality	227 573,00	0,00	227 573,00
French Rural Development//Lephalale local Municipality	34 829 250,00	34 729 050,00	100 200,00
Ms NM Pudikabekwa//Lephalale Local Municipality	361 195,00	0,00	361 195,00
Sealab//Lephalale Local Municipality	700 000,00	335 441,04	364 558,96

As a result of the above discrepancies, the financial statement submitted for audit might be materially misstated.

Internal control deficiency

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

The Accounting Officer did not adequately review the details disclosed in the annual financial statements to identify and rectify the errors as indicated.

Recommendation

It is recommended that Accounting Officer should ensure that the preparation and review processes are designed to ensure that accurate and complete information are disclosed in the financial statements. These processes should make provision for sufficient time for the production and internal review of the financial statements prior to submission thereof to audit.

Management's response

Management agrees with the finding and request an opportunity to make adjustments.

Auditor's conclusion

Management response noted and the finding has been resolved after subsequent testing

26. ISS.75 - COMAF 26 - Contingencies Limitation of scope

Audit finding

Section 74(1) of the Municipal Finance Management Act 56 of 2003 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".

The standard turnaround time for the submission of information is three working days as agreed upon during the entrance meeting and the discussion of the engagement letter, further explains the process with regards to request and submission of information.

The engagement letter also states that "management has three (3) working days to submit the information requested from the date the request was made. Failure to submit the information requested within the agreed timeframe will result in an audit finding (limitation) and if material, individually or in aggregate, will impact the audit opinion."

Contrary to the above requirement, information (case files and other corroborative evidence) relation to RFI 53 dated 18 October 2024 was not submitted within the stipulated timeframe of 3 days after being issued. Refer below for details:

ITEM	DESCRIPTION	AMOUNT	LIABILITY / ASSET
1	LEPHALALE MUNICIPALITY / BLUE HORIZON	11,785,394.47	ASSET
2	RINE VHANE CIVIL CONSTRUCTION CC & JOHAN FERDINARD BARNAD / LEPHALALE MUNICIPALITY	6,127,518.00	LIABILITY
3	JOHAN FERDINARD BARNAD / LEPHALALE MUNICIPALITY	2,600,000.00	LIABILITY
4	EDWARD JAMES DANIEL DE VILLIERS / LEPHALALE MUNICIPALITY	2,774,200.00	LIABILITY
5	EDWARD JAMES DANIEL DE VILLIERS / LEPHALALE MUNICIPALITY	19,808,774.00	LIABILITY
6	CHRISTIAAN LOURENS ERASMUS / LEPHALALE MUNICIPALITY	8,899,716.00	LIABILITY
7	LEPHALALE LOCAL MUNICIPALITY / BIG TIME STRATEGIC CONSULTANTS	2,850,000.00	ASSET
8	FRENCH RURAL DEVELOPMENT / LEPHALALE LOCAL MUNICIPALITY	34,729,050.00	LIABILITY
9	MMALEREPO INVESTMENT / LEPHALALE MUNICIPALITY	8,500,000.00	LIABILITY
10	LEPHALALE MUNICIPALITY / LEOPIET ONTWEKELING	174,650,031.00	LIABILITY
11	LEPHALALE MUNICIPALITY / GLOBAL STRAKE	1,222,218.81	LIABILITY
12	MOKGOTHO BUILDING CONSTRUCTION / LEPHALALE MUNICIPALITY	1,153,868.35	LIABILITY
13	BHELELA TECHNOLOGIES / LEPHALALE MUNICIPALITY	8,296,330.11	LIABILITY
14	SEALAB TRADING / LEPHALALE LOCAL MUNICIPALITY	335,441.04	LIABILITY

Internal control deficiency

Financial and performance management

The accounting officer did not maintain an effective system of internal controls to ensure that complete, relevant and accurate information is readily accessible and available to support financial reporting.

The accounting officer did not implement and maintain effective internal controls to ensure that case files and supporting documents that adequately support contingent assets and liabilities are readily available.

Recommendation

The accounting officer should establish and maintain proper record keeping systems to ensure that complete, relevant, and accurate information is accessible and available to support financial within agreed timeframes.

Management's response

Management response not received.

Auditor's conclusion

Management subsequently submitted the information. The finding is thus resolved.

27. ISS.77 - COMAF 55: Contingent liability KP Paul, E Paul

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

In terms of GRAP 19 paragraph 35, a contingent liability is disclosed, as required by paragraph 101 unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Remote meaning: unlikely to occur.

Contrary to the above, during the audit of contingent liabilities we noted that the case of KP Paul, E Paul//Lephalale Local Municipality valued at R227 573 in note 51 of the financial statements however, the case has been postponed indefinitely to allow the attorneys of Council to amend its plea as new facts arose after the plea was filed.

Therefore, the case of KP Paul, E Paul//Lephalale Local Municipality has become remote and should thus not be recognised.

This results in non-compliance of GRAP 19 requirements and an overstatement of contingent liabilities.

Internal control deficiency

Financial and performance management

The accounting officer did not adequately review contingent liabilities and financial statements to ensure that only contingencies that meet the recognition criteria disclosed.

Recommendation

The accounting officer should adequately review the financial statements to ensure that contingent liabilities that meet the GRAP 19 disclosure requirements are disclosed.

Management's response

Management agree to the finding and request an opportunity to adjust the financial statements by removing the case from the contingent liabilities note.

Auditor's conclusion

Management's response noted, upon the receipt and inspection of the adjusted financial statements we confirmed that the case has been removed from contingent liabilities.

Employee costs

28. ISS.29 - COMAF 25: Employee cost: Overtime

Audit finding

In terms of Municipal Finance Management Act 56 section 62 (1)(b), the accounting officer 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.

In terms of Lephhalale Local Municipality overtime policy paragraph 7.3, no overtime may be worked without the expressed prior permission or instruction of the Municipal Manager. In such case where overtime may be required the Executive Manager of the Directorate must obtain approval from the Municipal Manager.

In terms of paragraph 8.1 of the overtime policy, payment for overtime shall only be effected upon submission of a proof that permission or instruction was granted that such overtime be worked, unless in emergency situations

In terms of paragraph 8.4, all employees except Executive Managers and Divisional Managers are allowed to work paid overtime up to a maximum of 40 hours. Overtime worked beyond 40 hours by non-essential employees shall be taken as leave in lieu of overtime worked. The manner in which such leave should be taken will be by mutual agreement between the affected employee and the relevant Executive manager and/or Divisional Manager.

Issue 01: Overtime worked without pre-approval

Contrary to the above, during the audit of employee cost, overtime, we noted that overtime over 40 hours was worked by the employees below without pre-approval as stipulated in the policy.

Employee no.	Surname & Initials	Month selected	Date of preapproval	Dates worked
0762	Ms A Rametse	Feb-24	12/01/2024	08 January 2024 14 January 2024 18 January 2024 19 January 2024
0128	Mr M.P Seanego	Apr-24	02/04/2024	08 March 2024 24 March 2024 26 March 2024 31 March 2024

Issue 02: Overtime paid to divisional managers

Contrary to the above, during the audit of overtime we noted that overtime was worked/claimed and paid to divisional managers in the month of September 2023. Refer below for details:

Date of Memo	Dates worked	Employee
21/09/2023	24/09/2023 25/09/2023	Mr Shiko M.A
		Ms Makholwa K
		Mr Seboya T
29/09/2023	30/09/2023 01/10/2023	Mr Shiko M.A
		Ms Makholwa K
		Mr Seboya T
06/01/2023	07/10/2023 08/10/2023	Mr Shiko M.A

Issue 03: Overtime paid for over 40 hours worked

Contrary to the above, during the audit of overtime we noted that the below employee claimed and was paid overtime above 40 hours instead taking leave in lieu of overtime for hours exceeding 40 hours as required by the overtime policy.

Employee no.	Surname & Initials	Month selected	1,5 rate hours worked	2 rate hours worked	Amount paid
1907	Mr M.J Masenya	Nov-23	117	37	45,094.63

Internal control deficiency

The accounting officer did not design and implement adequate internal controls to ensure compliance with the municipality's overtime policy.

Recommendation

The accounting officer should implement internal controls to ensure compliance with the overtime policy.

Management's response

Management response: Management agrees with the findings and the following corrective measures were implemented:

1. All essential workers who worked overtime above 40 hours, pre-approval is implemented.
2. No manager was allowed to be paid overtime.
3. Driver of the Mayor's overtime has been capped to 40 hours as a maximum.

Name: Makholwa AK
Position: Manager: HR
Date: 2024/11/06

Auditor's conclusion

Management's response is noted. The control deficiency will be reported as such.

29. ISS.53 - AFS high level review: 10.Employee related costs: Differences between general ledger and AFS

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".

Standard of generally recognised accounting practice 1-paragraph 17 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."

1. Employee related costs: Differences between general ledger and AFS

Description	Amount per General Ledger	Amount per AFS	Differences
Basic salary	R131 080 897,63	R133 387 647	R2 306 749,37
Total	R131 080 897,63	R133 387 647	R2 306 749,37

As a result of the above discrepancies, the financial statement submitted for audit might be materially misstated.

Internal control deficiency

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

The Accounting Officer did not adequately review the details disclosed in the annual financial statements to identify and rectify the errors as indicated.

Recommendation

It is recommended that Accounting Officer should ensure that the preparation and review processes are designed to ensure that accurate and complete information are disclosed in the financial statements. These processes should make provision for sufficient time for the production and internal review of the financial statements prior to submission thereof to audit.

Management's response

Management disagrees with the finding, the differences identified by the auditor relates to payments made for post-employment benefits that are not part of the payroll but classified as employee related costs.

Auditor's conclusion

Management response noted. We agree with management, the amount does not relate to employee costs but for post-employment benefits.

30. ISS.86 - COMAF 46: Related parties

Audit finding

GRAP 20, paragraph 10 defines Related party-management as persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Paragraph 12 further defines management as persons having the authority and responsibility for planning, directing and controlling the activities of the entity, including:

- (a) all members of the governing body of the reporting entity;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the entity;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the entity;
- (d) and the senior management team of the entity, including the chief executive officer or permanent head of the entity, unless already included in (a).

Paragraph 13 states that where an entity is subject to the oversight of an elected or appointed representative of the governing body of the government to which the entity belongs, that person is a member of the management if, and only if, the oversight function includes the authority and responsibility for planning, directing and controlling the activities of the entity.

In terms of paragraph 35(f) of Grap 20, the termination benefit for each class of management must be disclosed.

During the audit of related parties, we identified that the below individuals who were appointed to act in Director's positions and have received an acting allowance in the current year have not been disclosed in note 37 as part of remuneration for directors.

Employee	Acting position
OF Radipabe	Acting Director Development Planning
BJ Ndweni	Acting Social Services
MM Mmope	Acting Municipal Manager

Furthermore, we noted that the remuneration of the Municipal Manager, Ms MM Cocquyt did not separately include termination remuneration in note 37 of the financial statements as required by paragraph 35(f) of GRAP 20.

The above results in non-compliance with GRAP 20 requirements.

Internal control deficiency

Internal control deficiency

The accounting officer did not adequately review the financial statements to ensure that the disclosure of the Related Party is complete and in compliance with GRAP 20.

Recommendation

The accounting officer should adequately review the financial statements to ensure that Related Parties disclosure is complete and in compliance with GRAP 20.

Management's response

Management agrees with the finding and request opportunity to amend note 37 to annual financial statements.

Auditor's conclusion

Management's response has been noted and adjustments were received. Although the remuneration on termination on Note 37 was disclosed, the disclosure on Note 52 for related parties was not adjusted as per the finding, thus the finding remains.

Governance

31. ISS.7 - COMAF 08: Audit committee

Audit finding

In terms of requirements of section 166(2)(a) of MFMA, the audit Committee must advise on matters relating to, amongst others, accounting policies, the adequacy, reliability and accuracy of financial reporting

In terms of guidelines of Public Sector Audit Committee Forum, the audit committee should consider and satisfy itself of the appropriateness of the expertise and adequacy of resources of the auditees finance function in order to place reliance on the information obtained from the finance unit.

During the audit of compliance with legislations we noted that no formal assessment or review was conducted by the audit committee to evaluate the expertise and qualifications of finance personnel and the sufficiency of resources allocated to the finance function.

Internal control deficiency

Financial and performance management

The Accounting Officer did not ensure that the audit committee provides oversight over the adequacy and effectiveness of the finance function.

Recommendation

The Accounting Officer should ensure that the audit committee performs assessment of the effectiveness of the finance function.

Management's response

Management agrees to the finding

Auditor's conclusion

Matter reported as internal control deficiency

32. ISS.8 - COMAF 09: Audit committee did not provide advise to the council on matters relating to performance evaluation

Audit finding

In terms of requirements of section 166(2)(a)(viii) of MFMA, the audit committee must advise the municipal council, political office bearers, the accounting officer and the management staff of the municipality, on matters relating to performance evaluation.

During the audit of compliance with legislations we noted that the municipality did not carry out the required annual performance evaluations for senior managers and the accounting officer, however the audit committee did not provide any formal advice or recommendations to the council regarding this matter.

Internal control deficiency

The Accounting Officer did not review and monitor compliance with applicable laws and regulations.

The Accounting Officer did not ensure that the audit committee provide advise to the council regarding the evaluation of senior management's performance, including that of the accounting officer.

Recommendation

The Accounting Officer should ensure that the audit committee fulfill its responsibility to advise the council on performance evaluation matters.

Management's response

Management response not received.

Auditor's conclusion

internal control deficiency reported

Additional disclosures required by MFMA

33. ISS.99 - COMAF 81: Additional disclosures in terms of MFMA

Audit finding

In terms of section 62(1) (b) 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 –

b) That full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

In terms of section 125(1) (c) of the MFMA, the notes to the financial statements of a municipality must include the total amount paid in audit fees, taxes, levies, duties and pension and medical contributions and whether any amounts were outstanding as at the end of the financial year.

Contrary to the above during the audit of the disclosure on Note 41 of the financial statements, we noted that amounts per the financial statements do not agree with the payroll report.

The table below provides further details:

Description	Amount as per AFS	Auditors' recalculation	Difference
Pay As You Earn	39,322,193.00	37,285,777.03	-2,036,415.97
Skills Development levy	-	2,010,696.14	2,010,696.14
Pension fund and medical aid	58,132,372.00	60,629,851.18	2,497,479.18
	97,454,565.00	99,926,324.35	2,471,759.35

The above results in a misstatement of Note 41 of the financial statements.

Internal control deficiency

Financial and performance management

The accounting officer did not prepare, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

The accounting officer did not adequately review the financial statements to ensure that the amounts as disclosed in Note 41 are accurate and agree to the payroll report.

Recommendation

The accounting officer should adequately review the financial statements to ensure that the amounts per Note 41, Additional disclosures required by MFMA, in the financial statements are accurate and agree to the payroll reports.

Management's response

Management response not received.

Auditor's conclusion

Upon receipt and inspection of the adjusted financial statements we confirmed that management did not make adjustments. The finding remains and will be remain in the accumulation and correction as management did not make adjustments.

AFS High level review

34. ISS.2 - AFS High level review findings

Audit finding

1. We wish to highlight the following significant matters identified while performing a high-level review of the financial statements that were submitted to us:
 1. Supporting schedules not submitted with the annual performance report as required by engagement letter and audit strategy.

The legislated supporting documentation for the annual performance report were not submitted by 00:00 on 31 August 2024.

2. Supporting schedules not submitted with the annual financial statements:

The following supporting schedules were not submitted with the annual financial statements:

- Note 15 VAT Receivables: No SARS recon and/or SARS VAT Statement of Accounts was submitted.
- Note 13 Other receivables from non-exchange transactions: No supporting schedules submitted

2. Difference between cash flow statement and auditor's recalculations

Description	Cash flow statement		Auditors recalculation		Differences	
	2024	2023	2024	2023	2024	2023
Net cash flow from investing activities	134 017 766	76 014 783	134 021 137	61 022 713	637 647	41. 70

3. Commitments: Differences between the supporting register and auditor's recalculations

No	Description	Register	Auditor's recalculation	Difference
		Amount		
Capital commitments				
1	MOKGOTHU BUILDING CONSTRUCTION	R0	-R 231 228.72	-R 231 228.72
2	ODEVCO	R0	-R 39 415.52	-R 39 415.52
Operational commitments				
3	Hasler Business Systems	R 62 260.17	R 99 728.00	-R 32 467.83
4	EDUSOLUTION	R3 625 518	R1 923 687.63	R1 701 830.37
Totals:		R 3 687 778.17	R1 752 771.39	R1 398 718.31

4. Property, plant and equipment : Differences between the Trial Balance and the AFS

No	Description	Amount per TB	Amount per AFS	Difference
Infrastructure				
1	Cost	R2 001 270 961.57	R2 001 211 262	R 59 699.57
Work-in-progress				
2	WIP	R246 449 173.81	R246 636 807.00	-R 187 633.19
Community cost				
3	Accumulated depreciation	-R41 916 326.16	-R41 935 363	R 19 036.84
Other assets				
4	Accumulated depreciation	-R78 255 948.55	-R78 306 240.00	R50 291.45
Totals:		R2 127 547 860.67	R2 127 606 466	-R58 604.44

3. Property, plant and equipment : Differences between the AFS and Fixed Asset register

No	Description	Amount per AFS	Amount per FAR	Difference
Buildings				
1	Accumulated depreciation	-R 17 982 121	-R17 970 002.75	-R12 118.25
Infrastructure				
2	Cost	R2 001 211 262	R2 003 111 656.01	-R1 900 394.01
3	Accumulated depreciation	-R1 046 315 671	- 1 047 403 811.79	R1 088 140.79
Work-in-Progress				
4	WIP	R246 636 807	R246 389 594.62	R 247 212.38
Community cost				
5	Cost	R105 583 755	R105 590 916.61	-R 7 161.61
Other assets				
6	Cost	R150 063 455	R149 955 059.88	R108 395.12
7	Accumulated depreciation	-R78 306 240	-R78 167 554.58	-R138 685.42
Smart meters				
8	Accumulated depreciation	-R12 412 859	-R12 413 655.92	R796.92
Totals:		R1 384 442 630	R1 385 031 906.58	-R613 814.67

4. Depreciation : Differences between amount per Trial Balance and the AFS

Description	Amount per TB	Amount per AFS	Difference
Depreciation	R87 620 331.13	R82 563 568	R5 056 763.13
Total	R87 620 331.13	R82 563 568	R5 056 763.13

5. Contingent liabilities : Differences between the AFS and the listing

Description	Amounts per financial statements submitted	Preliminary amounts per Contingent liabilities listing	DIFFERENCES
KP Paul, E Paul//Lephalale Local Municipality	227,573.00	0.00	227,573.00
French Rural Development//Lephalale local Municipality	34,829,250.00	34,729,050.00	100,200.00
Ms NM Pudikabekwa//Lephalale Local Municipality	361,195.00	0.00	361,195.00
Sealab//Lephalale Local Municipality	700,000.00	335,441.04	364,558.96
	36,118,018.00	35,064,491.04	1,053,526.96

6. Employee related costs : Differences between general ledger and AFS

Description	Amount per General Ledger	Amount per AFS	Differences
Basic salary	R131 080 897.63	R133 387 647	R2 306 749.37
Total	R131 080 897.63	R133 387 647	R2 306 749.37

7. Other receivables from exchange transactions : Inconsistency between the prior year and current year Note

The following age-analysis was included in the prior year note (note 12) which was omitted from the current year's note (note 13).

8. Other receivables from exchange transactions: Differences between the Trial Balance and the AFS

Description	Amount per TB	Amount per AFS	Differences
Other receivables from non exchange transactions	12,777,915.46	12,771,659.00	6,256.46
Total	12 777 915.46	12 771 659.00	6 256.46

9. Receivables from non-exchange transactions: Differences between the supporting documents and the AFS

Debt impairment calculations		Note 17 "Reconciliation of allowance of impairment" disclosed		Difference
Service Types	Property Rates	Item	Property Rates - Impairment	
Impairment FY2023	105 558 812.96	Balance at beginning of the year	105 321 254.00	237 558.96
Movement 2023/2024	20 826 483.41	Contributions to allowance	20 913 490.00	- 87 006.59
Impairment FY2024	126 385 296.37	Balance at end of the year	126 234 744.00	150 552.37

10. Receivables from non-exchange transactions: Inconsistency between the prior year and current year note

In the prior year the days were disclosed as "121 - 150 days" & ">151 days" compared to the current year of "121 - 365 days" & ">365 days".

With reference to the age-analysis provided by management; the age-analysis agrees to the prior year's disclosure of "151 - 150days" & ">151 days".

11. Receivables from non-exchange transactions: Casting differences identified on Note 17

a	Recasting the gross amount	2024	2023
	Amount stated on AFS:	230 453 650	182 484 619
	Recalculation (using summary figures):		
	Consumers	122 525 008	86 865 516
	Industrial/commercial	89 795 562	82 443 041
	National and provincial government	8 836 993	5 527 915
		221 157 563	174 836 472
	Difference	9 296 087	7 648 147
b	Recalculation of the Current (0-30 days)	2024	2023
	Amount stated on AFS under "Rates":	30 360 234	17 553 363

	Recalculation (using summary figures):		
	Consumers	5 203 516	7 019 076
	Industrial/commercial	5 969 152	5 351 723
	National and provincial government	449 466	248 923
		11 622 134	12 619 722
	Difference	18 738 100	4 933 641
c	Recalculation of the 31 - 60 days	2024	2023
	Amount stated on AFS under "Rates":	7 511 767	14 166 031
	Recalculation (using summary figures):		
	Consumers	3 956 002	3 523 751
	Industrial/commercial	4 909 667	4 185 182
	National and provincial government	338 785	216 916
		9 204 454	7 925 849
	Difference	-1 692 687	6 240 182
d	Recalculation of the 61 - 90 days	2024	2023
	Amount stated on AFS under "Rates":	6 983 212	5 279 406
	Recalculation (using summary figures):		
	Consumers	3 486 709	2 902 786
	Industrial/commercial	3 735 692	3 101 493
	National and provincial government	289 366	215 311
		7 511 767	6 219 590
	Difference	-528 555	-940 184
e	Recalculation of the 91 - 120 days	2024	2023
	Amount stated on AFS under "Rates":	6 759 483	4 992 232
	Recalculation (using summary figures):		
	Consumers	3 193 669	2 142 655
	Industrial/commercial	3 502 066	2 918 582
	National and provincial government	287 477	212 063
		6 983 212	5 273 300
	Difference	-223 729	-281 068
f	Recalculation of the 121 - 365 days	2024	2023
	Amount stated on AFS under "Rates":	6 086 413	4849 364
	Recalculation (using summary figures):		

	Consumers	3 122 933	3 883 847
	Industrial/commercial	3 351 117	5 558 653
	National and provincial government	285 433	382 158
		6 759 483	9 824 658
	Difference	-673 070	-4 975 294
g	Recalculation of the > 365 days	2024	2023
	Amount stated on AFS under "Rates":	172 990 100	135 557 216
	Recalculation (using summary figures):		
	Consumers	103 562 179	67393401
	Industrial/commercial	68 327 868	61 327 408
	National and provincial government	71 864 66	4 252 544
		179076513	132973353
	Difference	-6 086 413	2 583 863
h	Total differences (b+c+d+e+f+g)	9 533 646	7 561 140
f			
	Agreeing the GROSS amount's difference to the total differences calculated above:	2024	2023
	Gross difference (a)	9 296 087	7 648 147
	Above total differences (h)	9 533 646	7 561 140
	Remaining difference	-237 559	87. 007

12. Revenue from non-exchange transactions – Property rates (Note 33): Inconsistency between the prior year and current year

The following narrative was included in the prior year note (note 32) which was omitted from the current year's note (note 33).

13. Revenue from non-exchange transactions: Description differences

The face of the Annual Financial Statement states "Interest earned -on outstanding receivables-Property rates", however, note 33 states "Property rates – penalties imposed".

14. Government grants and subsidies Note 35: Differences between the Trial Balance and amount per AFS

Description	Amount per TB	Amount per AFS	Differences
Government grants & subsidies	(349,691,702.22)	(349,654,358.00)	(37,344.22)
Total	(349,691,702.22)	(349,654,358.00)	(37,344.22)

15. Government grants and subsidies Note 35: Casting differences identified on Note

2024	Note summary	Note detail "transferred to revenue"	Difference
Operating grants			
Local Government SETA	348 628.00	385 972.00	- 37 344.00
Total	348 628.00	385 972.00	- 37 344.00
2023	Note summary	Note detail "transferred to revenue"	Difference
Operating grants			
EPWP	1 293 000.00	1 292 000.00	1 000.00
Total	1 293 000.00	1 292 000.00	1 000.00
Capital grants			
Municipal Infrastructure Grant	29 930 410.00	29 923 610.00	6 800.00
Water Service Infrastructure Grant	8 057 213.00	7 425 652.00	631 561.00
Total	8 057 213.00	7 425 652.00	638. 361.00

2024	Note summary	Note detail "transferred to revenue"	Difference
Operating grants			
Local Government SETA	348 628.00	385 972.00	- 37 344.00
Total	348 628.00	385 972.00	- 37 344.00
2023	Note summary	Note detail "transferred to revenue"	Difference
Operating grants			
EPWP	1 293 000.00	1 292 000.00	1 000.00
Total	1 293 000.00	1 292 000.00	1 000.00
Capital grants			
Municipal Infrastructure Grant	29 930 410.00	29 923 610.00	6 800.00
Water Service Infrastructure Grant	8 057 213.00	7 425 652.00	631 561.00

(b) The actual amounts on a comparable basis; and
(c) by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Paragraph 27 of GRAP 24 states that an entity shall present an explanation of whether changes between the approved and final budget are a consequence of reallocations within the budget, or of other factors:

- (a) By way of note disclosure in the financial statements; or
- (b) In a report issued before, at the same time as, or in conjunction with the financial statements, and shall include a cross reference to the report in the notes to the financial statements.

Paragraph 30 of GRAP 24 states that all comparisons of budget and actual amounts shall be presented on a comparable basis to the budget.

Paragraph 38 of GRAP 24 an entity shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget

Paragraph 46 of GRAP 24 states that the actual amounts presented on a comparable basis to the budget in accordance with paragraph .30 shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the following actual amounts presented in the financial statements, identifying separately any basis, timing and entity differences:

- (a) if the accrual basis is adopted for the budget, total revenues, total expenses and net cash flows from operating activities, investing activities and financing activities; or
- (b) If a basis other than the accrual basis is adopted for the budget, net cash flows from operating activities, investing activities and financing activities.

The reconciliation shall be disclosed on the face of the statement of comparison of budget and actual amounts or in the notes to the financial statements.

During the audit of the statement of comparison of budget and actual amounts, we noted that the financial statements were not adequately presented and disclosed, as required by GRAP. Refer to the details below:

2.1. Comparable basis-Final budget

Description	AFS (R)	Budget (R)	Difference (R)
Total revenue	1 048 470 457,00	791 835 014,00	256 635 443,00
Total expenditures	782 683 777,00	790 803 051,00	8 119 274,00
Total assets	1 946 218 000,00	1 951 018 050,00	4 800 050,00
Total liabilities	364 482 000,00	326 933 759,00	37 548 241,00
Net cash flows from operating activities	269 905 193,00	441 816 568,00	171 911 375,00
Net cash flows from investing activities	294 756 000,00	297 046 760,00	2 290 760,00
Net cash flows from financing activities	22 650 000,00	22 800 001,00	150 001,00

2.2 Comparable basis-Actual amounts

Description	AFS(R)	Budget(R)	Differences(R)
Total revenue	867 303 712,00	763 482 168	103 821 544,00
Total expenditures	787 031 387,00	706 018 888,80	81 012 498,20
Total assets	1 852 609 198,00	1 894 113 680,00	41 504 482,00
Total liabilities	403 313 226,00	323 831 755,00	79 481 471,00
Net cash flows from operating activities	134 017 766,00	550 568 894,00	416 551 128,00
Net cash flows from investing activities	134 021 137,00	114 305 800,00	19 715 337,00
Net cash flows from financing activities	29 966 770,00	231 308 708,00	201 341 639

Material misstatement of the financial statements

Internal control deficiency

Financial and performance management

The Accounting Officer did not exercise oversight responsibility regarding financial reporting and compliance as well as related internal controls.

The Accounting Officer did not adequately perform review of the financial statements to ensure that the financial statements are accurate and compliant with the requirements of GRAP and MFMA.

Recommendation

It is recommended that Accounting Officer should adequately review the annual financial statements against the requirements of GRAP 24 and ensure that the financial statements comply with the applicable accounting standards before the annual financial statements are submitted for audit

Management's response

Management does not agree with the finding. The final budget disclosed on budget comparison is in line with final budget approved by council

Auditor's conclusion

We evaluated the supporting budget schedule submitted with the adjusted AFS and did not identify any discrepancies. Therefore, the finding is resolved.

36. ISS.61 - AFS high level review: 21 spelling errors identified on the AFS submitted

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".

Standard of generally recognised accounting practice 1-paragraph 17 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."

Kindly see below table for spelling errors that were identified during the review of the AFS:

No,	Error identified	Detail per AFS	Page no,
1	Heading is misleading - No Abbreviations were indicated	General information and Abbreviations	page 1 & 2
2	No space between words	theRepublic	page 1
3	No space between words	FinanceManagement	page 1
4	Spelling error	Tradittional	page 1
5	There is a blank space where page 4's heading (Abbreviations) should be		page 3
6	Colon after the abbreviation	FY:	page 4
7	Too many spaces before the description of the abbreviation of MSA	Municipal System Act	page 5
8	The Accounting Officer's Report does not start on a new page		page 5
9	National Treasury should be capitalised	national treasury	page 6

No,	Error identified	Detail per AFS	Page no,
10	Spelling error	Municiplaity's	page 6
11	The Accounting Officer's Report refers to subsequent events disclosed in the notes of the Annual Financial Statements, however, there is no such note		
12	Ommitted "the"	in note	page 6
13	Noun number agreement error	those event	page 6
14	Spelling error: referring to the annual financial statements	annual financial statement	page 6
15	Additional space after "3, Accounting policies" in the Accounting Officer's Report		page 6
16		Net assets 1 449 295 972	page 7
		Accumulated surplus 1 449 337 251	

	Difference between the Net Assets and the Accumulated surplus/Total Net Assets	Total Net Assets 1 449 337 251	
17	Space needed before & after dash	receivables-Service charges	page 8
18	Space needed after dash	-External investment	page 8
19	Note ref, omitted from other revenue	Revenue Note(s) 2024	page 8
		Other Revenue 2 582 423	
20	Space needed after dash	-on outstanding	page 8
21	Space needed before & after dash	receivables-Property rates	page 8
22	No header on the Cash Flow Statement	Cash Flow Statement	page 10
23	No page number on the Cash Flow Statement		page 10
24	Space needed after dash	-Service charges	page 11
25	Spelling error: No hyphen	non exchange	page 13
26	Reference to incorrect note	note 64 for Budget comparison	page 15
27	An additional space (line) before Impairment testing		page 17
		Impairment testing	
28	Spelling error	impac	page 17
29	Spelling error: referring to the annual financial statements	annual financial statement	page 17
30	Omitted to reference to the note	refer to note on entity combinations,	page 17
31	Full stop omitted (3 times)	statement	page 18
32	Spelling error: Spaces before and after the hyphen	risk - free	page 18
33	Ommitted "a"	and disclosure	page 19
34	Spelling error: referring to the annual financial statements	annual financial statement,	page 19

No,	Error identified	Detail per AFS	Page no,
35	Spelling error	either	page 19
36	Both words should be capitalised	subsequent measurement	page 20
37	Space needed after dash	-fair value	page 20
38	Omitted a comma (,) (Twice)	property plant	page 23
39	Additional full stop	use,,	page 23
40	Should be bold	Initial recognition and Measurement	page 24
41	Indented and should be bold	Subsequent Measurement	page 24
42	Omitted a full stop (,)	GRAP	page 29
43	Duplicate title	Other post retirement obligations	page 33
44	Heading should be on next page	Recognition	page 40
45	Spelling error (3 times)	statemnet of financil	page 41
46	Words should be bold	Initial Measurement and Recognition	page 44
47	Words should be bold	Subsequent Measurement	page 44

48	Words should be bold	Derecognition Criteria	page 44
49	The number "1," should not be bold	1, Amendment to GRAP 103	page 45
50	Duplicate full stop	2,, Amendment to GRAP 104	page 45
51	Omitted a comma (,) (Twice)	Property Plant	page 50
52	Space needed after dash	-2024	page 50
53	Space needed before and after dash	Equipments-2023	page 50
54	Omitted a full stop (,) (Twice)	services	page 51
55	Spelling error	strong Room	page 52
56	Grammatical error	on progress	page 52
57	Spelling error	entalis	page 52
58	Omitted a comma (,)	main sewer pumpstation	page 52
59	Space before comma (,) should be removed	pumpstation , maturation	page 52
60	Space before full stop (,) should be removed	pipeline ,	page 52
61	Indented	Marapong Bulk Water Supply	page 52
62	Omitted a full stop (,)	underway	page 52
63	Grammatical error - should either be "on" or "per" not both	loss on per stalled	page 53
64	Space before comma (,) should be removed	years ,	page 53
65	Should be capitalised	municipality	page 53
66	Omitted a full stop (,)	Municipality	page 55
67	Remove capital from the "H"	No Heritage	page 56
68	Omitted a full stop (,)	elavator	page 56

No,	Error identified	Detail per AFS	Page no,
69	Omitted a hyphen (-)	cash backed	page 56
70	Omitted a full stop (,)	curve	page 58
71	Omitted a full stop (,)	65	page 58
72	Remove capital from the "I"	No Inventory	page 58
73	Omitted a full stop (,)	loan	page 58
74	Omitted a full stop (,)	down	page 58
75	Omitted a colon (:)	follows	page 59
76	Omitted full stops (,)	pa	page 59
77	Space before full stop (,) should be removed	outstanding ,	page 59
78	Omitted a full stop (,)	overdue	page 59
79	Space needed before and after dash	receivables-Traffic fines	page 59
80	Should be capitalised	staturary receivables	page 59
81	Space needed after dash	-Property rates	page 59
82	Should be capitalised	16, receivables	page 60
83	Should be capitalised	16, receivables	page 61

84	Should be capitalised	16, receivables	page 62
85	Omitted a hyphen (-)	non exchange	page 62
86	Omitted a hyphen (-)	non exchange	page 62
87	Omitted a full stop (.)	collateral	page 64
88	Remove dash and spaces & capitalise the "W" (Twice)	- within	page 64
89	Spelling error	redemption	page 64
90	Space before full stop (.) should be removed	15 years ,	page 64
91	Space before full stop (.) should be removed	14,3% ,	page 64
92	Space before comma (,) should be removed & a space after the comma (,) should be added	manangement ,limited	page 65
93	Remove capital from the "U"	Both Unspent	page 65
94	Omitted a hyphen (-)	cash backed	page 65
95	Omitted a hyphen (-)	non current	page 65
96	Spelling error	euqitable	page 65
97	Omitted a full stop (.)	resources	page 66
98	Omitted a full stop (.)	directors	page 67
99	Space before full stop (.) should be removed	written off ,	page 68
100	Spelling error (3 times)	Munciplaity	page 68
101	Spelling error	biginning	page 68

No.	Error identified	Detail per AFS	Page no.
102	Spelling error	Transferes	page 69
103	Spelling error	Dinations	page 69
104	Additional full stop	Treasury,,	page 70
105	No space between words	followinga	page 71
106	Two additional spaces (lines) before Local government SETA		page 71
		Local government SETA	
107	Add a space after the full stop (.)	office,Acting	page 72
108	Omitted a full stop (.)	R205 345	page 72
109	An additional space (line) before Remuneration of executive Manager -Infrastructure Services		page 72
		Remuneration of executive Manager - Infrastructure Services	
110	Space needed after dash	-Infrastructure Services	page 72
111	Move heading to next page	Remuneration of executive manager-Strategic support services	page 72
112	Space needed before and after dash	manager-Strategic	page 72
113	Omitted a full stop (.)	R102 618	page 73

114	Remove capital from the "A"	MAnager	page 73
115	Percentage omitted (twice)	-%	page 74
116	Move heading to next page	Financial liabilities	page 76
117	Omitted abbreviation on page 4, should be added	AFS	page 78
118	Punctuation error	AFS,	page 78
119	Space before the full stop (.) should be removed & a space after the full stop (.) should be added	amount ,Interest	page 79
120	Spelling error (11 times)	Municiplaity	page 79
121	Space before comma (,) should be removed	R455 146 ,	page 79
122	Omitted a full stop (.)	R5 200 000	page 79
123	Move heading to next page	5, Christaan Lourens Erasmus	page 79
124	Space before the full stop (.) should be removed	pleadings ,	page 80
125	Add a space after the full stop (.)	2019,Should	page 80
126	Should be bold	9,Leopiet Ontwikkeling	page 80
127	Space before the full stop (.) should be removed	p,a ,	page 80
128	Move heading to next page	11, Liesel & Pieter Cronje	page 80
129	Punctuation error	Municipality however	page 81

No,	Error identified	Detail per AFS	Page no,
130	Spelling error	apeal	page 81
131	Omitted a full stop (.)	R2 307 736	page 81
132	Omitted a full stop (.)	R16 592 660	page 81
133	Pronoun error	They work was not	page 81
134	Space before the comma (,) should be removed & a space after the comma (.) should be added	service ,Blue	page 82
135	Space before the comma (,) should be removed & a space after the comma (.) should be added	Municipality ,Blue	page 82
136	Space before the comma (,) should be removed	Big Time , the	page 82
137	Space before the comma (,) should be removed	mSCOA , was	page 82
138	Spelling error	execetive	page 83
139	Spelling error	arears	page 84
140	Omitted a full stop (.)	30-Jun-24	page 84
141	Move the heading to the top of the page	53, Change in estimate	page 85
142	Spelling error	proprty	page 85
143	Omitted a comma (,)	proprty plant	page 85

144	Remove capital from the "H"	THE	page 85
145	Spelling error	theses	page 85
146	Duplicate "R"	R R397238	page 85
147	Spelling error	omitted	page 86
148	Omitted a full stop (.)	prior years	page 86
149	Omitted a full stop (.)	working paper	page 86
150	Add a space after the dash	-Carports	page 86
151	Spelling error	erroneously	page 86
152	Add a space after the full stop (.)	4,Completed	page 86
153	Add a space after the dash (-)	-Zongesien	page 86
154	Spelling error	hoever	page 86
155	Duplicate word	prior prior	page 86
156	Add a space after the dash	-Property	page 86
157	Add a space after the dash	-Property	page 87
158	Remove space before colon (:)	of the following :	page 88
159	Spelling error	corroborated	page 88
160	Spelling error	experiece	page 88
161	Spelling error	Municiplacity	page 88
162	Omitted a full stop (.)	operations for the municipality	page 88

No.	Error identified	Detail per AFS	Page no.
163	Omitted a full stop (.) and space after the full stop	operationsThere	page 88
164	Remove capital from the "L"	Labour	page 88
165	Remove space before comma (,)	bad debts ,	page 89
166	Add a space after the comma (,)	depreciation,impairment	page 89
167	Omitted a full stop (.)	inclusive of VAT	page 89
168	Subject-verb agreement error (should use were, instead of was)	additions was subsequently	page 89
169	Omitted a full stop (.)	responsible officials	page 89
170	Spelling error	though	page 90
171	Spelling error	recomendations	page 90
172	Omitted a hyphen (-)	non compliance	page 90
173	Spelling error	accordingl	page 90
174	Omitted a full stop (.)	accordingl	page 90
		"Amount written-off	

175	Duplicate information	The MPAC though the used of service provider conducted investigations of irregular expenditure and made recommendations to council, The recomendations of MPAC were adopted by the council and irregular expenditure were written off , The investigations revealed that the council did not suffer any losses from the acts of non compliance that resulted in irregular expenditures written off, Although the council did not suffer material losses, the report recommends that actions should be taken against the officials responsible for the breach of MFMA and its related SCM legislations and prescripts,The council has adopted the recommendations of the investigation report and resolve accordingly"	page 90
176	Omitted a full stop (.)	processing	page 90
177	Subject-verb agreement error (should use were, instead of are) & omitted a colon (:)	were detailed below	page 91
178	Add a space after the full stop (.)	Transport,In	page 91
179	Omitted a full stop (.)	and Transport (Principal)	page 91
180	Add a space after the dash (-)	-Limpopo department of transport	page 91
181	No information chosen	[Choose as appropriate]	page 91
182	No details stated	[State details],	page 91
183	No timing or details stated	[State timing and details]	page 91
184	No timing or details stated	[State timing and details]	page 92
185	No information / discussion given	[State information/discussion]	page 92
186	No additional information provided	[Provide additional info as appropriate]	page 92
187	No information / discussion given	[State information/discussion]	page 92
188	No additional information provided	[Provide additional info as appropriate]	page 92

No.	Error identified	Detail per AFS	Page no,
189	Add a space after the dash (-)	-Service charges	page 92
190	Add a space before and after the dash (-)	Losses-The	page 92
191	Space before the full stop (.) should be removed	illegal connections ,	page 92
192	Omitted a full stop (.)	norm	page 92
193	Add a space before the dash (-)	Budget differences-	page 93
194	Add a space after the dash (-)	Charges -Due	page 93
195	Add a space before and after the dash (-)	Equipments-There	page 93
196	Add a space after the dash (-)	Property rates -Within	page 93
197	Space before the comma (,) should be removed	Fines , penalties	page 93
198	Add a space before and after the dash (-)	Councillors-Within	page 93
199	Space before the comma (,) should be removed	Depreciation , Impairment	page 93
200	Add a space before and after the dash (-)	expenses- implementation	page 93

As a result of the above discrepancies, the financial statement submitted for audit might be materially misstated.

Internal control deficiency

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

The Accounting Officer did not adequately review the details disclosed in the annual financial statements to identify and rectify the errors as indicated.

Recommendation

It is recommended that Accounting Officer should ensure that the preparation and review processes are designed to ensure that accurate and complete information are disclosed in the financial statements. These processes should make provision for sufficient time for the production and internal review of the financial statements prior to submission thereof to audit.

Management's response

Management agrees with the finding and request opportunity to correct annual financial statements

Auditor's conclusion

Management response noted, will await adjusted financials to confirm the above spelling errors has been corrected.

37. ISS.64 - COMAF 63: AOPO-Electrical losses

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information.

We identified discrepancies between the actual achievement reported in the annual performance report and those verified through the audit evidence submitted. Refer to the table below:

Description	AFS and APR	Audit evidence	Variance
Units purchased(kWh)	84 237 411	84 237 201	210
Units sold(kWh)	76 889 503	65 688 603	11 200 900
Losses(kWh)	7 383 908	18 342 054	10 958 146
Total losses(&)	9%	22%	13%

The finding results in the reported achievements and the financial statements being materially misstated

Internal control deficiency

Financial and performance management

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the annual performance report against portfolio of evidence to ensure that the reported achievement as per the annual performance report is accurate, valid and complete.

Recommendation

The accounting officer must implement proper record keeping and prepare regular, accurate and complete performance reports that are supported by reliable information.

Management's response

Disagree with the finding,

Auditor's conclusion

Management's response is noted. We assessed the supporting schedule and evidence submitted, and the matter has been resolved.

Disclosures not presented

38. ISS.15 - COMAF 14: Finance lease classification (PPP)

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;

In terms of the MFMA Regulations a PPP agreement is defined as a commercial transaction between a municipality and a private party in terms of which the private party:

(a) performs a municipal function for or on behalf of a municipality or acquires the management or use of municipal property for its own commercial purposes, or both performs a municipal function for or on behalf of a municipality and acquires the management or use of municipal property for its own commercial purposes; and

(b) assumes substantial financial, technical and operational risks in connection with

(i) the performance of the municipal function;

(ii) the management or use of the municipal property; or

(iii) both; and

(c) receives a benefit for performing the municipal function or from utilising the municipal property or from both, by way of – Issued November 2008 9 Guideline on Accounting for PPPs

(i) consideration to be paid or given by the municipality or a municipal entity under the sole or shared control of the municipality;

(ii) charges or fees to be collected by the private party from users or customers of a service provided to them; or

(iii) a combination of the benefits referred to in subparagraphs (i) and (ii)

In terms of the MFMA Regulations, for each PPP agreement that the entity has entered into, the following must be disclosed in a note to the annual financial statements:

(a) a description of the agreement.

(b) significant terms of the arrangement that may affect the amount, timing and certainty of future cash flows.

(c) the nature and extent of:

- rights to use specified assets;
- obligations to provide or rights to expect provision of services;
- obligations to acquire or build assets;
- obligations to deliver or rights to receive specified assets at the end of the PPP agreement;
- renewal and termination options; and
- other rights and obligations (e.g. major overhauls). (d) changes in the agreement occurring during the period.

Contrary to the above, during the audit of finance lease we inspected the finance lease agreement between the municipality and Exxaro Coal and noted that the agreement gives rise to a Public, private partnership agreement (PPP). The agreement gives rise to a PPP agreement as follows:

The agreement is between the municipality and a private entity (Exxaro) whereby Exxaro has undertaken the construction and upgrading of the Zeeland WTW to increase the quantity of potable water to a maximum flow rate of 40ml/day and the costs thereof.

As part of the municipality's mandate it is the municipality's function and responsibility is to ensure that adequate provision of water to the public is facilitated, thus Exxaro has assumed the municipal function on behalf of the municipality to increase water capacity.

However, we noted that the municipality did not disclose the nature of the PPP agreement in the Notes to the financial statements. This results in a material none disclosure.

Internal control deficiency

Financial and performance management

The accounting officer did not develop and implement controls to ensure that details of the PPP agreement is disclosed in a note on the financial statements.

Recommendation

The accounting officer should adequately review the financial statements to ensure that the PPP agreement between the municipality and Exxaro is disclosed as a note in the financial statements.

Management's response

Management agrees with the finding and request opportunity to amend annual financial statements.

The following adjustments is proposed:

The Lephalale Local Municipality entered into agreement with EXXARO mine whereby EXXARO Upgraded its water purification plant, Zeeland and sells it to the Municipality through a finance lease payable over a period of 15 years. EXXARRO will also operate and maintain the Zeeland Water Treatment Plant over the lease term of 15 years. Municipality is paying monthly fee of R1.2 million for operation and maintenance. These costs are included in the cost of inventory consumed in the statement of financial performance.

The finance lease payments amount to R1.4 million per month.

The finance cost includes the amount of R5.9 million relating to Zeeland -finance lease.

The finance lease liability disclosed in the statement of financial position relates to Zeeland.

Finance lease: Current Portion: R10 862 792

Finance Lease Non -Current Portion: 25 678 042

The finance lease asset was included in Property plant and equipment

Name: Tebogo Mojela

Position: GRAP and Compliance Specialist

Date: 05/11/2024

Auditor's conclusion

Management's response is noted, upon receipt of the adjusted AFS we confirmed that the PPP agreement has been disclosed in Note 48 of the adjusted AFS. Therefore, the finding is resolved.

39. ISS.47 - COMAF 15: Segment reporting disclosure

Audit finding

L.16.1 In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

Standard of generally recognised accounting practice 1-paragraph 17 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."

GRAP 18 paragraph 5 states that" A segment is an activity of an entity:

1. (a) that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
2. (b) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
3. (c) For which separate financial information is available."

1. GRAP 18 paragraph 21 states that "An entity shall report a measure of surplus or deficit for each reportable segment. An entity shall report a measure of assets and liabilities for each reportable segment if such an amount is regularly provided to management. An entity shall also disclose the following about each reportable segment if the specified amounts are included in the measure of segment surplus or deficit reviewed by management, or are otherwise regularly provided to management, even if not included in that measure of segment surplus or deficit: (a) external revenue from non-exchange transactions;

1. (b) external revenue from exchange transactions;
2. (c) revenue from transactions with other segments in the same entity;
3. (d) interest revenue;
4. (e) interest expense;
5. (f) depreciation and amortisation;

(g) Material items of revenue and expenses disclosed in accordance with paragraph .101 of the Standard of GRAP on Presentation of Financial statements;

1. (h) the entity's interest in the surplus or deficit of associates and joint ventures accounted for by the equity method;
1. (i) income tax expenses (if applicable); and
2. (j) material non-cash items other than depreciation and amortisation
- 3.

1. GRAP 18 paragraph 27 states that “An entity shall provide reconciliations of all of the following: (a) the total of the reportable segments’ revenues to the entity’s revenue.

(b) The total of the reportable segments’ measures of surplus or deficit to the entity’s surplus or deficit before discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (if applicable), the entity may reconcile the total of the segments measures of surplus or deficit to the entity surplus or deficit after those items.

1. (c) The total of the reportable segments’ assets to the entity’s assets if segment assets are reported in accordance with paragraph .21.
1. (d) The total of the reportable segments’ liabilities to the entity’s liabilities if segment liabilities are reported in accordance with paragraph .21.
2. (e) The total of the reportable segments’ amounts for every other material item of information disclosed to the corresponding amount for the entity.

All material reconciling items shall be separately identified and described. For example, the amount of each material adjustment needed to reconcile reportable segment surplus or deficit to the entity’s surplus or deficit arising from different accounting policies shall be separately identified and described.

Contrary to the above, we identified the following discrepancies/errors in the financial statements submitted on 31 August 2024. The municipality did not disclose the identification of segments on the submitted AFS which is not in line with GRAP 18. The municipality has organized financial information for budgeting purposes on the basis of four major functional areas, electricity management, water management, waste water management and waste management.

The segments should be organized around the type of service delivered and the target market. We are of the view that information reported about these segments is used by management as a basis for evaluating the segments performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes. Management should also consider aggregating revenue from non-exchange transactions within the identified segments above

Contrary to the above, we identified the following discrepancies/errors in the financial statements submitted on 31 August 2024. The municipality did not disclose the identification of segments on the submitted AFS which is not in line with GRAP 18. The municipality has organized financial information for budgeting purposes on the basis of four major functional areas, electricity management, water management, waste water management and waste management.

The segments should be organized around the type of service delivered and the target market. We are of the view that information reported about these segments is used by management as a basis for evaluating the segments performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes. Management should also consider aggregating revenue from non-exchange transactions within the identified segments above

The above will result in non-compliance with GRAP 18.

Internal control deficiency

The Accounting Officer did not adequately review the financial statements to ensure that all the necessary disclosures as required by the applicable accounting standards have been disclosed

Recommendation

It is recommended that Accounting Officer should review the annual financial statements and ensure that all the necessary disclosures as required by applicable accounting standards have been disclosed.

Management’s response

Management agrees with the finding and request the opportunity to adjust annual financial statements. The proposed disclosure note for segment reporting and workings are attached. The disclosure for comparative year will also be made.

Auditor's conclusion

Management response is noted, therefore the finding is resolved.

Compliance

40. ISS.76 - COMAF 54 - Compliance limitation

Audit finding

Section 74(1) of the Municipal Finance Management Act 56 of 2003 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".

The standard turnaround time for the submission of information is three working days as agreed upon during the entrance meeting and the discussion of the engagement letter, further explains the process with regards to request and submission of information.

The engagement letter also states that "management has three (3) working days to submit the information requested from the date the request was made. Failure to submit the information requested within the agreed timeframe will result in an audit finding (limitation) and if material, individually or in aggregate, will impact the audit opinion."

Contrary to the above requirements, the information for RFI 70, issued on 6 November 2024 and due by 11 November 2024, was not submitted within the stipulated 3-day period as outlined in the engagement letter. Please refer below and see the attached annexure for details on the information that was not submitted:

1. Subsequent events:
1. All minutes of meetings after year end.
2. Use of consultants:
1. List of consultants contracted for the 2023/24 year.
3. Water sanitation and waste management:
a. Water Services Development Plan (WSDP) / multi-year plan to determine backlogs.
b. Evidence indicating that the municipality reported on the implementation of the WSDP.
c. Water & sanitation maintenance plan.
d. Condition assessment of water infrastructure.
e. Detailed description of the complaints reporting mechanism for water users
f. Environmental policy/strategy (or other) that address environmental risks to water provision.
g. Drinking water quality assessment.
h. Proof of suitable programme for sampling the quality of drinking water.
i. Action plan which addresses water losses.

Internal control deficiency

The accounting officer did not maintain an effective system of controls to ensure that complete, relevant, and accurate information is readily accessible and available to support financial reporting.

The accounting officer did not implement or maintain effective controls to ensure that the information requested in RFI 70 was submitted to the auditors within the initial three-day deadline or the additional two-day extension.

Recommendation

The accounting officer should establish and maintain proper record keeping systems to ensure that complete, relevant, and accurate information is accessible and available to support financial and performance reporting within agreed timeframes.

The accounting officer should implement controls to ensure that information relating to RFI 70 is submitted to the auditors within the agreed timelines.

Management's response

Management agrees with the finding .Requested information was subsequently submitted to AGSA for audit

Name: Oria Mokobane

Position: Manager SCM

Date:14/11/2024

Auditor's conclusion

Information was subsequently submitted to the auditors, therefore the finding is resolved.

Immovable assets

41. ISS.49 - AFS high level review- Issue 3: Property, plant and equipment: Differences between the Trial Balance and the AFS

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".

Standard of generally recognised accounting practice 1-paragraph 17 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."

1. Property, plant and equipment : Differences between the Trial Balance and the AFS

No	Description	Amount per TB	Amount per AFS	Difference
Infrastructure				
1	Cost	R2 001 270 961,57	R2 001 211 262,00	R59 699,57
Work-in-progress				
2	WIP	R246 449 173,81	R246 636 807,00	-R187 633,19
Community cost				
3	Accumulated depreciation	-R41 916 326,16	-R41 935 363,00	R19 036,84
Other assets				
4	Accumulated depreciation	-R78 255 948,55	-R78 306 240,00	R50 291,45
Totals:		R2 127 547 860,67	R2 127 606 466,00	-R58 604,44

As a result of the above discrepancies, the financial statement submitted for audit might be materially misstated.

Internal control deficiency

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

The Accounting Officer did not adequately review the details disclosed in the annual financial statements to identify and rectify the errors as indicated.

Recommendation

It is recommended that Accounting Officer should ensure that the preparation and review processes are designed to ensure that accurate and complete information are disclosed in the financial statements. These processes should make provision for sufficient time for the production and internal review of the financial statements prior to submission thereof to audit.

Management's response

Management agrees with the finding and request opportunity to correct note to the AFS.

Auditor's conclusion

Management response is noted, however finding remains valid.

42. ISS.50 - AFS high level review: 7 Property, plant and equipment: Differences between the AFS and Fixed Asset register

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".

Standard of generally recognised accounting practice 1-paragraph 17 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."

1. Property, plant and equipment: Differences between the AFS and Fixed Asset register

No	Description	Amount per AFS	Amount per FAR	Difference
Buildings				
1	Accumulated depreciation	-R17 982 121,00	-R17 970 002,75	-R12 118,25
Infrastructure				
2	Cost	R2 001 211 262	R2 003 111 656,01	-R1 900 394,01
3	Accumulated depreciation	-R1 046 315 671	- 1 047 403 811,79	R1 088 140,79
Work-in-Progress				
4	WIP	R246 636 807,00	R246 389 594,62	R 247 212,38
Community cost				
5	Cost	R105 583 755,00	R105 590 916,61	-R 7 161,61
Other assets				
6	Cost	R150 063 455,00	R149 955 059,88	R108 395,12
7	Accumulated depreciation	-R78 306 240,00	-R78 167 554,58	-R138 685,42
Smart meters				
8	Accumulated depreciation	-R12 412 859,00	-R12 413 655,92	R796,92
Totals:		R1 384 442 630,00	R1 385 031 906,58	-R613 814,67

As a result of the above discrepancies, the financial statement submitted for audit might be materially misstated.

Internal control deficiency

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

The Accounting Officer did not adequately review the details disclosed in the annual financial statements to identify and rectify the errors as indicated.

Recommendation

It is recommended that Accounting Officer should ensure that the preparation and review processes are designed to ensure that accurate and complete information are disclosed in the financial statements. These processes should make provision for sufficient time for the production and internal review of the financial statements prior to submission thereof to audit.

Management's response

Management disagrees with the finding, kindly see the audit find the FAR reconciliation with TB and AFS

Auditor's conclusion

Management response is noted, the finding has been resolved.

43. ISS.51 - AFS high level review - 8.Depreciation: Differences between amount per Trial Balance and the AFS

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".

Standard of generally recognised accounting practice 1-paragraph 17 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."

- 1. Depreciation: Differences between amount per Trial Balance and the AFS

Description	Amount per TB	Amount per AFS	Difference
			Depreciation
Total	R87 620 331,13	R82 563 568	R5 056 763,13

As a result of the above discrepancies, the financial statement submitted for audit might be materially misstated.

Internal control deficiency



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

The Accounting Officer did not adequately review the details disclosed in the annual financial statements to identify and rectify the errors as indicated.

Recommendation

It is recommended that Accounting Officer should ensure that the preparation and review processes are designed to ensure that accurate and complete information are disclosed in the financial statements. These processes should make provision for sufficient time for the production and internal review of the financial statements prior to submission thereof to audit.

Management's response

Management disagrees with the finding, kindly see the audit find the FAR reconciliation with TB and AFS

Auditor's conclusion

Management response is noted, finding is resolved

44. ISS.91 - Feasibility studies capitalised to work in progress

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

In terms of GRAP 17.21.

The cost of an item of property, plant and equipment comprises:

- (a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- (b) Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- (c) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The feasibility study evaluates a proposed plan or project for its practicality and viability to determine its success. The following feasibility studies were capitalized into work in progress, feasibility study relating to landfill site amounting to R833 956.53 and the feasibility study relating to Witpoort, Seleka, Moruranyane and Shongoane RWS 5 project amounting to R1 610 898.16 and a feasibility study was capitalized to completed projects relating to Witpoort, Seleka, Moruranyane and Shongoane Phase 4 project amounting to R927 749.

The feasibility study evaluates a proposed plan or project for its practicality and viability to determine its success. The following feasibility studies were capitalized into work in progress, feasibility study relating to landfill site amounting to R833 956.53 and the feasibility study relating to Witpoort, Seleka, Moruranyane and Shongoane RWS 5 project amounting to R1 610 898.16 and a feasibility study was capitalized to completed projects relating to Witpoort, Seleka, Moruranyane and Shongoane Phase 4 project amounting to R927 749.

The above will result in overstatement of work in progress amount to (R833 956.53 + R1 610 898.16) R2 444 854.69 and overstatement of accumulated deficit amounting to R2 444 854.69. The misstatement of R2 444 854.69 will be included in the Management report.

The above will also result in overstated of completed project amounting to R927 749 and overstatement of accumulated deficit amounting to R927 749.

Internal control deficiency

The Accounting Officer did not adequately review the capitalisation of costs to work in progress and completed projects to ensure that only costs that are directly attributable to the projects are capitalised

Recommendation

It is recommended that Accounting Officer should review the costs capitalized to both the completed projects and work in progress to ensure that only costs that are directly attributable to the project are capitalised to work in progress and completed projects.

Management's response

Management agrees with the finding

Auditor's conclusion

Management response noted, therefore the finding is resolved

45. ISS.92 - Depreciation incorrectly calculated

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

Standard of generally recognised accounting practice 1-paragraph 17 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 depreciation it was noted that the following depreciation of the following assets were incorrectly calculated:

FAR ID	Component type name	Deprecation from FAR	Recalculated depreciation	Difference
24	Plastic Tank	6 989,85	1 754,67	5 235.18
234	Pump	11 040,26	2 773,36	8 266.9
1662	Pump	10 980,88	1 464,38	9 516.49

During the audit of depreciation it was noted that the following depreciation of the following assets were incorrectly calculated:

FAR ID	Component type name	Deprecation from FAR	Recalculated depreciation	Difference
24	Plastic Tank	6 989,85	1 754,67	5 235.18
234	Pump	11 040,26	2 773,36	8 266.9
1662	Pump	10 980,88	1 464,38	9 516.49

During the audit of depreciation it was noted that the following depreciation of the following assets were incorrectly calculated:

FAR ID	Component type name	Deprecation from FAR	Recalculated depreciation	Difference
24	Plastic Tank	6 989,85	1 754,67	5 235.18
234	Pump	11 040,26	2 773,36	8 266.9
1662	Pump	10 980,88	1 464,38	9 516.49

The above would result in overstatement projected misstatement of depreciation amounting to R2 610 991.05 and the understatement projected misstatement of assets amounting to R2 610 991.05

Internal control deficiency

Recommendation

It is recommended that Accounting Officer should review the depreciation calculation of the assets to ensure that depreciation amount had been appropriately calculated.

Management's response

Management agrees with the finding

Auditor's conclusion

Management response is noted, the finding is resolved

46. ISS.98 - COMAF 78 - Write-off/Disposal of redundant assets

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

GRAP 1 par 17: 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.

GRAP 1 par 19: In virtually all circumstances, a fair presentation is achieved by compliance with applicable Standards of GRAP. A fair presentation also requires an entity:

1. (a) to select and apply accounting policies in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3), which sets out a hierarchy of authoritative guidance that management considers in the absence of a Standard that specifically applies to an item;
2. (b) to present information, including accounting policies, in a manner which provides relevant, reliable, comparable and understandable information; and
3. (c) to provide additional disclosures when compliance with the specific requirements in Standards of GRAP is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

GRAP 14 par 3: The following terms are used in this Standard with the meanings specified:

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

(a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

(b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Management comprises those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Reporting date means the date of the last day of the reporting period to which the financial statements relate.

GRAP 14 par 27: If non-adjusting events after the reporting date are material, non-disclosure could influence the economic decisions of users taken on the basis of the financial statements. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting date:

1. (a) The nature of the event.
2. (b) An estimate of its financial effect, or a statement that such an estimate cannot be made

Background

Contrary to the above, during the audit of subsequent events we noted that the following non-adjusting event has not been disclosed in the Annual Financial Statements:

ITEM A125/2024[7]

WITHDRAWAL OF REDUNDANT COMPUTER ASSETS FROM FIXED ASSETS REGISTER

Based on the asset verification process conducted for the financial year ending 2023, computer assets with a total carrying value of R67,543.81 have been identified as redundant. These assets have reached the end of their useful lives as per the Asset Management Policy and are no longer suitable for service delivery or capable of enhancing any future benefits to the Municipality.

The Council, having considered the recommendations in accordance with Municipal Supply Chain Regulation 868 of 2005, Section 40(b)(ii) and 40(b)(iii), resolves as follows:

1. Write-Off Approval:
 - o The redundant computer assets are approved for removal from the Asset Register.
2. Disposal Approval:
 - o The disposal of these assets, in the form of a donation, is approved.
3. Engagement with Provincial Department of Education:
 - o The Provincial Department of Education shall be approached to indicate within 30 days whether any local schools are interested in the redundant computer equipment.
 - o If schools' express interest, the assets shall be donated to them.
 - o If no interest is expressed, the assets shall be disposed of through an auction to achieve the most advantageous outcome for the Municipality.
4. Referral to MPAC:
 - o The matter is referred to the Municipal Public Accounts Committee (MPAC) for further scrutiny and oversight.

N/A

The Council approved the disposal of redundant assets on 30 July 2024, following the reporting date of 30 June 2024. Consequently, the disposal constitutes a post-reporting period event for the 2023-24 financial year. This event reflects conditions that arose after the reporting period and is classified as a "non-adjusting event after the reporting date", as defined in paragraph 3 of GRAP 14: Events after the Reporting Date:

"Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date)."

The possible disposal of assets through donation is indicative of conditions arising after the reporting date and, therefore, does not require adjustments to the 2023-24 financial statements.

The municipality should, however, disclose this non-adjusting event in the 2023-24 financial statements in accordance with GRAP 14.27, including:

1. A description of the event, and
2. An estimate of its financial effect, or a statement that such an estimate cannot be made.

Disclosure should be sufficiently detailed, as required by paragraph 19(c) of GRAP 1 to enable users to understand the impact of this event on the municipality's financial position and performance.

Additionally, the accounting implications of this event should be addressed in the preparation of the 2024-25 financial statements. This disclosure should highlight that the event occurred after the 2023-24 reporting date and was considered a non-adjusting event.

Internal control deficiency

The accounting officer did not adequately review the annual financial statements submitted for audit to confirm that transactions were correctly accounted for in accordance with GRAP 14: Events After the Reporting Period.

Recommendation

The accounting officer should implement controls to ensure adequately review the annual financial statements submitted for audit to ensure that the transactions are correctly accounted for in terms of GRAP 14 events after the reporting period.

Management's response

Auditor's conclusion

Management's response noted, we will await the adjusted financials, subject to the approval process outlined in the engagement letter, to verify that the identified issue has been corrected before the finding can be considered resolved.

Inventory

47. ISS.102 - COMAF 51: Inventory and assets derecognition

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

Standard of generally recognised accounting practice 1-paragraph 17 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."

GRAP 1 par 68: An asset shall be classified as current when it satisfies any of the following criteria:

1. (a) it is expected to be realised in, or is held for sale or consumption in, the entity's normal operating cycle;
2. (b) it is held primarily for the purpose of being traded;
3. (c) it is expected to be realised within twelve months after the reporting date; or
4. (d) It is cash or a cash equivalent asset (as defined in GRAP 2) unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets shall be classified as non-current

GRAP 12 par 38: The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not

be recoverable if the estimated costs of completion or the estimated costs to be incurred to make the sale, exchange or distribution have increased. The practice of writing inventories down below cost to net realisable value is consistent with the view that assets should not be carried in excess of the future economic benefits or service potential expected to be realised from their sale, exchange, distribution or use.

During the audit of property, plant and equipment, we noted that municipality acquired and installed the assets under the category for smart meters for R10 352 849(2023:R10 117 480) and correctly capitalised the assets into the property, plant and equipment .However we noted that some of the assets were acquired in 2022 financial year were kept in store and not installed, thus being accounted for as inventory. It is not clear if management have intention to install and capitalised those assets kept under inventory.

Furthermore, we noted that municipality has written off assets with the carrying value of R4 169 627 from the asset category for smart meters. Therefore there is no evidence of assessment of obsolete inventory for the following uninstalled smart meters as they have been held for more than 12 months (3 years now):

Information as per inventory listings					
No.	Commodity ID	Description	Quantity	Total Value	Status/ Reasoning
1	90636	Single phase meter Zigbee modern	25	R80 375	These meters will be used as and when there is a need from the customers applications or replacement of broken meters. Therefore, the minimum stock level must be kept in stores for maintenance purposes and replacement of dysfunctional meters.
2	90700	1 Phase domestic meter	12	R26 277,96	These meters will not be used due to elapsed/ old technology. They will have to be written off/ scrapped for auctioning.
3	90906	Small Antenna meter	120	R659 136	These meters will not be used due to elapsed/ old technology. They will have to be written off/ scrapped for auctioning.
4	90905	Long Antenna meter	25	R16 087,25	These meters will not be used due to elapsed/ old technology. They will have to be written off/ scrapped for auctioning.
5	90939	Digital repeater	396	R1 473 436,80	This digital repeater will not be used due to elapsed/ old technology. They will have to be written off/ scrapped for auctioning.
6	90889	GPRS modern (A 1170)	11	R169 180	This moderns will not be used due to elapsed/ old technology. They will have to be written off/ scrapped for auctioning.
7	90888	Single phase meter ST	30	R120 730,20	These meters will not be used due to elapsed/ old technology. They will have to be written off/ scrapped for auctioning.
8	90111	Concentrators	36	R553 800,24	These concentrators will not be used due to elapsed/ old technology. They will have to be written off/ scrapped for auctioning.
9	90929	Street poles-luminaire	01	R2 734.80	The street poles will be used to replace the broken or damaged street pole as and when the problem arises.
10	90544	Cable 70mmX3 AAR PVC	600	R509 202	The cable will be used as and when required. It is not easy to get this cable in the market hence we ensure that there is minimal quantity

					available in stores to avoid disruption of services to community during emergency breakdowns.
11	80505	Water meter 40mm	09	R40 283.64	The manual water meters will be used except for electroning water meters which needs to be written off/ scraped for auctioning.
12	80029	Mono element BP12m 50mm	04	R84 492.80	This are water pumps for the villages and it is kept in stores so that we have it readily available in stores as it is not easy to get it immediately in the market during emergency breakdowns.
13	90687	PLC-13-CW Energy saving	210	R9 109.80	This energy saving globes will be used in the offices for replacement of damaged globes as and when required.
Total				R3 608 225	

The above will result in overstatement in inventory and understatement in fruitless and wasteful expenditure.

Internal control deficiency

Internal control deficiency

Financial and performance management

The Accounting Officer did not do the assessment for slow moving and obsolete inventory in terms of GRAP 12.

Recommendation

It is recommended that Accounting Officer should do the assessment for slow moving inventory in terms of GRAP 12.

Management's response

Management agrees with the finding and requests the opportunity to adjust annual financial statement by writing down the value of obsolete inventory to zero. Management have gone through the whole population of inventory listing and did not identify any other obsolete stock held.

The items were obsolete due to changes in technology and the system for running prepaid electricity. Stock movement reports for other assets included in the finding that are not obsolete are included in this response.

Name: Tebogo Mojela

Position: GRAP and Compliance Specialist

Date: 22/11/2024

Auditor's conclusion

Management response noted, upon receipt of the adjusted AFS and subsequent testing performed we confirmed that management has adjusted for the obsolete inventory accurately and thus the finding is resolved.

Investment property

48. ISS.13 - COMAF 12- Investment property fair value adjustment

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

Issue 1

Contrary to the above, during the audit of investment property we were unable to recalculate the fair values because the investment property valuation report did not include information on the areas and extents of vacant land for portion 13 of farm Bulge River, making it impossible for us to determine the rate per unit as well as the fair value movement of R80 000.

Issue 2

Contrary to the above, during the audit of investment property, we noted the difference between the fair value as per valuation report and the auditor's recalculation amounting to R52 133. Please refer to the below identified differences.

This might result to a projected misstatement of R231 295.

Internal control deficiency

The accounting officer did not review the investment valuation report to ensure that complete, relevant and accurate information is accessible and available to support financial reporting.

Recommendation

The accounting officer must review the investment valuation report to ensure that complete, relevant and accurate information is accessible and available to support financial reporting.

Management's response

Management agrees with the finding on issue 1 and requested professional valuer to provide clarity on the matter and amend the report where necessary. Response from valuer shall be shared with AGSA once obtained.

Management agrees with the finding on Issue 2 and request opportunity to amend annual financial statement to reflect the correct amount. Management will have engagement with Professional valuer and obtain the updated report.

Auditor's conclusion

Management response noted, we will await adjusted financials subject to approval process at stipulated in the engagement letter to confirm the above raised finding is corrected before the finding can be resolved.

Leases

49. ISS.9 - COMAF 10: Finance lease obligation (finance costs)

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

Line item	Amount per amortisation table	Amount per Note 40	Differences
Finance leases	5 975 214	6 515 513	-540 299
Total			-540 299

The above results in a misstatement of finance costs.

Internal control deficiency

The accounting officer did not prepare, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

The accounting officer did not adequately review the financial statements to ensure that the amounts per the financial statements is supported by the amortisation schedule.

Recommendation

The accounting officer should adequately review the financial statements to ensure that the amounts per Note 40, finance costs, in the financial statements are accurate and supported by the amortization table.

Management's response

Management agrees with the finding and request opportunity to amend annual financial statements

Name: Tebogo Mojela
Position: GRAP and Compliance Specialist
Date:21/10/2024

Auditor's conclusion

Upon receipt of the adjusted AFS we noted that management has not adjusted the misstatement and thus the finding remains.

Operating expenditure

50. ISS.36 - COMAF 35 - Payment made after 30 days

Audit finding

In terms of section 62(1)(b) of Municipal Finance Management Act, "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."

MFMA 65(2)(e) – Payments should be made within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

Contrary to the above, during the audit of expenditure we identified invoices that were paid after 30 days of receiving the invoice. Refer below for details:

Supplier	Invoice date	Payment day	Amount	Outstanding days
Microsoft	02/07/2023	24/08/2023	1 938 142,73	51 days

This results in non-compliance with Section 65(2) (e) of the Municipal Finance Management Act 56 of 2003.

Internal control deficiency

The accounting officer did not review and monitor compliance with Section 65(2)(e) of the Municipal Finance Management Act to ensure that payments are made within 30 days after receiving invoices

Recommendation

The accounting officer should implement controls to monitor compliance with Section 65(2)(e) of the Municipal Finance Management Act to ensure that invoices are paid within 30 days of receiving the invoice

Management's response

The receipt date stamp on the Microsoft payment is the 31st July 2023 by the Records department at Corporate Support Services and the payment was done on the 24th August 2023 which makes it 24 days and is within the 30 days of the receipt of the invoice as stipulated by 65(2)(e) of the MFMA

Auditor's conclusion

Management's response is noted, the finding is resolved

52. ISS.20 - COMAF 20 -Difference between Retention register and Auditors recalculation

Audit finding

In terms of section 62(1)(b) of Municipal Finance Management Act, "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."

Contrary to the above, we identified some differences between the retention amount in the register and the auditor's recalculations amounting to R375 000.

Refer to the table below:

This results in the retention misstatement with the amount of R375 000,39

Internal control deficiency

Financial and performance management

The accounting officer did not prepare regular, accurate and complete annual financial statements that are supported and evidenced by reliable information.

The accounting officer did not properly review the retention register to ensure that the amounts recorded can be supported by the corroborating evidence.

Recommendation

The accounting officer should adequately review the amount in the retention register for accuracy and that it is supported by the corroborating evidence.

Management's response

Management disagrees with the finding. It is a common practice that when material is bought on side and not used, it is paid at 80% and no retention is withheld. The remaining 20% is recognized as work done to extend that material is used and 10% of the material used is then withheld as retention. The amount of R375 000,39 relates to retention on material that was acquired in the previous certificates and not used. Additional retention was recognized when material was used

Auditor's conclusion

Management's response is noted. Auditor's agree with management and thus the finding is resolved.

53. ISS.45 - COMAF 49 -Duplicate of the payable journal in the GL

Audit finding

In terms of section 62(1)(b) of Municipal Finance Management Act, "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".

Contrary to the above, during the audit of trade payables we noted that the journal passed to account for prepaid electricity not utilised as of 30 June 2024 was duplicated in the General ledger. Refer below for details of the journal:

		Debit	Credit
IR0020060010080040010000000000000000000000	Revenue: Exchange Revenue: Service Charges: Electricity: Electricity Sales: Domestic Low: Conventional	2 835 562,00	
IL0010060030010000000000000000000000000000	Liabilities: Current Liabilities: Trade and Other Payable Exchange Transactions: Advance Payments: Opening Balance	425 339,64	
IL0010060030010000000000000000000000000000	Liabilities: Current Liabilities: Trade and Other Payable Exchange Transactions: Advance Payments: Opening Balance		3 260 901,64

ScoaltemCode1	ScoaDesc	Debit	Credit
IR0020060010080040010000000000000000000000	Revenue: Exchange Revenue: Service Charges:Electricity:Electricity Sales: Domestic Low: Conventional	369 856,52	
IR0020060010080040010000000000000000000000	Revenue: Exchange Revenue: Service Charges:Electricity:Electricity Sales:Domestic Low: Conventional	2 465 710,12	
IL0010100020000000000000000000000000000000	Liabilities: Current Liabilities: Output Tax: Recognised	369 856,52	
IL0010100020000000000000000000000000000000	Liabilities: Current Liabilities: Output Tax: Recognised	55 478,48	
IL0010060030020000000000000000000000000000	Liabilities: Current Liabilities: Trade and Other Payable Exchange Transactions: Advance Payments: Deposits		- 3 260 901,64

This results in overstatement of revenue and understatement of payments received in advance.

Internal control deficiency

The accounting officer did not ensure proper controls are implemented to ensure that duplicates journals are prevented, detected and corrected.

Recommendation

The accounting officer should implement adequate internal controls to prevent, detect and correct duplicate journal entries in the accounting records.

Management's response

Management agrees with the finding and request opportunity to adjust Annual financial statement

Name: Tebogo Mojela

Position: GRAP and Compliance Specialist

Date: 14/11/2024

Auditor's conclusion

Management's response is noted, the deficiencies in internal controls the GL was identified. Work done for the debit leg(Revenue) refer to K.2.6

Predetermined objectives

54. ISS.10 - COMAF 34.1: AOPO-Households connected to sanitation

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Section 46 of Municipal Systems Act No.32 of 2000 states that the 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;
- a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- measures taken to improve performance

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information during the audit of performance information, we identified instances where the actual reporting as per the financial records could not be verified, while in other instances where audit evidence was submitted, we identified variances between the actual achievement as reported in the annual performance report and the audit evidence. Refer to the details below:

1. Disagreement misstatements

Description (Indicators)	Audit comments	Actual achievement- APR	Audit evidence	Variance

Percentage of households connected with access to sanitation in urban area (Marapong, Onverwacht and Town) from 1 July 2023 to 30 June 2024	There were no connections completed in the current financial year	100%	0%	100%
---	---	------	----	------

The finding results in the reported achievements being materially misstated.

Internal control deficiency

Financial and performance management

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the actual achievement reported in the records against the indicator definition to ensure that the reported achievement as per the annual performance report is accurate and valid.

Recommendation

The Accounting officer must implement proper internal controls over reviews of performance information to ensure that performance information is accurate and valid.

Management's response

Management agrees to the finding

Auditor's conclusion

Evaluated the proposed adjustments in the draft APR and confirmed that the adjustments were appropriately processed, and no uncorrected misstatements were identified

Management's response

Management response not received.

Auditor's conclusion

55. ISS.11 - COMAF 66: AOPO-Differences between APR and POE-Water losses

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 122 (1)(a) states that every municipality must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality, 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 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

During the audit of water distribution losses we identified discrepancies between units disclosed in the financial statements and those verified through the audit evidence (water loss schedule and supplier invoices) submitted. Refer to the table below:

Description	AFS	water loss schedule/supplier invoices	Variance
Units purchased(kl)	7 926 153	7 782 321	143 832

This results in misstatements in the financial statements in the annual performance report

Internal control deficiency

Financial and performance management

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the financial statements and annual performance report against supporting evidence to ensure that the reported information is accurate.

Recommendation

The accounting officer must implement adequate controls over the reviews of financial statements and the annual financial statements to ensure that financial and performance reporting is accurate.

Management's response

No response from management

Auditor's conclusion

Upon receipt of the adjusted AFS, we noted that management has adjusted the units disclosed on Note 68 to 7 782 321 units which agrees to the water loss schedule/supplier invoices. Therefore, the finding is resolved.

56. ISS.21 - COMAF 34.1: AOPO-Marapong pipeline

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Section 46 of Municipal Systems Act No.32 of 2000 states that the 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;
- a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- measures taken to improve performance

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information.

During the audit of performance information, we identified instances where the actual reporting as per the financial records could not be verified, while in other instances where audit evidence was submitted, we identified variances between the actual achievement as reported in the annual performance report and the audit evidence

The finding results in material misstatements in the reported performance information

Internal control deficiency

Financial and performance management

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the actual achievement reported in the records against the indicator definition to ensure that the reported achievement as per the annual performance report is accurate and valid.

Recommendation

The accounting officer must implement proper internal controls over reviews of performance information to ensure that performance information is accurate and valid.

Management's response

Management agrees to the finding

Auditor's conclusion

We evaluated the proposed adjustments in the draft APR and confirmed that the adjustments were appropriately processed, and no uncorrected misstatements were identified

57. ISS.22 - COMAF 34.1: AOPO-Marapong storage

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Section 46 of Municipal Systems Act No.32 of 2000 states that the 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;
- a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- measures taken to improve performance

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information.

During the audit of performance information, we identified instances where the actual reporting as per the financial records could not be verified, while in other instances where audit evidence was submitted, we identified variances between the actual achievement as reported in the annual performance report and the audit evidence

Description	Audit comments	Actual achievement-APR	Audit evidence	Variance
Percentage of Marapong Bulk Water Supply Storage completed	The reported project progress percentage was calculated using a different method of calculation than the one specified in the technical indicator description.	60.22%	55.68%	4.54%

The finding resulted in overstatement of reported performance information

Internal control deficiency

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the actual achievement reported in the records against the indicator definition to ensure that the reported achievement as per the annual performance report is accurate and valid.

Recommendation

The accounting officer must implement proper internal controls over reviews of performance information to ensure that performance information is accurate and valid.

Management's response

Management agrees to the finding.

Auditor's conclusion

We evaluated the proposed adjustments in the draft APR and confirmed that the adjustments were appropriately processed and no uncorrected misstatements were identified

ISS.23 - COMAF 34.1: AOPO-Percentage of Extension and Augmentation of Water Supply in Witpoort RWS 6 Completed

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Section 46 of Municipal Systems Act No.32 of 2000 states that the 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;
- a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- measures taken to improve performance

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information during the audit of performance information, we identified variances between the actual achievement as reported in the annual performance report and the audit evidence

The finding results in misstatements of the reported performance information

Internal control deficiency

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the actual achievement reported in the records against the indicator definition to ensure that the reported achievement as per the annual performance report is accurate and valid.

Recommendation

The accounting officer must implement proper internal controls over reviews of performance information to ensure that performance information is accurate and valid.

Management's response

Management agrees to the finding

Auditor's conclusion

We evaluated the proposed adjustments in the draft APR and confirmed that the adjustments were correctly processed, and no uncorrected misstatements were identified

58. ISS.24 - COMAF 34.1: AOPO-Percentage of roads resealed

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Section 46 of Municipal Systems Act No.32 of 2000 states that the 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;
- a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- measures taken to improve performance

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information during the audit of performance information, we identified variances between the actual achievement as reported in the annual performance report and the audit evidence

Indicator description	Audit comments	Actual achievement-APR	Audit evidence	Variance
Percentage of roads Resealed at Onverwacht	The method of calculation as specified in the technical indicator description was not consistently applied.	90%	70%	20%

Internal control deficiency

Recommendation

Financial and performance management

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the actual achievement reported in the records against the indicator definition to ensure that the reported achievement as per the annual performance report is accurate and valid.

Management's response

Management agrees to the finding

Auditor's conclusion

We evaluated the proposed adjustments in the draft APR and confirmed that the adjustments were correctly proposed, no uncorrected misstatements identified.

59. ISS.25 - COMAF 63: AFS-Electrical distribution losses not accurately disclosed

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information. During the audit of distribution loss we identified discrepancies between the actual achievement reported in the annual performance report and those verified through the audit evidence (electrical loss schedule) submitted. Refer to the table below:

Description	AFS and APR	Electrical loss schedule	Variance
Units purchased(kWh)	84 237 411	84 237 201	210
Units sold(kWh)	76 889 503	65 688 603	11 200 900
Losses(kWh)	7 383 908	18 342 054	10 958 146
Total losses(&)	9%	22%	13%

This results in misstatements in the reported achievements in the annual performance report and the financial statements

Internal control deficiency

Financial and performance management

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the annual performance report against portfolio of evidence to ensure that the reported achievement as per the annual performance report is accurate, valid and complete.

Recommendation

The accounting officer must implement proper record keeping and prepare regular, accurate and complete performance reports that are supported by reliable information.

Management's response

Disagree with the finding

Auditor's conclusion

Management's response is noted. We assessed the supporting schedule and evidence submitted, and the matter has been resolved.

60. ISS.26 - COMAF 28.1: AOPO-Duplications-LED jobs

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Section 46 of Municipal Systems Act No.32 of 2000 states that the 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;
- a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- measures taken to improve performance

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information. Instances of duplicated names were identified on the list.

reported achievements being materially misstated.

Internal control deficiency

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the annual performance report against portfolio of evidence to ensure that the reported achievement as per the annual performance report is accurate, valid and complete.

Recommendation

The accounting officer must implement proper record keeping and prepare regular, accurate and complete performance reports that are supported by reliable information

Management's response

Management agrees to the finding

Auditor's conclusion

Evaluated the adjusted listing of jobs created and confirmed that the duplicated information was appropriately corrected, and no uncorrected misstatements were identified

61. ISS.30 - COMAF 34.1; AOPO-MIG expenditure-NOT RESOLVED

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Section 46 of Municipal Systems Act No.32 of 2000 states that the 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;
- a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- measures taken to improve performance

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information. Contrary to the above, during the audit of performance information, we identified instances where the actual reporting as per the financial records could not be verified, while in other instances where audit evidence was submitted, we identified variances between the actual achievement as reported in the annual performance report and the audit evidence. Refer to the details below:

During the audit of performance information, we identified variances between the actual achievement as reported in the annual performance report and the audit evidence. Refer to the details below:

Indicator description	Audit comments	Actual achievement-APR	Audit evidence	Variance
Percentage Budget spent on MIG Projects by the Municipality for 2023-24 FY per Quarter YTD	Expenditure reporting in the annual performance report is not consistent with the indicator definition and financial reporting. Financial reporting as per grant reconciliation and the financial statements indicated unspent MIG grant.	100%	92%	8%

Internal control deficiency

Financial and performance management

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the actual achievement reported in the records against the indicator definition to ensure that the reported achievement as per the annual performance report is accurate and valid

Recommendation

The accounting officer must implement proper internal controls over reviews of performance information to ensure that performance information is accurate and valid.

Management's response

Management agrees to the finding

Auditor's conclusion

Management's response is noted. However the finding is not resolved, due to non-submission of supporting schedules including outstanding invoices to support the spending on MIG. The material finding will be reported in auditors report

62. ISS.33 - COMAF 33.2: AOPO-Inconsistencies between reported achievements and performance Indicator definitions (Street vendors)

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Section 46 of Municipal Systems Act No.32 of 2000 states that the 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;
- a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- measures taken to improve performance

MSA regulation 12 states that:

(1) A municipality must, for each financial year, set performance targets for each of the key performance indicators set by it.

(2) A performance target set in terms of sub regulation (1) must -

- (a) Be practical and realistic;
- (b) Measure the efficiency, effectiveness, quality and impact of the performance of the municipality, administrative component, structure, body or person for whom a target has been set;
- (c) Be commensurate with available resources;
- (d) Be commensurate with the municipality's capacity; and
- (e) Be consistent with the municipality's development priorities and objectives set out in its integrated development plan.

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information.

The indicator is defined as trainings conducted for street vendors. However the audit evidence revealed that the purpose of the session was to appoint a committee, there is no evidence that the street vendors were provided with any training.

The misstatement results in the reported achievements being materially misstated.

Internal control deficiency

Management did not adequately review the actual achievement reported in the records against the indicator definition to ensure that the reported achievement as per the annual performance report is accurate and valid

Recommendation

The accounting officer must implement proper internal controls over reviews of performance information to ensure that performance information is accurate and valid.

Management's response

Management agrees to the finding

Auditor's conclusion

Evaluated the proposed adjustments processed in the draft APR and confirmed that the adjustments were appropriately processed, and no uncorrected misstatements were identified

63. ISS.34 - COMAF 33.2: AOPO-Reported achievement not consistent with indicator title

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Section 46 of Municipal Systems Act No.32 of 2000 states that the 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;
- a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- measures taken to improve performance

MSA regulation 12 states that:

(1) A municipality must, for each financial year, set performance targets for each of the key performance indicators set by it.

(2) A performance target set in terms of sub regulation (1) must -

(a) Be practical and realistic;

(b) Measure the efficiency, effectiveness, quality and impact of the performance of the municipality, administrative component, structure, body or person for whom a target has been set;

(c) Be commensurate with available resources;

(d) Be commensurate with the municipality's capacity; and

(e) Be consistent with the municipality's development priorities and objectives set out in its integrated development plan.

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information.

The indicator is defined as trainings conducted for SMMEs. However the actual achievement as reported in the performance report included meeting with the vendors association to hear their grievances

Internal control deficiency

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the actual achievement reported in the records against the indicator definition to ensure that the reported achievement as per the annual performance report is accurate and valid.

Recommendation

The accounting officer must implement proper internal controls over reviews of performance information to ensure that performance information is accurate and valid.

Management's response

Management agrees to the finding

Auditor's conclusion

Evaluated the proposed adjustments in the draft APR and confirmed that the adjustments were appropriately processed, and no uncorrected misstatements were identified. Therefore, the finding is resolved.

64. ISS.56 - COMAF 57: AOPO-Actual achievement understated-meeting with strategic partners

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information.

We identified discrepancies between the actual achievement reported in the annual performance report and those verified through the audit evidence submitted. Refer to the tables below:

No	Indicator description	Actual achievement reported in APR	Actual achievement as per audit evidence	Variance
1	Number of meetings held with strategic partners on SLP/ CSI per quarter	8	9	1

The finding results in the reported achievements being materially misstated.

Internal control deficiency

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the annual performance report against portfolio of evidence to ensure that the reported achievement as per the annual performance report is accurate, valid and complete.

Recommendation

The accounting officer must implement proper record keeping and prepare regular, accurate and complete performance reports that are supported by reliable information.

Management's response

Management agrees to the finding

Auditor's conclusion

We evaluated the adjustments in the APR, and obtained reasonable assurance that the adjustments were satisfactory processed, and there are no uncorrected misstatements

65. ISS.69 - COMAF 28.2: AOPO-Reported performance information is incomplete-Jobs created

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Section 46 of Municipal Systems Act No.32 of 2000 states that the 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;
- a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- measures taken to improve performance

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information
Total number of jobs created through EPWP for demolishing and construction of 2 X3ML Steel Tank project at Marapong was not reported in the performance reports for the period under review.

The finding results in the reported achievements being materially misstated.

Internal control deficiency

The Accounting officer did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support performance reporting.

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the annual performance report against portfolio of evidence to ensure that the reported achievement as per the annual performance report is accurate, valid and complete.

Recommendation

The accounting officer must implement proper record keeping and prepare regular, accurate and complete performance reports that are supported by reliable information.

Management's response

Management agrees to the finding

Auditor's conclusion

Evaluated the adjusted listing and confirmed that the population was appropriately adjusted with the data that was previously omitted, and no uncorrected misstatements were identified

66. ISS.72 - COMAF 53 - Sanitation

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

In terms of section 74(1) Tariff policy: A municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements, and which complies with the provisions of this Act, the Municipal Finance Management Act and any other applicable legislation.

GRAP 1 par 17: 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.

1. Contrary to the above, during our audit of sanitation charges, we noted the following differences:

Billing report						Valuation roll	Auditors recalculation				
No	Account no	Period	FinYearMonth	SGNumber	BillAmount	CATEGORY AFS	Cost of first 2 toilets per month	Cost of additional toilets per months	Basic	Total	Difference
1	70	96	2023/2024 - June	TOLQ/0001/00000008/00000	446.23	COMMERCIAL	4.10	6.13	631.51	832.96	(386.73)
2	139	96	2023/2024 - June	TOLQ/0001/000000031/00002	514.91	COMMERCIAL	4.10	6.20	631.51	901.63	(386.72)
					961.14					1734.59	(773.45)

This finding results in a material projected misstatement of R5 107 980.60 in sanitation revenue.

Internal control deficiency

The accounting officer did not effectively review and update the system in accordance with the valuation roll to ensure that sanitation charges are accurately applied to the appropriate categories as listed in the valuation roll.

Recommendation

The accounting officer should implement a regular review process to ensure that the billing system for sanitation is aligned with the latest valuation roll, including updates to property categories.

Management's response

Management agrees with the finding and request opportunity to amend annual financial statement to reflect the correct amount

Auditor's conclusion

Management response noted and the finding has been resolved after subsequent testing.

67. ISS.78 - COMAF 28.3: AOPO-Limitation misstatement: Jobs created

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Section 46 of Municipal Systems Act No.32 of 2000 states that the 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;
- a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- measures taken to improve performance

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information.

Reported achievement of the total number of jobs created through implementation of extension and augmentation of water supply project in Witpoort not supported by sufficient evidence

The misstatement results in the reported achievements being materially misstated

Internal control deficiency

The Accounting officer did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support performance reporting.

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Recommendation

The accounting officer must implement proper record keeping and prepare regular, accurate and complete performance reports that are supported by reliable information.

Management's response

Management agrees to the finding

Auditor's conclusion

Obtained the list of jobs created through municipal projects and confirmed that the information was subsequently submitted, and no uncorrected misstatements were identified

68. ISS.79 - COMAF 28.4: AOPO-Casting of listings

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Section 46 of Municipal Systems Act No.32 of 2000 states that the 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;
- a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- measures taken to improve performance

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information.

Discrepancies were identified between the actual achievement recorded in the list and those verified through the auditor's workings

The misstatement results in the reported achievements being materially misstated.

Internal control deficiency

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the annual performance report against portfolio of evidence to ensure that the reported achievement as per the annual performance report is accurate, valid and complete.

Recommendation

The accounting officer must implement proper record keeping and prepare regular, accurate and complete performance reports that are supported by reliable information.

Management's response

Management agrees to the finding

Auditor's conclusion

Evaluated the adjusted listing and confirmed that the proposed adjustments were appropriately processed in the draft APR, and no uncorrected misstatements were identified

69. ISS.80 - COMAF 28.5: AOPO-Information could not verified-NOT RESOLVED

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Section 46 of Municipal Systems Act No.32 of 2000 states that the 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;
- a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- measures taken to improve performance

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information.

the employee is not included in the company's records

No	Description	Name and surname	ID number
1	Eskom rotek	Solly Thapedi	8306235752089

The projected misstatement results in the reported achievements being materially misstated.

Internal control deficiency

The Accounting officer did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support performance reporting.

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the annual performance report against portfolio of evidence to ensure that the reported achievement as per the annual performance report is accurate, valid and complete.

Recommendation

The accounting officer must implement proper record keeping and prepare regular, accurate and complete performance reports that are supported by reliable information.

Management's response

Management agrees to the finding

Auditor's conclusion

Finding remains and will be reported in the auditor's report

70. ISS.81 - COMAF 33.1: AOPO-Actual achievement not consistent with the indicator definition

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Section 46 of Municipal Systems Act No.32 of 2000 states that the 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;
- a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- measures taken to improve performance

MSA regulation 12 states that:

(1) A municipality must, for each financial year, set performance targets for each of the key performance indicators set by it.

(2) A performance target set in terms of sub regulation (1) must -

(a) Be practical and realistic;

(b) Measure the efficiency, effectiveness, quality and impact of the performance of the municipality, administrative component, structure, body or person for whom a target has been set;

(c) Be commensurate with available resources;

(d) Be commensurate with the municipality's capacity; and

(e) Be consistent with the municipality's development priorities and objectives set out in its integrated development plan.

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information. We identified inconsistencies in performance reporting process, which affect the accuracy of the reported performance information. We noted that the reported achievements are not consistent with indicator definitions

The misstatement result in a projected misstatement that might result in performance information being materially misstated.

Internal control deficiency

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the actual achievement reported in the records against the indicator definition to ensure that the reported achievement as per the annual performance report is accurate and valid

Recommendation

The accounting officer must implement proper internal controls over reviews of performance information to ensure that performance information is accurate and valid

Management's response

Management agrees to the finding

Auditor's conclusion

We evaluated the adjusted APR and confirmed that the misstatements were corrected

71. ISS.83 - COMAF 56: Number of hectares-NOT RESOLVED

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

, during the audit of annual performance report, we identified inconsistencies in performance reporting process, which affect the usefulness of the reported performance information. We noted that the reported achievement is not consistent with the indicator definitions and method of calculation as described in Technical Indicator Description. The indicator is defined as removal of invasive species of trees as committed in the planning document. However, an achievement of 1 alien invasive plant control plan was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations. Refer to details below:

No	Indicator title	Indicator definition	Method of calculation	Actual achievement reported in APR
1	Number of hectares where invasive tree species are removed in the Municipal area per quarter	Removal of invasive species of trees	Count the number of hectares where invasive tree species are removed per quarter, year to date	1 Alien invasive plant control plan

The misstatement results in the reported achievements being materially misstated

Internal control deficiency

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the actual achievement reported in the records against the indicator definition to ensure that the reported achievement as per the annual performance report is consistent with planned indicators.

Recommendation

The accounting officer must implement proper internal controls over reviews of performance information to ensure that reported achievement as per the annual performance report is consistent with planned indicators.

Management's response

Management agrees to the finding

Auditor's conclusion

The reported consistency misstatement will be reported in the auditor's report

72. ISS.84 - COMAF 60.1: AOPO-Number of speed checks conducted overstated

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information. We identified discrepancies between the actual achievement reported in the annual performance report and those verified through the audit evidence submitted. Refer to the table below:

No	Indicator description	Actual achievement reported in APR	Actual achievement as per audit evidence	Variance
1	Number of speed check operations held per quarter	228	201	27

The above results in the reported achievements being materially misstated.

Internal control deficiency

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the annual performance report against portfolio of evidence to ensure that the reported achievement as per the annual performance report is accurate, valid and complete

Recommendation

The accounting officer must implement proper record keeping and prepare regular, accurate and complete performance reports that are supported by reliable information.

Management's response

Management agrees to the finding

Auditor's conclusion

We evaluated the adjusted listing and the adjustments in the APR and confirmed that the misstatement was correctly corrected

73. ISS.93 - COMAF 34.1: AOPO-Households connected to water

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act No. 56 of 2003 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 responsible steps to ensure that full and proper accounting records are kept in accordance with the any prescribed norms and standards

Section 45 of Municipal System Act No. 32 of 2000 states that the results of performance measurements in terms of section 41(1) (c) must be audited-

a) As part of the municipality's internal auditing processes

Section 46 of Municipal Systems Act No.32 of 2000 states that the 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;
- a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- measures taken to improve performance

Chapter 5 of the FMPPI states that performance information systems should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information.

during the audit of performance information, we identified variances between the actual achievement as reported in the annual performance report and the audit evidence.

Description (Indicators)	Audit comments	Actual achievement-APR	Audit evidence	Variance
Percentage of households connected with access to water in urban area (Marapong, Onverwacht and Town) from 1 July 2023 to 30 June 2024	There were no connections completed in the current financial year	100%	0%	100%

The finding resulted in misstatements of the reported performance information

Internal control deficiency

The Accounting officer did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

Management did not adequately review the actual achievement reported in the records against the indicator definition to ensure that the reported achievement as per the annual performance report is accurate and valid.

Recommendation

The accounting officer must implement proper internal controls over reviews of performance information to ensure that performance information is accurate and valid.

Management's response

Management agrees to the finding

Auditor's conclusion

We evaluated the proposed adjustments in the draft APR and confirmed that the adjustments were appropriately processed, and no uncorrected misstatements were identified

Receivables

74. ISS.17 - COMAF 17 - Receivables exchange - Casting

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

GRAP 1 par 17: 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.

Audit finding

1. Casting errors

Contrary to the above, while reviewing the casting of the receivables from exchange note, we identified the following differences:

1. Recalculations - Service type age analysis (pg.60&61) vs Total age analysis (pg.62)		
	2024	2023
1. Recasting the gross amount		
Amount stated on AFS:	540 942 575.00	430 599 967.00
Recalculation (using summary figures):		
Electricity	152 060 223.00	113 718 340.00
Water	186 898 318.00	147 807 615.00
Waste water	92 116 983.00	74 126 469.00
Refuse	109 881 893.00	94 992 791.00
	540 957 417.00	430 645 215.00
Difference	- 14 842.00	- 45 248.00
2. Recalculation of the Current (0-30 days)	2024	2023
Amount stated on AFS under "Total":	32 712 489.00	30 956 090.00
Recalculation (using summary figures):		
Electricity	20 897 242.00	14 554 822.00
Water	16 224 697.00	6 295 358.00
Waste water	8 654 489.00	2 683 254.00
Refuse	6 355 136.00	4 163 755.00
	52 131 564.00	27 697 189.00

Difference	- 19 419 075.00	3 258 901.00	
3. Recalculation of the 31 - 60 days	2024	2023	
Amount stated on AFS under "Total":	19 418 902.00	18 645 862.00	
Recalculation (using summary figures):			
Electricity	5 927 419.00	7 796 824.00	
Water	6 929 722.00	5 297 908.00	
Waste water	2 351 172.00	2 103 955.00	
Refuse	2 270 607.00	2 067 386.00	
	17 478 920.00	17 266 073.00	
Difference	1 939 982.00	1 379 789.00	
4. Recalculation of the 61 - 90 days	2024	2023	
Amount stated on AFS under "Total":	17 478 919.00	13 841 338.00	
Recalculation (using summary figures):			
Electricity	4 882 042.00	6 170 753.00	
Water	4 990 375.00	3 917 294.00	
Waste water	2 243 548.00	1 901 400.00	
Refuse	2 103 784.00	1 841 014.00	
	14 219 749.00	13 830 461.00	
Difference	3 259 170.00	10 877.00	
5. Recalculation of the 91 - 120 days	2024	2023	
Amount stated on AFS under "Total":	14 219 748.00	8 847 111.00	
Recalculation (using summary figures):			
Electricity	5 663 702.00	5 965 339.00	
Water	4 127 396.00	3 888 483.00	
Waste water	2 106 357.00	2 092 532.00	
Refuse	2 029 142.00	1 897 186.00	
	13 926 597.00	13 843 540.00	
Difference	293 151.00	- 4 996 429.00	
6. Recalculation of the 121 - 365 days	2024	2023	
Amount stated on AFS under "Total":	13 926 596.00	16 330 745.00	
Recalculation (using summary figures):			
Electricity	5 780 850.00	4 853 258.00	
Water	4 388 169.00	3 548 572.00	
Waste water	2 022 425.00	1 594 600.00	
Refuse	1 972 605.00	1 628 158.00	
	14 164 049.00	11 624 588.00	

Difference	- 237 453.00	4 706 157.00	
7. Recalculation of the > 365 days	2024	2023	
Amount stated on AFS under "Total":	443 185 921.00	342 176 601.00	
Recalculation (using summary figures):			
Electricity	108 908 968.00	74 377 344.00	
Water	150 237 959.00	124 860 000.00	
Waste water	74 738 992.00	63 750 728.00	
Refuse	95 150 619.00	83 395 292.00	
	429 036 538.00	346 383 364.00	
Difference	14 149 383.00	- 4 206 763.00	
2. Recalculations - Customer classification age analysis (pg.62) vs Total age analysis (pg.62)			
1. Recasting the gross amount			
Amount stated on AFS:	540 942 575.00	430 599 967.00	
Recalculation (using summary figures):			
Consumers	494 628 063.00	380 199 614.00	
Industrial/commercial	38 732 198.00	32 912 573.00	
National and provincial government	7 585 076.00	5 441 424.00	
	540 945 337.00	418 553 611.00	
Difference	- 2 762.00	12 046 356.00	
2. Recalculation of the > 365 days			
Amount stated on AFS under "Total":	443 185 921	342 176 601	
Recalculation (using summary figures):			
Consumers	426 536 792	306 956 996	
Industrial/commercial	13 277 074	20 376 260	
National and provincial government	3 374 814	2 599 211	
	443 188 680	329 932 467	
Difference	- 2 759	12 244 134	

2. Presentation errors

Contrary to the above, while reviewing consistency between the prior year and current year note we noted the following:

1. In the prior year, the days were disclosed as "121 - 150 days" & ">151 days" compared to the current year of "121 - 365 days" & ">365 days",

With reference to the age-analysis provided by management; the age-analysis agrees to the prior year's disclosure of "151-150days" & ">151 days"

The above results in a non-compliance with the MFMA and GRAP 1 as the above were accurately presenting in the annual financial statement of the entity.

Internal control deficiency

The accounting authority did not ensure that annual financial statements submitted for auditing are adequately reviewed and agrees to the aging of the age analysis.

Recommendation

The accounting authority should implement controls to ensure that sufficient reviews of the annual financial statements are done.

Management's response

Management agrees with the finding, and requests to make an adjustment to AFS.

Name: AE Marope

Position: Divisional Manager: Revenue

Date: 31 October 2024

Auditor's conclusion

Management's response noted, we will await the adjusted financials, subject to the approval process outlined in the engagement letter, to verify that the identified issue has been corrected before the finding can be considered resolved.

75. ISS.18 - COMAF 18 - Impairment methodology

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

GRAP 1 par 17: 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.

- GRAP 104 par 57: An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the entity shall apply paragraphs .61 to .63 (for financial assets carried at amortised cost) and paragraph .64 (for financial assets carried at cost) to determine the amount of any impairment loss.
- Contrary to the above, whilst auditing the methodology of impairment we noted that the methodology is not consistent with the accounting policy and GRAP 104. The methodology does not allow an assessment at the end of each year to determine if any objective evidence to impair the debtors, since it is specific in terms of the percentage per location for the group of debtors, which does not emanate from an assessment at year end.

Furthermore, clear guidelines as to the assumptions made and the objective evidence obtained has not been included in the methodology.

The finding results in a non-compliance of GRAP 104 and GRAP 1 in the financial statements submitted for audit.

Internal control deficiency

Lack of adequate review of the impairment methodology applied to impairment of debtors, as well as lack of adequate review to ensure that the impairment of debtors is done in line with GRAP 104.

Recommendation

The accounting authority should implement controls to ensure that their methodology is in line with GRAP.

Management's response

1. Management agrees with the finding.
2. AG requested to consider the methodology subsequently provided.

Name: AE Marope
Position: Divisional Manager: Revenue
Date: 4 November 2024

Auditor's conclusion

Management's response noted, we will consider the debt impairment methodology subsequently received. The finding is resolved.

76. ISS.54 - AFS high level review: 11.Other receivables from exchange transactions: Inconsistency between the prior year and current year Note

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".

Standard of generally recognised accounting practice 1-paragraph 17 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."

1. Other receivables from exchange transactions: Inconsistency between the prior year and current year Note

The following age-analysis was included in the prior year note (note 12) which was omitted from the current year's note (note 13),

As a result of the above discrepancies, the financial statement submitted for audit might be materially misstated.

Internal control deficiency

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

The Accounting Officer did not adequately review the details disclosed in the annual financial statements to identify and rectify the errors as indicated.

Recommendation

It is recommended that Accounting Officer should ensure that the preparation and review processes are designed to ensure that accurate and complete information are disclosed in the financial statements. These processes should make provision for sufficient time for the production and internal review of the financial statements prior to submission thereof to audit.

Management's response

Management agrees with the finding and request opportunity to amend annual financial statements and include the ageing analysis on note number 13 as previously disclosed.

Auditor's conclusion

Management response noted. We have audited the adjustments and confirm that there are accurate. The finding is resolved

77. ISS.55 - AFS high level review: 14 Receivables from non-exchange transactions: Inconsistency between the prior year and current year note

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".

Standard of generally recognised accounting practice 1-paragraph 17 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."

1. Receivables from non-exchange transactions: Inconsistency between the prior year and current year note

In the prior year, the days were disclosed as "121 - 150 days" & ">151 days" compared to the current year of "121 - 365 days" & ">365 days",

With reference to the age-analysis provided by management; the age-analysis agrees to the prior year's disclosure of "151 - 150days" & ">151 days",

As a result of the above discrepancies, the financial statement submitted for audit might be materially misstated.

Internal control deficiency

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

The Accounting Officer did not adequately review the details disclosed in the annual financial statements to identify and rectify the errors as indicated.

Recommendation

It is recommended that Accounting Officer should ensure that the preparation and review processes are designed to ensure that accurate and complete information are disclosed in the financial statements. These processes should make provision for sufficient time for the production and internal review of the financial statements prior to submission thereof to audit.

Management's response

Management agrees with the finding and request opportunity to correct annual financial statements

Auditor's conclusion

Adjustment have been received and we have verified that the adjustments are correct. The finding has been resolved

78. ISS.57 - AFS High level review- 15.Receivables from non-exchange transactions: Casting differences identified on Note 17

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”.

Standard of generally recognised accounting practice 1-paragraph 17 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.”

1. Receivables from non-exchange transactions: Casting differences identified on Note 17

Agreeing the GROSS amount's difference to the total differences calculated above:	2024	2023
Gross difference (a)	9 296 087	7 648 147
Above total differences (h)	9 533 646	7 561 140
Remaining difference	559	-237
	87 007	

As a result of the above discrepancies, the financial statement submitted for audit might be materially misstated.

Internal control deficiency

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

The Accounting Officer did not adequately review the details disclosed in the annual financial statements to identify and rectify the errors as indicated.

Recommendation

It is recommended that Accounting Officer should ensure that the preparation and review processes are designed to ensure that accurate and complete information are disclosed in the financial statements. These processes should make provision for sufficient time for the production and internal review of the financial statements prior to submission thereof to audit.

Management's response

Management agrees with the finding and request opportunity to correct annual financial statements

Auditor's conclusion

Management response has been noted and the adjustments were noted.The finding is resolved

79. ISS.73 - COMAF 52 - Limitation on debt impairment

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

GRAP 1 par 17: 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.

1. Contrary to the above, during our audit of debt impairment found no issues with the calculation of the debt impairment provision. However, we observed that the full amount, including interest charges (i.e., both capital and interest), is used to calculate the VAT-exclusive amount recognized as the movement in the debt impairment provision. Due to the current age analysis format, we are unable to verify the accuracy of the debt impairment amount, as it does not show a breakdown between the outstanding capital and interest.

AFS Note 16 movement vs Note 42 impairment loss movement						
Service type	AFS: Note 16 Impairment loss balances		Movement between balances (2024- 2023) (Incl VAT)	Movement excl VAT (D*100/115)	Note 42, impairment in profit/loss	Difference between Note 16 movement and Note 42
	2024	2023				
Electricity	82 778 099.00	49 092 317.00	33 685 782.00	29 291 984.35	29 291 984.00	0.35
Water	126 459 700.00	117 868 942.00	8 590 758.00	7 470 224.35	7 496 039.00	(25 814.65)
Waste water	63 028 030.00	49 542 591.00	13 485 439.00	11 726 468.70	11 726 468.00	0.70
Refuse	94 094 177.00	73 406 156.00	20 688 021.00	17 989 583.48	17 989 583.00	0.48
	366 360 006.00	289 910 006.00	76 450 000.00	66 478 260.87	66 504 074.00	(25 813.13)

This finding results in a limitation on the R66 504 074.00 recognised as debt impairment in the Statement of Financial Performance.

Internal control deficiency

The accounting officer did not supply the auditor with an age analysis to ensure that the exclusive debt impairment amount could be verified.

Recommendation

The accounting officer should provide the auditor with an age analysis that splits the interest and capital amounts outstanding.

Management's response

Management agrees with the finding and has subsequently submitted the information

Auditor's conclusion

Management response is noted, however the finding remains until we have audited adjusted AFS

80. ISS.105 - COMAF 44-Other receivables (traffic fines)

Audit finding

Requirement

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

GRAP 1 par 17: 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.

Incorrect restatement of the prior year amount for traffic fine debt impairment in the current year annual financial statements

During the audit of other receivables under traffic fines we noted that the amount as per the prior period error schedule differs with the restated prior year amount as per the current year annual financial statements.

Details	Amount as per the prior period error schedule	Restated prior year amount as per the current year AFS	Differences
Debt impairment restatement	4 421 859	5 413 066	991 208

The accounting officer did not prepare, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

The accounting officer did not adequately review the financial statements to ensure that the amounts per the financial statements is supported by the debt impairment calculations.

The finding results in a misstatement in the gross amount and impairment amount of traffic fines

Internal control deficiency

The accounting officer did not prepare, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

The accounting officer did not adequately review the financial statements to ensure that the amounts per the financial statements is supported by the debt impairment calculations

Recommendation

The accounting officer should adequately review the financial statements to ensure that the amounts per Note 13, other receivables, in the financial statements are accurate and supported by the impairment calculations

Management's response

Management agrees to the finding and requests for adjustments

Auditor's conclusion

Management response has been noted and the finding is resolved.

Revenue

81. ISS.16 - COMAF 16 - Receivables/Revenue exchange & Consumer deposits - Presentation and disclosure

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

GRAP 1 par 17: 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.

Initial recognition

104.23 An entity shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument (see Appendix A paragraphs AG78. and AG79.).

104.24 An entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

104.36 When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

Subsequent measurement of financial assets and financial liabilities

104.45 & 104.14 An entity shall measure all financial assets and financial liabilities after initial recognition using the following categories defined in paragraph .14:

1. a) Financial instruments at fair value (see Appendix A paragraphs AG98. to AG112.).
2. b) Financial instruments at amortised cost (see Appendix A paragraphs AG113. to AG114. and AG120. to AG129.).
3. c) Financial instruments at cost.

104.65 For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Derecognition

104.68 An entity shall derecognise a financial asset only when:

(a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
(b) the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

(c) the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity shall:

(i) derecognise the asset; and

(ii) recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset shall be allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations shall be measured at their fair values at that date. Any difference between the consideration

received and the amounts recognised and derecognised in accordance with this paragraph shall be recognised in surplus or deficit in the period of the transfer.

Disclosure

Statement of financial position

104.106 The carrying amounts of each of the categories of financial instruments, as defined in paragraph .14, shall be disclosed in the notes:

1. financial instruments at fair value, showing separately:

- (i) financial assets designated at fair value; and
- (ii) financial liabilities designated at fair value;

1. financial instruments at amortised cost; and

2. financial instruments at cost.

3. An entity may present financial assets and financial liabilities in separate line items under (a) or (b), for example, derivatives and instruments held-for-trading where this disclosure is useful in understanding the significance of these instruments to an entity's financial position and performance.

4. Notes to the financial statements

104.118 An entity shall disclose for each class of instrument measured or disclosed at fair value, the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses and interest rates or discount rates. If there has been a change in valuation technique, the entity shall disclose that change and the reasons for making it.

1. Contrary to the above, whilst auditing the disclosure and presentation of revenue from exchange transactions, receivables from exchange transactions and consumer deposits we noted the following:

1. The accounting policy of financial instruments is inconsistent from the prior year. Further noted that the accounting policy is incomplete, the accounting policy does not disclose the initial recognition, initial measurement, subsequent measurement or derecognition of financial instruments.
2. Note 49 is inconsistent with the prior year, furthermore, the classifications of receivables from exchange transactions & consumer deposits have been inaccurately disclosed as "at fair value". This leads to the omission of the valuation techniques that needs to be applied if the revenue will be accounted for as "fair value".
3. The narrative provided for note 26 – "Rental of facilities and equipment" under revenue from exchange transactions incorrectly indicates that the municipality has four residential properties are exclusively rented out to directors, however, there are five houses available for rent.

The finding results in a non-compliance of GRAP 104 and GRAP 1 in the financial statements submitted for audit.

Internal control deficiency

Lack of adequate review of the disclosure of revenue from exchange transactions, receivables from exchange transactions and consumer deposits to ensure that it is presented in line with GRAP 104.

Recommendation

The accounting authority should implement controls to ensure that the disclosure of receivables from exchange transactions are adequately reviewed to ensure accuracy of presentation in the annual financial statements.

Management's response

Management agrees with the finding and requests to make an adjustment to the AFS.

Name: AE Marope

Position: Divisional Manager - Revenue

Date: 31 October 202

Auditor's conclusion

Management's response noted, we will await the adjusted financials, subject to the approval process outlined in the engagement letter, to verify that the identified issue has been corrected before the finding can be considered resolved.

82. ISS.19 - COMAF 19 - Property rates impairment

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

GRAP 1 par 17: 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.

1. Contrary to the above, during the audit of impairment of property rates, we noted that the amount as per note 17 of the financial statements do not agree to the supporting schedules i.e. age analysis and impairment calculations relating to property rates. Refer to the below table for details:

Age analysis vs Annual Financial Statements (Gross amount)

Service	Age analysis	Annual Financial Statements	Difference
Property rates	221 157 561.64	230 453 650.00	(9 296 088.36)
Total	221 157 561.64	230 453 650.00	(9 296 088.36)
	Omission of interest on property rates 2022/23		(4 929 039.00)
	Omission of interest on property rates 2023/24		(4 604 839.00)
			(9 533 878.00)
		Remaining difference	237 789.64

Management balance vs Annual Financial Statements impairment balance

Service type	Management impairment calculations	AFS: Note 17	Difference
		2024	
Property rates	126 385 296.37	126 147 737.00	237 559.37
Total	126 385 296.37	126 147 737.00	237 559.37

The finding results in a misstatement in the gross amount and impairment amount of property rates.

Internal control deficiency

The accounting officer did not prepare, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

The accounting officer did not adequately review the financial statements to ensure that the amounts per the financial statements is supported by the age analysis and debt impairment calculations.

Recommendation

The accounting officer should adequately review the financial statements to ensure that the amounts per Note 16, Receivables from non-exchange transactions, in the financial statements are accurate and supported by the age analysis and impairment calculations

Management's response

Management agrees with the finding and requests an adjustment.

Name: AE Marope

Position: Divisional Manager: Revenue

Date: 31 October 2024

Auditor's conclusion

Management's response noted, we will await the adjusted financials, subject to the approval process outlined in the engagement letter, to verify that the identified issue has been corrected before the finding can be considered resolved.

83. ISS.40 - COMAF 30.3: Incorrect reference number in the disclosure note

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

Section 122 (1) states that every municipality must for each financial year prepare annual financial statements which:

a) Fairly presents the state of affairs of the municipality / municipal 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.

b) Disclose the information required in terms of section 123,124 and 125

Paragraph 12 of GRAP 24 states that subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

(a) The approved and final budget amounts;

(b) The actual amounts on a comparable basis; and

(c) by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

-The financial statements were incorrectly referenced to note 64, instead of note 65.

Internal control deficiency

The Accounting Officer did not exercise oversight responsibility regarding financial reporting and compliance as well as related internal controls.

The Accounting Officer did not adequately perform review of the financial statements to ensure that the financial statements are accurate and compliant with the requirements of GRAP and MFMA.

Recommendation

It is recommended that Accounting Officer should adequately review the annual financial statements

Management's response

Management agrees with the finding and requests the opportunity to correct annual financial statements

Auditor's conclusion

We evaluated the adjusted annual financial statements submitted for audit and noted that the misstatement was appropriately corrected and the finding has been resolved

84. ISS.42 - COMAF 30.1: Incomplete narrative disclosures

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

Section 122 (1) states that every municipality must for each financial year prepare annual financial statements which:

- a) Fairly presents the state of affairs of the municipality / municipal 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.
- b) Disclose the information required in terms of section 123,124 and 125

Paragraph 12 of GRAP 24 states that subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- (a) The approved and final budget amounts;
- (b) The actual amounts on a comparable basis; and
- (c) by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Paragraph 27 of GRAP 24 states that an entity shall present an explanation of whether changes between the approved and final budget are a consequence of reallocations within the budget, or of other factors:

- (a) By way of note disclosure in the financial statements; or
- (b) In a report issued before, at the same time as, or in conjunction with the financial statements, and shall include a cross reference to the report in the notes to the financial statements.

Paragraph 30 of GRAP 24 states that all comparisons of budget and actual amounts shall be presented on a comparable basis to the budget.

Paragraph 38 of GRAP 24 an entity shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget

Paragraph 46 of GRAP 24 states that the actual amounts presented on a comparable basis to the budget in accordance with paragraph .30 shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the following actual amounts presented in the financial statements, identifying separately any basis, timing and entity differences:

- (a) if the accrual basis is adopted for the budget, total revenues, total expenses and net cash flows from operating activities, investing activities and financing activities; or
- (b) If a basis other than the accrual basis is adopted for the budget, net cash flows from operating activities, investing activities and financing activities.

The reconciliation shall be disclosed on the face of the statement of comparison of budget and actual amounts or in the notes to the financial statements.

the municipality disclosed in the financial statements that the budget is prepared and presented on accrual basis, however did not explain the classification basis adopted in the budget

-The approved total budget was adjusted as presented in the financial statements and the budget statement as at 30June2024, however the municipality did not disclose any explanation for these changes.

-Material variances between the budget and actual amounts for bad debts written off and penalties were not explained.

Material variances between the budget and actual were noted as follows:

No.	Description	Budget	Actual amounts	Variance	Variance-%
1	Fines, Penalties and Forfeits	965 715,00	643 675,00	(322 040,00)	33%
2	Bad debts written off	(3 000 000,00)	(6 870 106,00)	(3 870 106,00)	129%

Material misstatement of the financial statements

Internal control deficiency

Financial and performance management

The Accounting Officer did not exercise oversight responsibility regarding financial reporting and compliance as well as related internal controls.

The Accounting Officer did not adequately perform review of the financial statements to ensure that the financial statements are accurate and compliant with the requirements of GRAP and MFMA.

Recommendation

It is recommended that Accounting Officer should adequately review the annual financial statements against the requirements of GRAP 24 and ensure that the financial statements comply with the applicable accounting standards before the annual financial statements are submitted for audit.

Management's response

Management agrees with the finding and requests the opportunity to correct annual financial statements

Auditor's conclusion

We assessed the adjusted annual financial statements and noted that the narrative disclosures were disclosed as required, there were no further misstatements identified and the finding has been resolved.

85. ISS.58 - AFS high level review: 16.Revenue from non-exchange transactions – Property rates (Note 33): Inconsistency between the prior year and current year

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”.

Standard of generally recognised accounting practice 1-paragraph 17 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.”

1. Revenue from non-exchange transactions – Property rates (Note 33): Inconsistency between the prior year and current year

The following narrative was included in the prior year note (note 32) which was omitted from the current year's note (note 33),

2. Revenue from non-exchange transactions – Property rates (Note 33): Inconsistency between the prior year and current year

The following narrative was included in the prior year note (note 32) which was omitted from the current year's note (note 33),

3. Revenue from non-exchange transactions – Property rates (Note 33): Inconsistency between the prior year and current year

The following narrative was included in the prior year note (note 32) which was omitted from the current year's note (note 33),

4. Revenue from non-exchange transactions – Property rates (Note 33): Inconsistency between the prior year and current year

The following narrative was included in the prior year note (note 32) which was omitted from the current year's note (note 33),

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

The Accounting Officer did not adequately review the details disclosed in the annual financial statements to identify and rectify the errors as indicated.

As a result of the above discrepancies, the financial statement submitted for audit might be materially misstated.

Internal control deficiency

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

The Accounting Officer did not adequately review the details disclosed in the annual financial statements to identify and rectify the errors as indicated.

Recommendation

It is recommended that Accounting Officer should ensure that the preparation and review processes are designed to ensure that accurate and complete information are disclosed in the financial statements. These processes should make provision for sufficient time for the production and internal review of the financial statements prior to submission thereof to audit.

Management's response

Management agrees with the finding and request opportunity to correct annual financial statements

Auditor's conclusion

Management response has been noted. The finding has been resolved

86. ISS.59 - AFS high level review: 17.Revenue from non-exchange transactions: Description differences

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".

Standard of generally recognised accounting practice 1-paragraph 17 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."

The face of the Annual Financial Statement states "Interest earned -on outstanding receivables-Property rates", however, note 33 states "Property rates – penalties imposed",

As a result of the above discrepancies, the financial statement submitted for audit might be materially misstated.

Internal control deficiency

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

The Accounting Officer did not adequately review the details disclosed in the annual financial statements to identify and rectify the errors as indicated.

Recommendation

It is recommended that Accounting Officer should ensure that the preparation and review processes are designed to ensure that accurate and complete information are disclosed in the financial statements. These processes should make provision for sufficient time for the production and internal review of the financial statements prior to submission thereof to audit.

Management's response

Management agrees with the finding and request opportunity to correct annual financial statements

Auditor's conclusion

Management response noted and we have audited the adjustment. No issues were identified and finding has been resolved

87. ISS.63 - COMAF 80 - Revenue & Receivables Control Deficiency

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

GRAP 1 par 17: 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.

Contrary to the above, during the audit of revenue and receivables from exchange transactions we noted the following internal control deficiencies:

1. Schedules for revenue and receivables: Reconciliations has no signature to indicate the review and authorisation by the revenue manager.
2. Indigent debtors: Lack of controls over the enforcement of submission timelines as applications are being accepted despite not being submitted before the March deadline, as required by the policy, and outdated applications are also processed, even though the policy specifies that submissions must occur annually before March.
3. Indigent debtors: Lack of controls around the completeness of the applications as not all supporting documents are attached as stipulated by the policy.

The identified deficiencies collectively undermine the internal control environment, heightening the risk of financial misstatements and operational inefficiencies. Prompt action is necessary to strengthen governance, reduce risks, and enhance audit outcomes.

Internal control deficiency

Reconciliations has no signature to indicate the review and authorisation by the revenue manager.

Lack of controls over the enforcement of submission timelines as applications are being accepted despite not being submitted before the March deadline, as required by the policy, and outdated applications are also processed, even though the policy specifies that submissions must occur annually before March.

Lack of controls around the completeness of the applications as not all supporting documents are attached as stipulated by the policy.

Recommendation

The accounting officer should establish controls to ensure the accurate daily and monthly processing and reconciliation of transactions. Additionally, they should develop and communicate clear policies and procedures to facilitate the understanding and effective implementation of internal control objectives, processes, and responsibilities.

Management's response

Management agrees with the finding and controls will be improved to ensure that no deceased are included in the indigent register.

Auditor's conclusion

Management response is noted, however the finding remains valid

88. ISS.65 - COMAF 36 - Other revenue

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

In terms of section 74(1) Tariff policy: A municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements, and which complies with the provisions of this Act, the Municipal Finance Management Act and any other applicable legislation.

GRAP 1 par 17: 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.

1. Contrary to the above, during the audit of other revenue – specific to land use we noted the following differences between the quotation submitted to clients and the auditors recalculation:

Quotation vs Auditor's recalculation - differences							
Deposit	Basic levy	m ²	New bids	Additions	Alterations	Zoning	Total
1 395.53	0.00	(101.63)	(1 380.75)	-	-	(0.00)	14.78
1 395.53	0.00	(3.00)	(37.78)	-	-	(0.00)	1 357.75
-	(27.27)	-	(279.07)	-	-	(10.85)	(317.19)
1 395.53	0.00	-	-	354.33	-	(0.00)	1 749.86
-	0.00	-	-	-	866.88	(0.00)	866.88
1 395.53	0.00	-	-	258.33	758.52	(0.00)	2 412.38
-	-	-	-	-	-	-	-
1 395.53	0.00	-	-	207.61	1 625.42	(0.00)	3 228.56
-	-	-	-	-	-	-	-
1 395.53	0.00	-	0.00	-	-	(0.00)	1 395.53
1 395.53	0.00	-	(0.00)	-	-	(0.00)	1 395.53
1 395.53	0.00	-	(0.00)	-	-	(0.00)	1 395.53
11 164.24	(27.23)	(104.63)	(1 697.61)	820.26	3 250.82	(10.88)	13 499.60

2. Contrary to the above, we further noted the following:

1. The council approved tariffs do not:

1. Include a builder's deposit.

2. Stipulate that cost for additions are calculated per 10m² as used in the quotations.
3. Stipulate that the cost for alterations is per linear wall as done in the quotations.
2. Inconsistency on when deposits are charged for farms.
3. No movement in the builders' deposit register, nor the Annual Financial Statements, however deposits were charged during the year.
4. Classification errors noted, this includes VAT and Deposits

The finding leads to a projected misstatement in other revenue amounting to R771,431.64. It also causes an understatement of other deposits and an overstatement of other revenue, which affects the declared VAT; however, this impact is unquantifiable.

Internal control deficiency

The accounting officer did not establish adequate controls over other revenue, including builders' deposits. They did not ensure that transactions throughout the year were accurately recorded and classified, nor did they maintain the builders' deposit register accurately to facilitate the return of deposits to customers. Additionally, the accounting officer did not ensure the fair presentation of builders' deposits and other revenue in the Annual Financial Statements.

Recommendation

The accounting officer should implement procedures to ensure that all revenue, including builders' deposits, is accurately recorded and classified. Additionally, a structured review process should be established to ensure the fair presentation of builders' deposits and other revenue in the annual financial statements.

Management's response

Management agrees with the finding, corrections to the matters raised will be made going forward and the building deposit amount will be included in the Tariff List.

Name: AE Marope
Position: Divisional Manager: Revenue
Date: 2024 November 1

Auditor's conclusion

Management's response has been noted; however, the finding remains unresolved.

89. ISS.66 - COMAF 40 - Prior period error Revenue from Exchange

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

GRAP 1 par 17: 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

1. The prior period includes both an error from the preceding period (2021/22) and the prior period (2022/23). Using a sample, we recalculated the error for 2021/22 based on the approved council tariffs for that period and found discrepancies in the applied rates. Additionally, we recalculated the 2022/23 error using the approved council tariffs for that period, noting differences not only in the tariff applied but also in the duration used—only one month was considered instead of the required 11 months. We conclude that inaccurate tariffs and durations were used in calculating the prior period error, resulting in an incorrect overall correction for incomplete service charges.

This finding results in an inaccurate overall correction of the prior period error related to the completeness of service charges, totalling R2 724 989 including VAT.

Internal control deficiency

The accounting officer did not ensure accurate calculation of the prior period error to address the incompleteness of service charges.

Recommendation

The accounting officer should implement a thorough review and verification process for recalculating prior period adjustments, ensuring that approved tariffs and correct time periods are consistently applied when recalculating errors from prior periods.

Management's response

1. Management agrees with the finding.
2. Management is currently visiting the population to quantify the misstatement
3. Management requests an adjustment subsequent to visiting the population

Name: AE Marope
Position: Divisional Manager: Revenue
Date: 2024/11/12

Auditor's conclusion

Management's response noted, we will await the adjustment after management visited the population, subject to the approval process outlined in the engagement letter, to verify that the identified issue has been corrected before the finding can be considered resolved.
Upon receipt of the adjusted AFS we confirm that the finding is resolved.

90. ISS.71 - COMAF 47 - Basic charges: Water & Electricity

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

In terms of section 74(1) Tariff policy: A municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements, and which complies with the provisions of this Act, the Municipal Finance Management Act and any other applicable legislation.

GRAP 1 par 17: 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.

1. Contrary to the above, during our audit of water and electricity basic charges, we noted the following differences:

Billing report					Valuation roll	Inzalo system		Tariff	Difference
No	Account no	FinYearMonth	SGNumber	BillAmt	CATEGORY AFS	Account type	Name		
1	388	2023/2024 – June	TOLQ/0001/00000085/0002	644.06	RESIDENTIAL	Owner / Occupier	Recile Eiendoms Ontwikkeling	183.21	460.85
5	7302	2023/2024 – June	TOLQ/0000/00000502/60275	183.21	no info	Consumer (Occupier)	J B V Trust	-	183.21
7	28508	2023/2024 – June	TOLQ/0001/00007515/62358	183.21	no info	Owner	Cadvest Trust	-	183.21
				1010.48				183.21	827.27

This finding results in a material projected misstatement of R9 783 794,13 in basic water and electricity revenue.

Internal control deficiency

The accounting officer did not effectively review and update the system in accordance with the valuation roll to ensure that water and electricity charges are accurately applied to the correct property owners and assigned to the appropriate categories as listed in the valuation roll.

Recommendation

The accounting officer should implement a regular review process to ensure that the billing system for basic water and electricity is aligned with the latest valuation roll, including updates to both property owners and property categories.

Management's response

Management agrees with the finding and request opportunity to amend annual financial statement to reflect the correct amount

Auditor's conclusion

Management response is noted, however the finding remains valid until we have audited adjusted AFS.

91. ISS.82 - COMAF 58 - Metered Water

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

In terms of section 74(1) Tariff policy: A municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements, and which complies with the provisions of this Act, the Municipal Finance Management Act and any other applicable legislation.

GRAP 1 par 17: 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.

1. Contrary to the above, during our audit of metered water, we noted inconsistencies in how properties are charged based on their classification in the valuation roll. Specifically, we observed that certain properties were billed at the residential rate, although an inspection of the valuation roll confirmed they are classified as commercial properties and should have been charged at the commercial rate. The differences as follows:

No	Billing report			Category as per the valuation roll/physical verification	Auditor's recalculation (Excl VAT)	Difference
	AccountId	Amount	FinYearMonth			
6	741	850.24	2023/2024 – October	Schools/Pens/Institutions	852.19	(1.95)
8	787	92.06	2023/2024 – April	Residential	93.25	(1.19)
9	788	153.32	2023/2024 – January	Residential	153.98	(0.66)
10	794	464.45	2023/2024 – May	Commercial	566.73	(102.28)
		1 560.07			1 666.15	(106.08)

This finding results in a projected misstatement of R525 277.14 in metered water revenue.

Internal control deficiency

The accounting officer did not adequately review and update the system to align with the valuation roll, resulting in water charges that may not accurately reflect the correct property categories and applicable rates.

Recommendation

The accounting officer should implement a regular review process to ensure that the billing system for metered water aligned with the latest valuation roll, including updates to property categories.

Management's response

Management agrees with the finding.

Auditor's conclusion

Management response noted, however the finding remain as management did not resolve it.

92. ISS.85 - COMAF 61 - Prepaid Electricity

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

GRAP 1 par 17: 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.

1. Contrary to the above, during our audit of prepaid electricity, noted that the last payment due from Livewire was received after year end and a receivable was not recognised in the Annual Financial Statements.

Item	Annual Financial Statements	Vendor Sales Summary @30 June 2024	Difference
Receivable – Livewire	-	1 296 154.00	(1 296 154.00)
	-	1 296 154.00	(1 296 154.00)

This finding results in a misstatement of R1 296 154.00 in an understatement of revenue and receivables from exchange transactions.

Internal control deficiency

The accounting officer did not adequately review the prepaid funds owed to the municipality by Livewire to ensure that all revenue was accurately recorded at year-end.

Recommendation

The accounting officer should implement a systematic review process for prepaid amounts, ensuring regular reconciliations between anticipated and received revenue to ensure that prepaid revenue is recognised in the correct accounting period.

Management's response

Management agrees with the finding and requests opportunity to correct the annual financial statements.

The following journals are proposed

Dr Sundry receivables	1 296 154
Cr VAT receivables	169 064
Cr Revenue	1 127 090

Recognition of prepaid electricity revenue not accounted for at year end.

Name: Amogelang Marope

Auditor's conclusion

Management's response noted, we will await the adjusted financials, subject to the approval process outlined in the engagement letter, to verify that the identified issue has been corrected before the finding can be considered resolved.

93. ISS.87 - COMAF 45 - NERSA vs Afriforum High Court Judgement

Audit finding

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

GRAP 1 par 17: 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.

GRAP 14 par 3: The following terms are used in this Standard with the meanings specified:

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Management comprises those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Reporting date means the date of the last day of the reporting period to which the financial statements relate.

GRAP 14 par 27: If non-adjusting events after the reporting date are material, non-disclosure could influence the economic decisions of users taken on the basis of the financial statements. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting date:

1. (a) The nature of the event.
2. (b) An estimate of its financial effect, or a statement that such an estimate cannot be made

Background

Municipalities are responsible for calculating the tariffs consumers pay for electricity and are required in terms of s.27(h) of the Electricity Regulation Act no. 4 of 2006 (ERA) to set such tariffs in accordance with the Electricity Pricing Policy (Policy). The National Energy Regulator of South Africa (Nersa), as custodian and enforcer of the regulatory framework, must consider and approve the tariffs calculated by municipalities.

The Policy mandates that the electricity tariffs, and therefore both the tariff applications by municipalities and the approval by Nersa, must be based on the cost of supply of electricity and requires municipalities to conduct a cost of supply study when calculating electricity tariffs. This is reinforced by s.74(2)(d) of the Municipal Systems Act no. 32 of 2000, which requires that municipal tariffs must reflect the costs reasonably associated with rendering the service. In addition, Nersa approved a framework that mandates municipalities to conduct a cost of supply study.

Despite these clear, consistent and legal requirements that Nersa's approval of electricity tariff applications must be based on the cost of supply of electricity, Nersa decided in January 2024 to no longer require tariff increase applications for the 2024-25 financial year to be accompanied by a cost of

supply study. Instead, Nersa introduced a methodology that tested tariff applications against certain assumptions (assumption method). In terms of this method, Nersa would approve the 2024-25 tariffs if they fell within certain assumptions. If they fell outside these assumptions, they would not be approved.

Sixty-six municipalities (compliant municipalities) complied with the obligation to conduct a cost of supply study in calculating and submitting their 2024-25 tariff applications to Nersa. The remainder (non-compliant municipalities) did not.

Subsequent to the introduction of the assumption method, Afriforum, in the interest of consumers, lodged legal proceedings against Nersa (and others), contending that the assumption method employed by Nersa to approve the 2024-25 tariffs is not premised on the cost of supply of electricity and is therefore unlawful.

The matter was heard by the Gauteng High Court and on 8 July 2024 the court handed down its judgement and ordered that:

- Nersa's assumption method for approval of municipal electricity tariffs is unlawful, invalid and of no force and effect.
- For the 66 compliant municipalities, Nersa must consider and approve the 2024-25 electricity tariff applications if based on the municipality's cost of supply study.
- For the non-compliant municipalities:
 - Nersa is prohibited from considering and approving electricity tariffs for the 2024-25 and subsequent financial years where the municipality's application for the approval of electricity tariffs is not based on a cost of supply study.
 - Municipalities are not entitled to levy electricity tariffs upon consumers until Nersa has approved an application supported by a cost of supply study. Until such time as Nersa has approved an application supported by a cost of supply study, the municipality must continue levying electricity on the same tariff applicable during the 2023-24 financial year.

Municipalities are afforded 60 days from the date of the court order (i.e. until 6 September 2024) to supplement electricity tariff applications with cost of supply studies. Nersa must consider and approve such electricity tariff applications if they are legally compliant and based on the municipality's cost of supply study.

Contrary to the above, Guidance is sought on how the High Court judgement, which found that municipalities are prohibited from charging electricity tariffs where Nersa did not approve the municipality's tariff application based on a cost of supply study, impacts municipalities' 2023-24 financial statements, further Lephthalale local municipalities did not submit the initial application based on cost of supply.

- For non-compliant municipalities

(Including non-compliant municipalities that subsequently became compliant as a result of their initial applications having been supplemented by cost of supply studies and re-approved by Nersa within the 60-day court extension period.)

The High Court judgement relates to tariffs unlawfully approved by Nersa for the 2024-25 financial year where the municipality's 2024-25 tariff application was not based on a cost of supply study; i.e. the High Court judgement concluded on the charging of tariffs relating to the period after the 30 June 2024 reporting date.

As such, the High Court judgement is a post-reporting period event in respect of the 2023-24 financial year that is indicative of conditions that arose after and relate to the post-2023-24 reporting period. It meets the definition of a "non-adjusting event after the reporting date" as defined in par. 3 of GRAP 14 on Events after the Reporting Date as follows:

"Events after the reporting date are those events (the High Court judgement), both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

1. those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
2. those that are indicative of conditions (the charging of unlawful tariffs in 2024-25) that arose after the reporting date (non-adjusting events after the reporting date)."

Non-compliant municipalities should consider disclosing this non-adjusting event after the reporting date in their 2023-24 financial statements, disclosing both the nature of the event and an estimate of its financial effect. (GRAP 14.27) Sufficiently detailed disclosure should be provided to enable users to understand the impact of the particular event and condition on the entity's financial position and financial performance. (par. 19(c) of GRAP 1 on Presentation of Financial Statements)

Consideration should also be given to providing this non-adjusting event disclosure where municipalities' 2024-25 tariff applications were initially non-compliant but were reconsidered and approved by Nersa after having been supplemented with cost of supply studies within the 60-day period afforded by the High Court, with the disclosure detailing this fact Accounting implications for the 2024-25 financial statements

- For non-compliant municipalities

Non-complaint municipalities that have implemented the unlawfully approved 2024-25 tariffs from 1 July 2024, and that have already recognised electricity revenue based on the unlawful tariffs in the 2024-25 financial year, should consider accounting for an adjustment to that electricity revenue. (par. 17 of IGRAP on Accounting for Adjustments to Revenue)

Internal control deficiency

The accounting officer did not adequately review the annual financial statements submitted for audit to ensure that the transactions are accounted for correctly in terms of GRAP 14 events after the reporting period.

Recommendation

The accounting officer should implement controls to ensure adequately review the annual financial statements submitted for audit to ensure that the transactions are accounted for correctly in terms of GRAP 14 events after the reporting period.

Management's response

1. Management agrees with the finding
2. The case of Afriforum v Nersa high court judgement will be included into 2023/2024 AFS as Event after reporting period
3. The event after reporting period will be disclosed to indicate the Court ruling on the determination of 2024/2025 tariffs where the Cost of Supply Study method needed to be used by the Municipality in determining the 2024/2025 electricity tariffs.

Name: AE Marope

Position: Divisional manager: Revenue

Date: 2024/11/15

Auditor's conclusion

Management's response noted, we will await the adjusted financials, subject to the approval process outlined in the engagement letter, to verify that the identified issue has been corrected before the finding can be considered resolved.

94. ISS.95 - COMAF 70 - Revenue Journals Limitation

Audit finding

Section 74(1) of the Municipal Finance Management Act 56 of 2003 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".

The standard turnaround time for the submission of information is three working days as agreed upon during the entrance meeting and the discussion of the engagement letter, further explains the process with regards to request and submission of information.

The engagement letter also states that "management has three (3) working days to submit the information requested from the date the request was made. Failure to submit the information requested within the agreed timeframe will result in an audit finding (limitation) and if material, individually or in aggregate, will impact the audit opinion."

Contrary to the above requirements, the information for RFI 47, issued on 16 October 2024 and due by 18 October 2024, was not submitted within the stipulated 3-day period as outlined in the engagement letter.

Please note that the following journals have been received; however, no supporting documentation was provided to validate the processed journals:

No	ScoaltemCode1	Date	Reference	ID	Code	Project/Item	Document Number	TID	Debit	Credit
1	IR002002001002003000	11 10 2023	2013	1743 4	51	66272	93_2414	370132 7	43 877 720.77	-
2	IR002002001002003000	09 11 2023	2013	1743 4	51	66272	93_2436	376470 3	-	-3 219 263.39

Internal control deficiency

The accounting officer did not maintain an effective system of controls to ensure that complete, relevant, and accurate information is readily accessible and available to support financial reporting.

The accounting officer did not implement or maintain effective controls to ensure that the information requested in RFI 47 was submitted to the auditors within the initial three-day deadline or the additional two-day extension.

Recommendation

The accounting officer should establish and maintain proper record keeping systems to ensure that complete, relevant, and accurate information is accessible and available to support financial and performance reporting within agreed timeframes.

The accounting officer should implement controls to ensure that information relating to RFI 47 is submitted to the auditors within the agreed timelines.

Management's response

Management agrees with the finding. The journals and supporting documents were subsequently submitted

Auditor's conclusion

We have subsequently received the supporting documentation for the R43 877 720.77 journal processed and the other part of the journal was submitted, therefore the finding is resolved.

95. ISS.101 - COMAF 62-Revenue from non-exchange (property rates)

Audit finding

Requirement

In terms of section 62(1) (b) 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 full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

GRAP 1 par 17: 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 on property, we identified the differences between the amount as per the billing report and the amount as per the annual financial statements.

Details	Amount as per the current year financial statement	Amount as per the billing report	Differences
Revenue on property rates	114 403 880	114 941 310	537 430

The accounting officer did not adequately review the financial statements to ensure that the amounts per the annual financial statements are supported by the billing reports.

The finding results in a misstatement in revenue from non-exchange transactions.

Internal control deficiency

The accounting officer did not prepare, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

The accounting officer did not adequately review the financial statements to ensure that the amounts per the annual financial statements are supported by the billing reports.

Recommendation

The accounting officer should adequately review the financial statements to ensure that the amounts per Note 17, receivables from non-exchange, in the financial statements are accurate and supported by the billing reports.

Management's response

The finding is noted. However, management will not adjust the finding

Auditor's conclusion

The finding remains and will be remain in the accumulation and correction as management did not make adjustments.

Taxes

96. ISS.1 - COMAF 02 VAT - VAT registration number of the supplier and the recipient not disclosed

Audit finding

In terms of Section 20(4) of the VAT Act, a tax invoice to the value above R5 000 should contain the following particulars:

- The words "Tax invoice" or "VAT invoice"
- Name, Address and VAT registration number of the supplier and the recipient
- Serial number and date of issue of invoice
- Accurate description of goods or service
- Quantity or volume of goods or service provided
- Value of supply, amount of tax charged and consideration of the supply

During our understanding of the entity through our detailed business process testing relating to VAT, it was identified that a transaction to the value of R128 736.89 has been processed in contravention to the VAT Act, in particular Section 20(4) where it is required that a tax invoice to the value above R5 000 should contain the VAT registration number of the supplier and the recipient.

The following invoice issued did not meet the requirements of the VAT act:

Invoice number: 202405/000000027153
Amount: R128 736.89
Mediclinic Lephalale (Pty) Ltd

Non-compliance with Section 20(4) of the VAT legislation as the minimum required information is not displayed on the invoice.

Internal control deficiency

The accounting officer did not ensure that the client set-up process is complete on Inzalo EMS as the VAT number is not included on the above identified client.

Recommendation

The accounting officer should establish and maintain proper record keeping systems to ensure that Client set-up is complete with relevant and accurate information.

Management's response

- Management agrees with the findings.
- The Enquiries Desk Clerks have been instructed to demand VAT number from the business customers opening the account and are VAT vendors.

- Notice will be issued to all the business customers to update their VAT numbers with the Municipality in order to address the query on the business customers that are already captured on the financial system.

Name: Amogelang Marope
 Position: Divisional Manager: Revenue
 Date: 2024/09/16

Auditor's conclusion

Management's response is noted and well received.
 The finding is resolved.

97. ISS.39 - COMAF 31: VAT Disclosure

Audit finding

In terms of section 122 (1) (a) of the MFMA, every municipality and every municipal entity must for each financial year prepare annual financial statements which- (a) 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.

In terms of paragraph 05 of GRAP Statutory receivable, statutory receivables are receivables that:

1. arise from legislation, supporting regulation, or similar means; and
2. require settlement by another entity in cash or another financial asset.

In terms of the definition on paragraph 17 definition of GRAP 19, a legal obligation is an obligation that derives from:

1. a contract (through its explicit or implicit terms)
2. legislation; or
3. other operation of law.

GRAP VAT Fact sheet 11 states that VAT due to be paid to SARS, the liability is recognised as a Statutory liability using GRAP 19, for VAT still to be collected – the VAT accrual account – no payable exist to SARS. As the credit in the VAT accrual account is not yet a liability to SARS.

An accounting policy should be formulated an accounting policy in terms of GRAP 3 Accounting policies, changes in Accounting Estimates and Errors.

The VAT accrual account does not represent amounts to be received or paid, but rather amounts that are associated with transactions that are yet to be settled. There is no money to be received or paid to SARS for these amounts as yet. As there is no transaction to “settle” with a specific counterparty at this point, the requirements for set off are inappropriate. As a result, separate presentation of the VAT accrual “debit” and “credit” may be more appropriate.

Contrary to the above during the audit of VAT, we noted that Vat disclosure is not in line with the disclosure of VAT as per the GRAP fact sheet. The table below provides further details:

Disclosure as per Financial Statements		Disclosure required	
Statement of Financial Position		Statement of Financial position	
	Note(s)		Note(s)
Current Assets		Current Assets	
VAT receivable	15	Statutory VAT receivable	15
		Input VAT accrual	**

	Current liabilities Output VAT accrual	**

Furthermore, the current accounting policy is not in line with the requirements of the above requirements and GRAP 19.

The above results in non-compliance with GRAP 108 and 19.

Internal control deficiency

The accounting officer did not adequately review the financial statements to ensure that VAT is disclosed in line with GRAP 108 and 19 requirements.

Recommendation

The accounting officer should disclose the VAT in line with the requirement and put measure in place to ensure that the accounting policy is in line with the requirements.

Management's response

Management agrees with the finding and requests opportunity to amend annual financial statement by splitting the VAT amount as per auditors' recommendations.

The accounting policies will also be aligned with the disclosure on the annual financial statement.

VAT recon is attached

Name: Tebogo Mojela
 Position: GRAP and Compliance Specialist
 Date:14/11/2024

Auditor's conclusion

Management's response has been noted and opportunity to adjust was granted. We received the adjustments and are satisfied.