



AUDITOR-GENERAL  
SOUTH AFRICA

# MANAGEMENT REPORT

Chief Albert Luthuli Local  
Municipality

2023-24

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# INTRODUCTION

1. The purpose of this management report is to communicate the outcomes of the audit for the financial year ended 30 June 2024, as well as the insights and significant matters that require the attention of the accounting officer. The report should be read with the engagement letter, which sets out our responsibilities as well as the standards and processes we apply in performing our audits.
2. The auditor's report is finalised only after the management report has been communicated. All matters included in this report that relate to the auditor's report remain in draft form until the final auditor's report has been signed.
3. We communicated our audit findings and recommendations for improvement to management and obtained their responses throughout the audit. This report is a comprehensive summary of what we shared with management. In **annexure D**, we provide a summary of detailed findings communicated to management.
4. The management report is structured as follows:
  - In **section 1** we share the overall audit outcomes and the status of material irregularities. We also summarise the material irregularities in **annexure F**.
  - In **section 2** we provide the most significant matters from the audit and their impact, which we detail further in the annexures. Where appropriate, we also include the following:
    - Significant deficiencies in internal control that caused the findings we report. Significant deficiencies occur when internal controls do not exist; are not appropriately designed or implemented; or are not operating as intended to prevent – or to promptly detect and correct – material misstatements, non-compliance or non-performance. In **annexure C** we expand on the state of internal control.
    - Key recommendations and the responses received from management on implementing the recommendations.
  - In **section 3** we include observations on the overall internal control environment and the role of the accountability ecosystem. Key recommendations and responses from management are also included.
  - In **section 4** we provide our view of the root causes of deficiencies in the overall internal control environment and provide recommendations for the accounting officer to address the root causes.
  - We end the report with a **conclusion**.
5. We trust the insights and recommendations in this report will be of value in your pursuit towards building and leading a municipality that is accountable and transparent, has institutional integrity, and performs at a level that has a positive impact on the lives of South Africans.

# SECTION 1: AUDIT OUTCOMES AND MATERIAL IRREGULARITIES

## OVERALL AUDIT OUTCOMES

6. The overall audit outcome of the municipality is qualified with findings. This is the same as the previous year's audit outcome.

### Audit results per outcome area

Outcome area	Movement	2023-24	2022-23	2021-22
<b>Financial statements</b>	▶			
<b>Annual performance report</b>				
• KPA 1: Basic service and infrastructure development	▲			
<b>Compliance with legislation</b>				
• Annual financial statements, performance and annual reports	▶			
• Expenditure management	▶			
• Consequence management	▶			
• Procurement and contract management	▼			
• Strategic planning and performance management	▲			
• Human resource management	▲			
• Utilisation of conditional grants	▲			
• Revenue management	▲			
• Assets management	▶			

 Unqualified / No material findings	 Qualified	 Adverse	 Disclaimed	 Material findings	 Not audited
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 Improvement	 Regression	 Unchanged
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7. The municipality received a qualified audit opinion for the period under review, with material findings and non-compliance with laws and regulations. This is a stagnation when compared to the previous year. In terms of compliance with laws and regulations the municipality has slightly improved when compared to the previous financial years. As far as the audit of performance information is

concerned service delivery and infrastructure management has improved from an adverse to an unqualified/ no material findings.

8. We provide further insight into the audit outcomes, the root causes of weaknesses and our recommendations in the rest of this report.
9. **Annexure E** lists matters that will affect future financial statements, annual performance reports and compliance with legislation.

## MATERIAL IRREGULARITIES

10. Since the implementation of the material irregularity process, we have identified one material irregularities at the municipality.

### *Status of material irregularities*

Year of notification	Total	Resolved	Appropriate actions	Following up actions taken	AGSA further actions	Notification response not yet due	Assessing response
2022	1	1	0	0	0	0	0

11. One Material irregularity has been issued to date and was resolved in the previous financial year. We wish to express our appreciation to management for the responsiveness which led to the MI being resolved promptly

# SECTION 2: SIGNIFICANT MATTERS

## FINANCIAL STATEMENTS

### Audit results

12. The financial statements were submitted to us for auditing on 31 August 2024.
13. We identified material misstatements in the financial statements submitted for auditing. The material misstatements constitute non-compliance with section 122 of the MFMA. The non-compliance will be reported as a material finding in the auditor's report.

#### Material misstatements not corrected

Accounting standard / legislation	Nature	Value	Description	Prior-year misstatements	
				2022-23	2021-22
<b>Prior period error note (misstatements brought forward)</b>					
GRAP 3	Revenue from non-exchange transactions	10 084 151	In addition to the individually material uncorrected misstatements, the corresponding balance for receivables from exchange transactions was materially misstated by R10,99 million due to the cumulative effect of individually immaterial uncorrected misstatements. This also has an impact on the surplus for the period and on the accumulated surplus.		
GRAP 3	Statutory receivables	161 009 200	The municipality did not recognise all items statutory receivables in accordance with GRAP 108, Statutory receivables <sup>17</sup> . Accounts that were already excluded in the age analysis were again reversed. Consequently, the comparative amounts for statutory receivables was understated by R161 million and accumulated surplus overstated by the same amount.		
GRAP 3	Distribution (Water) losses – Limitation of scope	10 981 019	The effect of the prior period limitation of scope in relation to water losses was not disclosed in the prior period error note		
GRAP 3	Impairment loss – Limitation of scope	17 621 726	The prior period qualification in relation to impairment loss was not corrected in the current year.		
GRAP 3	Cash flow statement – Disagreement	27 852 781	The effect of the prior period error note in relation to the finding that was raised in the prior year were not disclosed in the prior period error note.		

Accounting standard / legislation	Nature	Value	Description	Prior-year misstatements	
				2022-23	2021-22
<b>Segment reporting</b>					
GRAP 3	Segment reporting - Limitation	Unknown	A detailed schedule supporting the breakdown of the reported information could not be submitted for audit. I was unable to confirm the reported information by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the segment information.		
<b>Cash flows from operating activities</b>					
GRAP 2	Overstatement	33 581 686	Allowance for impairment (non-cash item) was not considered in both the opening and closing balances of exchange and non-exchange receivables, resulting in an overstatement.		
GRAP 2	Overstatement	18 965 846	Amounts incorrectly recognised in the cash flow statement		
<b>Unauthorised expenditure</b>					
MFMA 125 (2) (d)	Understatement	174 147 407	Unauthorised expenditure not completely identified and disclosed.		
<b>Receivables from exchange transactions (Allowance for impairment)</b>					
GRAP 104	Limitation	R252 218 381 (R218 636 695)	The method used by management to calculate collection rate for property rates and service charges debts was not reasonable as the outcome of that rate is not a true reflection and ratio of what has been collected from total debt incurred. The incorrect method of calculating the average collection rate also affected the comparative figure disclosed.		
<b>Statutory receivables (Allowance for impairment)</b>					
GRAP 104	Limitation	R235 737 535 (R228 117 437)	The method used by management to calculate collection rate for property rates and service charges debts was not reasonable as the outcome of that rate is not a true reflection and ratio of what has been collected from total debt incurred. The incorrect method of calculating the average collection rate also affected the comparative figure disclosed.		
<b>Debt impairment</b>					
GRAP 104	Limitation	R41 201 783 (R79 633 472)	The method used by management to calculate collection rate for property rates and service charges debts was not reasonable as the outcome of that rate is not a true reflection and ratio of what has		

Accounting standard / legislation	Nature	Value	Description	Prior-year misstatements	
				2022-23	2021-22
			been collected from total debt incurred. The incorrect method of calculating the average collection rate also affected the comparative figure disclosed.		
<b>Commitments</b>					
GRAP 1	Understatement	R90 million	Differences between the amount as per the commitment register and amount as per the financial statements. Understatement of the commitments balance		
<b>Distribution losses</b>					
GRAP 1	Understatement	Not disclosed	The rand value of the water losses was not disclosed on the financial statements. Understatement of the water losses disclosure note.		
<b>Principal agent disclosure note</b>					
GRAP 109	Disclosure note omitted	Disclosure note omitted	The disclosure note for the principal vs agent transaction for the sale of prepaid electricity was not disclosed on the financial statements. Material non-disclosure.		
<b>Risk management</b>					
GRAP 104	Disclosure not in line with GRAP	Disclosure not in line with GRAP	The disclosure note for risk management was not aligned with GRAP 104 requirements; several material disclosure requirements were omitted.		

	Uncorrected		Corrected		No prior-year misstatement
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14. The material misstatements that were not corrected formed the basis for the modified opinion on the financial statements and will be reported in the auditor's report.
15. More material misstatements were identified in the current year when compared to the prior year.
16. The proposed adjusted financial statements contained more material misstatements across various items. Additionally, some proposed adjustments were not agreed upon with the auditor. This resulted in the rejection of the adjusted financial statements. The significant internal control deficiencies, identified and reported in both the current and prior years, remain unaddressed by management. These deficiencies relate directly to the financial statements items under review.
17. Furthermore, material adjustment made by management to correct the prior year misstatements were found to be incorrect and incomplete affecting account balances in the current year as well. In terms of the engagement letter management was not afforded another opportunity to correct this misstatement.
18. The material misstatements were mostly due to management not implementing the recommendations that were raised in the prior year.

## Internal control and recommendations

19. We identified significant internal control deficiencies in financial recordkeeping and the financial statement preparation and related business processes, which caused the misstatements or could cause misstatements in future.

### Significant internal control deficiencies – financial records and financial statements

Deficiency	Prior years reported	
	2022-23	2021-22
Senior management did not sufficiently implement adequate recording, reviewing, and reporting processes and controls to ensure credible, complete, and accurate financial reporting as per the approved audit action plan.	√	√
Management did not review and monitor compliance with laws and regulations consistently to prevent contravening laws and regulations	√	√

20. Material misstatements have an impact on financial management, the audit process, and users of financial statements. Management processes should focus on the remaining areas of concern whilst maintaining the status quo on the areas that have performed well. This will eventually result in credible financial statements and performance reports.
21. We made recommendations to improve the financial records and the financial statements preparation process to the accounting officer. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

### Key recommendations and responses – financial records and financial statements

Recommendation and management response	Year originally recommended	Status of implementation
<p><b>Recommendation:</b> Develop an audit action plan that focuses on the root causes which resulted in the regression of the audit outcome. Monitoring the implementation of this action plan should be delegated to an appropriate level and be a standing agenda item in senior management meetings.</p> <p><b>Response:</b> To be implemented in the 2022-23 financial year</p>	2021-22	In progress – behind schedule

22. The recommendations made were originally made in relation to the 2020-21 audit outcomes when similar shortcomings were noted. These shortcomings have recurred in the current year and if not addressed will see the audit outcome regress in future. The executive authority should hold management accountable to improve and achieve the desired level of performance.

## Information to be included in auditor's report

23. We may communicate matters relating to the audit, the auditor's responsibilities in the auditor's report that are important for users of the financial statements to know about. The following matter will be included as 'other matters' in the auditor's report:

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

24. We will include an 'emphasis of matter' paragraph in the auditor's report to draw the attention of users of the financial statements to the following matters which we deem to be fundamental to their understanding of the financial statements:

## Restatement of corresponding figures

25. As disclosed in note 44 to the financial statements, the corresponding figures for 30 June 2023 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2024.

## Material losses – electricity

26. As disclosed in note 27 to the financial statements, material electricity losses of R19,29 million (2022-23: R26,79 million) were incurred, which represents 37,7% (2022-23: 46,52%) of total electricity purchased.

# FINANCIAL MANAGEMENT AND PERFORMANCE

## Going concern

27. Our audit included an evaluation of the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements and whether any material uncertainties exist about the municipality's ability to continue as a going concern.
28. We did not identify any events or conditions that cast significant doubt on the municipality's ability to continue as a going concern.

## Budget management

29. We tested compliance with the legislative requirements for budget management and performed tests to identify budget overspending or budgets not spent for their intended purpose. We identified findings to highlight in this area of financial management.

### Budget spending

Nature	Description	Rand value		
		2023-24	2022-23	2021-22
Budget overspent	Overspending on the approved budget (unauthorised expenditure)	R174 147 407	R0	R0

## Financial assessment and compliance

30. Our audit included a high-level assessment of the financial position and key financial ratios of the municipality based on its financial results to assess its going concern (as detailed earlier), and also to highlight those issues that may require corrective action to maintain financial stability. The financial ratios used for assessment include those that the National Treasury also apply when assessing whether

a municipality is in financial distress. The assessment is intended to complement, rather than substitute, the municipality's own financial assessment.

31. The detailed assessment is included in **annexure A**. We used the amounts and information in the financial statements to perform the assessment.
32. We concluded based on the assessment that the financial health of the municipality is good, which is the same as the previous year.
33. Next, we summarise the key matters identified through the assessment that require attention to improve the financial health.

**Financial assessment – key matters**

Revenue management
<p>The main source of revenue for the municipality is rates and taxes paid by property owners and consumers of municipal services (what is known as 'own revenue'). The problem with own revenue is that municipal consumers (including government institutions) are not paying the municipality what they owe – this has been a trend for many years and has been made even worse by the continuing economic downturn. This means that while the municipality's revenue might look healthy on paper, the money does not reach the bank.</p> <p>While the economic downturn does affect revenue collection, the municipality must be more stringent to reverse the poor debt-collection practices by communities.</p> <p>The significant ratio's depicting the challenges around revenue management are included in Annexure A – Financial assessment.</p>

34. We identified non-compliance with legislation and other requirements applicable to the municipality on financial management. The findings on material non-compliance with legislation will be reported in the auditor's report.

**Financial management – non-compliance**

Finding	Material non-compliance	Prior years reported	
		20xx-xx	20xx-xx
<p>Annual financial statements and annual reports</p> <ul style="list-style-type: none"> <li>• The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.</li> </ul>	Yes	√	√
<p>Expenditure management,</p> <ul style="list-style-type: none"> <li>• Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.</li> </ul>	Yes	√	√
<p>Expenditure management</p> <ul style="list-style-type: none"> <li>• Reasonable steps were not taken to prevent irregular expenditure amounting to R2 493 398 as disclosed in note 39 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with SCM regulations.</li> </ul>	Yes	√	√

Finding	Material non-compliance	Prior years reported	
		20xx-xx	20xx-xx
Revenue management <ul style="list-style-type: none"> <li>An adequate management, accounting and information system which accounts for revenue and debtors was not in place, as required by section 64(2)(e) of the MFMA.</li> </ul>	Yes	√	√
Procurement and contract management <ul style="list-style-type: none"> <li>The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA.</li> </ul>	Yes	√	√

## Losses

35. It is crucial for the municipality to implement the necessary disciplines to ensure that value is derived from money spent and that assets and resources are safeguarded. We identified findings to highlight in this area of financial management. The findings on material non-compliance with legislation will be reported in the auditor's report.

### Disclosures on losses

Nature	Description	Rand value		
		2023-24	2022-23	2021-22
Fruitless and wasteful expenditure	The primary contributor to the fruitless and wasteful expenditure incurred by the municipality is the interest charged by Eskom on overdue payments.	R2 527	R1 925	R16 634
Water losses	Loss of water due to aged infrastructure and vandalism	Not available	R10 981 019	R8 035 530
Electricity losses	Loss of electricity due to aged infrastructure and vandalism	R19 289 042	R26 797 423	R31 213 775

### Findings on losses

Finding	Material non-compliance	Prior years reported	
		2023-24	2022-23
Water and electricity distribution losses exceed the national Treasury prescribed norms	No	√	√

36. The municipality does not have sufficient controls to prevent fruitless and wasteful expenditure and distribution losses.
37. **Impact:** Losses have a direct negative impact on finances, in terms of cash flow and service delivery initiatives.

38. The fruitless and wasteful expenditure incurred constitutes non-compliance with section 62(1)(d) of the MFMA. The findings on material non-compliance with legislation will be reported in the auditor's report.
39. The fruitless and wasteful expenditure incurred was disclosed in the financial statements and annual report as required.

## Grant management

40. The municipality received grants totalling R925 037 501 to fund its programmes and projects in the current year. We audited compliance with the Division of Revenue Act and the use of the Municipal Infrastructure Grant and Water Services Infrastructure Grant.
41. We did not identify findings to highlight in this area of financial management.

## Internal control and recommendations

42. We did not identify significant internal control deficiencies in the financial management processes.

# PERFORMANCE PLANNING, MANAGEMENT AND REPORTING

## Overall performance planning and management

43. We tested whether the municipality's performance planning and management processes, integrated development plan (IDP) and service delivery and budget implementation plan (SDBIP) complied with the key requirements from legislation.
44. We did not identify findings.

## Audit of annual performance report

45. The SDBIP and annual performance report were submitted to us for auditing on 08 April 2024 and 31 August 2024, respectively.
46. As detailed in the engagement letter, we undertook a limited assurance engagement on specific key performance area selected for auditing. We will report only the material findings in the auditor's report and not the audit conclusion as included in **section 1**.
47. We selected the following indicators for auditing:
  - KPI 2.1 – Number of refuse bins to billable households.
  - KPI 2.2 – Number of inspections to be conducted on each of the 5 disposal sites
  - KPI 2.2.1 – Percentage of waste management service rendered on 6 areas
  - KPI 2.4 – Number of parks developed in CALM
  - KPI 2.5 – Develop climate change strategy
  - KPI 2.6 -% of Fire and rescue incidents reported and attended
  - KPI 2.6.2 – Number of fire safety awareness conducted
  - KPI 2.7 – Percentage of disaster incidents reported and attended within 24 hours

- KPI 2.7.1 – Number of disaster management awareness campaigns conducted
  - KPI 2.16.1 Number of mega litres of portable water distributed
  - KPI 2.16.2 – Number of mega litres of water supplied to deep rural areas
  - KPI 2.16.3 – Percentage of new household's water connection received and responded to
  - KPI 2.16.4 – Percentage of water samples taken as per annual sampling points
  - KPI 2.16.5 – Percentage of bulk network failure reported and responded to within 5 days
  - KPI 2.18 – Percentage of transformers repaired within 2 days after being reported
  - KPI 2.18.2 – Percentage of public lights maintained
  - KPI 2.18.3 – Percentage of electrical network repaired internally within 2 days after being reported
  - KPI 2.18.4 – Percentage of panels and substations repaired internally within 2 days after being reported.
  - KPI 2.18.5 – Percentage of ring main units (RMU) repaired & maintained within 2 days after being reported
  - KPI 2.19 – Number of kilometres of gravel roads maintained
  - KPI 2.19.1 – Number of square metres of tarred roads potholes repaired
  - KPI 2.19.2 - Number of square metres of resealing tarred roads through support by GDSM
  - KPI 2.19.3 – Number of foot bridges constructed
  - KPI 2.19.4 – Number of vehicle bridges repaired
  - KPI 2.20 – Percentage of boreholes repaired within 5 days after being reported
  - KPI 2.20.1 Percentage of pumps and motors repaired within 3 days after being reported
  - KPI 2.20.2 Percentage of electrical panels repaired/ maintained internally after faults detected within 2 days
48. Basic services enhance the quality of life of citizens and increase their social and economic opportunities by promoting health and safety, facilitating access to work, education, and recreation, and stimulating new productive activities.
49. We evaluated the reported performance information for the selected key performance area against the criteria developed from the performance management and reporting framework. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users of the report on the municipality's planning and delivery on its mandate and objectives.
50. We performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
  - all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included

- the indicators are well defined to ensure that they are easy to understand and can be applied consistently and are verifiable, so that we can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance, as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as what were committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable/ the reported performance information is presented in the annual performance report in the prescribed manner.
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets/ measures taken to improve performance.

## Audit results – Basic service delivery and infrastructure development.

51. We did not identify findings on the completeness of the indicators used for planning and reporting on performance.
52. We identified material findings on the overall presentation of performance information in the annual performance report. The material findings raised in relation to the overall presentation of the performance information was subsequently corrected by management.
53. We did not identify any material misstatements in the reported performance information in the annual performance report submitted for auditing.

### Material misstatements corrected

Description	Prior-year misstatements	
	2022-23	2021-22
<b>Percentage of waste management service rendered on 6 areas</b>		
Reason provided relates to the challenges experienced when reporting on the indicator not necessarily on the performances or activities undertaken by the municipality to ensure achievement and the challenges experienced in doing so.		
<b>Percentage of water samples taken as per annual sampling points</b>		
It's not clear how water rationing would negatively nor positively impact on the reported achievement of the indicator, we therefore cannot link the reason provided to the indicator affected.		
<b>Percentage of public lights maintained</b>		
The reasons provided for the deviations noted between planned target and report achievement are not indicative of circumstance that hindered the municipality from achieving on the planned target through undertaking planned activities. The streetlights not working are		

Description	Prior-year misstatements	
	2022-23	2021-22
actually required by this indicator to be attended to instead of being removed from the register.		

Uncorrected	Corrected	No prior-year misstatement	Indicator not audited/included in prior-year annual performance report
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## Information to be included in auditor's report

54. We may communicate matters about the audit, the auditor's responsibilities and the auditor's report in the auditor's report that are important for users of the annual performance report to know about. We will include information on the corrections to the material misstatements in the submitted annual performance report in the 'other matters' section in the auditor's report.

## Internal control and recommendations

55. We identified significant internal control deficiencies, which caused the weaknesses in the performance planning, management and reporting processes as reported.

### Significant internal control deficiencies – performance planning, management and reporting

Deficiency	Prior years reported	
	2022-23	2021-22
Management did not review the reasons provided for the deviations noted between the planned target and reported achievement. Department Managers did not review the reasons for the deviations noted to ensure that this reflects circumstances that they are aware of or have experienced when executing their planned activities to ensure achievement of the planned target in the SDBIP.	N/A	N/A
Management did not exercise oversight responsibility on performance indicators included in the SDBIP. As a result, indicators are crafted in such a way that it will not allow measuring actual service delivery i.e "is the water meeting the quality standards.	N/A	N/A

56. We made recommendations to improve the performance planning, management and reporting process to the accounting officer.

### Key recommendations and responses – performance planning, management and reporting

Recommendation and management response	Year originally recommended	Status of implementation
<b>Recommendation:</b> Management should review reasons for the deviations noted between the planned target and reported achievement for all the indicators in the to ensure that this reflect circumstances that addresses management performance towards achieving on the planned target, furthermore management should ensure that there is a direct link between the reasons provided and the affected indicator. The revised reason for deviations, should there be any, should be supported by corroborative POE.	2023-24	In process – on track

Recommendation and management response	Year originally recommended	Status of implementation
<b>Response:</b> Management agrees with the finding.		
<b>Recommendation:</b> Management should consider recrafting this performance indicator for future SDBIP to "Percentage of drinking water samples complying to SANS241" <b>Response:</b>	2023-24	Not yet started

57. The positive to note is that management was able to provide alternative evidence and/or the auditor could perform alternative procedures to validate actual reported achievements for the affected indicators. What has not yet been achieved should be expedited and the accounting officer should thereafter hold each member of management accountable to maintain the desired level of performance.

## PLANNED TARGETS NOT ACHIEVED

58. As disclosed in the annual performance report, not all the planned targets were achieved for the key performance area we selected for auditing.

59. We will draw the attention of oversight to the non-achievement of key indicators by including the table that follows in the 'other matters' section in the auditor's report, with reference to the pages in the annual performance report where the reasons for the non-achievement are included.

### Targets for key indicators not achieved – Basic Service Delivery and Infrastructure Development

Targets achieved: 86.27%		
[xx]%		
Key indicators not achieved	Planned target	Reported achievement
Percentage of waste management service rendered on 6 areas	100%	86%
Number of mega litres of water supplied to deep rural areas	107.52 Mega Litres	43.94 Mega Litres
Percentage of water samples taken as per annual sampling points	100%	88.6%
Percentage of public lights maintained	90%	29%
Percentage of pumps and motors repaired within 3 days after being reported	100%	97%
Percentage of electrical panels repaired/ maintained internally after faults detected within 2 days	100%	93%
Petrol consumption report submitted to portfolio committee meeting	12	4

## OTHER INFORMATION IN ANNUAL REPORT

60. We did not audit the information in the annual report except for the financial statements and the key performance area in the annual performance report selected for auditing.
61. However, the auditing standards require us to read the unaudited information and consider whether it is materially inconsistent with the information we audited or the knowledge we obtained during the audit, or otherwise appears to be materially misstated.
62. We did not identify material findings to report in the auditor's report.

## DELIVERY OF POTABLE QUALITY DRINKING WATER

63. The audit included an assessment on the delivery of potable quality drinking water which included a site visit to the Carolina Water Treatment Plant (WTP) and its associated distribution network where water samples were collected for testing. The samples were collected from five sampling points, Carolina WTP, Municipal technical office, Caropark reservoirs, Carolina Silobela Constituency Park and Carolina Silobela Cross Roads House 442. The water samples collected were sent to a laboratory registered with SANAS for testing and results were analysed with a focus on various properties, including physical, chemical, and bacteriological aspects. The audit also included the review of the municipality's plans and progress made towards improving the quality of potable drinking water reported in the 2022 Blue drop report and the 2023 Blue Drop watch report done by the Department of Water and Sanitation (DWS).
64. We identified significant findings on the delivery of the service.
65. **Impact:** The non-compliance to the South African National Standard (SANS) 241 of the water samples poses possible health risks to approximately 246 664 citizens benefiting from the Carolina WTP and its associated distribution network.

### Quality of potable drinking water

66. The 2023 Blue Drop Watch Report prepared by the DWS indicated that the water qualities within the municipality was not compliant to SANS 241 standards. Drinking water that is not compliant with SANS 241 standards poses possible health risks to the citizens. On 24 October 2024, the audit team conducted a site visit to the Carolina WTP and its associated distribution network located within the municipality which serves approximately 246 664 citizens.

#### Findings on quality of potable drinking water

Finding	Material non-compliance	Prior years reported	
		2022-23	2021-22
The water test results indicated that the turbidity, Manganese and E. coli parameters exceeded the SANS 241 limits.	No		
The municipality's monthly progress reports indicated that the water qualities at Carolina WTP, Bettysgoed WTP and Mpuluzi WTP had E. coli, Total Coliform, Turbidity and Fluoride consistently exceeding the SANS 241 limits.	No		
The Carolina and Emanzana WTP are unauthorised in terms of the National Water Act (Act 36 of 1998).	No		
The municipality is not complying with the Water Use License Application (WULA) on monitoring water losses.	No		

Finding	Material non-compliance	Prior years reported	
		2022-23	2021-22
The WTW is classified as a class 2 – Marginal Water Quality	No		

67. The classification of the quality of water indicates minor exceedances in certain parameters, extended exposure might pose health risks, particularly for sensitive individuals, like young children or those with compromised immune systems. Some acute health issues can be expected due to the presence of E. coli and manganese in the water.
68. **Impact:** The Carolina WTP and its associated distribution network serves approximately 246 664 citizens, thereby exposing them to marginal quality of water.
69. The non-compliance to SANS 241 poses possible health risks as follows:
- Exposure to pathogenic E. coli can lead to infections ranging from mild to life-threatening, particularly in vulnerable populations like young children, elderly people, and those with weakened immune systems. The presence of E. coli in drinking water is considered unsafe and typically requires immediate action.
  - Prolonged exposure of Manganese above the threshold can lead to adverse neurological and cognitive effects, particularly in children, who are more susceptible to manganese toxicity.
  - While Total Coliforms themselves are not generally harmful, they serve as an indicator of potential contamination. If total coliforms are detected, further testing for E. coli or other pathogens is typically recommended, as it suggests that other harmful organisms may also be present.
  - Excessive fluoride levels can cause adverse health effects. Chronic exposure to high fluoride levels can lead to dental fluorosis (discoloration or mottling of the teeth) and skeletal fluorosis (joint pain and bone issues).
70. The deficiencies are caused by the municipality not monitoring the incoming flow of water from sources and the output being the final treated water that goes to the reservoirs and consumers. It was also noted that technical officials lack competency in capturing and uploading data on Integrated Regulatory Information System (IRIS). DWS evaluates municipalities based on data captured and uploaded to IRIS.

## Recommendations

71. We made recommendations to improve the delivery processes to the accounting officer and project manager.

### Key recommendations and responses – quality of portable drinking water

Recommendation and management response	Year originally recommended	Status of implementation
<p><b>Recommendation:</b> The Accounting Officer should implement adequate record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting to ensure training records supporting skills development interactions provided to PCs.</p> <p><b>Response:</b></p> <p>a) IRIS Training First Session: - It covered Process Controllers registration, Both Water &amp; Wastewater Treatment Plant registrations and</p>	2023-24	Not started

Recommendation and management response	Year originally recommended	Status of implementation
<p>Data Capturing of Compliance Water Quality Results. IRIS Training Second Session: - It was going to cover mainly the Uploading of Assessment Documents for both BDS &amp; GDS. Mr. Thela has communicated with DWS speedily come for the second session.</p> <p>b) For financials I agree the office of the Accounting Officer to formulate a BDS / GDS &amp; No Drop Structure that comprises of various department such as Technical Services; Finance; Corporate Services; etc. that would be headed by the Accounting Officer. The structure will meet at least once per quarter to ensure provision of adequate, relevant and accurate information is made accessible and available in time for audit purposes.</p> <p><b>Auditor's conclusion:</b> Subsequent information relating to the municipality offering training to PCs was submitted. The screenshots provided do not sufficiently demonstrate the regular training was provided to the PCs. To strengthen the evidence, the municipality must include attendance registers along with the presentation slides.</p>		
<p><b>Recommendation:</b> The Accounting Officer should develop Key Performance Indicators (KPIs), sign Performance Agreements with staff and regularly undertake performance assessments to ensure that employees perform as required.</p> <p><b>Response:</b> The municipality committed to the development of KPIs to produce Performance Agreement for Technical Services staff.</p> <p><b>Auditor's conclusion:</b></p> <p>The corrective measure to develop KPIs is noted and acknowledged. The auditors will follow up on the implementation during the 2024-25 audit.</p>	2023-24	Not started
<p><b>Recommendation:</b> Assigned staff should regularly monitor the inflow and outflow values of the WTP to ensure that the community receives treated water and avoid any water losses.</p> <p><b>Response:</b> Management disagreed with the finding where they indicated that during site visit the AG official was able to witness the bulk meters and log book on site. It was also indicated that municipality submitted water loss calculation.</p> <p><b>Auditor's conclusion:</b></p> <p>Management disagreed that the inflow and outflow are not monitored however, the flow meter readings for abstraction and final volume were not provided.</p>	2023-24	In progress -on track
<p><b>Recommendation:</b> Assigned staff should assess consistently every month, the abbreviated SANS 241 list of parameters at each monitoring point. This should include the addressing of the non-compliance identified.</p> <p><b>Response:</b> Management indicated that they currently perform water quality analysis once per week on almost all compliance / GSDM Sampling Points currently in the municipal Sampling Plan</p> <p><b>Auditor's conclusion:</b> Management disagreed however no weekly monitoring results were submitted. Implementation will be followed up during the next audit.</p>	2023-24	In progress -on track

## DELIVERY OF WATER AND SANITATION

72. The audit included an assessment on the delivery of water and sanitation which included water, sanitation, wastewater management and water tankering.
73. We identified significant findings on the delivery of the service.
74. Safe water and sanitation are vital for human health and well-being. Contaminated water and poor sanitation are linked to transmission of diseases such as cholera, diarrhoea, dysentery, hepatitis A, typhoid and polio. Absent, inadequate, or inappropriately managed water and sanitation services expose individuals to preventable health risks.
75. The management of water and sanitation services were identified as an focus areas applicable to MFMA 2023-24.
76. The objective is to determine whether the municipality:
- planned and delivered the basic water and sanitation services that it is responsible for
  - is addressing the backlog in providing access to functioning water and sanitation services
  - is spending grant funding received for water and sanitation infrastructure as
  - has planned and budgeted for routine water infrastructure maintenance
  - waste water infrastructure is properly maintained to ensure appropriate conditions and safety standards
  - has the necessary skills and capacity to successfully operate and manage its Wastewater Treatment Works (WWTW).
  - utilises water tankering services on a needs analysis basis, with appropriate planning, procurement and expenditure management processes in place along with action plans to provide permanent sources of piped water to affected communities

### Water – repeat

77. Local Government may be described as the sphere of Government that is closest to its constituents and responsible for rendering a wide range of services that materially affect the daily lives of the inhabitants residing within its area of jurisdiction. In the context of their everyday lives, it is the only level of Government that has constant impact on the physical and human social environment within which humans live. Its closeness to the people involves the rendering of services such as inter alia, the provision of potable water and domestic wastewater and sewage disposal services. In line with the Constitution and the mandates of Local Government, Municipalities play an important role in environmental conservation and sustainable development pursuant to local environmental governance.

#### Findings on water

Finding	Material non-compliance	Prior years reported	
		2022-23	2021-22
The municipality did not report on the implementation of the WSDP for the two financial years before the financial year under review.	No	√	√

Finding	Material non-compliance	Prior years reported	
		2022-23	2021-22
No water infrastructure maintenance plan was established for the year under review.	No	√	√
Water losses were incorrectly calculated or did not agree with the supporting evidence.	Yes	√	√

78. Management during the year under review reported 542 water samples taken for testing the quality of water. The indicator included in the SDBIP (KPI Ref: 2.16.4) (Percentage of water samples taken as per annual sampling points) however measures the number of water samples collected for quality analysis in compliance with the South African National Standards (SANS) and does not measure the number/percentage of samples complying to SANS to enable the achievement of the strategic goal of providing quality water which is safe for human consumption.

79. Non-adherence to basic requirements puts unnecessary strain on municipal resources. Monitoring the implementation of the WSDP would enable council to identify areas in need of intervention and assist in meaningful planning and budgeting. Water losses will escalate and could lead to be ever increasing putting additional financial strain on the fiscus. Water that is lost is indicative of the aging infrastructure. Council incurs direct costs for lost water, energy, and chemicals used in treatment. They also lose revenue from water that could have been sold.

## Recommendations

80. We made recommendations to improve the delivery processes to the accounting officer. Some of these recommendations were also made in prior years.

### Key recommendations and responses – water

Recommendation and management response	Year originally recommended	Status of implementation
<p><b>Recommendation:</b> The water service audit report should be done within 4 months after the end of the financial year. The report should be submitted to the provincial and/or national Minister of Water and Sanitation and a summary should be published.</p> <p><b>Response:</b> The WSDP was incorporated in the development of the 2022-2027 IDP which is annualised in the SDBIP, the SDBIP is reported in the APR</p>	2022-23	Not started
<p><b>Recommendation:</b> A water maintenance plan, including preventative maintenance for water infrastructure should be prepared in line with the WSDP. The infrastructure maintenance budget of the municipality should meet treasury's 8% threshold on the infrastructure asset value.</p> <p><b>Response:</b> Municipality have appointed a service provider to update the Water Services Development Plan. Currently we have maintenance operating manuals for Methula &amp; Lesushwana Water Treatment Plant. On others we currently have ongoing capital projects which also include upgrades of the plants. Once the projects are completed, we will develop maintenance operating manuals for them.</p>	2022-23	In progress
<p><b>Recommendation:</b> Implement a dual-review process where the distribution loss schedule is verified against supporting documentation by two separate individuals or teams. Enhance review procedures by maintaining a checklist to ensure all required elements are accurately documented and substantiated before inclusion in disclosure notes.</p>	2022-23	In progress

Recommendation and management response	Year originally recommended	Status of implementation
<b>Response:</b> Outstanding		

81. Management did not implement prior year recommendations which is a reflection of the need to address the matters identified.

## Sanitation – repeat

82. The objective is to determine whether the municipality planned and delivered the basic water and sanitation services that it is responsible for and is addressing the backlog in providing access to functioning water and sanitation services.

### Findings on sanitation

Finding	Material non-compliance	Prior years reported	
		2022-23	2021-22
No report was prepared on the implementation of the WSDP (water service development plan) for the two financial years before the financial year under review.	Yes	√	√
No water maintenance plan (including preventative maintenance for water infrastructure) was established for the 2022/2023 financial year.	Yes	√	√

83. Due to the lack of the water maintenance plan, there can be no correlation between the maintenance plan and budget for maintenance.

84. We made recommendations to improve the delivery processes to the accounting officer. Some of these recommendations were also made in prior years.

### Key recommendations and responses – sanitation

Recommendation and management response	Year originally recommended	Status of implementation
<p><b>Recommendation:</b> The water service audit report should be done within 4 months after the end of the financial year. The report should be submitted to the provincial and/or national Minister of Water and Sanitation and a summary should be published.</p> <p><b>Response:</b> The WSDP was incorporated in the development of the 2022-2027 IDP which is annualised in the SDBIP, the SDBIP is reported in the APR</p>	2022-23	Not Started
<p><b>Recommendation:</b> A water maintenance plan, including preventative maintenance for water infrastructure should be prepared in line with the WSDP. The infrastructure maintenance budget of the municipality should meet treasury's 8% threshold on the infrastructure asset value.</p> <p><b>Response:</b> Municipality have appointed a service provider to update the Water Services Development Plan. Currently we have maintenance operating manuals for Methula &amp; Lesushwana Water Treatment Plant. On others we currently have ongoing capital projects which also include upgrades of the plants. Once the projects are completed, we will develop maintenance operating manuals for them.</p>	2022-23	In progress

85. Management did not implement prior year recommendations which is a reflection of the need to address the matters identified.

## Water tankering

86. The objective is to determine whether the municipality utilises water tankering services on a needs analysis basis, with appropriate planning, procurement and expenditure management processes in place along with action plans to provide permanent sources of piped water to affected communities

### Findings on water tankering

Finding	Material non-compliance	Prior years reported	
		2022-23	2021-22
The WSA did not prepare appropriate action plans to provide a permanent source of piped water to affected communities or to restore regular supply of piped water.	Yes		
The WSA's planning documents (IDP/SDBIP) do not include planned/ future infrastructure investment for the specific areas/ region where water tankers are used,	Yes		

87. **Impact:** Temporal measures such as water tanks play a crucial role in providing short-term relief to areas affected by the lack of water services. These measures help address immediate needs while more permanent solutions are developed.

## Recommendations

88. We made recommendations to improve the delivery processes to the [position(s) in senior management]. [Some of these recommendations were also made in prior years.]

### Key recommendations and responses – water tankering

Recommendation and management response	Year originally recommended	Status of implementation
<p><b>Recommendation:</b> Action plans to provide a permanent source of piped water to affected communities/regular supply of piped water that sets out appropriate milestones and allocates responsibility to responsible staff members should be developed.</p> <p>The water services development plans and the IDP/SDBIP should include planned/ future infrastructure investment for the specific areas/ region where water tankers are used.</p> <p><b>Response:</b> Outstanding</p>		In progress

## HUMAN RESOURCE MANAGEMENT

89. We audited compliance with legislation on human resource management and assessed the processes in place to ensure adequate and sufficiently skilled resources are in place.

90. We did not identify findings.

## USE OF CONSULTANTS

91. The municipality spent R2 349 019 on consultants to support the current year financial management and reporting processes, a reduction from the R7 936 877 in the previous year.
92. Our audit included an assessment of the effective use of consultants and compliance with local government requirements for the appointment and management of consultants.
93. We identified findings on the use of consultants.

### Findings on use of consultants

Finding	Prior years reported	
	2022-23	2021-22
The decision to appoint the consultant is not supported by a needs assessment and requirements	√	√
The transfer of skills is provided for in the SLA between the municipality and the service provider. However, the municipality could not provide evidence of skills transfer	√	√
The municipality did not develop a consultancy reduction plan to reduce the reliance on consultants	√	√

94. Managements approach on the development of a consultancy reduction plan highlights management reliance on consultants.
95. **Impact:** The municipality did not develop policies and procedures that addresses the identification of needs analysis, skills analysis- and a consultancy reduction plan.
96. We made recommendations to improve the use of consultants to the accounting officer A summary of the key recommendations and the responses received follows.

### Key recommendations and responses – use of consultants

Recommendation and management response	Year originally recommended	Status of implementation
<p>Policies and procedures regarding the appointment of all consultants should be aligned to relevant regulations and should as a minimum address the following:</p> <ol style="list-style-type: none"> <li>a. Needs analysis</li> <li>b. Consultant reduction plan</li> <li>c. Transfer of skills</li> <li>d. Regular monitoring of the transfer of skills and the consultancy reduction plan.</li> </ol>	2021-22	In progress

97. The contract with the consultant for asset management ended in March 2024, but management extended it for an additional three months, with the new contract ending on 30 June 2024. However, during the physical asset verifications conducted in October 2024, it was noted that management

was still unable to carry out the verifications independently, despite the contract having been in place for over three years. This highlights the lack of skills transfer, as management remained heavily reliant on the consultants.

## INFORMATION SECURITY MANAGEMENT

98. Our audit included an assessment of the effectiveness of information technology (IT) security controls that should prevent unauthorised access to key information systems and safeguard the municipality against business interruptions.
99. We did not identify significant deficiencies in the IT security controls.

## PROCUREMENT AND CONTRACT MANAGEMENT

100. Section 217(1) of the Constitution envisages supply chain management systems that are fair, equitable, transparent, competitive and cost effective to achieve optimal value for public money spent and ensure equitable opportunities for suppliers to participate in government business. Meticulous contract management and rigorous payment control mechanisms should be in place to ensure that payments are made only upon the supplier's timely delivery, agreed-upon pricing is adhered to and specified quality standards are complied with.
101. We continued to focus on procurement and contract management processes, recognising that public procurement is the area at greatest risk of fraud, financial loss and irregular practices. We identified findings. The findings on material non-compliance with legislation will be reported in the auditor's report.
102. Next we summarise the areas in procurement and contract management processes where we identified findings – these are the areas at greatest risk of fraud and financial loss. Details on the findings are included in **annexure B**.

### Findings on procurement and contract management

Area	Findings		
	2023-24	2022-23	2021-22
Audit limitations			
Deviations			
Conflict of interest			
Non-compliance: competitive bidding process			
Non-compliance: quotation process			
Contract management			

	Material non-compliance with legislation		Findings		No findings
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103. **Impact:** The non-compliance matters noted above have led to a material non-compliance to be reported.

## IRREGULAR EXPENDITURE

104. Non-compliance with legislation resulted in irregular expenditure of R1 907 634. The irregular expenditure incurred constitutes non-compliance with section 62(1)(d). The non-compliance will be reported as a material finding in the auditor's report, as the previous year transgression, that could have been prevented, re-occurred, resulting in significant value of irregular expenditure in the current year.
105. The irregular expenditure incurred was not disclosed in the financial statements. As detailed in the section on financial statements, the material misstatement in the financial statements will be reported in the auditor's report.
106. The reasons that lead to the irregular in the current year are, in the main, like those that occurred in the prior years. The accounting officer should therefore take decisive steps in dealing with those who cause irregular expenditure and improve on preventative controls to ensure that irregular expenditure is prevented.

## CONSEQUENCE MANAGEMENT

107. Legislation stipulates that matters such as incurring unauthorised, irregular, and fruitless and wasteful expenditure; the possible abuse of the supply chain management system (including fraud and improper conduct); and allegations of financial misconduct should be investigated. Disciplinary steps should be taken based on the results of these investigations. Our audit included an assessment of the municipality's management of consequences.
108. In the table that follows, we provide analysis of how long incidents of unauthorised, fruitless, and wasteful expenditure reported in previous year (s) take to clear, e.g. transfer to receivables for recovery, condonation, removal, etc.

**Status of incidents of prior year[s] unauthorised, fruitless, and wasteful expenditure (UIFWE)**

Type	Incidents reported	Incidents cleared	Incidents not cleared	Average time to clear incidents	Average age of incidents not yet cleared	Reason
Irregular expenditure	11	10	1	1 year	1 year and 7 months	The incident was not investigated in the 2023/2024 financial year as MPAC only tabled the old contracts for write off. The transaction is under consideration and investigation in the 2024/2025 financial year.
Fruitless and wasteful expenditure	2	2	0	1 year	Not applicable	None
Unauthorised expenditure	0	0	0	0	0	None

109. We did not identify findings. The findings on material non-compliance with legislation will be reported in the auditor's report.

## **FRAUD RISK**

110. Our auditing standards define fraud as an intentional act by one or more individuals who are employees, management, those charged with governance or third parties, and that involves the use of deception to obtain an unjust or illegal advantage.

We are required to evaluate whether the information obtained during our audit indicates whether there are any fraud risk factors present at the municipality and consider its impact on the audit. Fraud risk factors are events or conditions that indicate an incentive or pressure to commit fraud or that provide an opportunity to commit fraud (e.g. inadequate controls to prevent or detect fraud). We did not identify fraud risk factors.

## SECTION 3: CONTROL ENVIRONMENT

### OVERALL CONTROL ENVIRONMENT

111. The significant internal control deficiencies as reported in **section 2** were caused by weaknesses in the overall control environment, for which the accounting officer and senior management are responsible.

112. The following are the main weaknesses that need urgent attention to improve the overall control environment:

#### *Significant internal control deficiencies – overall control environment*

Deficiency	Prior years reported	
	2022-23	2021-22
The municipality developed an action plan to address external audit findings, however the appropriate level of monitoring to ensure that management address the matters reported in the past was not adequate dealt with as evidenced by material findings on commitments and receivables impairment.	√	√
The municipality developed an action plan to address external audit findings, however the appropriate level of monitoring to ensure that management address the matters reported in the past was not adequate as evidenced by repeat findings of last year on commitments, risk management and cash flow statement.	√	√
Management did not develop a consultancy reduction plan which would enable the municipality to reduce any reliance on the consultants. Although the SLA's with the service providers, made provision for the transfer of skills, there was little evidence to suggest that a skills transfer had occurred, which places the municipality at a risk of over – reliance on consultants.	√	√
Senior management did not implement sufficient recording, reviewing, and reporting processes and controls to be able to timeously prevent/ detect and correct errors in financial reporting timeously	√	√

113. The overall control environment of the municipality has remained stagnant compared to the prior financial years. This is evidenced by the significant deficiencies in internal controls not being adequately implemented. Audit action plans prepared to address the internal control deficiencies identified in areas of financial reporting, performance reporting, and compliance with laws and regulations are not being adequately monitored at the correct level.

114. In **annexure C** we provide a more detailed view of the overall state of internal control.

### ACCOUNTABILITY ECOSYSTEM

115. The accountability ecosystem is the collection of role-players that have a part to play in enabling and institutionalising a culture of performance, transparency, accountability, and integrity at the municipality. These role-players include the officials, senior management and accounting officer, supported by the internal audit until and the audit committee.

116. We observed strengths and weaknesses in the contributions to the ecosystem by leadership, management and the governance structures of the municipality. We share our observations with the

intention to contribute to strengthening the overall control environment, performance and accountability.

## Accounting officer and senior management

117. Material misstatements were identified in the annual financial statements and annual performance reports submitted for audit. Some of these misstatements were corrected and some have remained as uncorrected misstatements, which resulted in the modification of the audit opinion. Furthermore, material non-compliance was identified in relation to the various compliance themes scoped in. As a result, there is limited assurance being provided by senior management.

## Audit committee

118. The committee needs to continue to influence action on the internal control deficiencies mentioned above and raise the lack of correcting these deficiencies in the strongest way possible as future efforts by all charged with governance will be undermined by the failure to attend to these matters now.

119. In terms of accountability and focus areas relating to the audit outcome, recurring findings on performance information and compliance areas as well as the impact of matters raised on the overall performance of the municipality, e.g., material misstatements. The strategies around these risk factors must be interrogated to create an enabling local government responsive to citizen's needs. As a key stakeholder in the accountability eco-system, the oversight from the committee will assist with the shifting of the current performance culture in the right direction.

## Internal audit unit

120. The Internal audit unit is an integral part of the accountability ecosystem of the municipality. This unit plays an important role in overseeing the internal control environment of the municipality and assessing controls to ensure that they are efficient and effective to allow the municipality to achieve its mandate.

121. The internal audit performed their planned activities per the risk-based audit plan. Their plan focused on key risk areas however, management is slow in implementing recommendations. As emphasised throughout this report, the need for implementation is critical to turn around the current status quo.

122. The auditing standards allow us to use the work of internal audit units for external audit purposes and for direct assistance. We have used internal audit work for risk assessment purposes primarily because of the nature, timing and scope of work planned for the audit, the level of risk assigned to certain components audited by internal audit and certain restrictions based on our audit methodology. We encourage internal audit to move to control based and computer assisted audit techniques (CAATs) testing in areas such as revenue from service charges, revenue from rates, consumer receivables, employee related costs and inventory and asset management. In addition, we also encourage internal audit to provide input on policies used by management to account for once off type transactions such as the impairment of receivables.

123. In addition, internal audit must guide management and pro-actively review areas of high risk, e.g., where there is a high volume of transactions, prior year uncorrected misstatements, areas subject to accounting or legislative change to enhance the accountability system and provide an additional level of assurance to the accounting officer.

124. Overall, the accountability ecosystem is not where it is expected and planned to be because of the lack of implementation of remedial actions, especially for recurring deviations. Despite, some forward momentum to get things right, there is still some way to go.

## RECOMMENDATIONS AND RESPONSES

125. We made recommendations to improve the overall control environment to the accounting officer. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

### Key recommendations and responses – control environment

Recommendation and management response	Year originally recommended	Status of implementation
<p><b>Recommendation:</b> Recommendation: Management should ensure that they prepare regular, accurate and complete financial and performance reports that are supported by reliable information and also improve on its record keeping controls to ensure that information is easily retrievable on request.</p> <p><b>Response:</b> The municipality will ensure continuous back up of data on its own Server to ensure that there is no more dependence on the System Provider for information.</p>	2022-23	In progress
<p><b>Recommendation:</b> The appropriate level of management must monitor adherence to the action plan for financial and performance information and non-compliance matters in a timely manner. Timeous and appropriate consequences must be sanctioned for those who transgress these plans.</p> <p><b>Response:</b> To be implemented in the 2023-24 financial year</p>	2021-22	In progress
<p><b>Recommendation:</b> Policies and procedures regarding the appointment of all consultants should be aligned to the relevant regulations and should, as a minimum, address the following:</p> <ul style="list-style-type: none"> <li>- Needs analysis</li> <li>- Consultant reduction plan</li> <li>- Transfer of skills</li> </ul> <p>Management should ensure regular monitoring of the transfer of skills and the implementation of the consultancy reduction plan.</p> <p><b>Response:</b> Going forward, we will conduct a needs analysis to determine the level of need for consultancy services and further develop a consultancy scope reduction which will gradually assign internal staff to take over other functions. For other functions that will be conducted by the consultant, a clearly documented skills transfer plan will be developed.</p>	2021-22	In progress

126. We noted that the recommendations and responses relate to the 2020-21 audit outcomes. Similar issues were noted in the prior year audit outcomes and have recurred in the current year audit outcomes which confirms that the implementation of the recommendations to address the identified control deficiencies are still in progress.

## SECTION 4: OVERALL RECOMMENDATIONS

127. We provided recommendations to senior management to rectify the weaknesses identified in financial management, performance management, compliance with legislation and service delivery. We commend management for implementing 63% of the recommendations, however in some areas such as expenditure management, there is slow progress on the implementation

128. Our recommendation for the accounting officer is to focus on addressing the underlying root causes of these weaknesses, which stem from deficiencies in the overall control environment and failures in the accountability ecosystem.

129. In our view the main root causes that need attention are as follows:

- Slow responses by management in dealing with issues identified during audits.
- The accounting officer did not adequately monitor the implementation of an effective action plan to address internal control deficiencies.
- The accounting officer did not exercise oversight responsibility regarding compliance with laws and regulations and performance reporting.
- Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information was accessible and available to support financial and performance reporting.

130. Addressing these root causes requires a focused and systematic approach. We have found that an action plan that is focused on addressing root causes, with SMART targets and disciplined monitoring and implementation, is fundamental to success. The current action plan needs to be improved on.

131. The following are our three main recommendations to address the identified root causes. We have shared some of these before and ask for urgent action to ensure their implementation.

### Overall recommendations

	Recommendation	Year originally recommended	Status of implementation
1.	Develop a credible audit action plan that addresses the root causes and monitor the implementation.	2021/22	Limited progress
2.	Whilst management is responsible for the daily running of the municipality, we will recommend the executive authority monitors the implementation of actions developed by management in addressing the issues raised in this management report.	2021/22	Limited progress
3.	Reduce the substantial amount of reliance placed on work performed by consultants as a result of a lack of experienced resources. Perform a skills audit and focus on improving the skills of the available resources.	2021/22	Limited progress

132. The accounting officer and senior management of the municipality are urged to implement the recommendations in this report and utilise the assurance providers in the accountability ecosystem in every step of the process to improve audit outcomes.

# CONCLUSION

133. The matters communicated throughout this report relate to the fundamentals of internal control that should be addressed to achieve sustained clean administration. It is up to the accounting officer and senior management to prioritise actions that address these fundamentals to ensure that the objectives of achieving a clean administration and thereafter sustaining it, is met. Our staff remain committed to assist in identifying and communicating good practices to improve governance and accountability and to build public confidence in government's ability to account for public resources in a transparent manner.

134. We would like to thank management of the municipality for their continued support in ensuring that the audit process is completed. We also commend them for the commitment and willingness to promote good practice and good internal control environment.

Yours sincerely



Daniel Radebe

Senior manager

30 November 2024

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# ANNEXURE A: FINANCIAL ASSESSMENT

We included a summary of the financial assessment we did as part of the audit in the section on financial performance. This annexure includes the detailed ratios and information used for the assessment.

## Financial health assessment - MFMA

		Current year	Previous year
<b>Expenditure management</b>			
1.1	Creditor-payment period	80 days	82 days
1.2	Deficit was realised for the year (total expenditure exceeded total revenue)	No	No
	Amount of surplus / deficit for the year	R371 851 843	R147 009 279
<b>Revenue management</b>			
2.1	Debt-collection period after impairment	22 days	29 days
	<ul style="list-style-type: none"> <li>Amount of debtor's impairment provision</li> <li>Amount of accounts receivable</li> </ul>	R487 955 916.00 R555 154 632	R446 754 132.00 R520 286 670
2.2	Debt-impairment provision as a percentage of accounts receivable	88%	86%
	<ul style="list-style-type: none"> <li>Amount of debt-impairment provision</li> <li>Amount of accounts receivable before impairment</li> </ul>	R487 955 916.00 R555 154 632	R446 754 132.00 R520 286 670
2.3	Percentage distribution losses – electricity	38%	47%
	<ul style="list-style-type: none"> <li>Amount of units generated / purchased</li> <li>Amount of units sold to consumers</li> </ul>	R47 063 683 -R29 320 674	R35 176 418 -R18 812 348
2.4	Percentage distribution losses – water	19%	35%
	<ul style="list-style-type: none"> <li>Amount of units generated / purchased</li> <li>Amount of units sold to consumers</li> </ul>	R11 158 050 -R 9 031 633	R10 477 358 -R6 857 384
<b>Asset maintenance and renewal</b>			
3.1	Percentage spending on repairs and maintenance	2%	2%
	<ul style="list-style-type: none"> <li>Amount of expenditure on repairs and maintenance</li> </ul>	R48 986 626 R2 657 507 940	R51 990 404 R2 284 925 810

		Current year	Previous year
	<ul style="list-style-type: none"> <li>Carrying value of property, plant and equipment</li> </ul>		
3.2	Total capital expenditure as percentage of total expenditure	37%	28%
	<ul style="list-style-type: none"> <li>Amount of capital expenditure</li> <li>Amount of operating and capital expenditure</li> </ul>	R447 738 024.00 R1 218 668 230	R315 311 694.00 R1 112 553 662
3.3	Asset renewal / rehabilitation expenditure as a percentage of total capital expenditure	0%	0%
	<ul style="list-style-type: none"> <li>Amount of asset renewal / rehabilitation expenditure</li> </ul>	R0.00	R0.00
3.4	Asset renewal / rehabilitation expenditure as a percentage of total depreciation and impairment	0%	0%
	<ul style="list-style-type: none"> <li>Amount of depreciation and impairment</li> </ul>	R70 600 580	R73 399 137
<b>Asset and liability management</b>			
4.1	Total debt / borrowings vs total revenue for the year	6%	-31%
	<ul style="list-style-type: none"> <li>Amount of debt / borrowings</li> <li>Amount of revenue for the year</li> </ul>	(R64 606 343) R1 142 782 049	R288 682 988 R944 251 247
4.2	Current liabilities as a percentage of next year's budgeted resources	18%	40%
	<ul style="list-style-type: none"> <li>Amount of current liabilities</li> <li>Total budgeted income for the next year, excluding employee costs and remuneration of councillors</li> </ul>	-R185 279 237 R1 048 307 000	-R185 594 479 R465 533 357
4.3	Net current liability position was realised (total current liabilities exceeded total current assets)	Yes	No
	<ul style="list-style-type: none"> <li>Amount of net current asset / liability position</li> </ul>	-R80 510 133.00	R272 943 434.00
4.4	Net non-current liability position was realised (total non-current liabilities exceeded total non-current assets)	No	No
	<ul style="list-style-type: none"> <li>Amount of net non-current asset / liability position</li> </ul>	R2 826 491 954	R2 430 478 803.
4.5	Net liability position was realised (total liabilities exceeded total assets)	No	No
	<ul style="list-style-type: none"> <li>Amount of net asset / liability position</li> </ul>	R2 745 981 821	R2 703 422 237
4.6	Liquid assets as a percentage of total current liabilities (acid test percentage)	48%	44%
	<ul style="list-style-type: none"> <li>Amount of liquid assets</li> </ul>	R88 848 837	R82 410 307

		Current year	Previous year
4.7	Current ratio	0.57	0.47
	<ul style="list-style-type: none"> <li>Amount of current assets</li> </ul>	R104 769 104	R87 348 955
4.8	Total debt to total assets ratio	0.02	-0.12
	<ul style="list-style-type: none"> <li>Amount of debts</li> </ul>	-R64 606 343	R288 682 988
	<ul style="list-style-type: none"> <li>Amount of assets</li> </ul>	R2 810 588 164	R2 414 739 249
<b>Cash management</b>			
4.9	Year-end bank balance was in overdraft	No	No
	<ul style="list-style-type: none"> <li>Amount of year-end bank balance ([cash and cash equivalents / bank overdraft])</li> </ul>	R16 228 109	R4 083 119
4.10	Cash plus investments less applications	-R405 673 779	-R198 675 667
	<ul style="list-style-type: none"> <li>Cash and cash equivalents</li> </ul>	R16 228 109	R4 083 119
	<ul style="list-style-type: none"> <li>Amount of total investments (short and long term)</li> </ul>	R5 624 303	R4 948 410
	<ul style="list-style-type: none"> <li>Less: amount of cash applications/ commitments</li> </ul>	-R427 526 191	R207 707 196
4.11	Cash coverage	1 months	1 months
	<ul style="list-style-type: none"> <li>Amount of monthly expenditure</li> </ul>	64 244 184	66 436 831

# ANNEXURE B: PROCUREMENT AND CONTRACT MANAGEMENT

1. We included a summary of our findings and their impact in the section on procurement and contract management. This annexure provides the detailed findings.

## Audit limitations

2. We did not have material limitations however, as in the previous year, management failed to submit on initial request all relevant documentation. There is a need to re visit the filing processes since tender files in most instances missed critical information.

## Deviations

3. Supply chain management legislation and policy prescribe the processes that apply for procuring specific goods and services as well as their threshold values, including competitive bidding, obtaining quotations or participating in transversal contracts. It also defines the requirements for deviating from the prescribed processes. We identified deviations where the stipulated requirements for such deviations were not complied with.

### Findings on deviations from prescribed procurement processes

Contract/quotation	Value and date of award	Finding	Material non-compliance
LexisNexis	<b>Value:</b> R40 206.80 <b>Date:</b> January 2024	The quotations process was not followed and the deviation did not meet the criteria of an emergency.	No

4. **Impact:** The expenditure incurred resulted in irregular expenditure.

## Competitive bidding and quotation processes

5. Supply chain management legislation and policy prescribe the manner in which bidding and quotation processes should be performed to enable fair, competitive and equitable procurement. We identified non-compliance with the requirements for the quotation process.

### Findings on competitive bidding process

We did not identify any findings on competitive bidding.

### Findings on quotation process

Finding	Value	Instances	Material non-compliance	Prior years reported	
				2022-23	2021-22
The request for quotations ranging from R10 000 to R30 000 are not being done in writing. Consequently, bidders would not know the evaluation criteria applied in evaluating the quotations.	R71 650	3	No		

6. **Impact:** All quotations requested in this range without formally communicating the evaluation criteria has resulted in irregular expenditure.

## Contract management

7. Supply chain management legislation and policy prescribe the manner in which contracts should be managed to ensure that payments are only made for goods and services that have been received and that have been delivered at the right quality. We identified non-compliance with these requirements.

### Findings on contract management

Finding	Value	Instances	Material non-compliance	Prior years reported	
				2022-23	2021-22
Contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA.	R24 282 868	7	Yes		

8. **Impact:** The ineffective management of contracts has resulted in material non-compliance which did not trigger irregular expenditure.
9. Generic contract performance measures are in place to monitor contract performance relating to operational contracts. Though the performance measures in place might be relevant for monitoring infrastructure contracts, they do not ensure effective contract management for contracts relating to operational contracts, in that measures contained therein will fail to detect under-performance of the suppliers as they were not designed for such contract nor are they relevant.

## Conflict of interest – MFMA

10. We assessed the interests of officials councillors and other persons in service of the state in the suppliers to the municipality. The supply chain management regulations prohibit awards to suppliers where there could be conflict of interest. We identified such interests.

### Interests identified

Type of interest	Value of awards made	Instances	Prior years reported	
			2022-23	2021-22
Awards were made to providers who were in the service of other state institutions in contravention of MFMA 112(1)(j) and SCM Regulation 44.	R12 000	1	√	√

11. **Impact:** Awards made to service providers in the service of other state institutions is prohibited. Making a false declaration is a deliberate act and would require management to further investigate this award.

## Internal control and recommendations

12. We identified significant internal control deficiencies, which caused the weaknesses in the procurement and contract management processes as reported.

**Significant internal control deficiencies – procurement and contract management**

Deficiency	Prior years reported	
	2022-23	2021-22
Management has not established appropriate contract performance measures to adequately detect supplier underperformance in an operational contract		
Management did not issue a request for quotation for purchases under R30,000 with clear evaluation criteria, creating potential inconsistencies and lack of transparency in vendor selection.		

13. We made recommendations to improve the procurement and contract management process to the accounting officer. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

**Key recommendations and responses – procurement and contract management**

Recommendation and management response	Year originally recommended	Status of implementation
<p><b>Recommendation:</b> Design specific performance measures tailored to monitor the performance and delivery of operational contracts to ensure effective contract management</p> <p><b>Response:</b> The contract monitoring tool will be amended to address specific performance measurements for each contract. Any inapplicable measures will be removed.</p>	N/A	N/A
<p><b>Recommendation:</b> The original request for quotations should be in writing and should include the evaluation criteria applied in evaluating the quotations. should be the same as those indicated in the original request for quotations.</p> <p><b>Response:</b> The Municipality will introduce a document that will summarize the evaluation criteria as supplementary measure</p>	N/A	N/A

# ANNEXURE C: ASSESSMENT OF INTERNAL CONTROL

1. This annexure provides our assessment of the main internal controls in the areas of **leadership, financial and performance management** and **governance** that should enable credible financial statements and performance reports and compliance with legislation.




2. The assessments are rated as follows:

	The required preventative or detective controls were in place.
	Progress was made in implementing preventative or detective controls, but improvement is still required, or actions taken were not sustainable.
	Internal controls were not in place, were not properly designed, were not implemented or were not operating effectively. Intervention is required to design and/or implement appropriate controls.

3. Movement from the previous year is shown as follows:

	Improvement		Regression		Unchanged
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## Internal control assessment

	Financial statements		Performance reporting		Compliance with legislation	
	Current	Previous	Current	Previous	Current	Previous
<b>Leadership</b>						
Provide effective leadership based on a culture of honesty, ethical business practices and good governance, and protect and enhance the interests of the entity						
Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls						
Implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored						
Establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities						
Develop and monitor the implementation of action plans to address internal control deficiencies						

	Financial statements		Performance reporting		Compliance with legislation	
	Current	Previous	Current	Previous	Current	Previous
Establish and implement an information technology governance framework that supports and enables the business, delivers value and improves performance						
<b>Financial and performance management</b>	▲		▲		▲	
Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting						
Implement controls over daily and monthly processing and reconciling of transactions						
Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information						
Review and monitor compliance with applicable legislation						
Design and implement formal controls over information technology systems to ensure the reliability of the systems and the availability, accuracy and protection of information relating to user access management, programme change control and service continuity						
<b>Governance</b>	▶		▲		▲	
Implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of information technology risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored						
Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively						
Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation						

## ANNEXURE D: SUMMARY OF DETAILED AUDIT FINDINGS

1. We communicated [number] findings to management during the audit, and [number] findings in the previous year.
2. This annexure summarises the findings that were communicated. The detailed findings are available on request.
3. The findings are rated as follows:

	Matters that will be reported in the auditor's report and should be addressed urgently
	Matters that should be addressed to prevent material misstatements in the financial statements or material findings on the annual performance report and compliance with legislation in future; also includes matters that significantly affected auditee performance
	Matters that do not have a direct impact on the audit outcome or a significant impact on auditee performance, but were communicated to assist with improving processes and mitigating risks

### Summary of audit findings

COMAF No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
<b>Annual Financial Statement Matters</b>								
3	Internal Control deficiency					√		2
4	Government Grant and Subsidies		√			√		No finding reported in previous two years

COMAF No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
5	Traffic Fines (Not applying the probability test on initial recognition of revenue as required by)		√			√		No finding reported in previous two years
6	Unspent Conditional Grants (No accounting policy included in the AFS in respect of unspent conditional grants)		√			√		No finding reported in previous two years
7	Receivables from Non-Exchange Transactions (Allowance for impairment of property rates not calculated in accordance with the debt impairment policy)		√			√		No finding reported in previous two years
7	Receivables from Exchange and Non-Exchange Transactions (Incorrect formula used for average debt collection rate)		√			√		No finding reported in previous two years
7	Receivables from Exchange and Non-Exchange Transactions (Government owned accounts not considered for impairment)		√			√		No finding reported in previous two years
7	Receivables from Exchange Transactions (Allowance for impairment of service charges not calculated in accordance with the debt impairment policy)		√			√		No finding reported in previous two years

COMAF No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
9	Principal Agent Non-Disclosure (Service Organisation (Pre-Paid electricity) not disclosed in the AFS)		√			√		No finding reported in previous two years
10	Service: Prepaid Electricity (Difference between the General Ledger and the Prepaid electricity reports)		√			√		No finding reported in previous two years
11	Limitation of Scope (Prior Period Error)  Trade Payables		√			√		No finding reported in previous two years
11	Limitation of Scope (Prior Period Error)  Reclassification between bulk purchases and general purchases supporting documentation (Contour invoices)		√			√		No finding reported in previous two years
12	Risk Management (Incorrect and Incomplete Disclosure – Financial Instruments)		√			√		1

COMAF No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
14	VAT (VAT Receivables and Payables offset not allowed in terms of the accounting framework)	Yellow	√			√		No finding reported in previous two years
15	Statutory Receivables (Incorrect and incomplete	Red	√			√		1
24	Revised SDBIP vs Adjust Budget	Yellow	√			√		No finding reported in previous two years
25	Incorrect and Incomplete disclosure – Going Concern	Yellow	√					No finding reported in previous two years
26	Expenditure: Subsidies and Grants	Yellow	√			√		No finding reported in previous two years
27	Related Party – Non-Disclosure of Related Party	Yellow	√			√		1
28	Interest on Investment – Investment register did not agree to the investment statement	Yellow	√			√		1

COMAF No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
29	Prior year Adjustment (PPE Impairment loss limitation in the prior year not attended to)		√			√		1
30	Differences between the amount recorded as per the commitment register and the auditors recalculated amount		√			√		3
30	Difference between the amount as per the variation order and the amount as per the commitment register		√			√		No finding reported in previous two years
30	Difference between the commitments register and the AFS		√			√		No finding reported in previous two years
32	Services not received yet paid for but not disclosed		√			√		No finding reported in previous two years
33	Social responsibility calculated incorrectly		√			√		No finding reported in previous two years
35	Limitation of Scope: Prior year adjustment – Receivable from exchange and Non exchange		√			√		1
36	Payments not made within 30 days after receipt of invoice		√			√		2
37	Property, Plant and Equipment: Work in Progress		√			√		No finding reported in

COMAF No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
								previous two years
38	Misclassification of Expenditure		√			√		No finding reported in previous two years
41	Trade Payables (Various)		√			√		No finding reported in previous two years
42	The discount rate used to recalculate the finance lease obligation does not align with the narration made on disclosure note 12: Finance Lease Obligation nor with the stated accounting policy for Finance Lease Obligations		√			√		No finding reported in previous two years
42	Incomplete and inaccurate financial lease obligation		√			√		No finding reported in previous two years
43	Loss on disposal of assets incorrectly recorded		√			√		No finding reported in previous two years
44	Statement of Cash Flows		√			√		1
46	Segment Reporting		√			√		No finding reported in

COMAF No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
								previous two years
47	Statement of Comparison of Budget and Actual Amounts		√				√	3
48	Finance Costs: Differences between the amount as per the landfill site report for the finance costs and the amount as disclosed in the annual financial statements (AFS)		√				√	1
49	Depreciation and Amortisation		√				√	No finding reported in previous two years
50	Unauthorised Expenditure		√				√	No finding reported in previous two years
51	Distribution Losses – Water		√				√	1
52	Inventory		√				√	No finding reported in previous two years
53	Misclassification and Non-Disclosure of Heritage assets							No finding reported in previous two years
53	Property, Plant and Equipment - Difference between the FAR and the AFS		√				√	1

COMAF No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
53	Property, Plant and Equipment – Incomplete disclosure		√			√		1
54	Revenue Prior Year Limitation		√			√		No finding reported in previous two years
55	Prior Period Qualification: Difference between journal figures and the 2022/23 prior period figure disclosed in the 2022/23 AFS		√			√		No finding reported in previous two years
55	Prior Period Qualification: Difference between the amount as per the reversal and amount as per the supporting schedule		√			√		No finding reported in previous two years
57	Impairment loss – Difference between FAR and the AFS		√			√		No finding reported in previous two years
57	Receivables from Exchange transactions – Non-Compliance with debt impairment policy and GRAP 104		√			√		No finding reported in previous two years
57	Distribution Losses (Electricity Losses)		√			√		No finding reported in previous two years

COMAF No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
58	Use of Consultants: Non-Compliance with the Municipal Cost Containment Regulations		√			√		No finding reported in previous two years
59	Indigent Relief - CAATs		√			√		No finding reported in previous two years
61	Other interest Paid (incorrectly classified the total amount paid to the supplier as finance costs)		√			√		No finding reported in previous two years
<b>Audit of Performance Objectives</b>								
1	Limitation of Scope (Information not submitted)			√		√		No finding reported in previous two years
8	AOPO (Various items)			√		√		1
17	Value Add - Quality of Potable Water						√	1
18	Value Add – Landfill Sites (Poor Management of Several Waste Landfill Sites that could cause substantial harm to the public)						√	1
31	Presentation and Disclosure: Reason provided for the deviations noted between planned target and reported achievement are no indicative of circumstance that hindered the municipality from achieving on the planned target nor are considered relevant to the indicator concerned			√		√		No finding reported in previous two years

COMAF No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
60	APR: Relevance of indicator - Indicator does not relate logically and directly to an aspect of the auditee's mandate, and the achievement of strategic goals			√		√		No finding reported in previous two years
<b>Audit of Compliance</b>								
1	Limitation of Scope (Information not submitted)				√	√		No finding reported in previous two years
19	SCM – Deviation disclosure incorrect				√	√		No finding reported in previous two years
20	SCM Contract Management: contract performance measures in place to monitor operational contracts do not ensure effective contract management				√	√		No finding reported in previous two years
20	Limitation of scope: SCM Contract Management - Total expenditure incurred from contract inception could not be determined				√	√		No finding reported in previous two years
21	SCM – Tender register and Contract register not complete				√	√		No finding reported in previous two years

COMAF No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
22	SCM Quotations: Evaluation criteria applied in evaluating in quotations not indicated beforehand.				√	√		No finding reported in previous two years
23	SCM Competitive bids				√	√		No finding reported in previous two years
40	SCM Competitive bids				√	√		No finding reported in previous two years
45	SCM Quotations: Suppliers in which persons in services of other state institutions have an interest				√	√		No finding reported in previous two years
56	SCM Deviation				√	√		No finding reported in previous two years

# ANNEXURE E: UPCOMING CHANGES

1. This Annexure lists upcoming changes and events that will potentially affect the preparation of financial statements and annual performance report and compliance with legislation.
2. The [type of auditee] should ensure that systems and controls are in place to implement upcoming changes in the [accounting standards / frameworks / pronouncements / circulars / legislation] that could have an impact on future audit outcomes.

## Upcoming changes

Description	Audit outcome area	Effective date
[Listing of new / amended standards, frameworks, pronouncements, circulars or legislation]	[Financial statements / Annual performance report / Compliance]	[Effective date / To be determined]

3. [Information on events other than the changes already listed that could have an impact on the financial statements, annual performance report and compliance with legislation in future; e.g. subsequent events or changes at auditee]
4. If not addressed, the following findings we reported to management could result in [[the financial statements / annual performance report] being misstated] / non-compliance] when the [changes become effective / events occur]:

## Findings on [name of change/event]

Finding	Area affected	Potential impact
[Short description of finding]	[Financial Statements/Annual Performance report/compliance]	[Impact if not addressed]

