



**MATATIELE**  
LOCAL MUNICIPALITY

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**MATATIELE LOCAL MUNICIPALITY**

**Operation Clean Audit Action Plan**

AUDIT FINDING	BACKGROUND	ACTION	RESOURCE	BUDGET	RESPONSIBLE OFFICIALS	DEPARTMENT RESPONSIBLE	MEANS OF VERIFICATION & PROGRESS	TIME-LINES	STATUS
<b>1. Compliance (expenditure): Accounting officer did not take reasonable steps to prevent unauthorised, irregular and fruitless (EX. 76)</b>	In terms of Section 62(1)(d) of the Municipal Finance Management Act the accounting officer of a municipality is responsible for managing the financial administration of	<b>SCM acknowledges the finding as raised by the AG which relates to irregular expenditure and that the expenditure incurred will be disclosed as</b>	N/A	N/A	Mr. B Vumase	SCM	Disclosure and Council resolution.	Ongoing	Pending

	<p>the municipality, and must for this purpose take all reasonable steps to ensure that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented.</p> <p>During the audit process there was irregular expenditure identified, which indicates that effective steps were not taken to prevent the irregular expenditure as required by the legislation.</p> <p>Furthermore, on inspection of annual financial statements it has been noted that the municipality incurred unauthorised expenditure</p>	<p><b>irregular expenditure and reported to Council. Implement strict controls over SCM processes and compliance with legislation.</b></p> <p><b>(Revenue unit)To investigate and recover from the responsible official who caused the fruitless expenditure</b></p>			<p><b>Ms. B Bavu</b></p>	<p><b>Revenue</b></p>	<p><b>(Revenue)Proof of payment or salary deduction</b></p>	<p><b>30 March 2015</b></p>	<p><b>To commence with the investigation</b></p>
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	<p>amounting to R7 820 288 and fruitless and wasteful expenditure amounting to R1 830 and the actions (i.e. budget overspending by department due to depreciation and impairment and late payment of accounts) that caused the unauthorised and fruitless and wasteful expenditure in the previous year which could have been prevented had reasonable steps been taken have re-occurred, therefore this indicates that reasonable steps to ensure that unauthorised and fruitless and wasteful expenditure is not incurred were not taken.</p>								
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<p><b>2. Consultants: No terms of reference for transfer of skills and municipality not utilising internal capacity (EX. 40)</b></p>	<p>In terms of Supply Chain Management: A Guide for Accounting Officers of Municipalities Section 5.7.1 states If the assignment includes an important component for training or transfer of knowledge and skills, the Terms of Reference (TOR) should indicate the objectives, nature, scope and goals of the training programme, including details of trainers and trainees, skills to be transferred, time frames and monitoring and evaluation arrangements. The cost for the training programme</p>	<p><b>Municipality shall insert standard clause that: indicate the objectives, nature, scope and goals of the training programme, including details of trainers and trainees, skills to be transferred, time frames and monitoring and evaluation arrangement to all the SLA's that will be entered between Municipality and Service Providers including consultant raised by AG.</b></p>		<p>N/A</p>	<p>Mr. B Vumase</p>	<p>SCM</p>	<p>Revised SLA's</p>	<p>31 march 2015</p>	<p>Pending</p>
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	<p>should be included in the consultant's contract and in the budget for the assignment.</p> <p>During the audit of consultants it was noted that terms of reference in respect of the following consultants did not contain clauses or terms of reference on the objectives, nature, scope and goals of training, skills to be transferred, time frames, monitoring tools and evaluation of such arrangements. It is further noted that although the municipality has a consultant that has been preparing VAT returns from 1 July 2011 to date,</p>								
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	there is no clear demonstration or evidence that skills were ultimately transferred to staff over the period. Per the contract with the consultant, a 10% fee of the VAT refundable amount is charged								
<b>3. Compliance: AFS not prepared in accordance with MFMA requirements</b>	In terms of Section 122 of Municipal Finance Management Act, every municipality must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its				Mr. K Mehlomakhulu	<b>Budget and Treasury</b>	<b>Monthly Financial Statements, it has been done</b>	<b>Done on a monthly basis</b>	<b>Done on a monthly basis.</b>

	<p>business activities, its financial results, and its financial position as at the end of the financial year.</p> <p>The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of the MFMA. Material misstatements of non-current assets, the statement of changes in net assets and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements</p>								
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	receiving an unqualified audit opinion.								
<b>4. Related Parties: Incorrect Disclosure (EX42)</b>	GRAP 20 par 27 states that: "Subject to the exemptions in paragraph .32, if a reporting entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements." We noted that the Related	<b>The disclosure has been amended and for future the Related Parties Disclosure form will be circulated again to all officials of the Municipality.</b>			Mr L Ndzelu	<b>Budget and Treasury</b>	<b>Monthly Financial Statements and done on a monthly basis.</b>	<b>Done on a monthly basis</b>	<b>Done</b>



	<p>Parties Disclosure Note (Note 38) states that:</p> <p>The disclosure note is therefore incorrect in stating that, "Lesang Faniso, spouse of the Community Liaison officer of the municipality..." and "Boitumelo, the spouse of the Accountant - Payroll of the municipality."</p>								
<p><b>5. Intangible assets: Accounting policy is not disclosed in the annual financial statements (EX.50)</b></p>	<p>GRAP 1 paragraph 123 states: " An entity shall disclose in the summary of significant accounting policies:</p> <p>a) the measurement basis (or bases) used in preparing the financial statements;</p> <p>b) the extent to which the entity has applied any</p>	<p><b>The Accounting policy it has been adjusted/ disclosed in the annual financial statements as</b></p>	<p><b>N/A</b></p>	<p><b>N/A</b></p>	<p>Mr. K Mehlomakhulu</p>	<p><b>Budget and Treasury Office</b></p>	<p><b>Monthly Financial Statements done on a monthly basis</b></p>	<p><b>Done on a monthly basis</b></p>	<p><b>Done</b></p>

	<p>transitional provisions of the Standards of GRAP; and</p> <p>c) the other accounting policies that are relevant to an understanding of the financial statements".</p> <p>On inspection of the annual financial statements submitted for audit it has been noted that accounting policy for intangible assets has not been disclosed</p>								
<p><b>6. Budget: Incorrect figures presented on the Statement of Comparison of Budget and Actual Amounts (EX69)</b></p>	<p>According to the Municipal Finance Management Act Section 62(1)(b): "the accounting officer of a municipality is responsible for managing the financial administration of</p>				Mr L Ndzelu	Budget and Treasury Office	This was adjusted on the 2014 AFS and is being monitored on a monthly basis through preparation of monthly financial statements and the TB.	Monthly Financial Statements and TB	Done

	<p>the municipality and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards".</p> <p>It has been noted that the actual amounts have been presented incorrectly in the Statement of Comparison of Budget and Actual Amounts:</p>								
<p><b>7. Contingent liabilities: Incomplete disclosure of contingencies (EX 122)</b></p>	<p>GRAP 19, paragraph 95 states that, "Unless the possibility of any outflow in settlement is remote, an entity shall disclose for each</p>				Mr L Ndzelu	Budget and Treasury and Corporate Services	This was adjusted with the 2014 AFS and is being monitored on a monthly basis through monthly financial statements	Monthly Financial Statements	Done.

	<p>class of contingent liability at the reporting date a brief description of the nature of the contingent liability and, where practicable:</p> <p>(a) an estimate of its financial effect  (b) an indication of the uncertainties relating to the amount or timing of any outflow; and  (c) the possibility of any reimbursement.</p> <p>On receipt of confirmation from lawyers it was noted that the contingent liabilities were not disclosed in the 2013/14 annual financial statements.</p>								
<b>8. Contingent liabilities: Amount of contingent</b>	In terms of section 62(1)(b) of the Municipal				Mr L Ndzelu	<b>Budget and Treasury and</b>	<b>This was adjusted with the 2014 AFS and is being</b>	<b>Monthly Financial Statements</b>	<b>Done.</b>

<p><b>liability disclosed does not agree to lawyer's confirmation and confirmations not submitted (EX 123)</b></p>	<p>Finance Management Act states: "The accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards". The following has been noted regarding contingent liabilities and assets disclosed: 1. The amount for a certain contingent liability was not revised to agree to the attorney's</p>					<p><b>Corporate Services</b></p>	<p><b>monitored on a monthly basis through monthly financial statements</b></p>		
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	<p>estimate as at 30 June 2014.</p> <p>2. Lawyers' confirmations for the following contingent liabilities disclosed in the annual financial statements were not submitted by the due date and as such validity of the contingencies could not be confirmed:</p>								
<p><b>9. Leave gratuity: Employee not paid leave gratuity upon termination (EX79)</b></p>	<p>According to the Basic Conditions of Employment Act No. 75 of 1997, par 21 states that:</p> <p>(1) An employer must pay an employee leave pay at least equivalent to the remuneration that the employee would have received for working for a period equal to the period of annual leave,</p>				Mr L Ndzelu				

	<p>calculated—  (a) at the employee's rate of remuneration immediately before the beginning of the period of (b) annual leave; and</p> <p>(2) in accordance with section 35.  (a) before the beginning of the period of leave; or  (b) by agreement, on the employee's usual pay day. We noted that the was an employee which was not paid his leave payout on termination.</p>								
<b>10. Employee Cost: Misstatements in councillors allowances (EX 82)</b>	Section 62(1)(b) of the Municipal Finance Management Act 56 of 2003 states that the accounting officer of a municipality is responsible for	<b>To adjust AFS as these were paid in July but not accrued to adjust AFS figures. The whole population was revisited to</b>	<b>N/A</b>	<b>N/A</b>	B.Bavu	Revenue and Expenditure	<b>Changes in the AFS</b>	<b>30 March 2015</b>	<b>The said councillors have been paid and the population checked for similar errors</b>

	<p>managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems. In terms of Circular 04/2014 from SALGA (Determination of upper limits of salaries, allowances and benefits of councillors for 2013/14 financial year), total remuneration is defined as the total cost to the municipality of a basic salary component, a travelling allowance, housing allowance, municipal contribution to</p>	<p><b>check if there is no similar error.</b></p>							
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	<p>pension fund and municipal contribution to medical aid fund. The allowances are calculated as follows:</p> <ol style="list-style-type: none"><li>1. Councillor Mgolombane received a total Remuneration of R16 945.66 instead of R 18 984.66 the difference is due to mobile data and cell phone allowance that was not paid to the councillor.</li><li>2. Councillor S Sello's restructuring was incorrectly done, his housing allowance is R 6830.05 instead of R 4 236.41 (limited to 25% of total annual remuneration)</li><li>3. The list of councillors disclosed in the Annual Financial statements is not</li></ol>								
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	complete( the following councillors were omitted : S Mgolombane and T.A Mhlongo)								
<b>11. Annual Leave: Lack of supporting documentation, discrepancies between leave forms and leave captured, leave taken not captured (EX 85</b>	<p>According to MFMA Section 62(1)(c)(i): "The accounting officer of the municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."</p> <p>In terms of paragraph 9 of the Municipality's Leave Policy: Standard Staff Leave Regulations,</p>				L.T. Somtseu				

	<p>every application for leave shall be made by the employee on a form prescribed by the Council.</p> <p>The following issues have been noted regarding leave taken by employees:</p> <ol style="list-style-type: none"><li>1. No approved leave application forms could be obtained for the following two employees who had taken annual leave. The leave was captured on the system.</li><li>2. For the employees listed below, the number of days captured on the system does not agree to the number of days recorded on the leave forms.</li><li>3. Annual leave taken by the following</li></ol>								
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	employees was not captured on the system								
<b>12. Sick Leave: Lack of supporting documentation and discrepancies between leave forms and the leave system (EX89)</b>	<p>The following issues have been noted regarding the sick leave taken by employees:</p> <p>1. The following employees who took sick leave for three consecutive days or more did not submit medical certificates</p> <p>2. The number of days recorded on the leave forms listed below do not agree to the number of days captured on the system</p>				L.T. Somtseu				
<b>13. Employee Cost-Compliance: no performance agreements for staff other than section 57 and 56 managers (EX121)</b>	Section 62(c)(i) of the Municipal Finance Management Act, 2003 (Act No.56 of 2003), (MFMA) states that the accounting officer of a municipality				L.T. Somtseu				

	<p>is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>During audit of the municipality's control environment the following deficiencies in internal controls were noted:</p> <ol style="list-style-type: none"><li>1The were no individual a performance agreement for the current year for staff other than S57 managers and S56 Managers.</li><li>2. As a result</li></ol>								
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	annual performance evaluations were not done.								
<b>14. IT: System not always fully operational. (EX 23)</b>	On enquiry with management it has been noted that the MIG-MIS system used for registration, monitoring and reporting MIG related projects is not frequently used due to connectivity challenges (i.e. network failure).	<b>Reports are printed out and faxed to COGTA-Bisho office for capturing in case of system failure at MIG</b>			Ms N.Ntloko/ Mr. M Somi	Infrastructure Services	Fax reports	Monthly	In progress
<b>15. Planning: Internal Audit - Incompatible duties not segregated (EX9)</b>	Section 66(1)(d) of the Municipal Systems Act states that a municipal manager, within a policy framework determined by the municipal council and subject to any applicable legislation, must establish a process or mechanism to regularly evaluate	<b>The municipal manager has then separated the risk from the internal audit. The risk sub unit now reports to the Manager Legal Services. The Internal Audit unit is now separate from any other function.</b>	N/A	N/A	Ms. U. Mdlankomo	<b>Municipal Managers Department</b>	<b>Approved Organogram 15/16</b>	<b>31 June 2015</b>	<b>In progress</b>

	<p>the staff establishment and, if necessary, review the staff establishment and the remuneration and conditions of service.</p> <p>During the process of obtaining an understanding of the municipality, it was noted that the risk function identifies and implements risks and monitors internal controls to respond to those risks. According to the Municipal organogram, the Internal Auditor and Risk Manager are combined into one post, namely Manager: Municipal Risk and Audit Services. This combination of incompatible</p>								
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	functions is further echoed in the adverts for internal auditor and risk officer post-dated 24 June 2011 and Manager Internal audit and Risk management dated 26 July 2013.								
<b>16. Consultants: No clear terms of reference and timelines (EX. 39)</b>	In terms of the MFMA, as amended, Section 62(1)(c)(i) the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of	<b>Municipality will revisit all the SLA's consulted that were raised by AG and those ones were appointed in this current year to ensure that clear time of reference, time lines and skills transfer that are measurable.</b>		N/A	Mr. B Vumase	SCM and other Department	Revised SLA's	31 march 2015	Pending



	<p>financial and risk management and internal control.</p> <p>It was noted that there were no clear terms of reference. There is no clear definition of the duties to be performed by the consultants in terms of:</p> <ol style="list-style-type: none"> <li>1. What the relevant “supporting schedules and documentation” are comprised of.</li> <li>2. What exactly is assisting in terms of supervising, training or preparing VAT reconciliations</li> <li>3. What are the other duties or additional duties are and the was no timelines stipulated.</li> </ol>								
<p><b>17. Consultants: No conditions of termination/penalties for non or</b></p>	<p>In terms of the Municipal Financial Management Act</p>	<p><b>All municipal contracts to be vetted by legal services to</b></p>	<p><b>Internal resources</b></p>	<p><b>N/A</b></p>	<p>Legal Services: Acting Manager/</p>	<p><b>Corporate services</b></p>	<p><b>Vetted contracts</b></p>	<p><b>On a monthly basis</b></p>	<p><b>In progress</b></p>

<p><b>underperformance of consultants (EX 41)</b></p>	<p>Section 116 states: Contracts and contract management.— (1) A contract or agreement procured through the supply chain management system of a municipality or municipal entity must— (b) Stipulate the terms and conditions of the contract or agreement, which must include provisions providing for—</p> <p>During the audit of consultants it is noted that contracts from the consultants do not make reference to termination of contracts in the events of underperformance and penalties applicable in the</p>	<p><b>ensure that they contain all the essential elements for contracts and compliance with section 116 of the MFMA</b></p>			<p>Corp Services G.M.</p>				
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	<p>event of under-performance.</p> <p>It is further noted that the contract do not contract stipulates that copyright in any document produced, and the patent rights or ownership in any plant, machinery, system or process designed or devised, by the consultant in the course of the consultancy service is vested in the municipality or municipal entity.</p>								
<b>18. Internal controls: Consultants (EX 119)</b>	Section 62 (1)(c)(i) of the Municipal Finance Management Act (MFMA) states that: "The accounting officer of the municipality is responsible for managing the financial	<b>Policy will be developed and send to Council for approval</b>		<b>N/A</b>	<b>Mr B Vumase</b>	<b>SCM and other department</b>	<b>Reviewed Policy</b>	<b>31 March 2015</b>	<b>Pending</b>

	<p>administration of the Municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control".</p> <p>No policy in place to defined the main purpose and objective of appointing a consultant</p> <p>1. During the performance of audit processes it is noted that the municipality do not have a policy that defines the main purpose and objective of appointing consultants, it is noted that the SCM Policy defines the</p>								
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	<p>procedure to appoint consultants but not the purpose and objective of appointing a consultants. No analysis is done to evaluate the extent of the use of consultants</p> <p>2. During the performance of audit processes it is noted that the municipality do not perform analysis of the extent consultants are being used.</p>								
<p><b>19. Prior year misstatements: Uncorrected misstatements (EX. 104)</b></p>	<p>ISA 710.7 requires the auditor to obtain sufficient appropriate audit evidence that the financial statements include the corresponding figures required by the applicable financial reporting framework and that such</p>				Mr L Ndzelu	Budget and Treasury Office	<p>This was corrected in the 2014 AFS and is being monitored on a monthly basis through Monthly Financial Statements</p>	<p>Done on a monthly basis.</p>	Done

	<p>information as appropriately classified. The audit objective is to obtain audit evidence which will allow the auditor to conclude that the corresponding figures do not contain misstatements that materially affect the current period's financial statements.</p> <p>The following prior year misstatements were not corrected by management as they were regarded as immaterial.</p> <p>ⓧⓧ Basic salary – Misstatement amounting to R7 592 for overpayment made after termination of services.</p> <p>ⓧⓧ Overtime –</p>								
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	<p>Misstatement amounting to R184 098.47 for overpayment of overtime.</p> <p>☒☒Basic salary – Misstatement amounting to R71 008.02 for no proof of leave pay out on termination of services</p> <p>☒☒Investment property - Misstatement amounting to R71 500 for details of asset register that do not agree to valuation roll.</p>								
<b>20. Budget: Non-compliance (EX. 62)</b>	<p>According to the Municipal Finance Management Act s71(1)(g): "Monthly budget statements.—The accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and</p>				Mr L Ndzelu	<b>Budget and Treasury Office</b>	<b>The monthly reports are being submitted on time to the National Treasury before the required time.</b>	<b>Section 71 reports submitted to Treasury.</b>	<b>Done</b>

	<p>the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:</p> <p>We noted the following:</p> <ul style="list-style-type: none"><li>☐☐The monthly budget statements do not reflect the explanation of material variances in projected revenue by source and expenditure projections.</li><li>☐☐The monthly budget statements do not contain explanations of material</li></ul>								
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	<p>variances from the service delivery and budget implementation plan/ service delivery agreement and business plan.</p> <p>☒☒The monthly budget statements do not contain explanations of remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the approved budget.</p> <p>☒☒The monthly budget statements submitted to the provincial treasury were submitted only in electronic format.</p> <p>☒☒The monthly budget statements for the months below were</p>								
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	submitted after 10 working days of the end of the month:								
<b>21. Procurement : Entries in the register were not published on the website of the municipality (EX 70)</b>	<p>According to the Supply Chain Management (SCM) Regulations 23(c)(iii) "a supply chain management policy must determine the procedure for the handling, opening and recording of bids and must require the accounting officer to publish the entries in the register and the bid results on the website of the municipality or municipal entity"</p> <p>It has been noted that the register containing the entries (i.e. details of bidders that submitted</p>				Ms NB Matshoba Mr B Vumase				

	<p>bids) relating to the projects detailed in the table below was not published on the website of the municipality, only the bid results were published on the website.</p>								
<p><b>22. Construction of Nyanzela Access Road (Bid Number: MIG/R EC/2012001) (EX24)</b></p>	<p>Paragraph 3.6(3) of the CIDB Practice Note Number 5 which states that the employer should, “perform a risk analysis on the preferred tenderer to ascertain if any of the following might present an unacceptable commercial risk to the employer: unduly high or unduly low tendered rates or amounts in the tender offer; · contract data provided by the tenderer; or the contents of the</p>				Mr L Ndzelu				

	<p>tender returnable which are to be included in the contract.”</p> <p>The Matatiele Local Municipality (MLM) awarded a tender of R8 898 910 to Mabona Civils and Construction for the construction of the Nyanzela Access Road. The AGSA inspected the BAC reports and noted that there were no motivations/analyses detailing why the BAC determined that bidders that quoted bid prices below R8,5 million would pose a risk to completing the project as the project cost estimates was R12 860 985 (table 1 refers). Thus, the</p>								
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	<p>appointment of Mabona Civils and Construction (8th ranked bidder) is in contravention with paragraph 2(f) of the PPPFA states that, "the contract must be awarded to the tenderer who scores the highest points, unless objective criteria justify the award to another tenderer."</p> <p>Furthermore there is no evidence to indicate that the BAC performed a risk analysis for the highest ranked bidder recommended by the BEC in contravention paragraph 3.6(3) of the CIDB Practice Note Number 5 which states that the employer</p>								
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	should, “perform a risk analysis on the preferred tenderer to ascertain if any of the following might present an unacceptable commercial risk to the employer:								
<b>23. Procurement: Deviations disclosed in annual financial statements overstated with employee study (EX63)</b>	Paragraph 6 of the Training and Development policy of the municipality states that: “The Municipality will provide Study Assistance to an employee to enable such employee to obtain a formal qualification suitable for use in his or her scope of employment, subject to the following conditions: During the performance of audit procedures for procurement	<b>The finding was resolved and in the 2014/2015 deviation register employee studies are not included</b>		N/A	Mr B Vumase	SCM	Deviation register	Ongoing	Done

	<p>and contract management it has been noted that the municipality has incorrectly disclosed the expenditure detailed below as a deviation even though there is no contravention with any Act, Regulation or municipality's SCM policy.</p>								
<p><b>24. Procurement: Invoices signed to acknowledge receipt of services before the service provider rendered the services (EX.84)</b></p>	<p>According to section 62(1)(c) of the MFMA Act 56 of 2003): "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps</p>				<p>Mr L Ndzelu</p>				

	<p>to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control”.</p> <p>According to paragraph 2.4.2.5 of the Operational Payment Policy of the Matatiele Local Municipality: “An initial or progress payment in terms of a contract or written agreement shall not be considered an advance but shall be brought into account as a direct charge to the appropriate vote or service, the voucher pertaining such payment shall be supported by a certificate from a</p>								
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	<p>duly authorised official responsible for the management of the contract, that supplier is entitled to the payment in terms of the contract and the work has been properly performed”.</p> <p>During the performance of audit procedures for procurement and contract management it was noted that the following invoices were signed by the delegated official to certify that services were satisfactorily rendered by the service provide and payments were made to this effect; however the service provider only rendered services</p>								
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	on 7 December 2013, after payments were made and receipt of services acknowledged.								
<b>25. Annual Financial Statements: Errors identified in the annual financial statements (EX. 118)</b>	Section 62(1)(c)(i) of the MFMA states that, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains an effective, efficient and transparent systems of financial and risk management and internal control. While performing review of annual financial statements the following errors were identified:				Mr L Ndzelu	<b>Budget and Treasury Office</b>	<b>This was adjusted in the 2014 AFS and is being monitored on a monthly basis through monthly financial statements.</b>	<b>Done on a monthly basis.</b>	<b>Done</b>

	<p><b>Employee benefits</b></p> <p>1. Amount relating to post-retirement medical aid benefits has been disclosed under provisions in note 13 instead of employee benefit obligations in note 14.</p> <p>2. Carrying value as disclosed in note 14 is a negative amount; this is inconsistent in the note as some of the balances are positive.</p> <p><b>Prepayments</b></p> <p>1. Accounting policy for prepayments has not been disclosed in the financial statements.</p> <p>2. The balance of prepayments in note 6 does not agree to the balance</p>								
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	<p>presented in the statement of financial position. The statement of financial position reflects a balance of R3 299 014 and the amount disclosed in the note is R3 309 013.</p> <p><b>Inventory</b> 1. Per inspection of council minutes dated 31 July 2014, inventory loss identified during the yearend stock take amounting to R9 512.46 was approved to be written off; however, the amount relating to write-off as disclosed in note 2 is R4 184.</p> <p><b>Grants and subsidies</b> 1. Conditional grants expenditure has been incorrectly</p>								
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	<p>worded as grants and subsidies even though the municipality has not paid out subsidies.</p> <p><b>Accumulated surplus</b></p> <p>1. Accounting policy for accumulated surplus is not disclosed in the annual financial statements.</p> <p>2. As disclosed in the statement of changes in net assets, expenditure relating to intangible assets was funded from government grant reserve even though this is not allowed in terms of GRAP.</p> <p>3. Interest on housing amounting to R62 758 has been accounted for directly in accumulated</p>								
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	surplus instead of being recorded in the statement of financial performance as revenue.								
<b>26. Assets: Revalued land recorded in the fixed asset register does not have a cost (EX. 25)</b>	Section 62 (1)(c)(i) of the Municipal Finance Management Act (MFMA) states that: "The accounting officer of the municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control".  On review of the fixed asset register it has	<b>The asset register will be sent to property Valuer to ensure that all property on the asset register appears on the valuation roll</b>		N/A	Mr B Vumase	SCM	Updated asset register	31 March 2015	Pending

	<p>been noted that the land, Land Zibi Meyer Hall (asset number 24858-1) has been allocated a revaluation amounting to R2 823 812.66 and there is no cost recorded for the asset. As such, the accuracy of the revaluation calculated could not be confirmed. The fixed asset register was inadequately reviewed and this resulted in errors not being identified and corrected.</p>								
<p><b>27. Assets: Differences between Appendix B and Fixed Asset Register &amp; General Ledger (EX.26)</b></p>	<p>Section 62 (1)(c)(i) of the Municipal Finance Management Act (MFMA) states that: "The accounting officer of the municipality is responsible for managing the financial</p>	<p><b>Preparing of monthly AFS will assist to ensure that Appendix B is correct</b></p>			Mr L Ndzelu	<b>Budget and Treasury Office</b>	<p><b>This was adjusted in the 2014 AFS and Appendix B was adjusted. This is being monitored on a monthly basis through monthly financial statements.</b></p>	<p><b>Done on a monthly basis</b></p>	<p><b>Done</b></p>

	<p>administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control".</p> <p>While performing reconciliation between the total of net assets as per appendix B with the asset register and the general ledger differences were noted.</p>								
<b>28. Assets: Componentisation of community assets (EX.46)</b>	GRAP 17: paragraph 48 states that "Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be	<b>To confirm that monthly AFS include the correct accounting Policy</b>		<b>N/A</b>	Mr L Ndzelu	<b>SCM</b>	<b>Monthly AFS</b>	<b>Ongoing</b>	<b>Pending</b>



	<p>depreciated separately.” Paragraph 52 of GRAP 17 further states that: “An entity may choose to depreciate separately the parts of an item that do not have a cost that is significant in relation to the total cost of the item.” Although the municipality has elected to apply paragraph 52 in respect of community assets, with the fixed asset register reflecting such assets by components (each with their respective useful lives), the following was identified regarding the accounting policy and asset management</p>								
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	<p>policy:</p> <p>Accounting policy 1.3: Property, plant and equipment lists the following useful lives for community assets and makes no mention of componentisation and separate useful lives: Improvements: 25-30 years. Recreational facilities: 15-30 years Security: 15-25 years</p> <p>In addition, the municipal fixed asset policy does not detail the treatment of useful lives of community assets and how they have been componentised. Applying the useful lives per the accounting policy, the value</p>								
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	<p>of the community assets in the financial statements will be misstated as a result of a different calculation of depreciation.</p>								
<p><b>29. Fixed assets: Differences noted between recalculated and reported depreciation (EX.47)</b></p>	<p>According to the MFMA Act 56 of 2003, par 62(a) - (c): General financial management functions. —(1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure-</p> <p>(a) that the resources of the</p>				<p>Mr L Ndzelu</p>				

	<p>municipality are used effectively, efficiently and economically;</p> <p>(b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;</p> <p>(c) that the municipality has and maintains effective, efficient and transparent systems—</p> <p>(i) of financial and risk management and internal control; and</p> <p>(ii) of internal audit operating in accordance with any prescribed norms and standards. The following differences were noted on recalculation of depreciation</p> <p><b>No. 1</b></p>								
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	<p><b>Date</b> 2013/11/12</p> <p><b>Asset name</b> Surfacing Maluti Internal Streets Phase2 Crr</p> <p><b>Recalculated Depreciation</b> 26 965.59</p> <p><b>Reported Depreciation</b> 39 927.03</p> <p><b>Differences</b> (12 961.44)</p>								
<p><b>30. Intangible assets: Inappropriate assumption of residual value (EX.5)</b></p>	<p>In terms of paragraph 98 of GRAP 31 the residual value of an intangible asset with a finite useful life shall be assumed to be zero unless: (a) There is a commitment by a third party to acquire the asset at the end of its useful life; or (b) There is an active market for the asset and: (i) Residual value can be determined by</p>				Mr L Ndzelu				

	<p>reference to that market; and (ii) It is probable that such a market will exist at the end of the asset's useful life. During the performance of audit procedures for intangible assets the following issues have been noted: 1. The intangible assets listed in the table below have been assigned residual values even though: ☐☐There is no evidence of commitment from a third party to buy the asset at the end of its useful life. ☐☐The active market for the intangible asset is available for licensed service providers and the municipality is not a licensed</p>								
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	<p>provider of the software.</p> <p>It is improbable to estimate the market value of the intangible asset in the next three years due to the nature of technology being obsolete.</p>								
<p><b>31. Intangible assets: Amount shown in the AFS does not agree with the amount in the expenditure vouch (EX.81)</b></p>	<p>Section 62(1)(c)(i) of the MFMA states that, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains an effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>Whilst auditing the additions for</p>	<p><b>Invoices will be checked against Monthly AFS to ensure accuracy</b></p>		<p>N/A</p>	<p>Mr B Vumase</p>	<p>SCM</p>	<p>Monthly AFS</p>	<p>Ongoing</p>	<p>Ongoing</p>

	<p>intangible assets it has been noted that the amount of R621 391 disclosed in note 9 relating to the acquisition of the VIP and CTRACK software systems does not agree to the amount per the invoices attached as supporting documentation for the additions.</p>								
<p><b>32. Intangible assets: amortisation for the year not provided (EX.83)</b></p>	<p>Section 62 (1)(b) – The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and for this purpose take all reasonable steps to ensure, that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed</p>				<p>Mr L Ndzelu</p>				



	<p>norms and standards.</p> <p>While performing the audit of intangible assets noted that during the year, the auditee purchased two new computer systems and did not account for amortisation in respect of these two systems. These two systems are VIP which was purchased on the 7th of February 2014 and CTrack which was purchased on the 21st of January 2014. Through inspection of the Matatiele local municipality fixed asset register noted that the 78491 does not include the amortisation for the two computer software.</p>								
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<p><b>33. Investments: Accounting policy note for investments is not disclosed on the Financial Statements (EX35)</b></p>	<p>GRAP 1 paragraph 123 states: " An entity shall disclose in the summary of significant accounting policies:  a) The measurement basis (or bases) used in preparing the financial statements;  b) The extent to which the entity has applied any transitional provisions of the Standards of GRAP;  and  c) The other accounting policies that is relevant to an understanding of the financial statements".</p> <p>On inspection of the Annual Financial Statements it has been noted that the accounting</p>				<p>Mr L Ndzelu</p>	<p><b>Budget and Treasury Office</b></p>	<p><b>This was adjusted in the 2014 AFS and is being monitored on a monthly basis through monthly financial statements</b></p>	<p><b>Done on a monthly basis</b></p>	<p><b>Done</b></p>
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	policy for investments has not been disclosed.								
<b>34. Investments: Journals processed without proper authorisation (EX 64)</b>	<p>According to section 62(1)(c) of the MFMA Act 56 of 2003: "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control".</p> <p>It has been noted that the following journals were processed without proper authorisation</p>				Mr L Ndzelu	<b>Budget and Treasury Office</b>	<b>These were signed after being picked up by the auditors and is being monitored on a monthly basis.</b>	<b>Done on a daily basis (as and when the journal is prepared).</b>	<b>Done</b>

	from a delegated official. These journals were reviewed; however no signature of approval was given:								
<b>35. Investments: Non-adherence with Banking and Investment Policy (EX 68)</b>	According to Part 5 paragraph 5.6 of the Municipality's Banking and Investment Policy: "Before making any call or fixed deposits, the Chief Financial Officer, shall obtain quotations from at least three financial institutions. Given the volatility of the money market, the Chief Financial Officer, shall, whenever necessary, request quotations telephonically, and shall record in an appropriate register the name				Mr L Ndzelu	<b>Budget and Treasury Office</b>	<b>This was resolved in the 2014 AFS and the policy has been reviewed.</b>	<b>Policy has been reviewed and is monitored on a daily basis.</b>	<b>Done</b>

	<p>of the institution, the name of the person contacted, and the relevant terms and rates offered by such institution, as well as any other information which may be relevant (for example, whether the interest is payable monthly or only on maturity, and so forth). Once the best investment terms have been identified, written confirmation of the telephonic quotation must be immediately obtained (by facsimile, e-mail or any other expedient means)".</p> <p>It has been noted that a one month fixed deposit for an amount of R20 000 000 was made with Investec Bank for</p>								
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	<p>the period September 2014 - October 2014 at an interest rate of 5.22% (annual effective). However, only one interest rate quotation was obtained instead of the required 3 quotations as per the Municipality's Banking and Investment policy.</p>								
<p><b>36. Fixed assets: Cost price of a newly acquired assets incorrectly calculated (EX.38)</b></p>	<p>GRAP 17 Paragraph 21 states that "The cost of an item of property, plant and equipment comprises: (a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; (b) any costs directly attributable to</p>				<p>Mr L Ndzelu</p>				

	<p>bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and (c) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period." We noted that in</p>								
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	some instances assets were recorded at incorrect costs in the asset register								
<b>37. Assets: No evidence of authorisation of journal by the delegated official (EX.44)</b>	<p>Section 62 (1)(c)(i) of the Municipal Finance Management Act (MFMA) states that: "The accounting officer of the municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control".</p> <p>Journal number 80 relating to write-off of assets which amounts to</p>				Mr L Ndzelu	Budget and Treasury Office	These were signed in the 2014 financial year after being picked by the auditors and is being monitored on a daily basis.	Daily basis (As and when the journal is prepared)	Done



	R1 031 580.69 was not signed by the delegated official as evidence of approval.								
<b>38. Assets: No policy in place for road infrastructure and maintenance plan not approved (EX.113)</b>	<p>Section 63(1) (a) of the Municipal Finance Management Act (MFMA) states that: “The accounting officer of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets”</p> <p>While making enquiries with management the following was noted:  <input checked="" type="checkbox"/> The municipality does not have a policy for road infrastructure in</p>	<b>Develop a three year maintenance plan in conjunction with Rural Road Asset Management System</b>	N/A	N/A	Mr. M. Somi/ B. Faro	<b>Infrastructure Services</b>	<b>Council Resolution</b>	<b>March 2015</b>	<b>In progress</b>

	place. There is no approved road maintenance plan; the plan is still in draft.								
<b>39. Expenditure: Claimed VAT from non-registered VAT vendor (EX13)</b>	<p>We noted that the Municipality erroneously claimed VAT in the below transaction:</p> <p>A search was performed on the SARS website using VAT registration number 4140203482 and no records were found proving that the <i>ALS CARTAGE</i> is in fact a registered VAT vendor. VAT amounting to R20 877.19 was erroneously claimed from the non-registered VAT vendor.</p>				Mr L Ndzelu				
<b>40. Expenditure: Vehicle Branding</b>	According to GRAP 1 par 17:				Mr L Ndzelu				

<b>recorded as Repairs and Maintenance (EX14)</b>	“Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements. The application of Standards of GRAP with additional disclosures when necessary is presumed to								
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	<p>result in financial statements that achieve a fair presentation."</p> <p>It was noted that the transaction relates to the branding of the Municipality's vehicles with the Municipality's logo but was recorded as an expense in the Repairs and Maintenance account.</p>								
<p><b>41. Expenditure: Invoices not paid within 30 days of receipt (EX15)</b></p>	<p>In terms of the MFMA, as amended, Section 62(1)(c)(i) the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all</p>				<p>Mr L Ndzelu</p>				

	<p>reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal controls.</p> <p>Although a control is in place to date stamp the invoices as they are received from suppliers, In some instances invoices were not date stamped and therefore the number of days between invoice date and payment date could not be determined</p>								
<b>42. Expenditure: No operating leases recognised (EX16)</b>	<p>According to IGRAP 3 par 06 - 09: Determining whether an arrangement is, or contains, a lease shall be based on the</p>				Mr L Ndzelu	<b>Budget and Treasury Office</b>	<b>This was adjusted in the 2014 AFS and is being monitored on a monthly basis through monthly financial statements</b>	<b>Done on a monthly basis</b>	<b>Done</b>

	<p>substance of the arrangement and requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); And (b) the arrangement conveys a right to use the asset.</p> <p>We have noted that the Municipality has not classified any of the arrangements entered into below as an operating lease in accordance with GRAP 13:</p> <p>☒☒Cracovia Trust(Office Rental) ☒☒Konica Minolta(Copier C220) ☒☒Kokstad Copiers</p>								
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	CC(Copiers) Nedbank(Cash Vault)								
<b>43. Expenditure: Journals &amp; Payments processed without proper authorisation (EX17)</b>	According to the MFMA Act 56 of 2003, par 62(a) - (c): General financial management functions. —(1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure- (a) that the resources of the municipality are used effectively, efficiently and economically; (b) that full and proper records of the financial affairs of the municipality are kept in accordance with any				Mr L Ndzelu	<b>Budget and Treasury Office</b>	<b>These were signed in the 2014 financial year after being picked by the auditors and is being monitored on a daily basis.</b>	<b>Daily basis (As and when the journal is prepared)</b>	<b>Done</b>

	<p>prescribed norms and standards; (c) that the municipality has and maintains effective, efficient and transparent systems—</p> <p>(i) of financial and risk management and internal control; and (ii) of internal audit operating in accordance with any prescribed norms and standards.</p> <p>It was noted that the some journals were processed without having proper authorisation from a delegated official: These journals were reviewed but no signature of approval was given</p>								
<p><b>44. Expenditure: Prior year invoices</b></p>	<p>In terms of the MFMA, as</p>				<p>Mr L Ndzelu</p>				



<p><b>paid in current year (not within 30 days) (EX18)</b></p>	<p>amended, Section 62(1)(c)(i) the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>We noted that the following invoices, received from Build-It Matatiele, were not paid within 30 days of receipt. All invoices below relate to goods supplied and delivered in prior financial years. Furthermore, the</p>								
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	<p>validity of these payments could not be determined due to lack of supporting documentation, viz. purchase orders, service level agreement between the Municipality, Build It (Supplier) and Ayai (Engineer). It has also been established that these amounts have not been included in the accruals listing for 2012/2013.</p>								
<p><b>45. Expenditure: Expenditure recognised in the incorrect financial year (EX19)</b></p>	<p>In terms of paragraph 31 of GRAP 1 an entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting. Paragraph 32 of GRAP 1 further states that:</p>				Mr L Ndzelu				

	<p>“When the accrual basis of accounting is used, items are recognised as assets, liabilities, net assets, revenue and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the <i>Framework for the Preparation and Presentation of Financial Statements</i>”.</p> <p>It has been noted that the invoices, received from Build-It Matatiele, were received in the previous financial years (i.e. 2010/2011, 2011/2012 and 2012/2013), however these were only accounted for as</p>								
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	repairs and maintenance expenditure in the current financial year.								
<b>46. Expenditure: Incorrect classification of expenditure transaction (EX22)</b>	In terms of section 62(1)a of the MFMA the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all the reasonable steps to ensure that the resources of the municipality are used efficiently, effectively and economically.	<b>Expenditure acknowledges the finding however it has been adjusted and its being monitored going forward</b>	<b>N/A</b>	<b>N/A</b>	<b>B.BAVU</b>	<b>Revenue and Expenditure</b>	<b>Review of the expenditure incurred per vote to ensure correct allocation</b>	<b>30 March 2015</b>	<b>Ongoing review of expenditure incurred per vote</b>
<b>47. Unauthorised expenditure: Misstatement of unauthorised expenditure (EX 112)</b>	Section 69(1)(a) of the MFMA states that, " The accounting officer of a municipality is responsible for implementing the municipality's approved budget,				Mr L Ndzelu				

	<p>including taking all reasonable steps to ensure that the spending of funds is in accordance with the budget and is reduced as necessary when revenue is anticipated to be less than projected in the budget or in the service delivery and budget implementation plan".</p> <p>During the performance of audit procedures the following is noted</p> <ol style="list-style-type: none"><li>1. The unauthorized expenditure disclosed in the financial statements do not include all the unauthorized expenditure</li><li>2. The accounting officer did not take reasonable</li></ol>								
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	steps to ensure that the spending of funds was reduced when revenue was less than projected in the budget and this resulted in unauthorised expenditure being incurred								
<b>48. Creditors: Invoice not paid within 30 days (EX 55)</b>	In terms of the MFMA, as amended, Section 62(1)(c)(i) the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk	<b>Acknowledge the finding however all department must ensure that a deviation is authorised prior appointing the service provider</b>	<b>N/A</b>	<b>N/A</b>	<b>All head of departments</b>	<b>All departments</b>		<b>Ongoing</b>	<b>resolved</b>

	<p>management and internal con.</p> <p>The following invoice was not paid within 30 days:</p> <p><b>Supplier</b> Iliso Consulting  <b>Invoice date</b> 26/08/2013  <b>Payment date</b> 08/10/2013  <b>Amount</b> 48 828.48</p>								
<p><b>49. Creditors: Leave provision - Attendance registers not signed (EX 56)</b></p>	<p>In terms of the MFMA, as amended, Section 62(1)(c)(i) the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent</p>				<p>Mr L Ndzelu</p>				

	<p>systems of financial and risk management and internal controls.</p> <p>The following employees were absent from work as per the attendance register however, no leave forms are available in support of the days where the register was not signed.</p>								
<p><b>50. Creditors: Leave provision - leave transactions not supported by approved leave forms (EX 57)</b></p>	<p>In terms of the MFMA, as amended, Section 62(1)(c)(i) the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient</p>				<p>Mr L Ndzelu</p>				



	<p>and transparent systems of financial and risk management and internal controls.</p> <p>The following employees have no approved leave forms that agree to the downloaded leave transaction report or leave was approved after it was taken.</p>								
<b>51. AOPD: No standard operating procedures (EX1)</b>	<p>Paragraph 7.1 of the Matatiele Performance Management Policy states that each Department shall draw up its annual departmental performance management framework based on the Integrated Development Plan, Performance Management</p>	<b>To ensure that each department develops Standard Operating Procedures</b>	<b>Internal</b>	<b>Operating Budget</b>	Ms. N.N.P Maqubela	<b>Office of the Municipal Manager: IDP/M&amp;E Unit</b>	<b>Developed Standard Operating Procedures</b>	<b>By 30/06/15</b>	<b>Some Departments to develop these standard Operating Procedures</b>

	<p>Framework (PMS), Strategic Plan and Service Delivery and Budget Implementation Plan (SDBIP). Furthermore, the national Treasury Framework for managing programme Performance Information further states that the accounting officer of an institution is responsible for ensuring that the institution has the following documentation:</p> <p>Definitions and technical standards of all the information collected by the institution processes for identifying, collecting, collating, verifying and storing</p>								
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	<p>information. Use of information in managing for results.</p> <p>Although the municipality has Performance Management Policy and PMS framework in place, the municipality did not have detailed standard operating procedures related to performance objectives for all departments.</p>								
<b>52. AOPO: Reporting of indicators (EX. 65)</b>	<p>Section 46 of the Municipal Systems Act prescribes that:</p> <p>1) A municipality must prepare for each financial year a performance report reflecting—</p> <p>a) the performance of the municipality</p>	<p><b>Service provider Cyassound Events Management did not receive sponsors as declared by him during the hosting of December 2013 Music Festival</b></p>	<p><b>The service provider was asked to declare in writing that he did no receive sponsors</b></p>	<b>R850,000</b>	<b>V Ndaba</b>	<b>EDP</b>	<b>closed out report was submitted by service provider</b>	<b>N/A</b>	<b>Cyassound contract was terminated in November 2014</b>

	<p>and of each external service provider during that financial year;</p> <p>b) a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and measures taken to improve performance.</p> <p>Section 120 of the Local Municipal and Performance Regulation 2001 regulates among others, the following important aspects relating to performance management process:</p> <ul style="list-style-type: none"><li>☐☐ identification and regular review of key performance indicators</li><li>☐☐ mechanisms,</li></ul>								
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	<p>systems and processes for monitoring and measure of performance. Paragraph 3.2 of the Treasury framework for managing performance information states that a good performance indicator should be:</p> <p>(c) verifiable: it must be possible to validate the process and systems that produce the indicator</p> <p>(f) relevant: indicator must relate logically and directly to an aspect of the institutions mandate and realisation of the strategic goals and objectives.</p> <p>A service level agreement (SLA) was signed</p>								
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	<p>between the Municipality and the service provider to facilitate the project management of the Matatiele festival on 7 December 2013. It could however, not be determined whether or not the majority of tourism indicators were accurately recorded and reported due the following shortcomings:</p> <p><b>Dept</b> Tourism</p> <p><b>Indicator</b> 1 Music Festival held in Dec 2013</p> <p><b>Provisions of Service level agreement (SLA)</b> 1) Para 4.1 (bullet 10) states that the service provider (CYASSOUND)</p>								
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	<p>shall declare sponsorships obtained in the event to the municipality.</p> <p><b>Shortcoming</b> No formal declaration which states or declares sponsorships obtained was availed for audit purposes. The accuracy of donations received could therefore not be determined. Note</p> <p><b>Recommendation</b> The service provider Should declare sponsorships received (in cash and in kind)</p>								
<b>53. AOPO: Differences between reported and actual performance (EX. 67)</b>	Section 120 of the Local Municipal and Performance Regulation 2001regualtes among others, the following	<b>To develop the Agriculture, Forestry and Agri-business potential in the municipality to its optimal level</b>	<b>A letter of application for funding was submitted to Old Mutual Masisizane</b>	<b>N/A</b>	<b>V Ndaba</b>	<b>EDP</b>	<b>MoU still pending to be signed between the two institutions</b>	<b>N/A</b>	<b>MoU still pending to be signed between the two institutions</b>

	<p>important aspects relating to performance management process: Identification and regular review of key performance indicators Mechanisms, systems and processes for monitoring and measure of performance. Paragraph 3.2 of the Treasury framework for managing performance information states that a good performance indicator should be:</p> <p>(c) Verifiable: it must be possible to validate the process and systems that produce the indicator</p> <p>(f) Relevant: indicator must relate logically and directly to an</p>		<p>, subsequent to the Agricultural cluster meeting that we had with the private sector stakeholders</p>						
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	<p>aspect of the institutions mandate and realisation of the strategic goals and objective.</p> <p>The reported performance differed to the actual performance as a result validity, accuracy and completeness of reported information could not be determined. The following serves as details thereof:</p> <p><b>Objective</b> To develop the Agriculture, Forestry and Agri-business potential in the municipality to its optimal level</p> <p><b>Indicator</b> Date fund is located for milling facility</p>								
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	<p><b>Planned performance</b> Funding for Milling facility by 30 June 2014</p> <p><b>Reported performance</b> Funding sourced from Old Mutual Masisizane Fund for the milling plant establishment. Close out report submitted to the Department of Local Government</p> <p><b>Actual audited performance</b> Based on the audited work performed it has been established that only an application for funding was submitted, no funding was obtained</p>								
54. AOPO: No	Section 46 of the				GR Tobia				

<p><b>corroborating evidence for targets not achieved (EX. 77)</b></p>	<p>Municipal Systems Act prescribes that:  1) A municipality must prepare for each financial year a performance report reflecting—  c) Measures to improve the performance.  Targets not achieved were not always corroborated with valid reasons and / or measures to improve performance.  <b>Indicator4.2.9</b>  Disposal of identified municipal sites</p> <p><b>Reason for deviation/ nonachievement per</b>  <b>APR</b> Council resolution 529/01/14 states that the auctioning of</p>								
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	<p>the sites was rescinded and postponed until Exco, Whippery and MPAC have visited the sites and reviewed their usage</p> <p><b>Reported measures to improve the performance</b> Matter to be revisited at Council Level</p> <p><b>Reason why considered not valid</b> The reason for deviation is not corroborated with actual timing as to when the sites would be visited and usage thereof reviewed</p>								
<b>55. AOPO : SMME - actual reported performance not</b>	Section 46 of the Municipal Systems Act	<b>Business Plan to source funds submitted to</b>	N/A	N/A	V NDABA	EDP	Correspondence available	N/A	Waiting for response from IDC

<p><b>accurate (EX78)</b></p>	<p>prescribes that:  1) A municipality must prepare for each financial year a performance report reflecting—  c) measures to improve the performance</p> <p>According to the APR indicator, the municipality was to source funds by June 2014. Based on the documentation obtained, the municipality only managed to prepare a business plan but did not ultimately source funding or obtain a written commitment for funding from prospective funders.</p>	<p><b>IDC in June 2014</b></p>							
<p><b>56. APOO: Differences between reported and actual performance</b></p>	<p>Section 120 of the Local Municipal and Performance Regulation 2001regualtes</p>	<p><b>BTO (Asset Management) to devalue the old truck with the value of</b></p>	<p><b>Asset Managemen</b></p>	<p><b>N/A</b></p>	<p><b>M Somi/ B. Vumase</b></p>	<p><b>BTO</b></p>	<p><b>Asset Register</b></p>	<p><b>March 2015</b></p>	

(EX91)	<p>among others, the following important aspects relating to performance management process: Identification and regular review of key performance indicators. Mechanisms, systems and processes for monitoring and measure of performance. Paragraph 3.2 of the Treasury framework for managing performance information states that a good performance indicator should be:</p> <p>(c) Verifiable: it must be possible to validate the process and systems that produce the indicator</p> <p>(f) Relevant: indicator must</p>	<p><b>the cherry picker and add it onto the value of the new truck.</b></p>							
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	<p>relate logically and directly to an aspect of the institutions mandate and realisation of the strategic goals and objectives</p> <p>Grap 17.43 states that: If there is no market-based evidence of fair value because of the specialised nature of the item of plant and equipment, an entity may need to estimate fair value using, for example, either reproduction cost or depreciated replacement cost.</p> <p>1) The reported performance differed to the actual performance as a result accuracy of reported information could not be</p>								
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	<p>determined. During the year under review (2013/14), the Municipality purchased a cherry picker truck for an amount R537 569. Of this amount R471 552.00 was correctly capitalised as an amount exclusive of vat in the asset register. However, the following discrepancies were noted: Although the cherry picker was removed from the old truck, the value (viz R106 274) of the truck has not been reduced with the value of the cherry picker which was removed from it nor new truck's value increased with the value of</p>								
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	<p>cherry picker.</p> <p>2) Inconsistencies between the APR and actual source documentation were noted</p> <p>3) inaccuracies noted between planned and actual lengths of the road</p>								
<p><b>57. AOPO : Electricity differences (EX92)</b></p>	<p>Section 46 of the Municipal Systems Act prescribes that:</p> <p>1) A municipality must prepare for each financial year a performance report reflecting—</p> <p>c) measures to improve the performance.</p> <p>The following indicators are reported as achieved in the APR, however, based on portfolio of evidence, cables were merely purchased but</p>	<p><b>Cables installation in progress to be completed by 14/15 as per APR</b></p>	<p>In-house</p>	<p><b>350 000.00</b></p>	<p><b>Mr. M Somi/J. Augustyn</b></p>	<p><b>Infrastructure Services</b></p>	<p><b>Monthly Reports</b></p>	<p><b>Monthly</b></p>	<p><b>In progress</b></p>



	<p>states that a good performance indicator should be:</p> <p>(c) verifiable: it must be possible to validate the process and systems that produce the indicator</p> <p>(f) relevant: indicator must relate logically and directly to an aspect of the institutions mandate and realisation of the strategic goals and objectives.</p> <p>1) The total length of the roads was not correctly captured in the planned indicators as a result variances were noted between actual measurement and planned indicators. The following serves</p>								
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	<p>as details thereof: <b>Indicator per APR</b>(8km in Sidakeni and 8km in Taba Busiu) <b>Indicator per actual measurement report</b> Road Sidakeni 4.8.2km Taba Busiu 4km and the <b>Variance was 3.2</b> at Sidakeni and Taba Busiu 4km 2) The following indicator was reported twice in the APR, therefore duplicated. Details thereof are as follows: <b>Indicator</b> 3000m of kerbing installed <b>reference</b> Reported a first indicator and 3rd last indicator in APR (5.3.10 and 5.3.1 of the O&amp;M department.</p>								
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	<p>be: (c) verifiable: it must be possible to validate the process and systems that produce the indicator (f) relevant: indicator must relate logically and directly to an aspect of the institutions mandate and realisation of the strategic goals and objectives Section 120 of the Local Municipal and Performance Regulation 2001regualtes among others, the following important aspects relating to performance management process: identification and regular review of key performance indicators mechanisms, systems and</p>								
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	<p>processes for monitoring and measure of performance. Paragraph 3.2 of the Treasury framework for managing performance information states that a good performance indicator should be:</p> <p>(c) verifiable: it must be possible to validate the process and systems that produce the indicator</p> <p>(f) relevant: indicator must relate logically and directly to an aspect of the institutions mandate and realisation of the strategic goals and objectives.</p> <p>The reported performance differed between the APR and</p>								
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	actual system printout. Details thereof are as follows: Reported performance per APR 989 whereas is 898 on Actual performance per System Printout and the Variance is 91								
<b>60. Compliance: Road infrastructure (Value add) (EX. 103)</b>	Section 63 (1) of the Municipal Finance Management Act states that the accounting officer of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets. 1) Although the Municipality does have an approved Consolidated plan in place, it could not be fully relied upon due to the	<b>Three year infrastructure maintenance plan to be developed in consultation with RAMS Consultant</b>  <b>Rollover application done &amp; approved by National</b>  <b>Treasury Three access roads to be completed in this financial</b>	N/A	N/A	Mr B.Faro/ Mr. M Somi	Infrastructure Services	Council resolution/ rollover approval/completion certificate	Quarterly/monthly	In progress



	<p>following shortcomings: The pan did not include: a) Details of infrastructure management and actual expenditure incurred. b) A detailed maintenance plan to eradicate and manage backlogs 2) Furthermore the Infrastructure department did not have a manual or electronic system to manage the infrastructure. As a result, important information on roads conditions, planning, backlogs, life cycle of roads could not be determined. 3) The plan was approved on (24 January 2014) halfway through the year, per</p>	<p><b>year and two upgrades are multiyear projects.</b></p>							
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	<p>council resolution no. 53(a) 24/1/2014. Therefore, it could was not possible to use throughout the year.</p> <p>4) Based on the MIG reconciliation, of the R48 774 818.46 received as MIG, a balance of R3 410 835.73 was left unused at year end.</p> <p>5) The department did not achieve 100% of its objectives. Based on the APR, 3 planned targets for access roads and 2 upgrades were not achieved.</p>								
<b>61. Prepayments: Amount incorrectly included in prepayments (EX.36)</b>	Section 62 (1)(c)(i) of the MFMA states that: "The accounting officer of the municipality is	<b>A journal to be done to correct this transaction</b>	<b>N/A</b>	<b>N/A</b>	<b>B Bavu</b>	<b>Revenue and Expenditure</b>	<b>Authorised Journal passed to correct this transaction</b>	<b>30 March 2015</b>	<b>Not yet started</b>

	<p>responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control". According to GRAP par 17: "Financial statements shall present fairly the financial position, financial performance and cash-flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with</p>								
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	<p>the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements. The application of Standards of GRAP with additional disclosures when necessary is presumed to result in financial statements that achieve a fair presentation.”</p> <p>On inspection of invoice number 0352928 and memo submitted by the Expenditure Accountant to the Chief Financial Officer, we noted that payment amounting to R10 000 related to</p>								
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	pre-paid electricity services received in June 2014. Therefore, the transaction relates to services received in the 2013/2014 financial year and should not be recognised as a prepayment for the 2014/2015 financial year.								
<b>62. Revenue: Acknowledgement of debt form not authorised by senior official (EX. 32)</b>	In terms of section 62(1)(c)(i) of the MFMA states that, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains an effective, efficient and transparent systems of	<b>Agree with the finding and the acknowledgement of debt application forms have since been signed by the delegated official and this will be done going forward</b>	<b>N/A</b>	<b>N/A</b>	B.BAVU	<b>Revenue and Expenditure</b>	<b>Signed acknowledgement of debt form</b>	<b>28 February 2015</b>	<b>The agreement are signed</b>

	<p>financial and risk management and internal control.</p> <p>During the audit work performed, it was identified that the acknowledgement of debt form for account no. 1000368, for ERF no. 368, for total outstanding amount of R1 222.60 was not signed by the senior independent official from the municipality as a proof of authorisation.</p>								
<b>63. Revenue: Distribution loss incorrectly calculated (EX. 33)</b>	According to GRAP par 17: "Financial statements shall present fairly the financial position, financial	<b>Agree with the finding and the AFS will be adjusted</b>	<b>N/A</b>	<b>N/A</b>	<b>B.Bavu K Mehlomakhulu</b>	<b>Revenue and Expenditure &amp; Budget and Financial Reporting</b>	<b>Adjusted AFS</b>	<b>30 March 2015</b>	<b>The misstatement has been calculated and awaiting adjustment</b>

	<p>performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements. The application of Standards of GRAP with additional disclosures when necessary is presumed to result in financial statements that achieve a fair presentation."</p>								<p><b>of the AFS</b></p>
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	<p>We noted that the distribution loss for 2013/2014 was incorrectly calculated. As a result, the amount of the distribution loss disclosed in the Financial Statements is understated by R268 277.54:</p> <p>We also noted that the amount of the profit calculated in the distribution loss schedule was incorrectly calculated, the amount of profit is overstated by R17 552 648.87</p>								
<p><b>64. Revenue: Property register not in compliance with section 23 of Property Rates Act (EX. 34)</b></p>	<p>In terms of section 23 of Municipal Property Rates Act, Register of properties; Note (1) A municipality must draw up and</p>	<p><b>I disagree with the finding , the property register is split between Part A and Part B and it was advertised on</b></p>			<p><b>B.BAVU</b></p>	<p><b>Revenue and Expenditure</b></p>	<p><b>Register of the split property register and advert on the website</b></p>		<p><b>Already Done</b></p>



	<p>maintain a register in respect of properties situated within that municipality, consisting of a Part A and a Part B.</p> <p>(2) Part A of the register consists of the current valuation roll of the municipality, including any Supplementary valuation rolls of the municipality prepared in terms of section 78.</p> <p>(3) Part B of the register must specify which properties on the valuation roll or any supplementary valuation rolls are subject to—</p> <p>(a) An exemption from the rate in terms of section 15;</p> <p>(b) A rebate on or a reduction in the rate in terms of section 15;</p>	<p><b>the website as required by MPRA</b></p>							
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	<p>(c) A phasing-in of the rate in terms of section 21; or</p> <p>(d) An exclusion referred to in section 17(1)(a), (e), (g), (h) and (i).</p> <p>(4) The register must be open for inspection by the public during office hours. If the municipality has an official website or another website available to it, the register must be displayed on that website.</p> <p>(5) A municipality must at regular intervals, but at least annually, update Part B of the register. Part A of the register must be updated in accordance with the provisions of this Act relating to the updating and supplementing of valuation rolls.</p>								
<b>65. Revenue: Not</b>	In terms of				Mr. L Ndzelu	<b>Budget and</b>	<b>This was adjusted</b>	<b>Done on a</b>	<b>Done</b>

<p><b>all interest earned has been recorded in the general ledger as interest earned (EX45)</b></p>	<p>section 62(1)(c)(i) of the MFMA states that, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains an effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>During the audit work performed, it was identified that the interest earned from the following investment accounts was not recorded in the interest income account in the</p>					<p><b>Treasury Office</b></p>	<p><b>on the 2014 AFS and is being monitored on a monthly basis through TB and financial statements</b></p>	<p><b>monthly basis.</b></p>	
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	<p>general ledger as interest earned instead there were credited to the unspent conditional grant liability account:  <b>FNB THINA SINA KO</b>  62158401184,  <b>ESTABLISHMENT PLAN</b>  62175310045,  <b>HOUSING DEVFUND</b>  62215611121,  <b>DEDEA</b>  62286476801,  <b>DEDEA</b>  62286478906</p>								
<p><b>66. Revenue: Incorrect amount disclosed for government grants and subsidies (EX. 102)</b></p>	<p>Section 62(1)(c)(i) of the MFMA states that, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains an</p>				Mr. L Ndzelu	<b>Budget and Treasury Office</b>	<p><b>This was adjusted on the 2014 AFS and is being monitored on a monthly basis through TB and financial statements</b></p>	<p><b>Done on a monthly basis.</b></p>	<p><b>Done</b></p>

	<p>effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>The National: MIG grant disclosed as a line item in note 21 (page 35) does not agree to the narrative disclosed further in note 21 (page 36)</p> <p>The amount of R48 746 580 is included in a total amount of R198 426 969, which appears on the face of the statement of financial performance.</p> <p><b>Amount disclosed in note 21 (page 35) is R48 746 580 whereas is recorded as R48 774 818</b><b>Amount disclosed in note 21</b></p>								
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	<b>(narrative) (page 36) and the Difference is R-28 238</b>								
<b>67. VAT: Journal entry not approved (EX. 48)</b>	<p>Section 62 (1)(c)(i) of the Municipal Finance Management Act (MFMA) states that: "The accounting officer of the municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control".</p> <p>JE pg. 86, consisting of 5 journals which total R39 964</p>				Mr. L Ndzelu	<b>Budget and Treasury Office</b>	<b>These were signed in the 2014 financial year after being picked by the auditors and is being monitored on a daily basis.</b>	<b>Daily basis (As and when the journal is prepared)</b>	<b>Done</b>

	<p>791.27, was prepared on 20 August 2014. One of the journals for R8 447 565.22 was reproduced on a separate page (also called JE pg 86) and approved on 23 August 2014. The rest of the journals for R31 517 226.05 which included an amount of R80 658.62 relating to debit to the VAT combined suspense account, were not approved.</p>								
<p><b>68. VAT: input VAT claimed on supplies by a non-vendor (EX. 49)</b></p>	<p>In terms of the Value Added Tax Act 89 of 1991 section 1: "Input tax", in relation to a vendor, means— (a) Tax charged under section 7 and payable in terms of that section by—</p>	<p><b>Agree with the finding and the correction will be done</b></p>	<p><b>N/A</b></p>	<p><b>N/A</b></p>	<p>Ms B Bavu</p>	<p><b>Revenue and Expenditure</b></p>	<p><b>Journal passed to correct this.</b></p>	<p><b>30 March 2015</b></p>	

	<p>(i) A supplier on the supply of goods or services made by that supplier to the vendor; Where the goods or services concerned are acquired by the vendor wholly for the purpose of Consumption, use or supply in the course of making taxable supplies or, where the goods or services are acquired by the vendor partly for such purpose, to the extent (as determined in accordance with the Provisions of section 17) that the goods or services concerned are acquired by the vendor for such purpose Input VAT of R23 112.28 was claimed by the</p>								
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	municipality on supplies by Dineo Promotions costing a total of R188 200.								
<b>69. Investment Properties: Valuation incorrectly recorded (EX59)</b>	We noted that the valuation of Erf 392, Cedarville as per the Valuation Roll was incorrectly recorded in the Fixed Asset Register. This has resulted in the amount of the revaluation of Erf 392, Cedarville being incorrectly recorded.			<b>N/A</b>					