



AUDITOR-GENERAL  
SOUTH AFRICA

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# FINAL MANAGEMENT REPORT

## NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY

**30 June 2014**





## MANAGEMENT REPORT

### NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY

30 June 2014

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## **FINAL MANAGEMENT REPORT TO THE ACCOUNTING OFFICER ON THE AUDIT OF THE NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2014**

### **INTRODUCTION**

1. Our responsibility is to:

- express an opinion on the financial statements
- express a conclusion in the management report on the usefulness and reliability of the reported performance information for selected development priorities, and report the material findings in the auditor's report
- report on material findings relating to compliance with specific requirements in key applicable legislation, as set out in the general notice issued in terms of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA).

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

2. This management report includes audit findings arising from the audit of the financial statements, reporting on predetermined objectives and compliance with legislation for the year ended 30 June 2014. These findings were communicated to management, and the report also details management's response to these findings. The report furthermore includes information on the internal control deficiencies that we identified as the root causes of the matters reported. Addressing these deficiencies will help to improve the audit outcome.
3. The management report consists of an executive summary and annexures containing the detailed audit findings.

**EXECUTIVE SUMMARY**

**SECTION 1: Interactions with stakeholders responsible for oversight and governance**

1. During the audit cycle, we met with the following key stakeholders who are responsible for oversight and governance to communicate matters relating to the audit outcome of the district municipality:

<b>Stakeholder</b>	<b>Number of interactions</b>
Member of the executive committee for Local Government	1
Mayor of Ngaka Modiri Molema District Municipality	1
Municipal manager	8
Audit committee	1

2. At these interactions, we included information on what was shared and discussed at the meetings. None of the stakeholders made any commitments to implement initiatives that can improve the audit outcome. The progress of previous commitments is included in part F of section 2, which deals with the assessment of assurance providers.

**SECTION 2: MATTERS RELATING TO THE AUDITOR'S REPORT**

**PART A – MISSTATEMENTS IN THE FINANCIAL STATEMENTS**

3. We identified material misstatements in the financial statements during the audit. These misstatements were not prevented or detected by the municipality's system of internal control. These material misstatements also constitute non-compliance with section 122 of the MFMA.
4. The misstatements that were not corrected form the basis for the disclaimer of opinion on the financial statements.

Material misstatement			Impact	Impact
Financial statement item	Finding (Include a brief description of the misstatement as per the findings and the auditor's report. Include the reasons for the auditee not correcting the misstatement when applicable.)	Occurred in prior year (Insert Yes / No)	R current year	R prior year
<b>Material misstatements not corrected</b>				
Property, plant and equipment	Limitations due to differences between prior year closing balance and current year opening of property, plant and equipment, total population for current and prior year as reported	Yes	Unknown	Unknown
	Limitations in current year due to non-submission of information and supportive documentation for additions and valuation of assets.			
	Various weaknesses and non-compliance to GRAP on PPE register, which include completeness of the assets.			
	Consequently depreciation and accumulated depreciation could not be calculated accurately for the total population for current and prior year as reported	Yes	Unknown	Unknown
Prior period errors: Accumulated surplus	No supportive documentation for prior period adjustments processed in terms of GRAP 3 (Prior year finding adjusted. Completeness of adjustment could not be determined by auditor. Adjustments against prior year could not be determined)	Yes	Unknown	Unknown
	Unexplained and unsupported reconciling difference disclosure	Yes	Nil	34 120 867



	on statement of changes in net assets			
Irregular expenditure	Irregular expenditure condoned not in accordance with MFMA requirements	Yes	345 810 366	787 120 957
	Irregular expenditure identified by auditors during the audit was omitted from the irregular expenditure disclosure in the financial statements. The error was not corrected and management did not have processes in place in order to identify any additional irregular expenditure.  Additional irregular expenditure identified by auditors not disclosed by municipality R21 755 810 (2013: R165 922 884)	Yes	Unknown	Unknown
Expenditure	Limitations due to non-submission of information with various errors, including journal transactions.	Yes	Unknown	Unknown
Payables from exchange transactions	Limitations due to non-submission of information for transactions to payables to the value of R229 187 199 (2013: R29 473 032 and R41 884 354 Prior period adjustment)	Yes	Unknown	Unknown
	Accruals not recognised, completeness uncertainty in current year as a result of non-submission of supporting documentation and in prior year as a result of procedures performed for the following items: <u>Current year:</u> Retentions of R5 735 983  <u>Prior year:</u> Retentions of R8 259 978 Trade creditors of R16 024 879	Yes	Unknown	Unknown
	Payables with debit balances not disclosed as receivables	Yes	Nil	20 629 816
VAT receivable	Limitations due to non-submission of information and supportive documentation for additions and valuation to PPE. As a result of these limitations the impact it have on VAT could not be determined	Yes	Unknown	Unknown
	Limitations due to non-submission of information for	Yes	Nil	Unknown



	adjustments to VAT receivable to the value of R52 545 965 in prior year			
Inventories	Improper systems to account for inventory items as physical items found not to be recorded on the inventory records and items on inventory records which could not be confirmed with the physical inventory item.	No	Unknown	Nil
	Limitations due to non-submission of information for adjustments to inventories to the value of R10 055 870 in current year and R18 220 278 in prior year	Yes	Unknown	Unknown
	Inappropriate system to determine cost prices of inventories, inventories overstated	Yes	Nil	3 544 916
Receivables from exchange transactions	Write off of bad debts without objective evidence to substantiate the write-off of receivables in prior year	Yes	Nil	6 022 128
Cash and cash equivalents	Limitations due to non-submission of supportive documentation in order to confirm reconciling items to value of R10 274 646 (2013: R8 137 253)	Yes	Unknown	Unknown
Unspent conditional grants and receipts	Limitations due to non-submission of information for adjustments of R38 060 000 in prior year to unspent conditional grant liability, which also affect current year	Yes	Unknown	Unknown
Loans	Understatement of current portion due to incorrect disclosure and consequently overstatement of the non-current portion	No	18 911 867	Nil
Provision	Limitations due to non-submission of supportive documentation in order to confirm provisions with a balance of R5 514 575	No	Unknown	Nil
Employee cost	Limitations due to non-submission of information for adjustments to employee cost in the amount of R8 066 027	No	Unknown	Nil
	Limitation due to differences between the general ledger and the annual financial statements of R26 361 994, reported in prior year.	Yes	Nil	Unknown
Revenue	Grants not recognised as revenue in the prior year	Yes	Nil	10 138 769
	Fair value changes in investments set off against Other income	Yes	Nil	2 064 263
Contingencies	Insufficient supportive documentation for the disclosure of R381 518 653 (2013: R336 856 602)	Yes	Unknown	Unknown
Unauthorised expenditure	Management and accounting for unauthorised expenditure as	Yes	Unknown	Unknown



	prescribed by the legislative framework to determine if balance of R66 712 142 (2013: R53 781 315) is complete and accurate is insufficient.			
Commitments	Insufficient documentation to support items as part of commitment's disclosure R80 123 145 (2013: R52 119 072)	Yes	Unknown	Unknown
	Commitments with negative balances resulting in negative commitments	Yes	Nil	116 200 728
Fruitless and wasteful expenditure	Incomplete disclosure of fruitless and wasteful expenditure	No	9 816 889	Nil
Cash flow statement	Unable to obtain sufficient appropriate audit evidence for the amounts included in the cash flow statement for the current and prior period taking into account the misstatements identified in the financial statements	Yes	Unknown	Unknown
Financial instruments disclosure	Incomplete disclosure as required by GRAP 104, not categorised per financial instrument or its significance. Incomplete disclosure with regard to the exposure to credit risk, maturity analysis as part of liquidity risk and interest rate disclosed for market risk is incorrect	Yes	Nil	Nil
<b>Material misstatements corrected</b>				
None				





## **PART B – MATTERS TO BE BROUGHT TO THE ATTENTION OF THE USERS**

### **EMPHASIS OF MATTER PARAGRAPH**

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

#### **Material underspending of the conditional grant**

6. As disclosed in note 10 to the financial statements, the municipality has materially underspent its conditional grants. The underspending of R78 825 003 (2013: R72 662 463) relates mainly to the municipal infrastructure grant and is due to a lack of planning and monitoring of projects' cash flow constraints.
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### **ADDITIONAL MATTER PARAGRAPH**

7. The following additional matter paragraph will be included in our auditor's report to draw the users' attention to matters regarding the audit, the auditor's responsibilities, and the auditor's report:

#### **Unaudited disclosure notes**

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

#### **Unaudited supplementary schedules**

9. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon
- 

## **PART C – CONCLUSIONS ON REPORTED INFORMATION RELATING TO THE PERFORMANCE OF THE MUNICIPALITY AGAINST PREDETERMINED OBJECTIVES**

Included below are our conclusions on the reported performance information for selected development priorities presented in the annual performance report.

### **REPORT ON PREDETERMINED OBJECTIVES**

#### **Introduction**

10. We were engaged to audit the reported performance information for selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2014.

#### **The accounting officer's responsibilities**

11. The accounting officer is responsible for the preparation of the annual performance report in accordance with the identified performance management and reporting framework, as defined in paragraph 6 of the general notice issued in terms of the PAA. This framework deals with the planning, management, monitoring and reporting of performance against predetermined objectives. The accounting officer is also responsible for internal controls determined by management as necessary to enable the preparation of an annual performance report that is useful and reliable.



### Auditor-general's responsibilities

12. As required by sections 4 and 20 of the PAA, read with the general notice issued in terms thereof, our responsibility is to express reasonable assurance conclusions on the reported performance information for selected development priorities presented in the annual performance report. Because of the matters described in the basis for disclaimer of conclusion paragraphs, however, we were not able to obtain sufficient appropriate evidence to provide a basis for the audit conclusions.

### Summary of audit conclusions

13. The following is a summary of our conclusions on the usefulness and reliability of the reported performance information:

Selected development priority	Usefulness	Reliability
Basic service delivery and infrastructure development	Disclaimer	Disclaimer
Financial viability	Disclaimer	Disclaimer
Good governance and public participation	Disclaimer	Disclaimer

### Basic service delivery and infrastructure development, Financial viability and Good governance and public participation

#### Basis for disclaimer of conclusions on usefulness and reliability

#### Consistency of indicators and targets

14. Section 54(1)(c) of the MFMA determines that the service delivery and budget implementation plan adopted by the municipal council may be amended only if the council approves an adjustments budget. Changes to the service delivery and budget implementation plan in the year have to be made in accordance with the process as prescribed per section 28 of the MFMA. Material changes were made to the indicators and targets in the annual performance report, without following the process as prescribed in section 28 of the MFMA and without adoption by the municipal council. This was due to a lack of proper systems and processes.

#### Measurability of indicators

15. The FMPPI requires that performance indicators must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. Performance indicators must also be verifiable.

The measurability of planned indicators could not be assessed due to a lack of technical indicator descriptions and proper systems and processes and formal standard operating procedures.

#### Reliability of reported performance information

16. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. We were unable to obtain the information and explanations we considered necessary to satisfy ourselves as to the reliability of the reported performance information. This was due to limitations placed on the scope of our work due to the absence of information systems and the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information. The auditee's records did not permitting the application of alternative audit procedures.



### **Disclaimer of conclusion on usefulness and reliability**

17. Because of the significance of the matters described in the basis for disclaimer of conclusion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for conclusion. Accordingly, we do not express a conclusion on the usefulness and reliability of Basic service delivery and infrastructure development, Financial viability and Good governance and public participation.

### **Additional matter**

18. We draw attention to the following matter. Our conclusion is not modified in respect of this matter:

### **Achievement of planned targets**

19. Refer to the annual performance report on pages X to X for information on the achievement of planned targets for the year. This information should be considered in the context of the disclaimer of conclusion expressed on usefulness and reliability of the reported performance information in paragraph 10 to 17 of this report.

### **Audit findings in the auditor's report**

20. We will report all the audit findings included under the basis for conclusion and additional matter sections of this report in the auditor's report.

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## **PART D – FINDINGS ON NON-COMPLIANCE WITH LEGISLATION**

21. Included below are material findings on non-compliance with specific requirements in key applicable legislation.

### **Strategic planning and performance management**

22. The municipality did not give effect to its integrated development plan, as required by section 36 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), section 21(2)(a) of the MFMA and regulation 6 of the Municipal planning and performance management regulations (MPPMR).

23. The annual performance report for the year under review did not include a comparison with the previous financial year and measures taken to improve performance, as required by section 46 (1)(b), (c) of the MSA.

24. The performance management system and related controls were inadequately applied with respect to the processes of performance planning, monitoring, measurement, review, reporting, improvement and how it is conducted, organised and managed, as required by section 38 of the MSA and regulation 7 of the MPPMR.

### **Budgets**

25. Expenditure was not incurred in accordance with the approved budget, in contravention of section 15 of the MFMA.

### **Financial statements, performance and annual reports**

26. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion.



27. An oversight report, containing comments on the annual report, was not adopted by council within two months from the date on which the 2012/13 annual report was tabled, as required by section 129(1) of the MFMA.

#### **Audit committees**

28. An audit committee was not in place, as required by section 166(1) of the MFMA.
29. A performance audit committee was not in place as required by regulation 14(2)(a) of the MPPMR.

#### **Procurement and contract management**

30. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with legislative requirements and a procurement process which is fair, equitable, transparent and competitive, as management did not provide us with the relevant information.
31. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by regulation 17(a) & (c) of the Supply Chain Management (SCM) regulations.
32. Quotations were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for quotations, in contravention of SCM regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations (PPR).
33. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act (PPPFA) and SCM regulation 28(1)(a).
34. Quotations were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of the PPPFA and its regulations.
35. Quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
36. Quotations were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.

#### **Human resource management and compensation**

37. The head of the SCM unit was appointed without having met the prescribed minimum competency levels as required by section 56(1)(b) of the MSA.
38. The competencies of financial and supply chain management officials were not assessed in a timely manner in order to identify and address gaps in competency levels as required by the Municipal Regulations on Minimum Competency Levels regulation 13.
39. The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and relevant Provincial Treasury as required by Municipal Regulations on Minimum Competency Levels regulation 14(2)(a).
40. The annual report of the municipality did not reflect information on compliance with prescribed minimum competencies as required by the Regulations on Minimum Competency Levels regulation 14(2)(b).
41. The chief financial officer did not meet any of the prescribed competency areas as required by section 83 of the MFMA and regulations 4 and 5 of the Municipal Regulations on Minimum Competency Levels.



42. The head of the SCM did not have the higher education qualification as required by section 119 of the MFMA and regulations 10 and 11 of the Municipal Regulations on Minimum Competency Levels.
43. The municipality did not develop and adopt appropriate systems (policies) and procedures to monitor, measure and evaluate performance of staff in contravention of MSA section 67(d).

#### **Expenditure management**

44. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
45. An effective system of expenditure control, including procedures for the approval and payment of funds, was not in place, as required by section 65(2)(a) of the MFMA.
46. Reasonable steps were not taken to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
47. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred nor account for creditors, as required by section 65(2)(b) of the MFMA.

#### **Conditional grants received**

48. Sufficient appropriate evidence could not be obtained that the municipality did evaluate its performance in respect of programmes or functions funded by the Municipal Infrastructure Grant (MIG), Local Government Financial Management Grant (LGFMG) and Municipal Systems Improvement Grant (MSIG) allocation, as required by section 12(5) of the DoRA.
49. MIG, LGFMG and MSIG funds were retained or rollover to the next financial year without seeking the approval of the National Treasury, as required by section 21(1) of the DoRA.

#### **Asset management**

50. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
51. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.
52. All investments were not made in accordance with the requirements of the investment policy (updating National Treasury with new investment details), as required by Municipal investment regulation 3(3).

#### **Liability management**

53. An adequate management, accounting and information system which accounts for liabilities was not in place, as required by section 63(2)(a) of the MFMA.
54. An effective system of internal control for liabilities (including a liability register) was not in place, as required by section 63(2)(c) of the MFMA.
55. Short-term debt was not repaid within the financial year, as required by section 45(4) of the MFMA.

#### **Consequence management**

56. The condonation of irregular expenditure was not approved by the appropriate relevant authority, as required by sections 1 and 170 of the MFMA.



**Waste management**

57. The municipality did not exercise its legislative and executive authority as required by section 11(3)(l) and (m) of the MSA, by managing, monitoring and enforcing environmental related bylaws to promote a safe and healthy environment.

**PART E – INTERNAL CONTROL**

**IMPLEMENTATION OF THE DRIVERS OF INTERNAL CONTROL**

58. Below is our assessment of the implementation of the drivers of internal control, based on significant deficiencies identified during our audit of the financial statements, the annual performance report and compliance with legislation. Significant deficiencies occur when internal controls do not exist, are not appropriately designed to address the risk, or are not implemented, which either had or could cause the financial statements or the annual performance report to be materially misstated and material instances of non-compliance with legislation to occur.

59. When the required preventative or detective controls are in place, it is assessed with a 😊; when progress on the implementation of such controls was made but improvement is still required or where actions taken are not sustainable, it is assessed with a 😐; while 😞 indicates that internal controls are not in place and intervention is required to design and implement appropriate controls. The movement in the status of the drivers from the previous year-end to the current year-end is indicated collectively for each of the three audit dimensions (namely financial statements, performance reporting, and compliance with legislation) under the three fundamentals of internal control (namely leadership, financial and performance management, and governance), with ↑ (improved), ↔ (unchanged) or ↓ (regressed).

	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
<b>Leadership</b>						
<b>Overall movement from previous assessment</b>	↓		↔		↔	
• Provide effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the best interests of the entity	😞	😐	😞	😞	😞	😞
• Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls	😞	😐	😞	😞	😞	😞
• Implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored	😞	😞	😞	😞	😞	😞
• Establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities	😞	😐	😞	😞	😞	😞

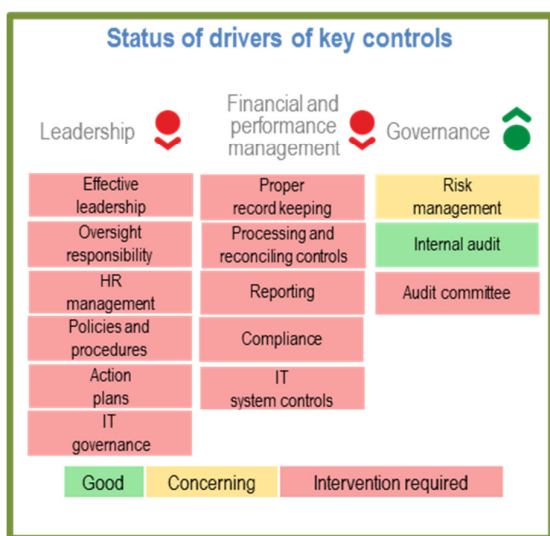


	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
• Develop and monitor the implementation of action plans to address internal control deficiencies						
• Establish an information technology governance framework that supports and enables the business, delivers value and improves performance						
<b>Financial and performance management</b>						
<b>Overall movement from previous assessment</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						
<b>Governance</b>						
<b>Overall movement from previous assessment</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						



	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
<ul style="list-style-type: none"> <li>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</li> </ul>	☹️	☹️	☹️	☹️	☹️	☹️

60. The figure below provides the overall status of the drivers of key controls.



## LEADERSHIP

### Effective leadership

61. Municipality was placed under administration, subsequent to year end as the responsible member of the executive committee had reason to believe that the municipality, under the current management, did not fulfill its mandate.

62. Although the MSA contains a code of conduct for councilors and staff members, management did not establish a code of conduct / ethics policy which addressed appropriate ethical and moral behaviour and requires staff members to declare their interest annually, whether any interest or not. In addition instances were identified of management overriding supply chain processes.

### Oversight responsibility

63. The accounting officer and the council did not exercise its oversight responsibilities in relation to promoting the audit committee as an independent advisory body for strengthening internal controls. This led to several internal control deficiencies and non-compliance findings on various subjects.

64. Although the accounting officer reviewed the financial statements and the annual performance report before submitting them for auditing, the following matters were still identified and not corrected:





- Material balances in the financial statements which are not supported with supportive documentation
  - Irregular expenditure and fruitless and wasteful expenditure incurred were not identified and disclosed
  - Statement of changes in net assets and the cash flow statement was incorrectly prepared
  - Instances of inaccurate and incomplete disclosures in the financial statements. As example the current portion of loans incorrectly calculated and disclosed, receivables not impaired and leave records not properly updated, which led to incorrect leave accrual and leave pay-outs.
65. The municipality did not have sufficient monitoring controls to ensure the proper implementation of the overall process of planning, budgeting, implementation and reporting. We were unable to audit the reliability of the reported targets as appropriate audit evidence could not be provided for audit purposes
66. The municipality did not have sufficient monitoring controls to ensure adherence to the internal policies and procedures at a development priorities level and for purposes of taking corrective action.

### **Human resource management**

67. The fact that the municipality was placed under administration, subsequent to year end, is due to a perception that sufficiently skilled resources were not in place to manage and govern the municipality.
68. The user account management, security management and program change controls were not adequately designed and implemented this was due to the lack of skills within the department to ensure that adequate controls are in place.
69. We identified the following shortcomings in human resource management:
- The municipality did not have a performance evaluation policy, nor performed a performance evaluation on employees who signed a performance agreement.
  - The municipality did not hold performance management and reporting staff accountable for shortcomings identified during the internal and external audit processes.

### **Policies and procedures**

70. Despite the documented policies and procedures to guide the operations of the municipality, numerous instances of non-compliance with the MFMA, as detailed under the Findings on non-compliance with legislation section of this report. In addition, management did not take action to correct the following internal control deficiencies identified by external and the internal auditors:
- Asset counts and reconciliations not performed on a regular basis
  - Outstanding items older than six months appear on the bank reconciliation
  - Retention balance remained incorrectly unchanged during the year as no staff member was allocated to ensure all transactions are captured. This also have an effect on property, plant and equipment and unspent conditional grants
  - Payments made without sufficient documentation which result in either unauthorised, fruitless and wasteful and irregular expenditure
  - Sale of water transactions in the general ledger is not reconciled with the Meter Management System
71. The municipality did not have key controls to address the systems of collection, collation, verification and storage of performance information. Appropriate audit evidence could not be



provided for the reliability of reported targets that ensure the completeness, validity and accuracy of input, processing and output of performance information.

#### **Action plans to address internal control deficiencies**

72. The municipality developed an action plan to address external and internal audit findings but the financial, performance and compliance findings were not adequately resolved, as detailed under the findings on financial statements, predetermined objectives and compliance with the laws and regulations” section of this report.

#### **Information technology governance framework**

73. IT governance framework was not implemented to direct the positioning of IT, resource requirements, risk and the management of internal controls, this could be attributed to management not recognising IT as of strategic importance

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## **FINANCIAL AND PERFORMANCE MANAGEMENT**

### **Proper record keeping**

74. In terms of our engagement letter, we agreed that all information requested for audit purposes would be submitted within three working days of the request by the auditors. The audit process was halted for a period, in order for the municipality to resolve its issues and compile documentation required by the auditors. In addition, the consultants responsible for the compilation of the financial statements could not provide documentation to support the financial statement items in all instances. Where documentation was provided it were inaccurate. Despite this agreement and concession allowed, management still did not supply the documentation requested in the following instances:
- Transactions processed for prior period adjustments
  - Cost determination of individual items of property, plant and equipment
  - Items recognised as property, plant and equipment during the year
  - Payables, which include other payables, retentions and accruals to substantiate the balances.
  - Procurement transactions, especially bid documentation
  - Journal transactions on almost all of the financial statement components
  - Disclosures of financial statement items, which include commitments and contingent liabilities
  - Expenditure transaction
75. The municipality did not have a proper record management system to maintain information that supported the reported performance in the annual performance report. This included information that related to the collection, collation, verification, storing and reporting of actual performance information.

### **Daily and monthly processing and reconciling of transactions**

76. Management did not implement the following daily and monthly controls as designed for the entity’s business processes:
- Monthly reconciliations were not prepared for the following:
    - i. Value Added Taxation
    - ii. Inventory
    - iii. Property, plant and equipment



- iv. Revenue
- v. Payables, including retentions
- Bank reconciliations not properly reviewed, as long outstanding items occurred.
- Receivable ageing not reviewed for potential impairments

### **Regular, accurate and complete financial and performance reports**

- 77. As indicated in part A of section 2, the financial statements was disclaimed and contained numerous misstatements that were not corrected. This was mainly due to supportive documentation which could not be obtained and secondly staff members and consultants not fully understanding the requirements of the financial reporting framework.
- 78. As indicated in part C of section 2, the annual performance report was disclaimed on usefulness and reliability, which could not be corrected due to the nature of the errors. This was mainly due to indicators not being well defined and an inadequate system to ensure valid, accurate and complete reporting of achievements against objectives.
- 79. As indicated in part D of section 2, the municipality contravened numerous sections of relevant legislation. This was mainly due to insufficient monitoring by management of procedures tasked to specific persons.

### **Compliance monitoring**

- 80. Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored, as detailed under the findings on “compliance with the laws and regulations” section of this report

### **Information technology systems**

- 81. Policies and procedures were not formulated to address; user account management, environmental controls, data centre physical access, system software maintenance and monitoring of network devices.
- 82. The IT management will not be able to monitor and evaluate whether adequate security parameters have been configured on the database, if security settings remains unavailable for extraction. In additions administrator rights have been assigned to eleven users, which should be limited to only staff assigned with these responsibilities.
- 83. User access control:
  - Password configurations on applications and the network were not in place to eliminate unauthorised access to the municipality’s data and systems.
  - No formal process to create user profiles on the different applications and system
  - Periodic reviews are not undertaken and documented to determine whether employees’ current access and privileges on the system were commensurate with their job responsibilities.
  - Dormant account are not removed or disabled from the operating system environment
- 84. Change management control:
  - Formally documented and approved program change control policies and procedures were not in place to detail the process that should be followed when system updates were made to application systems.
  - Formal change requests forms were not completed for performing system upgrades
- 85. Information technology continuity:
  - No approved disaster recovery plan



- No back-ups performed
- 

## GOVERNANCE

### Risk management activities and risk strategy

86. Although a risk assessment has been conducted as required by the MFMA a number of control deficiencies were identified during the audit, which in nature are significant and were not properly managed from a risk perspective:
- Incomplete or missing supportive documentations for almost all of the financial statement components, delivering unsupported and sceptical results
  - Procurement transactions not complying with regulations, which lead to irregular expenditure
  - The inadequate physical confirmation and testing of existence of assets negatively impact on the valuation and rights to assets
  - As contained in the findings on “report of predetermined objectives” in this report, the municipality did not have key controls to address the systems of collection, collation, verification and storage of performance information. This impact detrimental on the conclusions on the usefulness and reliability of the information.

### Audit committee

87. The audit committee was not properly constituted. Consequently, the committee did not approve the internal audit plan and did not oversee the implementation of the matters reported by the internal audit unit.
88. The audit committee is also responsible to fulfill the responsibilities of the performance audit committee. Since the committee was not properly constituted, these responsibilities have not been performed.

## SUMMARY

89. The matters above, as they relate to the basis for the disclaimer of opinion, findings on the annual performance report and findings on non-compliance with legislation, will be summarised in the auditor’s report as follows:

### Leadership

90. Management did not exercise oversight responsibility regarding accurate and complete financial and performance reporting, compliance and related internal controls to such an extent it was placed under administration. Management did not implement effective human resources management to ensure that adequate and sufficiently skilled are in place and that performance is monitored. Furthermore the municipality did not have sufficient monitoring controls to ensure the proper implementation of the overall performance management system process of planning, budgeting, implementation and reporting.

### Financial and performance management

91. The municipality did not implement proper record keeping ensuring that complete, relevant and accurate information is accessible and available to support financial and performance reporting. The municipality did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

**Governance**

92. Significant risks listed during the risk assessment process, were not properly managed by the municipality, resulting in significant deficiencies identified during the audit. The audit committee was not properly constituted and did not perform its oversight duties.

**PART F – ASSESSMENT OF ASSURANCE PROVIDERS**

93. The annual report is used to report on the financial position of auditees, their performance against predetermined objectives and overall governance, and one of the important oversight functions of councils is to consider auditees' annual reports. To perform their oversight function, they need assurance that the information in the annual report is credible. To this end, the annual report also includes our auditor's report, which provides assurance on the credibility of the financial statements and the annual performance report as well as on the auditee's compliance with legislation.
94. Our reporting and the oversight processes reflect on past events, as it takes place after the end of the financial year. However, management, the leadership and those charged with governance contribute throughout the year to the credibility of financial and performance information and compliance with legislation by ensuring that adequate internal controls are implemented.
95. We assess the level of assurance provided by these assurance providers based on the status of internal controls (as reported in part E of section 2) and the impact of the different role players on these controls. We provide our assessment for this audit cycle below.

<b>Assurance levels</b>	
Senior management	<i>Provides some assurance</i>
Municipal manager	<i>Provides assurance</i>
Mayor of municipality	<i>Provides limited/ No assurance</i>
Internal audit	<i>Provides assurance</i>
Audit committee	<i>Vacant</i>
Municipal council	<i>Vacant</i>
MPAC	<i>Provides limited/ No assurance</i>

96. Assurance levels is assessed as stated as a result of the following:
- Only the municipal manager and internal audit are assessed as providing assurance as he was actively involved with the audit and provided the team with the explanations and documentation, irrespective of how limited it might have been. In addition internal audit has performed their function as expected and we have utilised their work to assist in identifying risks during planning. Since their focus is different from that of the external auditors, we did not rely on their work.
  - Senior management provided us with limited assurance as the senior managers did not always provide documentation and was not always available.



- Since Mayor and MPAC are not involved in the day to day activities of the municipality and limited to certain oversight functions, and do not actively participate in our audit, we have not obtained any assurance from them.
- The council was dissolved when the municipality was placed under administration, during our audit and the audit committee was not properly constituted, which is shown as vacant on the table above.

### **STATUS OF IMPLEMENTATION OF COMMITMENTS AND RECOMMENDATIONS**

97. No specific commitments were recorded, as we had reported no significant deficiencies in internal control.
98. All findings have not been addressed or very limited progress has been made. Further details on the status of these recommendations are provided in section 8, which summarises the detailed audit findings.

## **SECTION 3: SPECIFIC FOCUS AREAS**

### **PART A – PROCUREMENT AND CONTRACT MANAGEMENT**

#### **SIGNIFICANT FINDINGS FROM THE AUDIT OF PROCUREMENT AND CONTRACT MANAGEMENT**

99. The audit included an assessment of procurement processes, contract management and the related controls in place. To ensure a fair, equitable, transparent, competitive and cost-effective SCM system, the processes and controls need to comply with legislation and minimise the likelihood of fraud, corruption, favouritism as well as unfair and irregular practices. A summary of the findings from the audit are as follows:

#### **Irregular expenditure**

100. R367 566 176 (99%) of irregular expenditure incurred in the current financial year was as a result of the contravention of SCM legislation. The root cause of the lack of effective prevention and detection are ineffective monitoring of the implementation of policies and procedures of the municipality.

#### **Limitations on audit**

101. Sufficient appropriate audit evidence could not be provided that 27 of selected contracts awarded and that 22 of selected quotations accepted (hereinafter referred to as “awards”) to the value of R150 129 393 were made in accordance with the requirements of the SCM legislation. No alternative audit procedures could be performed to obtain reasonable assurance that the expenditure incurred on these awards was not irregular.
102. The reason for the limitations experienced was non-submission of relevant supportive documentation. As a result of the limitations experienced, the findings reported in the rest of this section might not reflect the true extent of irregularities and SCM weaknesses.

#### **Procurement processes**

103. The following findings on procurement processes result from the testing of 27 contracts with a total value of R148 005 553 and 63 of price quotations with a total value of R4 265 036.  
Procurement process – Quotations



- 8 awards to the total value of R552 917 were procured without inviting at least three written price quotations from prospective suppliers and the deviation was not approved by a properly delegated official.
- 19 quotations to the total value of R1 830 731 were procured from suppliers who did not have tax clearance from SARS confirming that their tax matters are in order.

Procurement process - Competitive bidding

- Sufficient appropriate evidence could not be obtained that the preference point system was applied in the procurement of 27 competitive bids to the total value of R148 005 553.
- Sufficient appropriate evidence could not be obtained that public invitations for 27 competitive bids to the value of R148 005 553 were advertised for at least the required 14 days.

**Internal control deficiencies**

104. The findings on procurement processes and contract management are indicative of an environment where insufficient attention is given by leadership and oversight to the implementation, enablement, enforcement and monitoring of compliance with SCM Regulations. Consequentially an inadequate record management system for relevant SCM documentation exists.
105. A poor internal control culture with inadequate emphasis placed on the prevention and detection of deviation from SCM prescripts. Management did not investigate and act on previous year's SCM matters identified as a result of executing control activities.

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**PART B – HUMAN RESOURCE MANAGEMENT**

106. The audit included an assessment of human resource management, processes and the related controls in place. A summary of the findings from the audit are as follows:

**Effective human resource management**

107. An assessment of human resource management has identified the following deficiencies:

Management of vacancies

- The overall vacancy rate increased from 7% in the previous year to 8% in the current year.

Competencies of key personnel

- Head of supply chain management did not have the required Higher Education qualification as required by legislation, which may result in supply chain regulation contraventions and accordingly irregular expenditure.

Performance management

- Performance evaluations were not performed for all the senior managers who signed performance agreements.

Leave administration

- Leave applications were found not to be updated in all instances, on the payroll system.

Restrictions



- Restrictions were placed on the auditors to assess the following HR management matters:

Insufficient appropriate audit evidence could not be obtained to determine whether employees worked more than the maximum hours overtime allowed or whether written authorisation was not provided in advance for the overtime worked.

### Water and sanitation

108. The audit included an assessment of specific service delivery aspects relevant to water and sanitation. For the financial year under review, we focused on the following:

- Water
  - Access to basic water is not reported as a key performance indicator.
  - The municipality did not adopt a water services development plan.
- Sanitation
  - Access to basic sanitation is not reported as a key performance indicator.

## PART C – FINANCIAL INDICATORS

109. Management is responsible for the sound and sustainable management of the affairs of the municipality and for implementing an efficient, effective and transparent financial management system for this purpose, as regulated by the MFMA.

110. Our audit included a high-level assessment of selected financial indicators as at year-end. The purpose of the assessment is to provide management with an overview of financial indicators to enable timely corrective action where financial health and service delivery may be at risk. The information should be used to complement, rather than substitute, management's own financial assessment.

111. We assessed the municipality's financial indicators according to the following areas:

- Budget management
- Expenditure management
- Revenue management
- Asset and liability management
- Cash management
- Grant management

112. We show our assessment of the financial indicators in the table below and give high-level comments on the risks posed by the assessment of the financial indicators.

FINANCIAL INDICATORS			
(Limitation = unable to obtain sufficient appropriate information)		AS AT 30 JUNE 2014	AS AT 30 JUNE 2013
<b>BUDGET MANAGEMENT</b>			
1.1	Percentage over-spending of the final approved operating expenditure budget	<b>Not over-spent</b>	<b>Not over-spent</b>
1.2	Percentage under-spending of the final approved capital budget	<b>Limitation</b>	<b>17% under-spent</b>
<b>EXPENDITURE MANAGEMENT</b>			





<b>FINANCIAL INDICATORS</b>			
<b>(Limitation = unable to obtain sufficient appropriate information)</b>		<b>AS AT 30 JUNE 2014</b>	<b>AS AT 30 JUNE 2013</b>
2.1	Creditor-payment period	Limitation	Limitation
<b>ASSET AND LIABILITY MANAGEMENT</b>			
3.1	A deficit for the year was realised (total expenditure exceeded total revenue)	Limitation	Limitation
3.2	A net current liability position was realised (total current liabilities exceeded total current assets)	Limitation	Limitation
3.3	A net liability position was realised (total liabilities exceeded total assets)	Limitation	Limitation
3.4	Percentage of PPE and/or intangible assets impaired	0%	0%
3.5	Percentage of loan receivables (loans awarded) and/or investments impaired	0%	0%
<b>CASH MANAGEMENT</b>			
4.1	The year-end bank balance was in overdraft	Limitation	Limitation
4.2	Net cash flows for the year from operating activities were negative	Limitation	Limitation
4.3	Cash and cash equivalents as a percentage of operating expenditure	Limitation	Limitation
4.4	Creditors as a percentage of cash and cash equivalents	Limitation	Limitation
4.5	Current liabilities as a percentage of net cash inflows for the year from operating activities	Limitation	Limitation
4.6	Non-current liabilities (long-term debt) as a percentage of net cash inflows for the year from operating activities	Limitation	Limitation
4.7	Employee benefit obligation as a percentage of net cash inflows for the year from operating activities	0%	0%
<b>GRANT MANAGEMENT</b>			
5.1	Percentage under-spending of conditional grants received for the year	Limitation	Limitation
5.2	Percentage by which unspent conditional grants received exceeded cash available at year-end	Limitation	Limitation
<b>OVERALL ASSESSMENT</b>			
Overall the results of the above financial indicator evaluation is assessed as:		Limitations unable to determine indicators	Limitations unable to determine indicators
<i>The above assessment is based on financial statement amounts, adjusted for uncorrected misstatements that resulted in the modification of the audit opinion.</i>			

113. Limitations have been experienced with most of the balances in the financial statements, which resulted from the inability to obtain reliable information to complete the financial indicators. We are not able to sensibly provide management with neither possible risk areas nor ratios which might indicate areas of concern or regression.



**PART D – CONSULTANTS**

114. The audit included an assessment of the use of consultants. In the public sector environment, the partnership between the private and public sector has become important in driving strategic goals. To optimise the value of this partnership, we identified areas that need attention to get the best value for money.

The table below shows the extent and nature of the municipality's use of consultants:

Type of consultancy services	Number of consultants	Actual expenditure		
		Current year – incurred before year-end	Incurred after year end on financial reporting for current year	Prior year
Financial reporting services	2	R11 525 725		
Preparation of performance information	Nil			
IT related services	1	R522 528		
Other consultancy services	2	R1 554 377		

Name of consultant	Description of service	Value of contract	Reason for appointing consultant	Recurring appointment?	Uncorrected misstatements or material findings identified in areas of consultant's responsibilities?	Reasons for findings/ misstatements not prevented by use of consultant	Areas of finding
Moore Stephens	Preparation of financial statements and compilation of audit file	No bid available, expense of R11 525 725	Lack of skills	No	Yes – the financial statements as a whole, excluding employee cost and PPE and areas where supportive documentation was not provided by municipality	Consultant did not deliver in accordance with the proposal and in certain instances supporting documents were not made available to the consultant	Planning and appointment process  Transfer of skills
Camelsa Consulting Group	Pastel support	R522 528	Lack of skills	Yes	No	Not applicable	Not applicable
Tshikovha Environmental Communi-	Development of Integrated Waste	R879 915	Lack of skills	No	No	Not applicable	Transfer of skills



ation and Consulting	Management Plan						
Skills Promotions Agency	Development of disaster management Plan	R674 463	Lack of skills	No	No	Not applicable	Transfer of skills

115. The table below shows the consultancy contracts assessed the reasons for the appointment of the consultant and whether the audit identified any uncorrected misstatements or material findings on performance information in the areas the consultant was responsible for. We also provide our assessment of the reason for such misstatements or findings. If our audit identified any findings on the contract, the area of finding is indicated.

116. The following findings on use of consultants result from the testing the contracts listed in the table above.

Planning and appointment processes

- Consultants were appointed without a proper needs assessment being performed.
- Consultants were appointed without any terms of reference.

Internal capacity

- Consultants were appointed even though the skills necessary to perform the project, duty or study were available within the municipality.

Transfer of skills

- Measures to monitor transfer of skills according to the contract were not implemented.

Performance management & monitoring

- Consultancy services were provided and payment made to the consultants without a signed contract to regulate the work of the consultant.
- The payments to consultants could not be determined, whether it exceeded the approved budgeted amount.
- No evaluation was performed to compare the consultant's services rendered and the deliverable to the initial project objectives and needs.
- Proposals or recommendations that are contained in the consultant's reports were not considered or implemented.
- No contract available to stipulate the terms and conditions for the termination of the contract in the case of non- or underperformance.
- No remedial action was taken in instances where the consultants were not performing in accordance with the proposal submitted by consultant.
- Contract was not available to inspect whether it stipulated the deliverables or deliverables stipulated in consultants' contracts were not linked to timelines.
- Uncorrected material misstatements or audit findings were identified by the auditors on the work performed by the consultant or in areas of the consultants' responsibilities.

Internal control deficiencies



Management did not ensure contracts are signed by all consultants before the appointment. Skills transfer from consultants to the municipal staff is not monitored to ensure it occurs.

## **PART E – FRAUD**

117. The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance. We are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Due to the inherent limitations of an audit, there is a risk that some material misstatements, including fraud, may not be detected.

## **SECTION 4: EMERGING RISKS**

### **Accounting, performance management / reporting and compliance matters**

118. The ASB has issued new standards of GRAP that might have an impact on the municipality in the following financial year.

- New pronouncements/requirements

#### **The ASB has issued the following Standards of GRAP:**

- GRAP 20 - Related-party disclosures
- GRAP 108 - Statutory receivables

No effective date has been set for these Standards of GRAP.

### **Corporate governance of information and communication technology policy framework**

119. The Department of Public Service and Administration (DPSA), in cooperation with the government information technology officer (GITO) council, developed the corporate governance of information and communication technology policy framework (CGICTPF), which is applicable to all spheres of government, organs of state and public enterprises. Parliament approved the CGICTPF for implementation on 21 November 2012.
120. The CGICTPF provides the political and executive leadership with a set of principles and practices that must be complied with, together with a phased implementation approach to be followed for corporate governance of information and communication technology (ICT).
121. Through a directive from the minister of Cooperative Governance and Traditional Affairs (CoGTA), the national ICT coordination and monitoring structure for local government was established to develop the implementation requirements and guideline specific to local government. Key stakeholders in the local government sector form part of this ICT coordination and monitoring structure.
122. In 2014-15, this structure reworked the CGICTPF and drafted the municipal ICT governance policy framework. Different forums such as councils, MinMEC and municipal managers are currently consulting on the draft municipal ICT governance policy. It is envisaged that the municipal ICT governance policy framework will be finalised and approved during the 2014-15 financial year and implemented from the 2015-16 financial year.
123. The phase 1 deliverables (establish the corporate governance of ICT and the governance of ICT environments), should have been completed by 31 March 2014. The phase 1 deliverables will be audited in the 2014-15 financial year.
124. The implementation deliverables for phase 2, which have to be completed by March 2015, should also receive attention. This phase is about strategic alignment between business and



ICT. Several frameworks are already in place to guide the implementation of phase 2 requirements. For example:

125. National Treasury's Framework for Strategic Plans and Annual Performance Plans
  - The DPSA's Service Delivery Framework and Methodology
  - Government-wide enterprise architecture
126. Phase 3 will run from April 2015 onwards and will focus on the continuous improvement of corporate governance of ICT and the governance of the ICT environment. The governing principles for this phase will be:
  - The contribution of ICT to the realisation of business value
  - Continuous improvement of the management of ICT – COBIT processes.

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#### **SECTION 5: RATINGS OF DETAILED AUDIT FINDINGS**

127. For the purposes of this report, the detailed audit findings included in annexures A to C have been classified as follows:
  - Matters to be included in the auditor's report: These matters should be addressed as a matter of urgency.
  - Other important matters: These matters should be addressed to prevent them from leading to material misstatements of the financial statements or material findings on the performance report and non-compliance with legislation in future.
  - Administrative matters: These matters are unlikely to result in material misstatements of the financial statements or material findings on the performance report and non-compliance with legislation.

**SECTION 6: CONCLUSION**

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

Yours faithfully

L van der Grijp  
Deputy Business Executive: North West

27 February 2015

**Distribution:**  
Municipal Manager





**SECTION 8: SUMMARY OF DETAILED AUDIT FINDINGS**

Page. no.	Finding	Classification					Rating			Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
	Compliance: Conditional grants			✓			✓				Not addressed
	Use of consultants			✓							Not addressed
<b>Borrowings &amp; long-term loans</b>											
	Long term Liabilities - Short-term portion not transferred to current liabilities	✓					✓				Not addressed
<b>Cash and cash equivalents</b>											
	Bank and cash - Items older than six months were found on Bank reconciliation	✓					✓				Not addressed
	Cash and Bank: Bank details not submitted annually to treasury.			✓				✓			Not addressed





Cash flow statements											
	Cash flow statement: Misstatement	✓					✓				Not addressed

Commitments											
	Commitments	✓					✓				Not addressed

Employee costs											
	Employee costs - Section 57 Manager's salaries	✓					✓				Not addressed

	Employee cost - Councillors remuneration	✓					✓				Not addressed
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	Employee cost - Payments to Third parties				✓			✓			Not addressed
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	Employee cost - Compliance testing			✓			✓				Not addressed
--	------------------------------------	--	--	---	--	--	---	--	--	--	---------------

	Employee cost - Appointments			✓			✓				Not addressed
--	------------------------------	--	--	---	--	--	---	--	--	--	---------------

	Employee cost - Payroll			✓			✓				Not addressed
--	-------------------------	--	--	---	--	--	---	--	--	--	---------------

	Employee costs - Leave testing				✓			✓			Not addressed
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	Employee costs - Terminations				✓			✓			Not addressed
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General IT controls											
	IT organogram has not been approved				✓			✓			Not addressed
	Information security officer role not adequately defined				✓			✓			Not addressed
	Lack of IT governance steering committee				✓			✓			Not addressed
	Lack of IT risk framework				✓			✓			Not addressed
	Service level agreement (SLA) not in place				✓			✓			Not addressed
	Lack of a service level agreement between IT and business				✓			✓			Not addressed
	Lack of baseline configuration standards				✓			✓			Not addressed
	Firewall rules not enabled				✓			✓			Not addressed
	Database security – Lack of evidence				✓			✓			Not addressed



SQL database super user account not disabled											Not addressed
Administrator account management											Not addressed
Inadequate password configuration on the network and systems											Not addressed
Lack of user account management process											Not addressed
Periodic reviews not performed											Not addressed
Inadequate review of audit logs on systems											Not addressed
Lack of defined user naming standard											Not addressed
Domain account management											Not addressed
Lack of change management policies											Not addressed
Lack of a disaster recovery plan											Not addressed



Lack of backup management process				✓			✓			Not addressed
Backup off-site storage				✓			✓			Not addressed
<b>Heading 1</b>										
No policy document to regulate specific sections				✓			✓			Not addressed
Compliance - Audit Committee				✓			✓			Not addressed
Internal control - weaknesses				✓			✓			Not addressed
Internal control - Sale of water reconciliation				✓			✓			Not addressed
Compliance - Payables not paid within 30 days after receipt				✓			✓			Not addressed
Compliance - SCM Regulation				✓			✓			Not addressed
Compliance - Budget				✓			✓			Not addressed
Compliance - AOPI				✓			✓			Not addressed



Disclosure - Other MFMA disclosures												Not addressed
SCM - Compliance												Not addressed
Compliance - Expenditure												Not addressed
Compliance: Asset management												Not addressed
Compliance: Liability management												Not addressed
Compliance: AFS												Not addressed
Irregular expenditure compliance												Not addressed
<b>Heading 2</b>												
SCM - No service level agreement												Not addressed
Procurement - Request for information not received												Not addressed
Expenditure - Procurement not correct												Not addressed

	Inadequate process for design and revision of policies				✓			✓				Not addressed
<b>Heading 3</b>												
	Disclosure - Unauthorised expenditure	✓						✓				Not addressed
	Fruitless and wasteful expenditure	✓						✓				Not addressed
<b>Heading 5</b>												
	Journals and large items - Supportive documentation not provided				✓			✓				Not addressed
	GRAP disclosure - Financial instruments disclosure incomplete	✓						✓				Not addressed
	Opening balance - Unspent grants and grant revenue	✓						✓				Not addressed
	Opening balance: Information not provided	✓						✓				Not addressed
	All sections - Limitation of scope	✓						✓				Not addressed
	Expenditure - Completeness	✓						✓				Not addressed



Heading 7												
	Disclosure - Opening balances	✓						✓				Not addressed
	Environmental audit			✓				✓				Not addressed
Immovable assets												
	Property, plant and equipment - No supporting documentation		✓					✓				Not addressed
	Property, plant and equipment - Expenditure incorrectly capitalised	✓						✓				Not addressed
	Property, plant and equipment - Purchase/capitalisation date not indicated on fixed asset register				✓			✓				Not addressed
	Property, plant and equipment - Depreciation on additions incorrectly calculated	✓							✓			Not addressed
	Property, plant and equipment - WIP as per commitment register not agreeing to final progress report as at year end	✓						✓				Not addressed
	Property, plant and equipment - Immoveable assets with zero book values				✓			✓				Not addressed



	Property plant and equipment - Retention amount as per contract certificate not agreeing to retention list used to prepare financial statements	✓					✓				Not addressed
	Property plant and equipment - Retention amount not recognised as part of WIP cost capitalised	✓					✓				Not addressed
	Property, plant and equipment - Fixed asset methodology incorrectly applied for immovable assets	✓						✓			Not addressed
	Property, plant and equipment - Fixed assets selected from the floor not identified on the fixed asset register	✓						✓			Not addressed
	Property, plant and equipment - Fixed assets that could not be verified for existence	✓						✓			Not addressed
	Property, plant and equipment - Limitation of scope	✓						✓			Not addressed
	Property, plant and equipment - Completeness of infrastructure items sanitation	✓						✓			Not addressed
<b>Inventory</b>											
	Valuation method of inventory not in accordance with the accounting policy	✓						✓			Not addressed





Inventory - Delivery notes not signed											
					✓			✓			Not addressed

Inventory - Unused part of issue voucher is not crossed out when the month has ended											
					✓			✓			Not addressed

Inventory - Stock count variances											
								✓			Not addressed

Inventory - Petrol, Diesel and Oil											
								✓			Not addressed

Inventories - Cut off											
					✓			✓			Not addressed

Inventory - Safeguarding											
					✓			✓			Not addressed

<b>Movable assets</b>											
PPE - Additions in 2013 year not on the asset register for 2014											
					✓			✓			Not addressed

Property, Plant and Equipment - Disposals not properly disclosed on fixed asset register											
					✓			✓			Not addressed

Property, plant and equipment - Duplicate asset ID/Serial numbers											
					✓			✓			Not addressed



Property, plant and equipment - Obsolete assets from prior year still recorded in fixed asset register												
			✓							✓		Not addressed

Property, plant and equipment - Current year depreciation incorrectly calculated												
			✓							✓		Not addressed

Property, plant and equipment - Asset valuation methodology incorrectly applied for moveable assets												
			✓							✓		Not addressed

<b>Operating expenditure</b>												
Expenditure - Non submission of supportive documentation												
			✓							✓		Not addressed

Expenditure - Prior period errors												
			✓							✓		Not addressed

Expenditure - Limitation of scope												
						✓				✓		Not addressed

Expenditure - Grants and subsidies												
										✓		Not addressed

Expenditure - Grant and subsidies incorrect allocation												
										✓		Not addressed

Expenditure - Grants and subsidies												✓	Not addressed	
Expenditure - Disclosure												✓	Not addressed	
Expenditure - Limitation of scope												✓	✓	Not addressed
Expenditure - Cut off accuracy												✓	✓	Not addressed
Expenditure - Payments not correctly authorised												✓	✓	Not addressed
<b>Payable</b>														
Payables - Retentions												✓	✓	Not addressed
Payables: Accrued leave calculated incorrectly												✓	✓	Not addressed
Payables: Incorrect calculation of Accrual for 13th Cheque Bonus												✓	✓	Not addressed
Payables - Disclosure and payables not meeting criteria of payables												✓	✓	Not addressed
Payables - No supportive documentation for other												✓	✓	Not addressed



creditors											
Payables - Retentions incomplete	✓					✓					Not addressed
Payables - List differ from the general ledger	✓					✓					Not addressed
Payables - Leave accrual	✓					✓					Not addressed
Payables: Invoices received before yearend and not raised as creditors	✓					✓					Not addressed
<b>Predetermined objectives</b>											
SCM - Non adherence to policy				✓		✓					Not addressed
AOPI - Usefulness - Consistency		✓				✓					Not addressed
AOPI - Usefulness: Measurability		✓									Not addressed
AOPI - Reliability		✓				✓					Not addressed
<b>Provisions</b>											
Provisions: Botshelo Water	✓					✓					Not addressed



	Provision - Long service awards	✓						✓			Not addressed

<b>Receivables</b>											
	Receivables - Provision for bad debts incorrect	✓						✓			Not addressed

	Disclosure: Receivables not disclosed correctly	✓						✓			Not addressed

<b>Reserves</b>											
	Accumulated surplus - Statement of changes in net assets	✓						✓			Not addressed

<b>Revenue</b>											
	Revenue - Only net sales from water sales are recognised	✓						✓			Not addressed

	Revenue: Yard connection income incorrectly classified.	✓						✓			Not addressed

	Revenue - Incorrect rates used for sales	✓						✓			Not addressed

<b>Taxes</b>											
	VAT - Vat number invalid	✓						✓			Not addressed

	VAT - No monthly reconciliations are done between the general ledger and the VAT 201's				✓			✓			Not addressed
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## DETAILED AUDIT FINDINGS

### ANNEXURE A: MATTERS AFFECTING THE AUDITOR'S REPORT

#### 1. EX.129 - Compliance: Conditional grants

##### Audit finding

- 1) Quarterly non-financial performance reports (for MIG, LGFMG and MSIG) were not submitted to the transferring national officer, the relevant provincial treasury and the National Treasury within 30 days after the end of each quarter as required by DoRA 12(2)(c). (MR)
- 2) Sufficient appropriate audit evidence could not be obtained that the municipality did evaluate its performance in respect of programmes or functions funded by the, Municipal Infrastructure Grant allocation, Local Government Finance Management Grant and Municipal Systems Improvement Grant, as required by section 12(5) of the Division of Revenue Act. (AR)
- 3) Municipal Infrastructure Grant allocation, Local Government Finance Management Grant and Municipal Systems Improvement Grant funds were retained or rollover to the next financial year without seeking the approval of the National Treasury, as required by sections 21(1) of the Division of Revenue Act. (AR)

##### Internal control deficiency

##### Recommendation

Management should ensure adherence to legislative requirements

##### Management response

No formal management comment received.

##### Auditor's conclusion

No management comment received, finding remains and will be reported in the audit and management report.

#### Borrowings & long-term loans

#### 2. EX.51 - Long term Liabilities - Short-term portion not transferred to current liabilities

##### Audit finding

It is required, as per paragraph 72 of the Standard of Generally Recognised Accounting Practice on the Presentation of Financial Statements (GRAP 1), that:

“An entity classifies its financial liabilities as current when they are due to be settled within twelve months after the reporting date, even if:

1. (a) The original term was for a period of longer than twelve months...”

Through inspection of the financial statements and conducting audit procedures, it was discovered that the current portion of long term liabilities was not transferred and classified as a current liability. The long term loan is the loan with the Development Bank of South Africa Limited in respect of funding the North West Water and Sanitation Programme Phase 3.

Short term portion for DBSA loan was not disclosed, the value of the short term disclosure is understated and the long term disclosure is overstated by R18 911 867.08.

This will result in an understatement of current liabilities and an overstatement of long-term liabilities.

### **Internal control deficiency**

Financial and performance management:

1. • Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information
2. • Review and monitor compliance with applicable laws and regulations

### **Recommendation**

Management should ensure compliance with applicable laws and regulations regarding Presentation of Financial Statements.

### **Management response**

No formal management comments were received.

### **Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

### **Cash and cash equivalents**

### **3. EX.7 - Bank and cash - Items older than six months were found on Bank reconciliation**

#### **Audit finding**

According to Section 62 of the MFMA, The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure -

- (a) that the resources of the municipality are used effectively, efficiently and economically;
- (b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards

Outstanding items longer than six months have been identified on the bank reconciliation, which have already expired or which should have already appeared on the bank statement. The table below summarise the totals as per the bank reconciliation:

Bank account	Payments older than 6 months	Deposits older than 6 months	Net effect
FNB ( 529-100-86-795)	R 38 721 949.21	R 39 174 161.33	-R 452 212.12
FNB ( 623-2792-9735)	R 577 993.88	R 236 229.50	R 341 764.38

Adjustments as part of the bank reconciliation in the total amount of R 10 274 645.98, to correct long outstanding payments could not be matched to the outstanding item which are corrected. I am unable to confirm that the adjustments processed were correct.

Management did not remove the transactions older than 6 months from the bank reconciliations.

Incorrect cashbook balances may lead to incorrect decision-making base on cash flow availability

#### **Internal control deficiency**

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

#### **Recommendation**

Management should confirm that all transactions older than 6(six) months is removed from the Bank reconciliation.

#### **Management response**

No formal management comment received 26/09/2014

#### **Auditor's conclusion**

No comment received, finding will be reported in the audit and management reports

#### **Cash flow statements**

#### **4. EX.60 - Cash flow statement: Misstatement**

##### **Audit finding**

According to Sections 62(1)(c) of the Municipal Finance Management Act No. 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.

1) The cash flow statement was not accurate; the following is a summary of the line items that had differences

	<u>2014</u>	<b>Recalculated amount</b>	<b>Difference</b>
<b>Cash flow from operating activities</b>			
Cash receipts from customers	<b>771,196,797.00</b>	773,894,779.00	2,697,982.00
Grants	767,458,834.00	771,902,902.00	4,444,068.00
Other receipts	2,634,207.00	888,121.00	(1,746,086.00)
Cash paid to suppliers and employees	<b>(501,728,956.00)</b>	(504,426,941.00)	(2,697,985.00)
Suppliers	(252,735,582.00)	(255,433,567.00)	(2,697,985.00)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	286,345,298.00	(286,345,298.00)	(572,690,596.00)
Movement on investments	(11,646,838.00)	(6,957,520.00)	4,689,318.00
<b>Net cash from investing activities</b>	<b>274,379,110.00</b>	<b>(293,622,168.00)</b>	(568,001,278.00)
<b>Cash flows from financing activities</b>			
Movement in other non-cash items	(602,122,148.00)	-	602,122,148.00
<b>Net cash from financing activities</b>	(540,211,791.00)	<b>61,910,357.00</b>	602,122,148.00
Total cash movement for the year	3,635,160.00	37,756,027.00	34,120,867.00

Total cash at end of the year	3,875,569.00	<b>37,996,436.00</b>	34,120,867.00
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2) The amount as indicated in the prior year transferred from the 2012 financial year bank balance as the comparative bank opening balance was indicated as R90 639 589, although this does agree as per the statements used in previous financial statement there was prior period errors that affected the bank account balances of the prior year therefore this balance cannot be the same.

This could result in misstated cash flow statement.

### Internal control deficiency

Financial/ performance management - This is due to a lack of management supervision of the drafting process of AFS.

### Recommendation

Management should ensure that annual financial statement are reviewed before they are approved in order to ensure that the statement are correct, complete and represent a fair presentation of the financial state of the municipality.

### Management response

No formal management comments were received.

### Auditor's conclusion

No management comment received, finding stand will be reported in the audit and management reports.

### Employee costs

#### 5. EX.52 - Employee costs - Section 57 Manager's salaries

##### Audit finding

1 & 2) Municipal Finance Management Act (MFMA)

Sec 124

(1)The notes to the annual financial statements of a municipality must include particulars of:

(c) the salaries, allowances and benefits of the municipal manager, the chief financial officer, every senior manager and such categories of other officials as may be prescribed.

3) 124. Disclosures concerning councilors, directors and officials.—(1) The notes to the annual

financial statements of a municipality must include particulars of—

the salaries, allowances and benefits of the municipal manager, the chief financial officer,

every senior manager and such categories of other officials as may be prescribed.

1) During our audit on employee related costs of section 57 managers, we noted the following differences between total remuneration package amount paid to senior managers as per 12 month report and the total remuneration amount indicated in the Annual financial statements. Annual financial statements were understated.

2) During our audit on employee related costs of section 57 managers, we inspected the 12 month report and noted that section 57 manager's received leave encashment during the year under review.

3) During our audit on employee related costs of section 57 managers, we noted that remuneration of executive director's has not been disclosed for each director, disclosure shows one aggregate amount.

Employee code	Name & surname	Position	AFS	VIP Report	Difference
100536	M.E MOJAKI	MUNICIPAL MANAGER	1,778,236.00	1,926,703.11	-148,467.11
100545	M.W MOLOKELE	CHIEF FINANCIAL OFFICER	1,166,478.00	1,248,926.89	-82,448.89
100230	H.L MAHOLE	SENIOR MANAGER: CRSS		1,375,622.18	-1,375,622.18
100626	T.J MBEKENI	SENIOR MANAGER: GED		1,285,423.14	-1,285,423.14
100619	D.I MONGWAKETSE	CHIEF AUDIT EXECUTIVE		1,289,337.34	-1,289,337.34
100562	K.P RAMOABI	SENIOR MANAGER: EXECUTIVE MAYOR		1,255,816.85	-1,255,816.85
100834	S.B SEHOLE	SENIOR MANAGER: PMU		1,266,127.95	-1,266,127.95
100537	S.C WILLIAMS	SENIOR MANAGER: BPS		1,408,493.85	-1,408,493.85
100302	P. NTHUTANG	SENIOR MANAGER: INFRASTRUCTURE		1,251,601.25	-1,251,601.25
100835	M.A METSWAMERE	SENIOR MANAGER: MHS		1,246,193.83	-1,246,193.83
		Total cost for Audit executive disclosed in AFS	8,180,670.00		
			11,125,384.00	13,554,246.39	-2,428,862.39



4) The above will also result in a shortfall of related party disclosure

This could result in irregular expenditure and possible non-compliance to MFMA.

### **Internal control deficiency**

This is due to a lack of management understanding with regards to section 57 managers remuneration

### **Recommendation**

Management should ensure that the remuneration of the managers occurs within remuneration frameworks, management should also ensure that the amounts disclosed as remuneration is supported by appropriate sufficient audit evidence.

### **Management response**

No formal management comments received.

### **Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

## **6. EX.54 - Employee cost - Councillors remuneration**

### **Audit finding**

Section 62(1) (c) of MFMA states that: "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards.

(a) the salaries, allowances and benefits of political office-bearers and councillors of the municipality, whether financial or in kind, including a statement by the accounting officer whether or not those salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution;

(b) any arrears owed by individual councillors to the municipality, or a municipal entity under its sole or shared control than 90 days, including the names of those councillors; and

1) During our audit on employee related costs of councillors, we noted the following differences between the total remuneration package amount paid to councillors as per 12 month report and the total remuneration amount indicated in the Annual financial statements, and the total amounts indicated in the government gazette.

2) During our audit on employee related costs of councilors, we noted that no paragraph was included in the disclosure note on councilor's remuneration which states that no money is owed to the municipality by the councilors.

3) During our audit on employee related costs of councilor's, we noted that the salaries, allowances and benefits of the councilors are disclosed in the notes to the financial statements, however the notes does not include a statement by the accounting officer stating whether or not those salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

The following summarises the difference as identified above:

Total remuneration as per VIP	9 756 078
Total maximum remuneration as per government gazette	9 152 516
<b>Difference indicating overpayment of councilors</b>	<b>603 562</b>

Total remuneration disclosed for councilors excl. S&T	9 814 293
<b>Difference between AFS and VIP</b>	<b>58 215</b>

4) The above will also result in a shortfall of related party disclosure

Management does not exercise sufficient control to ensure that the information presented in the annual financial statements is accurate.

#### **Internal control deficiency**

This is due to lack of management review over the remuneration of the councilors and understanding of the MFMA requirements

#### **Recommendation**

The councilors should be paid in accordance with *Government Gazette No. 37281 of 29 January 2014*.

#### **Management response**

No formal management comments were received.

#### **Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

## 7. EX.79 - Employee cost - Compliance testing

### Audit finding

Section 62(1)(c) of the MFMA no.53 of 2003, 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.

- 1) The head of the SCM unit was appointed without having met the prescribed minimum competency levels as required by section 56(1)(b) of the Municipal Systems Act. (AR)
- 2) During our audit on employee cost, we noted that the municipality does not have approved policies. (MR)
- 3) During our audit on employee cost, we noted that competency and performance assessments have not been done on the section 57 manager's. (MR)
- 4) The competencies of financial and supply chain management officials were not assessed in a timely manner in order to identify and address gaps in competency levels as required by the Municipal Regulations on Minimum Competency Levels reg 13. (AR)
- 5) The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and relevant provincial treasury as required by the Regulations on Minimum Competency Levels reg14(2)(a). (AR)
- 6) The annual report of the municipality did not reflect information on compliance with prescribed minimum competencies as required by the Regulations on Minimum Competency Levels reg14(2)(b)/14(3) (AR)
- 7) The chief financial officer did not meet any of the prescribed competency areas as required by sec 83 of the Municipal Finance Management Act and reg 4 and 5 of the Municipal Regulations on Minimum Competency Levels. (AR)
- 8) The head of supply chain management did not have the higher education qualification as required by sec 119 of the Municipal Finance Management Act and reg 10 and 11 of the Municipal Regulations on Minimum Competency Levels. (AR)
- 9) The head of supply chain management did not meet any of the prescribed competency areas as required by sec 119 of the Municipal Finance Management Act and reg 10 and 11 of the Municipal Regulations on Minimum Competency Levels. (AR)
- 10) The municipality did not develop and adopt appropriate systems (policies) and procedures to monitor measure and evaluate performance of staff in contravention of MSA sec 67(d). (AR)
- 11) No performance evaluation was performed as required by Municipal Performance Regulations reg 28 (GNR805) (MR)
- 12) The overall vacancy rate regressed from the prior year from 7% vacancy to 8% vacancy. (MR)
- 13) Could not determine if employees received paid overtime of more than the maximum hours overtime allowed in terms of the overtime policies. (MR)
- 14) Employees did not only receive annual leave that they were entitled to. (MR)

### Internal control deficiency



### **Recommendation**

Management should ensure that approved municipal policies are in place in order for operations to be controlled efficiently.

### **Management response**

No formal management comment received.

### **Auditor's conclusion**

No management comment received, finding remains and will be reported in the audit and management reports.

## **8. EX.88 - Employee cost - Appointments**

### **Audit finding**

Par 6.1 of the Salaries and Wages Collective Agreement 2012-2013 to 2014-2015 states that: All employees shall receive for the financial year 2012/2013

6.1 All employees covered by this agreement shall receive an increase of six comma five percent (6.5%) with effect from 1 July 2012.

And a further increase of zero comma five percent (0.5%) with effect from 1 January 2013 based on the salaries of the employees as at 31 December 2012.

We could not obtain the salary structure from the municipality as used in determining salaries for appointments, therefore we could not determine if the salary scale utilised is in line with that of SALGA.

This could result in the municipality paying out more and/or less salaries than what they are supposed to

### **Internal control deficiency**

Leadership - This is due to lack of management review over the implemented salary structure.

### **Recommendation**

Management must ensure that salaries paid are in accordance with the salary structure approved by SALGA.

### **Management response**

No formal management comment received.

### **Auditor's conclusion**





No management comment received, finding remains and will be reported in the audit and management reports.

## 9. EX.89 - Employee cost - Payroll

### Audit finding

MFMA Section 87 and 100 states the following

i) Section 87

Paragraph 8 :A municipal entity may incur expenditure only in accordance with its approved budget or an adjustments budget.

ii) Section 100.

Budget implementation.—The accounting officer of a municipal entity is responsible for implementing the entity's budget, including taking effective and appropriate steps to ensure that—  
implementing the entity's budget, including taking effective and appropriate steps to ensure that—

a) the spending of funds is in accordance with the budget

During our audit on employee cost we have noted that the department's actual expenditure were not in line with the budget:

<b>Municipal Manager Administration</b>	<b>Salaries</b>	<b>Leave Bonus</b>	<b>Medical Fund</b>	<b>Contribution to U.I.F</b>	<b>Standy Allowance</b>	<b>Vehicle Allowance</b>
Budgeted Amount	17,033,020.76	631,200.90	824,419.30	87,481.20	-	2,281,539.08
Actual Expenditure	17,248,776.13	834,010.51	889,468.00	93,419.12	5,696.18	2,718,759.48
Difference	(215,755.37)	(202,809.61)	(65,048.70)	(5,937.92)	(5,696.18)	(437,220.40)

<b>Councillors</b>	<b>Medical Fund</b>	<b>Sunday Allowances</b>	<b>Mobile data card</b>
Budgeted Amount	8,931,781.80	6,078,634.58	101,088.00
Actual Expenditure	11,142,717.60	6,691,441.24	109,240.00
Difference	(2,210,935.80)	(612,806.66)	(8,152.00)

**Internal control deficiency****Recommendation**

Management should ensure that expenditure incurred should be in line with the approved budget.

**Management response**

No formal management comments received.

**Auditor's conclusion**

No management comments received, finding remains and will be reported in the audit and management report.

**10. EX.93 - Employee costs - Terminations****Audit finding**

Section 62(1) (c) of MFMA states that: "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards."

During our audit on employee cost, we noted differences between leave pay out from VIP and auditor's calculated leave pay out. The following differences were noted.

No.	Employee Name	Total cost to company	Number of leave days	Recalculated leave pay out	Paid leave pay out as per VIP	Difference
1	Africa T D	45,547.23	37.00	6,740.99	11,596.20	(4,855.21)
2	Mosete R A	76,139.44	16.00	4,872.92	34,514.73	(29,641.81)
3	Lecogo K S	48,971.86	17.00	3,330.09	19,414.17	(16,084.08)
4	Ncapedi M S	88,540.96	20.00	7,083.28	26,531.00	(19,447.72)
5	Motswenyane T G	211,476.99	19.00	16,072.25	50,942.22	(34,869.97)
6	Mmutloane O W	105,837.10	32.00	13,547.15	34,760.54	(21,213.39)
7	Molefe S L	131,204.67	33.00	17,319.02	55,382.12	(38,063.10)
8	Tshojane R	190,836.54	5.50	4,198.40	5,101.11	(902.71)
9	Kgantsi D.	156,836.54	26.00	16,311.00	5,101.11	11,209.89

10	Gaborone M.A	87,408.24	28.00	9,789.72	18,484.77	(8,695.05)
14	Matsaunyane K.O.P	18,360.00	5.00	367.20	750.00	382.80
16	Malgas M.P	438,534.92	35.00	61,394.89	54,192.02	7,202.87
17	Motlhamme S.M.T	479,303.63	14.00	26,841.00	28,676.35	1,835.35
18	Hlongwa S	32,283.00	12.00	1,549.58	1,800.00	(250.42)
19	Mpinga E.	422,764.68	27.00	45,658.59	39,722.57	5,936.02
20	Sejake S.C	133,844.23	6.00	3,212.26	7,187.94	(3,975.68)
21	Motladile K.P	319,612.09	20.00	25,568.97	30,010.31	(4,441.34)
27	Moiloa K.J	392,837.00	4.00	6,285.39	8,129.44	1,844.05
28	Legwase T.I	151,851.45	9.00	5,466.65	-	(5,466.65)
29	Nthutang P.	1,251,601.25	20.00	100,128.10	131,044.34	30,916.24
		<b>4,783,791.82</b>			<b>563,340.94</b>	<b>(128,579.92)</b>

**Total population** **4,783,791.82**

**Total estimated error** **(1,091,877.98)**

**Internal control deficiency**

**Recommendation**

Management should ensure that accurate calculations are performed on leave pay out.

**Management response**

No formal management comment received

**Auditor's conclusion**

No management comment received and will be reported in the audit and management report.

**Heading 1**

**11. EX.2 - Compliance - Audit Committee**

**Audit finding**



1) An audit committee was not in place, as required by section 166(1) of the Municipal Finance Management Act. (AR)

2) A performance audit committee was not in place as required by Municipal planning and performance management regulation 14(2)(a). (AR)

### **Internal control deficiency**

**Governance** – *Audit Committee*: AC not performing its functions as required by legislation specifically relating to this municipality

### **Recommendation**

An audit committee that meet the minimum requirements as per its charter should be appointed and perform the functions as required per legislation.

### **Management response**

1. Audit Committee for the financial year 2013/14 was not effective as there were only two members and they could not form a quorum as per legislation to sit/or have a meeting.

The following Audit Committee members were appointed on 01 June 2014.

1. Mr Clement Mabe
2. Mr Elisha Musindo
3. Mr Kelopile Thupaemang
4. Mr Nthole Mokoena

Mr Kagalelo Phiritwane was appointed on the 01 August 2014.

The Audit Committee is currently effective and has already held three meetings on the 04 – 05 August 2014 and on the 21 August 2014.

Find attached appointment letters of this members

Name: Di Mongwaketse

Position: Chief Audit Executive

Date: 11 September 2011

### **Auditor's conclusion**

Management comment noted and the finding will be reported as a non-compliance in the audit and management report as the committee was not effective for the full financial year under review.

## **12. EX.12 - Compliance - Payables not paid within 30 days after receipt**

### **Audit finding**

Clause 65(2)(e) of the MFMA require that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

Payables were not paid within the prescribed minimum period of 30 days from receipt of invoice from supplier. Since no date stamp attach to invoices received the invoice date on the supplier invoice have been used to calculate the start of the period. Herewith a list of the suppliers not paid with the prescribed period, first item identified during system descriptions and second table from detail testing performed:

Invoice date	Invoice no.	Supplier	Amount	Date paid
30/05/2014	TECC/NMMDM/03	Tshikovha Environmental & Communication Consulting	R 10 400.00	10/07/2014

Supplier name	Invoice number	Amount	Invoice date or date received	Payments date	Days between invoice receipt and payment date
Moore Stephens	NW13038	771 140.60	2014/04/30	2014/08/12	104
Mafoko & Kebothale JV	001/PH/October/2013-2871	3 247 482.63	2013/11/01	2014/04/02	152
Mafoko & Kebothale JV	003/PH/December2013-2898	1 230 865.30	2014/01/06	2014/04/02	86
Mafoko & Kebothale JV	037/PH/September/2013-2863	1 373 007.00	2013/10/01	2013/12/04	64
Entle's Projects and Construction	EPC001	782 479.50	2013/09/23	2013/10/31	38
Bigen Africa Services	383021683	534 139.02	2014/04/25	2014/07/30	96
MAQS Construction & Plant Hire	M239	86 390.91	2014/01/10	2014/03/21	70
MAQS Construction & Plant Hire	M240	83 381.88	2014/01/10	2014/03/21	70
MAQS Construction & Plant Hire	M245	174 240.45	2014/01/10	2014/03/21	70
MAQS Construction &	M238	62 821.41	2014/01/10	2014/03/21	70

Plant Hire					
MAQS Construction & Plant Hire	M236	67 034.85	2014/01/10	2014/03/21	70
MAQS Construction & Plant Hire	M237	95 765.13	2014/01/10	2014/03/21	70
MAQS Construction & Plant Hire	M243,M241, M246, M244, M242	3 484 252.63	2014/01/13	2014/03/21	67
Eskom	906629039766	415 545.45	2014/01/16	2014/03/11	54
Moore Stephens	11400022	978 395.86	2013/10/31	2014/03/28	148
Eskom	765353831830	30 862.70	2014/03/11	2014/04/16	36
Bigen Africa Services	383019132	448 733.78	2013/07/25	2013/08/30	36
Business Connexion	90274550, 90274557	22 811.40	2012/07/17	2013/09/20	430
Business Connexion	90274711	10 693.77	2012/07/18	2013/09/20	429
Business Connexion	90278039	9 505.32	2012/08/23	2013/09/20	393
Business Connexion	90280597	15 061.79	2012/09/20	2013/09/20	365
Nu-West	000201242	586 920.78	2013/08/30	2013/10/31	62
Baitshapi Fencing Steel Worx and Projects	??	197 700.00	2013/10/16	2013/12/05	50
Compensation Commissioner	000179953	149 944.57	2013/08/07	2013/12/04	119
Kalaemang	007	165 000.00	2014/01/24	2014/04/16	82
Payday Software Systems	INA31465	12 756.60	2013/10/09	2014/04/16	189
Blu-Reach Enterprise	NMM19122013	111 719.80	2013/12/19	2014/04/02	104
Soswa's Construction	??	143 660.00	2014/05/07	2014/07/16	70
Henjen Petroleum	IN214094	537 650.00	2014/01/16	2014/03/28	71
Thwane Attorneys Liquidators	??	192 207.75	2014/02/03	2014/05/28	114
Ziggy Investments CC	ZT0025	1 324 260.48	2013/10/31	2013/12/07	37
Ziggy Investments CC	ZT0034	157 833.00	2013/12/31	2014/03/31	90
Gaoranolwe Investment	ST170/001	1 658	2013/10/31	2013/12/06	36

		655.00			
Gaoranolwe Investment	GI/004	206 662.50	2014/02/07	2014/04/02	54
Tiro Gaorobale Tebogo Trading Enterprise	??	50 730.00	2013/08/19	2013/10/02	44
Kgama Investments	92	47 500.00	2014/03/05	2014/04/11	37
MAQS Construction	M217, M218, M215, M216	1 765 131.50	2013/10/01	2013/12/13	73
Tlhabollo Services	NMMDM004	13 465.00	2013/10/31	2014/01/31	92
Shaweni Consulting Engineers	SCE-23/08/2013NMMDM	972 982.31	2013/08/23	2013/12/20	119
Kwena Mokone Trading CC	007	909 397.15	2013/07/28	2013/08/30	33
Kwena Mokone Trading CC	008	2 216 622.19	2013/08/26	2013/12/04	100
LexisNexis	16967136	183 244.92	2013/11/01	2014/04/09	159
MAQS Construction	M247	157 892.85	2014/01/10	2014/03/21	70
MAQS Construction	M248	162 593.92	2014/01/10	2014/03/21	70
MAQS Construction	M271, M268, M269, M267,, M270	2 890 863.86	2014/05/06	2014/07/09	64
Tautona Tours	1462	61 850.00	2013/10/10	2014/04/09	181
JS Muller	125	3 435.69	2013/10/24	2013/12/06	43
Batho M&E Consultants	Ngaka Modiri 1	1 263 631.41	2013/01/30	2013/08/02	184
Kgomo Mokhetle	T Dec 011	99 090.05	2013/12/03	2014/03/21	108
Deloitte Consulting	1110291876	622 389.84	2014/02/28	2014/04/03	34
Aganang Consulting	13066	571 308.80	2013/12/02	2014/03/21	109
COC Trading	9,10	588 273.50	2013/08/05	2013/12/04	121
COC Trading	18,19	645 145.00	2013/09/30	2014/03/21	172
Telkom	116867	323 918.75	2013/08/01	2013/10/02	62
Mafikeng Local Municipality	8801	246 495.56	2014/02/18	2014/04/01	42
KC Chemicals	17881	112 994.59	2013/10/18	2014/03/28	161

Manufacturing					
Mafoko & Kebothale JV	004/PH/January/2014-2775	1 861 697.52	2014/02/07	2014/04/02	54
Mafoko & Kebothale JV	004/PH/January/2014-2773	858 667.38	2014/02/07	2014/04/02	54
Mafoko & Kebothale JV	004/PH/January/2014-2774	626 030.43	2014/02/07	2014/04/02	54
Lencoe Trading and Projects	??	78 000.00	2013/12/17	2014/02/05	50
Mmaletshabo	??	904 530.00	2013/10/15	2013/12/06	52
Eskom	917354915888	578 241.05	2013/09/09	2013/10/18	39
Gaoranolwe Investment	GI/002 TLB	115 440.00	2014/01/13	2014/03/14	60

38 301

145.13

This could result in non-compliance with legislation

#### **Internal control deficiency**

This is due to a lack of application of legislation.

#### **Recommendation**

Management should adhere to requirements of legislation

#### **Management response**

No formal management comments were received.

#### **Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

### **13. EX.33 - Compliance - Budget**

#### **Audit finding**

1) Expenditure was not incurred in accordance with the approved budget, in contravention of section 15 of the Municipal Finance Management Act. (AR)



2) The accounting officer did not take all reasonable steps to ensure that the spending of funds was reduced when revenue was less than projected in the budget as required by MFMA 69(1)(a). (MR)

3) None of the monthly statement on the state of the municipality's budget were submitted to the mayor and the relevant provincial treasury a statement on the state of the municipality's/ municipal entity's budget within 10 days as required by MFMA 71(1). (MR)

4) The monthly budget statements were not placed on the municipality's website as required by Municipal budget and reporting regulation 30(1) (GN 393 of 17 April 2009). (MR)

5) The link between the budgeted- or actual expenditure per development priority is not clear, as neither the SDBIP, budget nor the Annual performance report is set out in such a manner that the total budgeted/actual expenditure per development priority is evident.

This could result in non-compliance

### **Internal control deficiency**

Governance - This is due to a lack of understanding the MFMA requirements with regards to the budgeting process.

### **Recommendation**

Management should ensure that the requirements of the MFMA and all other acts and regulations are complied with at all times.

### **Management response**

No formal management comments were received.

### **Auditor's conclusion**

No management comments received therefore the finding will remain and be reported in the audit and management reports.

## **14. EX.34 - Compliance - AOP**

### **Audit finding**

1) The adopted integrated development plan (IDP) did not reflect and identify a financial plan, as required by sections 26 and 41 of the MSA, as well as Municipal planning and performance management regulation 2(1)(c). (MR)

2) The adopted IDP does not reflect the applicable disaster management plans as required by section 26 (g) of the MSA (MR)

3) The municipality did not give effect to its integrated development plan, as required by section 36 of the MSA, section 21(2)(a) of the MFMA and Municipal planning and performance management regulation 6. (AR)

- 4) The council did not adopt the PMS before or at the same time as the commencement by the municipality of the process of setting KPIs and targets in accordance with its IDP as required by Local Government: Municipal Planning and Performance Management Regulations (GNR. 796 of 24 August 2001) Reg 8 (MR)
- 5) The municipal service delivery and budget implementation plan (SDBIP) for implementing the municipality's delivery of municipal services and annual budget, does not indicate projections for each month of revenue to be collected, by source or operational and capital expenditure, by vote as required by MFMA sec.1 & 53(1)(c)(ii) and MFMA Circular 13. (MR)
- 6) The municipal manager did not submit the draft municipal SDBIP to the mayor together with the annual budget to be considered by the mayor for tabling in terms of section 16(2) of the MFMA. (MR)
- 7) When the annual budget was tabled it was not accompanied by measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's IDP or any proposed amendments to the municipality's IDP following the annual review of the IDP in terms of MSA sec. 34 or particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements, MFMA sec 17(3)(b), (d) & (i).
- 8) With the approval of the annual budget, the municipal council did not adopt resolutions as may be necessary with regard to approving measurable performance objectives for revenue from each source and for each vote in the budget as required by MFMA sec 24(2)(c).
- 9) The monthly budget statement did not include an explanation of the material variance from the SDBIP as required by MFMA sec 71(1)(g)(ii).(MR)
- 9) The mid-year budget and performance assessment of the municipality is in the format specified in Schedule C of the Budget and reporting regulations and it did not include all the required tables, charts and explanatory information as required by MFMA sec. 72, 168(1) and Local Government: Municipal Budget and reporting regulations (GN 393 of 2009) Reg 33 (MR).
- 10) Management does not have specific and appropriate information systems to enable the municipality to monitor the progress made towards achieving the goals, targets and core objectives as indicated in the strategic/annual plan as suggested by best practice. (MR)
- 11) The mid-year performance assessment did not take into account the municipality's annual report for the past year and progress on resolving problems identified in the annual report as required by MFMA 72(1)(a).
- 12) The annual performance report for the year under review did not include a comparison with the previous financial year and measures taken to improve performance, as required by section 46 (1)(b) , (c) of the MSA. (AR)
- 12) The performance management system and related controls were inadequately applied with respect to the processes of performance planning, monitoring, measurement, review, reporting and improvement and how it is conducted, organised and managed, as required by sections 38 of the MSA and regulation 7 of the Municipal planning and performance management regulations.(AR)
- 13) No formal documented standard operating procedures exist.
- 14) Access to basic water is not reported as a key performance indicator. (MR ES)

The municipality has not set a performance objective and indicator for the percentage of households with access to basic level of water. (MR)

15) Access to basic sanitation is not reported as a key performance indicator. (MR ES)

The municipality has not set a performance objective and indicator for the percentage of households with access to basic level of sanitation. (MR)

16) The municipality did not adopt a water services development plan. (MR ES)

The municipality did not adopt a Water Services Development Plan. (MR)

17) The performance management system and related controls [were not in place/ were not maintained/ were inadequate] as it did not describe and represent the processes of performance planning, monitoring, measurement, review, reporting and improvement and how it is conducted, organised and managed, as required by sections 38 of the MSA and regulation 7 of the Municipal planning and performance management regulations.

This could result in non-compliance.

### **Internal control deficiency**

Due to a lack of monitoring of adherence to policies, procedures and legislative requirements

### **Recommendation**

Management should ensure that their policies and procedures comply with the legislative requirements and that they adhere to these requirements at all times.

### **Management response**

No formal management comments received.

### **Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

## **15. EX.77 - SCM - Compliance**

### **Audit finding**

1) Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements and a procurement process which is fair, equitable, transparent and competitive, as management did not provide us with the relevant information (AR)

2) Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) & (c). (AR)

- 3) Quotations were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for quotations, in contravention of SCM Regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations. (AR)
- 4) The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and SCM regulation 28(1)(a). (AR)
- 5) Quotation were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations (AR)
- 6) Quotation were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations (AR)
- 7) Quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act. (MR)
- 8) Quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). (AR)
- 9) Quotations were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by SCM regulation 43. (AR)

#### **Internal control deficiency**

##### **Recommendation**

Management should ensure adherence to all legislative requirements

##### **Management response**

No formal management comments were received.

##### **Auditor's conclusion**

No management comment received, finding remains and will be reported in the audit and management reports.

#### **16. EX.95 - Compliance - Expenditure**

##### **Audit finding**

- 1) Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the Municipal Finance Management Act (AR).
- 2) An effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds, was not in place, as required by section 65(2)(a) of the Municipal Finance Management Act. (AR)

3) An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred nor account for creditors as required by section 65(2)(b) of the Municipal Finance Management Act. (AR)

4) Sufficient appropriate audit evidence could not be obtained to determine that the accounting officer took all reasonable steps to ensure that the municipality/ municipal entity had and maintained a system of internal control in respect of creditors and payments as required by MFMA 65(2)(c). (MR)

5) Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the Municipal Finance Management Act. (AR)

This could result in reportable non-compliance.

### **Internal control deficiency**

Governance - Due to a lack of proper implemented controls and execution of these controls in the expenditure department.

### **Recommendation**

Management should ensure at all times that proper internal control procedure are followed and maintained, without exception.

### **Management response**

No formal management comment received

### **Auditor's conclusion**

No management comment received, finding remains and will be reported in the audit and management reports.

## **17. EX.96 - Compliance: Asset management**

### **Audit finding**

1) An adequate management and accounting which accounts for assets was not in place, as required by section 63(2)(a) of the Municipal Finance Management Act. (AR)

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

3) All investments were not made in accordance with the requirements of the investment policy (updating National Treasury with the new account information) , as required by Municipal investment regulation 3(3). (AR)

This could result in non-compliance with the MFMA

### **Internal control deficiency**

Governance - This is due to a lack of understanding of the MFMA requirements.

### **Recommendation**

Management should ensure that the MFMA requirement with regards to asset management are complied with at all times.

### **Management response**

No formal management comment received.

### **Auditor's conclusion**

No management comment received, finding remains and will be reported in the audit and management report.

## **18. EX.97 - Compliance: Liability management**

### **Audit finding**

- 1) An adequate management and accounting which accounts for liabilities was not in place, as required by section 63(2)(a) of the Municipal Finance Management Act. (AR)
- 2) An effective system of internal control for liabilities (including a liability register) was not in place, as required by section 63(2)(c) of the Municipal Finance Management Act. (AR)
- 3) Short-term debt was not repaid within the financial year, as required by section 45(4) of the Municipal Finance Management Act. (AR)

### **Internal control deficiency**

### **Recommendation**

Management should ensure adherence to all legislative requirements.

### **Management response**

No formal management comment received.

### **Auditor's conclusion**

No management comment received, finding remains and will be reported in the audit and management report.

## **Heading 2**

## **19. EX.48 - Procurement - Request for information not received**

### **Audit finding**

In terms of section 15 of the Public Audit Act no. 25 of 2004:

"When performing the audit, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to—

(a) any document, book or written or electronic record or information of the auditee or which reflects or may

elucidate the business, financial results, financial position or performance of the auditee;

(b) any of the assets of or under the control of the auditee; or

(c) any staff member or representative of the auditee."

The following information with specific reference to the procurement information required was requested on 26 September 2014 and on the 3rd October 2014 the information was still not provided to us:

Number	Date	Supp Code	Supplier Name		Payment transactions	Expense transaction
					Rand value	Rand value
1	05/12/2013	SLIC001	SLJ CATERING CLEANING TRANSPORT CC	NMMDM 0085	35,000.00	
2	16/10/2013	REFS001	REF'S TRADING AND PROJECTS CC	NMMDM 0063	46,000.00	
3	30/05/2014	KOBO001	KOBO SEGOLE GUEST HOUSE	NMMDM 0048	43,491.00	
4	09/10/2013	THES001	THE STUDENT SHOP	NMMDM 0029	193,920.00	
5	05/07/2013	MORO002	MORONGWA TRADING	NMMDM 0027	650,780.72	
6	26/07/2013	INEE001	INEELENG TRADING	4	349,572.24	
7	17/06/2014	THET001	THE TIMES PREMIER LODGE	in100431		3,600.00
8	26/07/2013	ONE&001	ONE & DONE TRADING ENTERPRISE	NMMDM 0112	148,000.00	
9	11/11/2013	TSHE005	TSHEGOFELO TRADING CC	NMMDM 0073	152,000.00	
10	07/08/2013	RETL004	RETLHOMETSE TRADING AND PROJECTS	NMMDM 0121	10,500.00	
11	28/05/2014	BUSO001	BUSOLOSETSA DEVELOPMENT AND PROJECTS	NMMDM 0117	23,000.00	
12	05/07/2013	MOED002	MOEDI WA BATHO CONSULTING ENGINEERS & PROJECT MANA	NMMDM 0153	1,643,053.50	
13	31/10/2013	GODI001	GODIMONG CONSULTING ENGINEER	NMMDM 0024	1,246,232.63	
14	13/06/2014	TSHE001	TSHENOLO RESOURCES	NMMDM 0142	1,775,098.58	
15	27/06/2014	CYCC001	CYC CONCRETE ENTERPRISES	C1005		990,238.34





16	05/07/2013	FAST004	FASTCON TLOTLO-TLHAGO JV	NMMDM 0107	1,042,191.74	
17	13-07-04	SEMA001	SEMAUSHU ATTORNEYS	NMMDM 0085	100,000.00	
18	08/08/2013	KGOM001	KGOMO MOKHETLE & TLOU ATTORNEYS	NMMDM 0027	4,000,000.00	
19	20/12/2013	GIBE001	GIBELA TRADE AND INVEST 1140 CC	NMMDM 0065	196,000.00	
20	28/11/2013	MOON002	MOON & EARTH TRADING AND PROJECTS 279	NMMDM 0191	4,500.00	
21	14/03/2014	DONP001	DON PABLO OFFICE GROUP	NMMDM 0114	50,990.00	
22	05/12/2013	SAKH001	SAKHIWE BUSINESS SOLUTION	NMMDM 0063	178,778.00	
23	05/02/2014	DANI001	DANIEL GOITSEMODIMO BODIGELO TRADING & PROJECTS	NMMDM 0140	78,000.00	
24	11/04/2014	LENC001	LENCOE TRADING AND PROJECTS (PTY)LTD	NMMDM 0100	109,550.00	
25	20/03/2014	THAB014	THABANG CLIFFORD MAREDI INC. T/A TC ATTORNEYS	NMMDM 0133	215,473.40	
26	05/12/2013	KEOR002	KEORAPETSE MORAPEDI TRADING & PROJECTS	NMMDM 0108	190,000.00	
27	30/05/2014	ORAT002	ORATENG EVENTS AND CONSTRUCTION CC	NMMDM 0058	152,000.00	
28	14/04/2014	KVIS001	K.VISIONS PROJECTS AND TRADING	NMMDM 0100	110,000.00	
29	06/08/2013	KITS002	KITSO PROJECTS AND EVENTS MANAGEMENT	NMMDM 0107	195,000.00	
30	06/12/2013	MMAL002	MMALETSHABO PROJECTS AND EVENTS MANAGEMENT	NMMDM 0097	904,530.00	
31	22/08/2013	ACTI002	ACTION TRAINING ACADEMY	NMMDM 0106	23,940.00	
32	02/08/2013	LESE007	LESE TRADING AND PROJECTS	NMMDM 0116	24,600.00	



33	20/12/2013	LICH003	LICHCRETE CC	NMMDM 0117	25,050.30	
34	20/09/2013	MIDV002	MIDVAAL BUS SERVICES	NMMDM 0134	33,520.00	
<b><u>THE FOLLOWING FILES FROM THE DEVIATIONS REGISTER</u></b>						
35	Construction of VIP toilets Ramotshere Moiloa Local Municipality (MIG/NW1199/S/10/14-A)					
36	Letlhogile Projects					
37	Lehurutshe water( Ziggy Investment, Sales talk 170 Pty Ltd and COC Trading)					
38	Accounting Services (Moore Stephens)					
39	Close protection body guards (SCHUTZSTAFFEL)					
40	Basic Ambulance Assitance Course MOKGOJWA COLLEGE OF EMERGENCY CARE					
41	Rural water supply Programme boreholes and reticulation (NMMDM 13/14/23 PMU C (HT Pelotona)					
42	Procurement of Professional Services On Events Management for a Period of three (03) years (Sechoaro supply & delivery and NTE trading entreprise JV)					
43	SUPPLY AND DELIVERY OF UNIFORM AND PROTECTIVE CLOTHING FOR FIRE AND EMERGENCY SERVICES PERSINNEL (Maletshabo)					
44	RURAL WATER SUPPLY PROGRAMME -DRILLING OF BOREHOLES (Beyond Build)					
45	04/07/2013	ALSB001	ALS BEE PROJECTS (PTY) LTD	NMMDM 0109	6,434,410.40	
46	07/08/2013	ALIA001	ALIANGY ENTERPRISE CC	NMMDM 0118	47,880.00	
47	05/12/2013	BLUE007	BLUESTORM TRADING 8CC T/A PRODUCTION X	NMMDM 0119	168,390.00	
<b><u>THE FOLLOWING FILES FROM THE BIDS AWARDED 2013/2014 REGISTER</u></b>						
48	NMMDM 12/13/62 PMU				R 21 699 027.92	



	Technical Support Unit(TSU) for Project Management Unit(PMU) for a period of (3) three years		
	- Bigen Africa		
49	NMMDM12/13/53 GED		
	Construction of piggery house in Lekubung Village ( Ramotshere Moiloa Local Municipality)	R 646 157.00	
	Ratlhogo Construction & Project		



This could result in a limitation of scope for the audit regarding expenditure.

### **Internal control deficiency**

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

### **Recommendation**

Management should ensure proper filing and records keeping of all relevant supporting documentation, in order to enable them to present such information upon request.

### **Management response**

No formal management comments received.

### **Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

## **Heading 3**

### **20. EX.13 - Disclosure - Unauthorised expenditure**

#### **Audit finding**

Municipal Finances Management Act 56 of 2003

32. Unauthorised, irregular or fruitless and wasteful expenditure.—(1) without limiting liability in terms of the common law or other legislation—

(c) Any political office-bearer or official of a municipality who deliberately or negligently committed, made or authorised an irregular expenditure, is liable for that expenditure; or

(d) Any political office-bearer or official of a municipality who deliberately or negligently made or authorised a fruitless and wasteful expenditure is liable for that expenditure.

(2) A municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure—

(b) in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.

4) The accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of—

(a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;

(b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and

(c) the steps that have been taken—

(i) to recover or rectify such expenditure; and

(ii) to prevent a recurrence of such expenditure

The following misstatements were identified with regards to unauthorised expenditure:

Disclosed for the current year in note 32 to AFS	12,930,827.00
Calculations as received from management	12,258,570.00
<b>Difference</b>	<b>672,257.00</b>

The calculation for the movement in the current and the prior year was not calculated per vote but rather on total of budget item categories as identified by management, the detailed budget per vote was also not made available to us and we were therefore unable to determine the correct amount that should be allocated to the current and prior year for unauthorised expenditure.

The opening balance of the prior year was disclaimed for an amount of R68 058 226, no additional information has been provided to satisfy ourselves that the disclosed of the amount was indeed correct.

During the prior period an amount of R145 646 634 was condoned by council, however no proof was obtained that the correct procedures have been followed to enable the condonement of the R145 646 634 as required by MFMA 32(4)

The following reasonability calculation was performed to determine a minimum unauthorised expenditure (Note that the table below only contains certain budgeted line items which we believe to be the minimum unauthorised expenditure should be):

Description	Final Adjustment budget amount	Actual expenditure according to the AFS	Difference
Salaries and wages	222,040,207.00	231,680,896.00	(9,640,689.00)
Finance charges	527,000.00	5,991,992.00	(5,464,992.00)
			(15,105,681.00)

Unauthorised expenditure as disclosed in the financial statement is incorrect; I was unable to calculate the accurate unauthorised expenditure for the current and the prior year, due to the

manner in which the budget was presented, including opening balance and amounts condoned through alternative means.

This could result in misstatement of the annual financial statements as well as possible non-compliance to the MFMA.

### **Internal control deficiency**

This is due to lack of management understanding of the requirements of the MFMA with regards to the requirements and calculation of the unauthorised expenditure.

### **Recommendation**

Management should ensure that unauthorised expenditure is firstly calculated on the correct basis according to ensure the amounts are accurate and then secondly compliance treatment of the unauthorised expenditure before condonement is done as required.

### **Management response**

Adjustments to be made to financial statements after discussion with Auditor General

Name: LS Mokoena

Position: Acting Chief Financial Officer

Date: 25 September 2014

### **Auditor's conclusion**

Management agrees with the findings, the adjustment will be requested on behalf of management and when accepted audit work will have to be performed.

Adjustment was not allowed, therefore the finding will be reported in the management and audit report.

## **Heading 5**

### **21. EX.19 - Journals and large items - Supportive documentation not provided**

#### **Audit finding**

In terms of section 15 of the Public Audit Act no. 25 of 2004:

"When performing the audit, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to—

(a) any document, book or written or electronic record or information of the auditee or which reflects or may

elucidate the business, financial results, financial position or performance of the auditee;

(b) any of the assets of or under the control of the auditee; or

(c) any staff member or representative of the auditee."

Information requested was not received in the prescribed time regarding journals sample selections as follows.

**Unusual:**

<u>Account number</u>	<u>Date</u>	<u>Reference</u>	<u>Description</u>	<u>Supplier</u>	<u>Debit</u>	<u>Credit</u>
7200/7210 (Accounts Receivable/Payments in Advance)	2013/08/31	20130831	VIPPAYROLLSALARIES	7200/7210		103,119.55
7200/7210 (Accounts Receivable/Payments in Advance)	2013/08/31	20130831	VIPPAYROLLSALARIES	7200/7210		21,577.30
7200/7210 (Accounts Receivable/Payments in Advance)	2013/08/31	20130831	VIPPAYROLLSALARIES	7200/7210		11,564.05
7200/7210 (Accounts Receivable/Payments in Advance)	2013/08/31	20130831	VIPPAYROLLSALARIES	7200/7210	103,119.55	
9950/9955 (Accumulated Surplus/(Deficit)/Previous Period Surplus)	2014/06/30	JBR00374	Inventory adjustment Current Year	9950/9955	404,211.00	
9100/9120 (VAT Input)	30-07-2013	IAB1703	Tswaing Upgrading of Bulk Water Supply:V	ALSB001	448,726.55	
9100/9120 (VAT Input)	2013/07/30	IAB1657	Tswaing Upgrading of Bulk Water Supply L	ALSB001	662,454.55	
9100/9120 (VAT Input)	2013/08/02	SUN0439	Extension of Existing Office:Cert No.9	SUNR001	810,300.23	
9100/9120 (VAT Input)	2013/10/01	2102356066	Rates And Taxes	MAFI005	64,541.35	
9100/9120 (VAT Input)	2014/06/3	RC2	Accruals	9100/9120	159,820.84	





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9100/9120 (VAT Input)	2014/06/30	RC2	Accruals	9100/9120	296,149.27	
9100/9120 (VAT Input)	2014/06/30	RC2	Accruals	9100/9120	11,706.93	
9400/9411 (Conditional Grants and Receipts/RRAM Balance Unspent)	2014/06/30	RC2	Grants adjustment	9400/9411		531,975.65
9660/9663 (Suspense/Other 3rd Parties)	2013/12/31	20131231	VIPPAYROLLSALARIES	9660/9663		419,421.92
9660/9663 (Suspense/Other 3rd Parties)	2014/06/27	27060038	FNB OB 000019134 THIRD PARTY14.02	9660/9663	357,092.47	
3000/3003/03/0301 (Bonus/Planning Development)	2013/11/30	20131130	VIPPAYROLLSALARIES	3000/3003/03/0301	690,698.06	
3000/3003/05/0506 (Bonus/Fire & Emergency Management)	2013/11/30	20131130	VIPPAYROLLSALARIES	3000/3003/05/0506	3,248,298.23	
3800/3852/11/1103/EQUI (Maintenance Water Operations/Water & Sanitation)	2013/08/07	035/ph/july2013-2844	invoice 035/PH/JULY/2013-2844	MAFO002	444,615.79	
3800/3856/02/0201/EQUI (Photocopy or Fax Machines Maintenanc)	2014/02/13	JBR00297	Nashua	3800/3856/02/0201/EQUI	291,546.47	
4400/44009/019/0191/EQUI (Bank Charges/Budget and Treasury Office)	2014/06/30	RC2	Interest income and expense for	4400/44009/019/0191/EQUI		105,193.51
8100/8107/01/0108/MIG/DITS/TBSME/ Add (Tihabologang BS & ME/Additions)	2014/06/30	ROE	TSOGA DEVELOPERS	8100/8107/01/0108/MIG/DITS/TBSME/ Add		1,450,683.44



**Large transactions:**

<u>Account number</u>	<u>Date</u>	<u>Reference</u>	<u>Description</u>	<u>Supplier</u>	<u>Debit</u>	<u>Credit</u>
1610/1618/01/0108 (Municipal Infrastructure Grant (Mig))	2013/12/31	DBSA	DBSA Loan Repayment Recognised	1610/1618/01/0108		25,176,761.84
1610/1618/01/0108 (Municipal Infrastructure Grant (Mig))	2014/06/30	RC2	Reversal of DBSA payments	1610/1618/01/0108	70,962,881.00	
1610/1618/01/0108 (Municipal Infrastructure Grant (Mig))	2014/06/30	RC2	Grants adjustment	1610/1618/01/0108		235,004,084.00
1610/1630/01/0108/MWIG (Municipal Water Infrastructure Grant)	2014/06/30	RC2	Grants adjustment	1610/1630/01/0108/MWIG	9,367,726.40	
1610/1637/019/0191/DWAF (Water Service Operating Grant/Department of Water Affairs & Forestry)	2014/06/30	RC2	Grants adjustment	1610/1637/019/0191/DWAF		9,191,378.26
1610/1638/019/0191/PLP (Premier Legacy Projects/Budget and Treasury Office)	2014/06/30	RC2	Grants adjustment	1610/1638/019/0191/PLP		35,000,000.00
3400/3420/01/1005 (Allowance Councilors/Chief Whip)	2014/06/30	RC2	Remuneration of councilors	3400/3420/01/1005	5,877,201.56	



3700/3713/019/0191 (Depreciation and Asset Impairment/Depreciation Vehicles/Budget and Treasury Office)	2014/06/30	depreciation	Recognising of depreciation	3700/3713/019/0191	5,403,703.91	
3700/3718/019/0191 (Depreciation and Asset Impairment/Depreciation Community Assets/Budget and Treasury Office)	2014/06/30	depreciation	Recognising of depreciation	3700/3718/019/0191	4,193,418.00	
3700/3719/019/0191 (Depreciation and Asset Impairment/Depreciation Infrastructure Assets/Budget and Treasury Office)	2014/06/30	depreciation	Recognising of depreciation	3700/3719/019/0191	108,094,161.00	
3900/3910/019/0191 (Interest To Dbsa-Budget And Treasury Office Administration)	2014/06/30	RC2	DBSA loan adjustment for current	3900/3910/019/0191	4,127,611.01	
4000/1790/019/0191/MIG (Payments External Borrowings /DBSA/Budget and Treasury Office/MIG)	2014/04/30	DBSA	Income recognised from loan repayment	1610/1618/01/0108		20,562,625.70
4300/4325/11/1103/EQUI (Operating Water Grant-botshelo water/Water & Sanitation)	2014/03/21	INV00000796	Operatinig & Maintenance Water:Inv 0796	BOTS004	4,385,964.91	
4300/4325/11/1103/EQUI (Operating Water Grant-botshelo water/Water & Sanitation)	2014/06/30	RC2	Provision for Botshelo waters	4300/4325/11/1103/EQUI		10,987,719.30



4400/44025/01/0102 (Consultants Fees-Municipal Manager Administration)	2013/07/17	9649	Fees for performing Vat recovery	MAXP001	6,078,366.72	
4400/44025/01/0102/EQUI (Consultants Fees/Municipal Manager Administration)	2013/11/08	140	Reallocation of expenditure	4400/44025/01/0102/EQUI	8,699,341.61	
4400/44227 (Movement in bonus and leave provision)	2014/06/30	RC2	Adjustment of accrude staff leave	4400/44227	6,633,759.23	
7700/7720 (Inventory /Maintenance Material)	2014/06/30	EII	Maintenance Water operations	7700/7720		9,473,355.09
8100/8103/11/1101/NMMD/MAFI/1ststr/Add (Rehabilitation of 1st street,1st avenue /Additions)	2014/06/27	9	Rehabilitation of 1st street,1st avenue:	SUNR001	4,186,325.39	
8100/8104/01/0108/DBSA/RATL/MAKG/Add (Makgori Water Supply/Additions)	2013/08/22	NGA001	Upgrading Water Network Makgori:Clam2	RATL002	5,263,157.89	
8100/8104/01/0108/MIG/TSWA/DEBWSI/Add (Delareyville Bulk Water Supply Line/Additions)	2013/07/30	IAB1657	Tswaing Upgrading of Bulk Water Supply L	ALSB001	4,731,818.22	
8100/8104/01/0108/RBIG/ZEER/RAMDWS/Add (Ramotshere Moiloa dolomite water study/Additions)	2013/10/18	383019320	Mafikeng Bulk Water Masterplan- Proj 1933	BIGE002	4,013,897.20	
8100/8104/11/1103/NMMD/MAFI/MASB/Add (Mafikeng South BWS/Additions)	2014/03/31	30/01/2014	Mafikeng South BWS:Cert no.7	SYDW001	4,455,102.40	



8100/8107/01/0108/MIG/DITS/TBS ME/Add (Tlhabologang BS & ME/Additions)	2013/10/11	4	Upgrading of Tlhabologang/Coligny: Cert 4	HTPE001	4,388,889.75	
8100/8107/01/0108/MIG/MAFI/MRSP/Add (Mafikeng Rural Sanitation Programme/Additions)	2014/03/28	NMMDM 12/13/09-PMU 01/2014	Mafikeng Rural Sanitation Programme: Cer1	GLOW002	4,391,235.00	
8400/8403 (Community Assets Opening balance )	2014/06/30	JBR00372	PPE Adjustment current year	8400/8403		21,923,744.59
8400/8405 (Land Opening balance)	2014/06/30	JBR00372	PPE Adjustment current year	8400/8405		4,596,407.98
8400/8432/02/0201/EQUI/HO/NMMDM/Add (Renovations Buildings/Corporate Services Administration/Additions)	2013/08/02	GRV2418	Journal Debit	SUNR001		5,787,858.77
8400/8432/02/0201/EQUI/HO/NMMDM/Add (Renovations Buildings/Corporate Services Administration/Additions)	2013/11/20	sun0441	Extension of Existing Office Building	SUNR001	5,850,739.61	
9000/9010 (Trade Creditors)	2013/08/02	035/PH/JULY/2013-2841	Plant Hire:Water Tankering	MAFO002		4,006,434.00
9000/9010 (Trade Creditors)	2013/08/22	3	Tlhabologang/Coligny Waste Water:Inv 3	HTPE001		4,052,599.68
9000/9010 (Trade Creditors)	2014/01/31	M239/M243/M241/M240/M245/M246/M244/M236/M237	Plant Hire:Water Tankering	MAQS001		4,053,887.26



9000/9010 (Trade Creditors)	2014/06/09	6	Tlhabologang BS & ME:Invoice 006	HTPE001		4,330,818.72
9000/9010 (Trade Creditors)	2014/03/28	2	Mmabatho WPW Phase1 mafikeng south:Cert2	HTPE001		4,415,513.48
9000/9010 (Trade Creditors)	2014/03/27	1	Upgrading of Mafikeng & Mmabatho WWTP:C1	HTPE001		4,462,815.00
9000/9010 (Trade Creditors)	2013/10/18	383019320	Mafikeng Bulk Water Masterplan-Proj 1933	BIGE002		4,575,842.81
9000/9010 (Trade Creditors)	2013/11/29	M277/M220/M22/M221/M226/M223/M222	Hiring of water tanker Locals	MAQS001		4,648,523.79
9000/9010 (Trade Creditors)	2014/06/27	9	Rehabilitation of 1st street,1st avenue:	SUNR001		4,772,410.95
9000/9010 (Trade Creditors)	2014/03/21	INV00000796	Operatinig & Maintenance Water:Inv 0796	BOTS004		5,000,000.00
9000/9010 (Trade Creditors)	2013/10/11	4	Upgrading of Tlhabologang/Coligny:Cert 4	HTPE001		5,003,334.31
9000/9010 (Trade Creditors)	2014/03/28	NMMDM 12/13/09-PMU 01/2014	Mafikeng Rural Sanitation Programme:Cer1	GLOW002		5,006,007.90



9000/9010 (Trade Creditors)	2014/03/31	30/01/2014	Mafikeng South BWS:Cert no.7	SYDW001		5,078,816.74
9000/9010 (Trade Creditors)	2013/07/30	IAB1657	Tswaing Upgrading of Bulk Water Supply L	ALSB001		5,394,272.77
9000/9010 (Trade Creditors)	22-08-2013	NGA001	Upgrading Water Network Makgori:Cl iam2	RATL002		6,000,000.00
9000/9010 (Trade Creditors)	2013/08/02	SUN0439	Extension of Existing Office:Cert No.9	SUNR001		6,598,159.00
9000/9010 (Trade Creditors)	2013/08/08	SUN0439	Extension of Existing Office:Cert No.9	SUNR001		6,598,159.96
9000/9010 (Trade Creditors)	2013/11/20	sun0441	Extension of Existing Office Building	SUNR001		6,669,843.16
9000/9010 (Trade Creditors)	2013/07/17	9649	Fees for performing Vat recovery	MAXP001		6,929,338.06
9200/9230 (Provisions/Staff Leave)	2014/06/30	RC2	Adjustment of accrude staff leave	9200/9230	4,440,535.10	
9660/9662 (Net Salary Clearing Account )	2014/06/30	RC2	Clearing of suspense account	9660/9662		6,579,684.61
9950/9955 (Accumulated Surplus/(Deficit)/Previous Period	2014/06/30	JBR00372	PPE Adjustment current year	9950/9955	36,798,435.01	



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Surplus)						
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This could result in a limitation of scope on ALL sections of the audit as journals will affect the entire financial statements.

### **Internal control deficiency**

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

### **Recommendation**

Management should ensure proper filing and records keeping of all relevant supporting documentation, in order to enable them to present such information upon request.

### **Management response**

Information was subsequently submitted during the 3 day period of the response.

Name: LS Mokoena

Position: Acting Chief Financial Officer

Date: 29 September 2014.

**Auditor's conclusion**

Information was received, the following information was not received:

**Unusuals:**

<u>Account number</u>	<u>Date</u>	<u>Reference</u>	<u>Description</u>	<u>Supplier</u>	<u>Debit</u>	<u>Credit</u>
7200/7210 (Accounts Receivable/Payments in Advance)	31-08-2013	20130831	VIPPAYROLLSALARIES	7200/7210		103,119.55
7200/7210 (Accounts Receivable/Payments in Advance)	31-08-2013	20130831	VIPPAYROLLSALARIES	7200/7210		21,577.35
7200/7210 (Accounts Receivable/Payments in Advance)	31-08-2013	20130831	VIPPAYROLLSALARIES	7200/7210		11,564.00
7200/7210 (Accounts Receivable/Payments in Advance)	31-08-2013	20130831	VIPPAYROLLSALARIES	7200/7210	103,119.55	
9950/9955 (Accumulated Surplus/(Deficit)/Previous Period Surplus)	30-06-2014	JBR00374	Inventory adjustment Current Year	9950/9955	404,211.00	
9100/9120 (VAT Input)	30-07-2013	IAB1703	Tswaing Upgrading of Bulk Water Supply:V	ALSB001	448,726.55	
9100/9120 (VAT Input)	30-07-2013	IAB1657	Tswaing Upgrading of Bulk Water Supply L	ALSB001	662,454.55	
9100/9120 (VAT Input)	02-08-2013	SUN0439	Extension of Existing Office:Cert No.9	SUNR001	810,300.23	
9100/9120 (VAT Input)	01-10-2013	2102356066	Rates And Taxes	MAFI005	64,541.35	



9100/9120 (VAT Input)	30-06-2014	RC2	Accruals	9100/9120	159,820.84	
9100/9120 (VAT Input)	30-06-2014	RC2	Accruals	9100/9120	296,149.27	
9100/9120 (VAT Input)	30-06-2014	RC2	Accruals	9100/9120	11,706.93	
9400/9411 (Conditional Grants and Receipts/RRAM Balance Unspent)	30-06-2014	RC2	Grants adjustment	9400/9411		531,975
9660/9663 (Suspense/Other 3rd Parties)	31-12-2013		20131231VIPPAYROLLSALARIES	9660/9663		419,421
9660/9663 (Suspense/Other 3rd Parties)	27-06-2014		27060038 FNB OB 000019134 THIRD PARTY14.02	9660/9663	357,092.47	
3000/3003/03/0301 (Bonus/Planning Development)	30-11-2013		20131130VIPPAYROLLSALARIES	3000/3003/03/0301	690,698.06	
3000/3003/05/0506 (Bonus/Fire & Emergency Management)	30-11-2013		20131130VIPPAYROLLSALARIES	3000/3003/05/0506	3,248,298.23	
3800/3852/11/1103/EQUI (Maintenance Water Operations/Water & Sanitation)	07-08-2013		035/ph/july2013-2844 invoice 035/PH/JULY/2013-2844	MAFO002	444,615.79	
3800/3856/02/0201/EQUI (Photocopy or Fax Machines Maintenance)	13-02-2014		JBR00297 Nashua	3800/3856/02/0201/EQUI	291,546.47	
4400/44009/019/0191/EQUI (Bank Charges/Budget and Treasury Office)	30-06-2014	RC2	Interest income and expense for	4400/44009/019/0191/EQUI		105,193



8100/8107/01/0108/MIG/DITS/TBSME/Add (Tlhabologang BS & ME/Additions)	30-06-2014	ROE	TSOGA DEVELOPERS	8100/8107/01/0108/MIG/DITS/TBSME/Add	1,450,60
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Total limitation identified for unusual transactions: R5,349,745.87

**Large transactions**

<u>Account number</u>	<u>Date</u>	<u>Reference</u>	<u>Description</u>	<u>Supplier</u>	<u>Debit</u>	<u>Credit</u>
4400/44025/01/0102 (Consultants Fees-Municipal Manager Administration)	17-07-2013		9649 Fees for performing Vat recovery	MAXP001	6,078,366.72	
8100/8103/11/1101/NMMD/MAFI/1ststr/Add (Rehabilitation of 1st street,1st avenue /Additions)	27-06-2014		9 Rehabilitation of 1st street,1st avenue:	SUNR001	4,186,325.39	
8100/8104/01/0108/DBSA/RATL/MAKG/Add (Makgori Water Supply/Additions)	22-08-2013	NGA001	Upgrading Water Network Makgori:Cliam2	RATL002	5,263,157.89	
8100/8107/01/0108/MIG/DITS/TBSME/Add (Tlhabologang BS & ME/Additions)	11-10-2013		4 Upgrading of Tlhabologang/Coligny:Cert 4	HTPE001	4,388,889.75	
8100/8107/01/0108/MIG/MAFI/MRSP/Add (Mafikeng Rural Sanitation Programme/Additions)	28-03-2014	NMMDM 12/13/09-PMU 01/2014	Mafikeng Rural Sanitation Programme: Cer1	GLOW002	4,391,235.00	
8400/8432/02/0201/EQUI/HO/NMMDM/Add (Renovations Buildings/Corporate Services Administration/Additions)	02-08-2013	GRV2418	Journal Debit	SUNR001		5,787,858.77



9000/9010 (Trade Creditors)	22-08-2013		3	Tlhabologang/Coligny Waste Water:Inv 3	HTPE001	4,052,599.68
9000/9010 (Trade Creditors)	09-06-2014		6	Tlhabologang BS & ME:Invoice 006	HTPE001	4,330,818.72
9000/9010 (Trade Creditors)	27-06-2014		9	Rehabilitation of 1st street,1st avenue:	SUNR001	4,772,410.95
9000/9010 (Trade Creditors)	11-10-2013		4	Upgrading of Tlhabologang/Coligny:Cert 4	HTPE001	5,003,334.31
9000/9010 (Trade Creditors)	28-03-2014	NMMDM 12/13/09-PMU 01/2014		Mafikeng Rural Sanitation Programme:Cer1	GLOW002	5,006,007.90
9000/9010 (Trade Creditors)	30-07-2013	IAB1657		Tswaing Upgrading of Bulk Water Supply L	ALSB001	5,394,272.77
9000/9010 (Trade Creditors)	22-08-2013	NGA001		Upgrading Water Network Makgori:Cliam2	RATL002	6,000,000.00
9000/9010 (Trade Creditors)	17-07-2013		9649	Fees for performing Vat recovery	MAXP001	6,929,338.06
9660/9662 (Net Salary Clearing Account )	30-06-2014	RC2		Clearing of suspense account	9660/9662	6,579,684.61

**Total limitation identified for large transactions: R29,548,351.02**



## **22. EX.25 - GRAP disclosure - Financial instruments disclosure incomplete**

### **Audit finding**

The following required disclosure in terms of GRAP104 were not found in the financial statements of the municipality:

1) GRAP 104.104: An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance.

2) GRAP 104.105 require the carrying amounts of each of the categories of financial instruments, as defined in paragraph .14, shall be disclosed in the notes:

(a) Financial instruments at fair value, showing separately:

(i) financial assets designated at fair value; and

(ii) financial liabilities designated at fair value.

(b) Financial instruments at amortised cost.

(c) Financial instruments at cost.

An entity may present financial assets and financial liabilities in separate line items under (a) or (b), for example, derivatives and instruments held-for-trading where this disclosure is useful in understanding the significance of these instruments to an entity's financial position and performance.

3) GRAP 104.126: Credit risk: The amount that best represents its maximum exposure to credit risk (usually the carrying amounts of financial instruments) at the end of the reporting period without taking account of any collateral held or other credit enhancements. For a financial asset, the maximum exposure to credit risk, is typically the gross carrying amount and the information about the credit quality of financial assets that are neither past due nor impaired.

4) GRAP 104.130: Liquidity risk: A maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities

5) GRAP 104.131: Market risk: Interest rate risk that has been disclosed in note 29 to the financial statements is incorrect as it show that the municipality cash flows is independent of changes in market interest rates. The liabilities are subject to changes in prime interest rate changes.

Incomplete disclosure may lead to incorrect decision making by management and the user of the financial statements

### **Internal control deficiency**

This is due to incomplete disclosure as per GRAP standard

### **Recommendation**

Management should ensure complete disclosure with GRAP 104 standard

### **Management response**

No formal management comments were received.

### **Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

**23. EX.27 - Opening balance - Unspent grants and grant revenue**

**Audit finding**

The following comparative grant revenue have been found to have been disclosed incorrectly:

<b><i>Revenue disclosure</i></b>	<b>Total grant revenue</b>	<b>Equitable share</b>	<b>Total conditional</b>	<b>DWAF -ACIP</b>	<b>MIG</b>	<b>DWAF Asset refurb</b>	<b>DBSA</b>
Shown as revenue for the year	652,515,656.00	355,942,000.00	296,573,656.00	35,453,581.00	227,403,523.00	875,900.00	-
Should have been shown as	709,104,215.00	394,002,000.00	315,102,215.00	18,217,000.00	190,219,422.00	18,111,581.00	55,713,560.00
<b>Difference</b>	<b>(56,588,559.00)</b>	<b>(38,060,000.00)</b>	<b>(18,528,559.00)</b>	<b>17,236,581.00</b>	<b>37,184,101.00</b>	<b>(17,235,681.00)</b>	<b>(55,713,560.00)</b>

**Internal control deficiency**

**Recommendation**

Management should ensure that there corrective measures are accurate by means of management oversight.



## Management response

No formal management comments were received.

## Auditor's conclusion

No management comment received, finding stand will be reported in the audit and management reports.

### 24. EX.28 - Opening balance: Information not provided

#### Audit finding

In terms of section 15 of the Public Audit Act no. 25 of 2004:

"When performing the audit, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to—

(a) any document, book or written or electronic record or information of the auditee or which reflects or may

elucidate the business, financial results, financial position or performance of the auditee;

(b) any of the assets of or under the control of the auditee; or

(c) any staff member or representative of the auditee."

The following information was not provided with regards to the audit of prior period errors, the information below was requested on the RFI 3 dated 9 September 2014 and was still not provided to the auditors by the 25th of September 2014:

- 1) No information with regards to the prior period error of Property, plant and equipment has been provided.
- 2) For each of prior period error journals processed a detailed breakdown of the earliest effected period.
- 3) No supporting documentation for the limitation of scope raised on inventory was provided.
- 4) No supporting documentation for the correction of VAT
- 5) No supporting documentation for the correction of cash and cash equivalents
- 6) No supporting documentation for the correction of accruals
- 7) No supporting documentation for the correction of creditors with debit balances
- 8) No supporting documentation for the correction of bonus provision.
- 9) No supporting documentation for the correction of fair value change that were set-off.



10) No supporting documentation for the correction of employee cost limitation.

11) No supporting documentation for the correction of the following disclosure misstatements identified:

Commitments

Unauthorised expenditure

Contingent liability

Irregular expenditure

Prior period correction

Lease

12) The trade creditors, trade debtors, accruals, bonus, listing were also not provided for 2013.

13) No general ledger were the corrections have been passed has been provided.

14) The actual correctional journals that were processed.

15) A journals provided for opening balance corrections totaled to R117 897 409.21, therefore we did not receive journal documentation with regards to opening balances to that value.

Based on the above limitations all opening balance adjustment could not be confirmed. As such accumulated surplus is misstated by R1 525 020 362

Line item	Comparative disclosure 2014	2013 disclosed in AR	Difference
Inventories	9,876,289.00	9,472,078.00	404,211.00
Receivables from exchange transactions	1,893,808.00	1,893,808.00	-
VAT receivable	68,317,893.00	68,290,019.00	27,874.00
Cash and cash equivalent	325,232.00	34,668,742.00	(34,343,510.00)
Property, plant and equipment	3,271,440,579.00	1,746,824,427.00	1,524,616,152.00
Intangible assets	152,460.00	152,460.00	-
Investment	34,753,565.00	-	34,753,565.00
Loans	(36,492,442.00)	(35,757,733.00)	(734,709.00)
Payables from exchange transactions	(216,955,559.00)	(258,839,912.00)	41,884,353.00

Unspent conditional grants	(72,662,463.00)	(110,722,463.00)	38,060,000.00
Provisions	(16,698,887.00)	(16,310,499.00)	(388,388.00)
Bank overdraft	(84,823.00)	(663,046.00)	578,223.00
Accumulated surplus	(3,035,754,944.00)	(1,510,734,582.00)	(1,525,020,362.00)
			-
Insurance claim	(460,594.00)	-	(460,594.00)
Dividends received	(873,000.00)	-	(873,000.00)
Sales of water	(751,475.00)	-	(751,475.00)
Interest earned	(8,574,729.00)	(8,574,729.00)	-
Other income	(701,138.00)	(3,161,197.00)	2,460,059.00
Sundry income sewer	(374,990.00)	-	(374,990.00)
Government grants and subsidies	(652,515,656.00)	(614,455,656.00)	(38,060,000.00)
			-
Personnel cost	189,059,098.00	231,057,372.00	(41,998,274.00)
Councilors remuneration	9,380,302.00	9,380,302.00	-
Depreciation	168,034,969.00	168,034,969.00	-
Finance cost	1,573,356.00	838,647.00	734,709.00
Repairs and maintenance	42,095,229.00	42,095,229.00	-
Bulk purchase	1,956,294.00	1,956,294.00	-
Contracted services	16,410,757.00	16,410,757.00	-
Grants and subsidies paid	104,520,312.00	105,233,254.00	(712,942.00)
Loss on sale of assets	1,319,517.00	1,319,517.00	-
General expenditure	121,791,040.00	121,591,942.00	199,098.00
<b>Total</b>	-	-	-

The findings resulting in audit report items in the prior year for the following components will therefore remain:

Material misstatements	Impact
------------------------	--------

Financial statement item	Finding	Occurred in prior year	R Current year
<b>Material misstatements not corrected</b>			
Property, plant and equipment	<input type="checkbox"/> Limitations due to differences between prior year closing balance and current year opening of property, plant and equipment.	No	R849 065 452
	<input type="checkbox"/> Limitations due to non-submission of information for buildings and community assets.		
	<input type="checkbox"/> Difference between GL and AFS (and fixed asset register)		21 257 827
	<input type="checkbox"/> Incorrect calculation of depreciation resulting in overstatement of the carrying value of assets		7 179 116
Prior period error	<input type="checkbox"/> Comparative amounts not adjusted with prior period error	No	830 898 093
Inventories	<input type="checkbox"/> Limitations due to non-submission of information for adjustments to inventories	No	18 220 278
	<input type="checkbox"/> Valuation of inventories as stated in the note 5 to AFS	No	3 544 916
Receivables	<input type="checkbox"/> Write off of bad debts without following proper framework as stipulated in the MFMA	Yes	6 022 128
Value Added Tax receivable	<input type="checkbox"/> Limitation due to adjustment to VAT	No	52 545 965
Cash and Cash equivalents	<input type="checkbox"/> Confirmation of reconciling items	Yes	8 137 253
	<input type="checkbox"/> Limitation due to inadequate system in place	No	71,357,386
Payables	<input type="checkbox"/> Accruals not recognised	No	24,284,857
	<input type="checkbox"/> Creditor with debit balances	No	20 629 816
Revenue	<input type="checkbox"/> Grants Income	No	10 138 769
	<input type="checkbox"/> Fair value changes in Investments set off against Other Income	No	2 064 263
Employee Costs	<input type="checkbox"/> Limitation due to differences between the general ledger and the annual financial	No	26,361,994

	statements.		
Commitments	<input type="checkbox"/> Limitations due to status of the accounting records	Yes	52 119 072
	<input type="checkbox"/> Commitments with negative balances resulting in negative commitments	Yes	116 200 728
Unauthorised Expenditure	<input type="checkbox"/> Management and accounting for unauthorised expenditure as prescribed by the legislative framework.	Yes	53 781 315
Contingent liability	<input type="checkbox"/> Limitations due to sufficient appropriate accounting audit evidence that management has properly managed and accounted for Contingent liabilities	Yes	335,230,674
Irregular Expenditure	<input type="checkbox"/> Condonement without following the processes prescribed by the MFMA sec 32	Yes	787 120 957
	<input type="checkbox"/> Additional irregular expenditure identified and not disclosed.	Yes	165 922 884
Prior period error	<input type="checkbox"/> Accounting treatment of prior period errors	No	Unknown
Aggregate	<input type="checkbox"/> Unspent Conditional Grants	No	2 780 212
Expenditure	<input type="checkbox"/> Limitation due to various differences	Yes	287 287 476

This will result in a limitation of scope which will affect the financial statements as a whole.

### Internal control deficiency

This is due to lack of management understanding of the PAA.

### Recommendation

Management should ensure that information such as specified above should be made readily available.

### Management response

No formal management comments were received.

### Auditor's conclusion

The following information was not provided with regards to the audit of prior period errors, the information below was requested on the RFI 3 dated 9 September 2014 and was still not provided to the auditors by the 25th of September 2014:

- 1) No information with regards to the prior period error of Property, plant and equipment has been provided.
- 2) For each of prior period error journals processed a detailed breakdown of the earliest effected period.
- 3) No supporting documentation for the limitation of scope raised on inventory was provided.
- 4) No supporting documentation for the correction of VAT
- 5) No supporting documentation for the correction of cash and cash equivalents
- 6) No supporting documentation for the correction of accruals
- 7) No supporting documentation for the correction of creditors with debit balances
- 8) No supporting documentation for the correction of bonus provision.
- 9) No supporting documentation for the correction of fair value change that were set-off.
- 10) No supporting documentation for the correction of employee cost limitation.
- 11) No supporting documentation for the correction of the following disclosure misstatements identified:
  - Commitments
  - Unauthorised expenditure
  - Contingent liability
  - Irregular expenditure
  - Prior period correction
  - Lease
- 12) The trade creditors, trade debtors, accruals, bonus, listing were also not provided for 2013. Trade debtors listing received 30/09/2014; 13th leave credis
- 13) No general ledger were the corrections have been passed has been provided. - Received 30/09/2014
- 14) The actual correctional journals that were processed.

## **25. EX.81 - All sections - Limitation of scope**

### **Audit finding**



In terms of section 15 of the Public Audit Act no. 25 of 2004:

"When performing the audit, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to—

(a) any document, book or written or electronic record or information of the auditee or which reflects or may

elucidate the business, financial results, financial position or performance of the auditee;

(b) any of the assets of or under the control of the auditee; or

(c) any staff member or representative of the auditee."

According to the International Standards on Auditing I am required to communicate with those charged with governance.

The following information was requested on 10 October 2014 by means of request for information 17 and attached annexures, by 20 January 2015 the information was not yet received:

(Please notes that there are various annexures containing the sub elements of each individual limitation).

**Property, plant and equipment:**

- 1) Monthly reconciliations between fixed asset register and general ledger for the entire year.
- 2) Management comments for projects making slow progress, **Annexure 81A** contained the list of projects that needs comments. (File reference - AS3.a)
- 3) Invoices for WIP capitalized for the projects as specified in **Annexure 81B** (File reference - AS3.b)
- 4) Invoices for WIP additions as per **Annexure 81C** (File reference - AS3.c)
- 5) Invoices for Intangible assets additions of R319,350 as indicated on financial statements.
- 6) Contract agreements for WIP projects as per **Annexure 81D**. (File reference - AS3.d)
- 7) Invoices for repairs and maintenance expenditure as per sample selection specified in **Annexure 81E** (File reference - AS3.e)
- 8) Insurance contracts for all municipal assets.
- 9) Process followed by management to determine useful life and residual value.

*The above limitations could result in a total projected limitation of scope of R3 438 010 545 related to property, plant and equipment.*

*Note that the disclaimed additions in point 4 will have the same effect on VAT to the amount of R9 297 659.*

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**Receivables:**



10) Request management comments and require corroborating proof, as to why the following creditors were double paid resulting at year end in a debit balance for the creditor as per **Annexure 81F** (File reference - AS3.f)

11) A disclosure for the provision of bad debts has been disclosed in note 7 as calculation has been provided to the audit team in this regard, however we cannot determine that this has been processed in the general ledger. We request management comment with regards to the why it was considered required to provide for these debtor balances and confirmation of the journal were the provision was processed.

*The above limitation could possibly indicate incorrect disclosure or possible incomplete records related to receivables.*

#### **Payables:**

12) Request list and supporting documents (statements) regarding Accruals journals passed for the year. Inquiry to made to consultants, for the items specified in **Annexure 81G**. (File reference - AS3.g)

13) Request list of contact information and person responsible when working with the creditor for the following sample of Creditors as per **Annexure 81H** (File reference - AS3.h)

14) Request detailed information regarding opening balances of Retentions as disclosed in the financial statements as per **Annexure 81Z**. (File reference AS3.z)

15) Request information regarding other payables. Detailed listing as disclosed in the financial statements.

16) Request payment supporting documents to complete completeness working paper as per **Annexure 81I - Revised** (File reference - AS3.i) as well as for cut-off **Annexure 81Y** (File reference - AS3.Y)

17) Leave records for the period July 2013 until June 2014, as well as their opening balance for the following sample of employees as specified in **Annexure 81J** (File reference - AS3.j)

*The above limitations could result in a projected limitation of R286 755 872 related to payables.*

#### **Inventory:**

18) All monthly reconciliation between stock counts and purchases in the cash book.

19) Management comments require to explain why duplicate inventory items occurred on the stock listing the specific items in questions are specified in **Annexure 81K**. (File reference - AS3.k)

20) Request the period-end stock variance analysis performed by management as well as supporting documentation for the totals on the report.

21) Inventory information as specified in **Annexure 81L** (File reference - AS3.l)

22) Request all fuel register of the municipality. Also request management comment on why fuel stock was not recorded as inventory.

23) Request all water registers of the municipality. Also request management comment on why water stock was not recorded as inventory.

*The above limitation could possibly result in a total projected limitation R3 639 894 related to inventory.*

**Cash and cash equivalents:**

24) Request investment documents to confirm if the investment is done according to policy and if investments are recorded in the council minutes.

*The above limitation could possibly result in non-compliance related to investments.*

**Revenue:**

25) Request sample of application forms not found in the files inspected. Require management comment on whether there are monthly accounts for customers to be rendered. Sample requested in attached as **Annexure 81M** (File reference - AS3.m)

26) Specific supporting documentation, that will proof the accuracy and occurrence of the sample items specified in **Annexure 81N**. (File reference - AS3.n)

27) Require the direct income register held by the municipality.

28) Require all supporting documentation, with regards to the LG-SETA grant still unspent at year end. We require the grant register, proof of allocation, and expenditure already spent.

*The above limitations could possibly result in a total projected limitation of R2 686 153 related to revenue.*

**Expenditure:**

29) The following expenditure supporting documentation as previously requested is still outstanding as per **Annexure 81O** (File reference - AS3.o)

*The above limitation could possibly result in a total projected limitation of R310 951 535 related to expenditure.*

**Procurement:**

30) Procurement supporting documentation for a sample previously request is still outstanding as per **Annexure 81P** (File reference - AS3.p)

*The above limitation could possibly result in additional irregular expenditure identified by the auditors as well as non-compliance to National treasury regulations for supply chain management.*

**Employee related cost:**

31) Approved salary structure as applied to the salaries of each official for the year.

32) Require IRP5 and IT3B for the employees as specified in **Annexure 81Q**. (File reference - AS3.q)

33) Personnel files for employees specified in **Annexure 81R**. (File reference - AS3.r)

34) Timesheets for all wages earners, their personnel files as well as register for uncollected wages.



- 35) Management confirmation whether the promotion as specified in **Annexure 17S** occurred automatically or via an appointment process. (File reference - AS3.s)
- 36) Overtime schedules for the entire year.
- 37) Management confirmation whether any manual salary payments were made during the year?
- 38) All management reconciliation of salary runs for each month and each pay point.
- 39) Management comments on the section 57 manager's performance evaluations or reasons why they were not performed.
- 40) Leave registers for all employees of the municipality.

*The above limitation could result in a total projected limitation misstatement of R241 811 935 related to employee cost.*

**Journals:**

41) Journal supporting documentation (such as management calculations, reconciliation, journal documents, approval etc.) as previously request still outstanding. Journals required specified in **Annexure 81T**.

(File reference - AS3.t)

42) Supporting documentation (Such as invoices, management calculations, reconciliation, journal document, approval etc.) for large and unusual transactions as previously requested still outstanding, specified transactions to be found in **Annexure 81U**. (File reference - AS3.u)

*The result of the above limitation is unknown and could affect the entire financial statements.*

**Performance information:**

43) Require the supporting documentation to verify the validity, accuracy and completeness of the following performance information program:

- a) Basic services
- b) Financial viability
- c) Good governance and public participation.

*The above limitation could result in the reliability of the AOPI being deemed unreliable.*

**Correction of prior year errors:**

44) With regards to the attached schedules Annexure B, relating to opening balances, please provide explanations as to why the net change amount disclosed differs from the amount indicated in the lead sheet document as the prior period error?

Each line item change should be answered separately as indicated.

45) With regards to the disclosure of Note 28:

Reason why Prior period error 1 has two entries?

Reason why prior period error 8 has only a credit leg? And no debit account?

46) Supportive documentation to support the journal raised for ALL opening balance transactions could not be provided.

47) Supportive documentation to support the new opening balance as determined by management for could not be provided:

- a) Investments - statement of the investment.
- b) Unspent grants - Grants register with proof of the expenditure will be required.
- c) Creditor statements for the creditors.
- d) Reasons and supportive proof for the reclassification.
- e) Inventory samples as tested.

48) No proof with regards to the completeness assertion of any opening balance could be obtained. The following sections are affected:

- a) Property, plant and equipment
- b) Investments
- c) Inventory
- d) Receivables
- e) Payables
- f) Intangibles
- g) Unspent conditional grants

49) The following items of reclassification, was required but was not done, therefore reclassification was incomplete:

Description of the disclosure component	Disclosure requirements met?
<u>(Identified from the executive summary)</u>	
Commitments	No
Unauthorised expenditure	No
Contingent liability	Not All
Irregular expenditure	No
Prior period error	

Accumulated surplus	
Operating lease	No
The disclosure requirements for the above disclosure will be done at the individual component audit. Refer to exception as indicated.	
<u>Additionally identified from the AFS</u>	
Identified incorrect disclosure in annual report 2013.	
Note 16 - Remuneration of executive directors	No
Note 17 - Remuneration of councilors	No
Statement of changes in net assets	No

*The above limitation will affect each opening balance that was adjusted.*

#### **Disclosure:**

50) Supporting documentation, summons, invoices, letter from lawyers, correspondence with legal counsel, contracts that supports the contingencies as disclosures. For the items included in **Annexure 81X** (File reference - AS3.x)

#### **General information:**

51) The current payables ledger as well as receivables ledger and inventory ledger for the year ending 30 June 2015.

52) The management calculation of the unit prices used in the deemed cost calculation of the Infrastructure PPE items. Full detail of the calculations are required.

53) All property valuations done for all buildings and land as at 30 June 2014.

54) Supporting documentation and management comments as to the nature of the following after year end transactions as specified in **Annexure 81V**. (File reference - AS3.v)

55) Supporting documentation and management comments as to the nature of the following before year end transactions as specified in **Annexure 81W**. (File reference - AS3.w)

56) Despite requests we were unable to communicate with the chairperson of the audit committee to discuss or obtain information in respect of the financial and performance risks facing the municipality and how they are mitigated.

*The above limitations might affect the entire AFS.*

#### **Internal control deficiency**

Financial and Performance management:

This is due to a lack of management oversight and responsibility with regards to record keeping.

### **Recommendation**

Management should ensure that all records are filed and kept in such condition that the information is easily obtainable and accessible, to enable them to provide information to auditors upon request.

### **Management response**

No formal management comment received.

### **Auditor's conclusion**

No management comment received, finding remains and will be reported in the audit and management reports.

## **Heading 7**

### **26. EX.22 - Disclosure - Opening balances**

#### **Audit finding**

Disclosure requirement for prior period errors as per GRAP 3 paragraph .51 states:

In applying paragraph .44, an entity shall disclose the following:

- (a) the nature of the prior period error;
- (b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected;
- (c) the amount of the correction at the beginning of the earliest prior period presented; and
- (d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

Financial statements of subsequent periods need not repeat these disclosures.

1)The description of the natures of the following prior period error disclosure (Note 28) were found to be lacking in detail, and is not sufficient:

Description	Reason	Amount	Debit line item	Credit line item
Prior period error 4	Investigation turned up results that creditors had to increase	41,988,274.00	Trade creditors	Accumulated surplus
Prior period error 5	Creditors with debit balances	1,747,810.00	Trade receivables	Trade creditors
Prior period error 7	Employee cost of the prior year has been restated	41,998,274.00	Accumulated surplus	Employee related cost

2) The effected accounts/line items as indicated in the opening balance disclosure note 28 is not as required by GRAP 3:

Description	Reason	Amount	Debit line item	Credit line item
Prior period error 1	Restatement of PPE after reconstruction of asset registers	1,524,616,151.00	Property, Plant and equipment	Accumulated surplus
Prior period error 1	Restatement of PPE after reconstruction of asset registers	1,487,829,248.00	Property, Plant and equipment	Accumulated surplus
Prior period error 2	<b>MIG</b> roll-over of unspent monies from previous period, not approved by NT, therefore had to reverse the effect	37,184,100.00	Unspent conditional grant	Accumulated surplus
Prior period error 3	<b>DWAF - Asset refurb</b> roll-over of unspent monies from previous period, not approved by NT, therefore had to reverse the effect	875,900.00	Unspent conditional grant	Accumulated surplus
Prior period error 4	Investigation turned up results that creditors had to increase	41,988,274.00	Trade creditors	Accumulated surplus



3) The prior period error disclosures (Note 28) do not indicate the earliest period of adjustment, and the effect the prior period adjustment had on it:

Description	Reason	Amount	Debit line item	Credit line item
Prior period error 1	Restatement of PPE after reconstruction of asset registers	1,524,616,151.00	Property, Plant and equipment	Accumulated surplus
Prior period error 1	Restatement of PPE after reconstruction of asset registers	1,487,829,248.00	Property, Plant and equipment	Accumulated surplus
Prior period error 2	<b>MIG</b> roll-over of unspent monies from previous period, not approved by NT, therefore had to reverse the effect	37,184,100.00	Unspent conditional grant	Accumulated surplus
Prior period error 3	<b>DWAF - Asset refurb</b> roll-over of unspent monies from previous period, not approved by NT, therefore had to reverse the effect	875,900.00	Unspent conditional grant	Accumulated surplus
Prior period error 4	Investigation turned up results that creditors had to increase	41,988,274.00	Trade creditors	Accumulated surplus
Prior period error 6	Reclassification of long service awards from Trade creditors to Provisions	388,388.00	Trade creditors	Provisions
Prior period error 7	Employee cost of the prior year has been restated	41,998,274.00	Accumulated surplus	Employee related cost

4) Prior period errors disclosure not inline with the actual journal processed:

Description	Reason	Amount	Debit line item	Credit line item
Prior period error 1	Restatement of PPE after reconstruction of asset registers	1,524,616,151.00	Property, Plant and equipment	Accumulated surplus



Prior period error 1	Restatement of PPE after reconstruction of asset registers	1,487,829,248.00	Property, Plant and equipment	Accumulated surplus
Prior period error 9	Adjustment to the depreciation and PPE due to the unbundling process of 2013/2014	1,628,872,722.00	Property, Plant and equipment	Accumulated surplus
Prior period error 10	Intangibles incorrect mapped during prior year	160,000.00	Intangible assets	Accumulated surplus
Prior period error 13 - B	Restatement of unspent conditional grants	33,481,230.00	Investments	

5) Journals processed as prior period errors not disclosed in note 28:

Description	Amount	Account Debit	Account Credit
Not found on the AFS disclosure note 28.	712,942.25		3800/3852/11/1103
Not found on the AFS disclosure note 28.	988,278.77	7000/7010	



6) Disclosure of prior period error 8, I could not determine the debit contra entry of the transaction as describe, therefore appearing that a one sided entry was processed.

This will result in incorrect disclosure of the financial statements and non-adherence to the GRAP framework

### **Internal control deficiency**

This is due to a lack of management understanding of GRAP disclosure requirements

### **Recommendation**

Management should ensure that all information as required by GRAP is disclosed in the note to the financial statements.

### **Management response**

1, 2 and 3 Adjustments to be made to Financial Statements if Auditor General permits

1. 1. Prior period 10, A journal was passed during the current year to correct the opening balance. See General Ledger account number 8400\44023\01\1008\Equi\H0\nmmdm\add. Prior period 13 – B Management does not agree with the finding, no journal was done for this amount. For 2012/13 year all unspent grants where classified as current liabilities, this amount was split between current and non current (R33 481 230,00 was the current portion of unspent grants for 2012/13.
2. 2. Management does not agree with finding of the amount of R712 942.25 not found on the AFS disclosure note 28. In Prior period error note 14 an amount of R502 309 was disclosed for expenditure, which includes the R712 942.25. The amount of R502 309 was made up of the following adjustment amounts: R712 942.25 + R172 751.79 + R26 346.49.

Amount not found on the AFS disclosure note 28, R988 278.77- Adjustments to be made to Financial Statement if Auditor General permits.

Name: LH Mokoena

Position: Acting Chief Financial Officer

Date: 29 September 2014

### **Auditor's conclusion**

Subsequent to the administration, management had elected not to adjust the financial statement, as the cost involved will be much greater than the benefit. Therefore as management did agree with the finding the finding will stand and be reported in the audit and management reports.

## **27. EX.131 - Environmental audit**

### **Audit finding**





The municipality did not exercise its legislative and executive authority as required by section 11(3)(l) and (m) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) by managing, monitoring and enforcing environmental related bylaws to promote a safe and healthy environment. (AR)

### **Internal control deficiency**

Leadership -> This is due to a lack of understanding of the requirements of the municipal systems act.

### **Recommendation**

Management should ensure that they comply with the municipal systems act requirements.

### **Management response**

No formal management comment received.

### **Auditor's conclusion**

No management comment received, finding remains and will be reported in the audit and management reports.

### **Immovable assets**

#### **28. EX.35 - Property, plant and equipment - No supporting documentation**

##### **Audit finding**

In terms of section 15 of the Public Audit Act no. 25 of 2004:

"When performing the audit, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to—

(a) any document, book or written or electronic record or information of the auditee or which reflects or may

elucidate the business, financial results, financial position or performance of the auditee;

(b) any of the assets of or under the control of the auditee; or

(c) any staff member or representative of the auditee.

No supporting documentation was provided to determine the deemed replacement cost, nor the cost price of additions for the sample as communicated to management in request of information number 9, dated 16 September 2014

This will result in a limitation of scope with regards to property, plant and equipment

**Internal control deficiency**

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

**Recommendation**

Management should ensure that supporting documentation is available for audit purposes.

**Management response**

No formal management comments were received.

**Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

**29. EX.39 - Property, plant and equipment - Expenditure incorrectly capitalised****Audit finding**

GRAP 17 (March 2012):

.24 Examples of costs that are not costs of an item of property, plant and equipment are:

- (a) costs of opening a new facility;
- (b) costs of introducing a new product or service (including costs of advertising and promotional activities);
- (c) costs of conducting business in a new location or with a new class of customers (including costs of staff training); and
- (d) administration and other general overhead costs.

While performing audit procedure for the verification of the work in progress opening balance it was identified that the following expenditure was capitalised to work in progress infrastructure even though it related to the delivery of water:

PROJECT NAME	VOTE NUMBER	CONSULTANT	Cumulative exp Opening balance as per commitment register
Dinokana Bulk Water Supply	8100/8104/01/0108/PIG/ZEER/DBWS/ADD	Sales Talk	706,025.00



& Reticulation (Phase 1)			
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Sample size	169,538,981.31
Population	906,970,152.00
Disagreement misstatement	706,025.00
Extrapolated misstatement	3,776,969.74

Capital work in progress has been overstated and expenses understated.

#### **Internal control deficiency**

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

#### **Recommendation**

Management should ensure that work in progress expenditure is correctly capitalised.

#### **Management response**

No formal management comments were received.

#### **Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

### **30. EX.41 - Property, plant and equipment - Purchase/capitalisation date not indicated on fixed asset register**

#### **Audit finding**

MFMA, Section 62.

(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 prescribed norms and standards;

(c) that the municipality has and maintains effective, efficient and transparent systems—

(i) of financial and risk management and internal control; and

(ii) of internal audit operating in accordance with any prescribed norms and standards.

The following assets on the fixed asset register do not indicate the purchase date:

Component ID	Asset Sub Category (Level 3)	Asset Facility Name / Street Name	Carrying value (closing balance)
PPE-INF-SAN-RET--PWK-PIPSI BH_8	Sanitation network	Mmabatho Sanitation	R 235,668,563
PPE-INF-SAN-RET--PWK-PIPSI BH_7	Sanitation network	Mafikeng Sanitation	R 230,859,000
PPE-INF-SAN-RET--PWK-PIPSI BH_6	Sanitation network	Lichtenburg Sanitation	R 144,286,875
PPE-INF-SAN-RET--PWK-PIPSI BH_10	Sanitation network	Ottosdal Sanitation	R 48,095,625
PPE-INF-SAN-RET--PWK-PIPSI BH_3	Sanitation network	Delareyville Sanitation	R 38,476,500
PPE-INF-SAN-RET--PWK-PIPSI BH_12	Sanitation network	Zeerust Sanitation	R 33,666,938
PPE-INF-SAN-RET--PWK-PIPSI BH_1	Sanitation network	Atamelang Sanitation	R 19,238,250
PPE-INF-SAN-RET--PWK-PIPSI BH_2	Sanitation network	Coligny Sanitation	R 18,751,522
PPE-INF-SAN-RET--PWK-PIPSI BH_4	Sanitation network	Itsoseng Sanitation	R 18,389,766
PPE-INF-SAN-RET--PWK-PIPSI BH_5	Sanitation network	Lehurutshe Sanitation	R 14,428,688
PPE-INF-WSN-RES--PWK-PIPWE BH_87	Water supply network	Delareyville Reservoirs	R 11,662,125
PPE-INF-SAN-RET--PWK-PIPSI BH_11	Sanitation network	Sannieshof Sanitation	R 11,542,950
PPE-INF-WSN-BKM--PWK-PIPWI BH_28	Water supply	Itsoseng Water Network	R 7,421,545

	network		
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The book value of the assets may be incorrectly calculated.

### Internal control deficiency

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

### Recommendation

Management should ensure that purchase dates are clearly indicated on the fixed asset register.

### Management response

No formal management comments were received.

### Auditor's conclusion

No management comment received, finding stand will be reported in the audit and management reports.

## 31. EX.44 - Property, plant and equipment - WIP as per commitment register not agreeing to final progress report as at year end

### Audit finding

GRAP 17 (March 2012)

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

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

The following WIP assets were found not to agree to the last available completion certificate for that project:

PROJECT NO.	CONTRACTOR	Closing WIP as per commitment register	WIP as per last contract certificate before year end	Disagreement
NMMDM09/10/14PMU C	Tsoga Developers	R7,322,673.81	R 7,978,342.28	R 655,668.47
NMMDM07/08/05/PMU	Mabaza Construction	R3,945,154.87	R 3,827,538.71	R 117,616.16
NMMDM07/08/05/PMU	Lele & Tshidi	R2,891,990.54	R 896,418.90	R 1,995,571.64

Sample size	R33,284,068.10
Total population	R285,636,639.00
Total disagreement misstatement	-R1,457,519.33
<b>Estimated misstatement</b>	<b>-R12,508,114.14</b>

This could result in property, plant and equipment to be misstated.

#### Internal control deficiency

This is due to a lack of management oversight with regards to processing of the asset values for WIP.

#### Recommendation

Management should ensure that the correct value are used when processing WIP items.

#### Management response

No formal management comment received.

#### Auditor's conclusion

No management comment received, finding stand will be reported in the audit and management reports.

### 32. EX.45 - Property, plant and equipment - Immoveable assets with zero book values

#### Audit finding

GRAP 17 (March 2012)

.33 After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses

The following assets were found not to have a book value, but still included on the FAR:

Component ID	Immovable ID	Code1	Accounting Group (Level 1)	Code13	Asset Category (Level 2)	Code2	Asset Sub Category (Level 3)	Carrying value (closing balance)
PPE-LNB-COF-HAL--BLD-PLUM BH_7	IMM	PPE	Property, plant & equipment	LNB	Land and buildings	COF	Community facilities	R -
PPE-INF-SAN-SPS--MET-FABS BH_48	IMM	PPE	Property, plant & equipment	INF	Infrastructure assets	SAN	Sanitation network	R -
PPE-INF-SAN-SPS--PWK-VALV BH_30	IMM	PPE	Property, plant & equipment	INF	Infrastructure assets	SAN	Sanitation network	R -
PPE-INF-SAN-SPS--PWK-VALV BH_31	IMM	PPE	Property, plant & equipment	INF	Infrastructure assets	SAN	Sanitation network	R -
PPE-INF-SAN-SPS--MET-FABS BH_60	IMM	PPE	Property, plant & equipment	INF	Infrastructure assets	SAN	Sanitation network	R -
PPE-INF-SAN-WWT--PWK-VALV BH_109	IMM	PPE	Property, plant & equipment	INF	Infrastructure assets	SAN	Sanitation network	R -
PPE-INF-WSN-RES--PWK-VALV BH_20	IMM	PPE	Property, plant & equipment	INF	Infrastructure assets	WSN	Water supply network	R -
PPE-INF-WSN-RES--PWK-VALV BH_21	IMM	PPE	Property, plant & equipment	INF	Infrastructure assets	WSN	Water supply network	R -



PPE-INF-WSN-RES--PWK-VALV BH_25	IMM	PPE	Property, plant & equipment	INF	Infrastructure assets	WSN	Water supply network	R	-
PPE-INF-WSN-RES--BLD-PLUM BH_2	IMM	PPE	Property, plant & equipment	INF	Infrastructure assets	WSN	Water supply network	R	-
PPE-INF-WSN-RES--MET-FABS BH_22	IMM	PPE	Property, plant & equipment	INF	Infrastructure assets	WSN	Water supply network	R	-
PPE-INF-WSN-RES--BLD-FIRP BH_2	IMM	PPE	Property, plant & equipment	INF	Infrastructure assets	WSN	Water supply network	R	-
PPE-INF-WSN-RES--MET-FABS BH_30	IMM	PPE	Property, plant & equipment	INF	Infrastructure assets	WSN	Water supply network	R	-





Also no disclosure with regards to the Rnil value items still in use were noted in the annual financial statements.

**Internal control deficiency**

This is due to a lack of management oversight.

**Recommendation**

Management should ensure that all assets are valued correctly in accordance with GRAP 17

**Management response**

No formal management comments were received.

**Auditor’s conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

**33. EX.62 - Property plant and equipment - Retention amount as per contract certificate not agreeing to retention list used to prepare financial statements**

**Audit finding**

GRAP 1 (March 2012)

21. 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 result in financial statements that achieve a fair presentation.

The following retention amounts as per the retention list for the following contractors do not agree to the last contract cost certificate received before year end:

PROJECT NO.	CONTRACTOR	Cumulative Retention value as per last payment certificate before year end	Retention as per retentions list	Difference
NMMDM09/10/14PMU C	Tsoga Developers	R 843,393.92	R 644,991.06	R 198,402.86



NMMDM07/08/05/PMU	Mabaza Construction	R 2.08	425,28	R -	R 425,282.08
NMMDM07/08/05/PMU	Lele & Tshidi	R 2.10	99,60	R 723,896.09	R (624,293.99)
MIG/NW/1097/W/10/12	Tlotlo-Tlhago Transport & Plant	R 1.86	611,36	R 573,493.37	R 37,868.49
NMMDM07/08/05PMU	Als Bee Proj/ Bophelelo Trading Cc Jv	R4,277,017.74		R -	R 4,277,017.74
MIG/NW/1108/S/09/13 S/NW/7721/09/13(A)	Quantibuild Civils Jv	R2,359,633.00		R1,838,962.75	R 520,670.25
MIG/NW/1108/S/09/13 S/NW/7721/09/13 (C )	Ht Pelatona Projects	R1,813,050.95		R 95,495.43	R 1,717,555.52
				Total misstatement	R 6,552,502.95
				Sample size	R10,429,341.65
				Estimated misstatement	R25,808,037.43

This could result in property, plant and equipment to be misstated.

#### Internal control deficiency

This is due to a lack of management oversight with regards to processing of the asset values for WIP.

#### Recommendation

Management should ensure that the correct value is used when processing WIP items.

#### Management response

Management will ensure that in the future contract certificates will be obtained from Project Management Unit, to ensure oversight with regards to processing of the assets value for WIP.

Date: 03 February 2015

Person: MJ Inno

Designation: Manager: Asset and Inventory management

### Auditor's conclusion

Management agrees with the finding it will remain and be reported in the audit and management reports.

### 34. EX.63 - Property plant and equipment - Retention amount not recognised as part of WIP cost capitalised

#### Audit finding

GRAP 1 (March 2012)

21. 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 result in financial statements that achieve a fair presentation.

The retention amount for the following contracts has not been capitalised to the cost of the WIP:

PROJECT NO.	CONTRACTOR	WIP as per last contract certificate before year end	Retention capitalized on commitment register	Difference
NMMDM09/10/14PMU C	Tsoga Developers	R8,433,939.23	R 421,696.96	R 421,696.96
NMMDM07/08/05/PMU	Mabaza Construction	R4,252,820.00	R -	R 425,282.08
NMMDM07/08/05/PMU	Lele & Tshidi	R996,021.00	R -	R 99,602.10
MIG/NW/1097/W/10/12	Tlotlo-Tlhago Transport & Plant	R6,113,618.54	R 305,680.93	R 305,680.93
NMMDM07/08/05PMU	Als Bee Proj/ Bophelelo Trading Cc Jv	R42,770,177.39	R 2,138,508.87	R2,138,508.87
MIG/NW/1108/S/09/13 S/NW/77 21/09/13(A)	Quantibuild Civils Jv	R23,596,330.00	R -	R2,359,633.00
MIG/NW/1108/S/09/13 S/NW/7721/09/13 (C )	Ht Pelatona Projects	R18,130,509.49	R -	R1,813,050.95
			Total misstatement	R7,563,454.89
			Sample size	R10,429,34



	1.65
Estimated misstatement	R29,789,82 6.63

This could result in property, plant and equipment to be misstated.

#### **Internal control deficiency**

This is due to a lack of management oversight with regards to processing of the asset values for WIP.

#### **Recommendation**

Management should ensure that the correct value is used when processing WIP items.

#### **Management response**

Management will ensure that in the future contract certificates will be obtained from Project Management Unit, to ensure oversight with regards to processing of the assets value for WIP.

Date: 03 February 2015

Person: MJ Inno

Designation: Manager: Asset and Inventory management

#### **Auditor's conclusion**

Management agrees with the finding and it will be reported in the management and audit reports.

### **35. EX.69 - Property, plant and equipment - Limitation of scope**

#### **Audit finding**

The unit prices as determined by the municipal management could not be audited as the calculation and the information that these amount have been based on could not be obtained. The effect of this is that the entire balance of infrastructure items that are not WIP could not be determined. Further investigation into TMDG unit rates resulted in "base unit rates" that could not be traced to the supporting documents and recalculation of escalated unit rates for 2014 could not be done, because some of the assumption (CPAF, NW factor, Base year, P&Gs or professional fees percentages) used could not be appropriately explained and result in limitation in scope.

Sample	Electricity Meter	Base year	Base year unit rate	Guided CP AF	Escalated Rate (2009)	NW Prov. Factor	NW Prov. Factor (2009)	Escalated unit rate (2014)	P&G %	Preliminary & General	Professional fees %	Professional fees	Cost Unit (2014)
AG SA 2	Engine							R 32 000.00	5%	R 1600.00			R 33 600.00
AG SA 3	External lighting			0.1977		0.0497							
AG SA 5	Foundation/Formation	2007	R 51.15	0.1977	R 61.26	0.0497	R 64.30	R75.77	16%	R 11.74	10%	R7.58	R95.09
AG SA 9	Hydrant			0.1977		0.0497							
AG SA 15	Mini-sub	2007	R 1000.00	0.1977	R119 770.00	0.0497	R125 722.57	R 148138.85					R 148 138.85
AG SA 18	MV Power Transformer	2007	R 8000.00	0.1977	R95 816.00	0.0497	R 100 578.06	R118 511.08					R 118 511.08

Above is part of the sample from the working paper test for the TMDG unit rates.

This could result in the annual financial statements to be misstated.

#### Internal control deficiency

This is due to a lack of proper management retention of calculations and supporting information

#### Recommendation

Management should ensure that the information used to support the determined unit prices are available for audit purposes.

#### Management response

No formal management comments received

**Auditor's conclusion**

No management comments received, finding remains and will be reported in the management report.

**36. EX.70 - Property, plant and equipment - Completeness of infrastructure items sanitation****Audit finding**

The completeness and existence of the individual pipes that make up the following asset item on the FAR could not be determined, through physical verification or by other means:

Additional Asset ID (VOTE)	Classification	Asset Register Description	Component Type	Book value year end
PPE-INF-SAN-RET--PWK-PIPSI BH_1	Sanitation network	Reticulation	Pipe - sewer (incl manholes)	19, 238,250.00
PPE-INF-SAN-RET--PWK-PIPSI BH_10	Sanitation network	Reticulation	Pipe - sewer (incl manholes)	48, 095,625.00
PPE-INF-SAN-RET--PWK-PIPSI BH_12	Sanitation network	Reticulation	Pipe - sewer (incl manholes)	33, 666,937.50
PPE-INF-SAN-RET--PWK-PIPSI BH_2	Sanitation network	Reticulation	Pipe - sewer (incl manholes)	18, 751,522.28
PPE-INF-SAN-RET--PWK-PIPSI BH_3	Sanitation network	Reticulation	Pipe - sewer (incl manholes)	38, 476,500.00
PPE-INF-SAN-RET--PWK-PIPSI BH_4	Sanitation network	Reticulation	Pipe - sewer (incl manholes)	18, 389,766.22
PPE-INF-SAN-RET--PWK-PIPSI BH_5	Sanitation network	Reticulation	Pipe - sewer (incl manholes)	14, 428,687.50
PPE-INF-SAN-RET--PWK-PIPSI BH_6	Sanitation network	Reticulation	Pipe - sewer (incl manholes)	144, 286,875.00
PPE-INF-SAN-RET--PWK-PIPSI BH_7	Sanitation network	Reticulation	Pipe - sewer (incl manholes)	230, 859,000.00
PPE-INF-SAN-RET--PWK-PIPSI BH_8	Sanitation network	Reticulation	Pipe - sewer (incl manholes)	235, 668,562.50

Each one of the above assets is a group of similar pipes, there is no way of identifying which individual pipe belongs to which system and no available calculation as to the following pipes

makes up each of the above assets. Therefore we were unable to determine the existence, completeness and valuation of R 801 861 726 worth of pipeline assets included in sanitation.

The maps held by the municipality were found to be incomplete as not all of the above pipelines were supported by complete maps.

Completeness, valuation and existence for the following water pipeline assets could also not be determined:

Component ID	Asset Facility Name / Street Name	Asset Type (Level 5)	Carrying value (closing balance)
PPE-INF-WSN-DIS--PWK-PIPWI BH_1	Bodibe Ward 17 Water Reticulation Network	Pipe work	R 26,792
PPE-INF-WSN-DIS--PWK-PIPWI BH_2	Bodibe Ward 17 Water Reticulation Network	Pipe work	R 154,214
PPE-INF-WSN-DIS--PWK-PIPWI BH_3	Bodibe Ward 17 Water Reticulation Network	Pipe work	R 90,915
PPE-INF-WSN-DIS--PWK-PIPWI BH_4	Bodibe Ward 17 Water Reticulation Network	Pipe work	R 85,471
PPE-INF-WSN-DIS--PWK-PIPWI BH_5	Bodibe Ward 17 Water Reticulation Network	Pipe work	R 77,855
PPE-INF-WSN-DIS--PWK-PIPWI BH_6	Borakalo Water Distribution	Pipe work	R 212,337
PPE-INF-WSN-DIS--PWK-PIPWI BH_7	Borakalo Water Distribution	Pipe work	R 16,331
PPE-INF-WSN-DIS--PWK-PIPWI BH_8	Borakalo Water Distribution	Pipe work	R 39,831
PPE-INF-WSN-DIS--PWK-PIPWI BH_9	Borakalo Water Distribution	Pipe work	R 48,011
PPE-INF-WSN-DIS--PWK-PIPWI BH_10	Borakalo Water Distribution	Pipe work	R 212,388
PPE-INF-WSN-DIS--PWK-PIPWI BH_11	Borakalo Water Distribution	Pipe work	R 200,371
PPE-INF-WSN-DIS--PWK-PIPWI BH_12	Borakalo Water Distribution	Pipe work	R 283,184
PPE-INF-WSN-DIS--PWK-PIPWI BH_13	Boikhutso Water Distribution	Pipe work	R 8,604

PPE-INF-WSN-DIS--PWK-PIPWI BH_14	Boikhutso Water Distribution	Pipe work	R	12,427
PPE-INF-WSN-DIS--PWK-PIPWI BH_15	Boikhutso Water Distribution	Pipe work	R	12,587
PPE-INF-WSN-DIS--PWK-PIPWI BH_16	Boikhutso Water Distribution	Pipe work	R	13,224
PPE-INF-WSN-DIS--PWK-PIPWI BH_17	Boikhutso Water Distribution	Pipe work	R	13,224
PPE-INF-WSN-DIS--PWK-PIPWI BH_18	Boikhutso Water Distribution	Pipe work	R	14,498
PPE-INF-WSN-DIS--PWK-PIPWI BH_19	Boikhutso Water Distribution	Pipe work	R	17,366
PPE-INF-WSN-DIS--PWK-PIPWI BH_20	Boikhutso Water Distribution	Pipe work	R	17,605
PPE-INF-WSN-DIS--PWK-PIPWI BH_21	Boikhutso Water Distribution	Pipe work	R	17,685
PPE-INF-WSN-DIS--PWK-PIPWI BH_22	Boikhutso Water Distribution	Pipe work	R	17,685
PPE-INF-WSN-DIS--PWK-PIPWI BH_23	Boikhutso Water Distribution	Pipe work	R	19,756
PPE-INF-WSN-DIS--PWK-PIPWI BH_24	Boikhutso Water Distribution	Pipe work	R	21,190
Examples			R	1,633,551
<b>Total value of ALL water pipelines in FAR</b>			<b>R</b>	<b>70,906,685</b>

This could result in the AFS being misstated

#### **Internal control deficiency**

This is due to lack of proper management control over the FAR processes

#### **Recommendation**

Management should ensure complete detail about the pipelines is available and that ALL pipeline plans are available for audit purposes.

#### **Management response**





Management will ensure that supporting map is complete and also ensure complete detail about the pipelines is available.

Date: 03 February 2015

Person: MJ Inno

Designation: Manager: Asset and Inventory management

### Auditor's conclusion

Finding remains and will be reported in the audit and management reports.

### Inventory

#### 37. EX.72 - Inventory - Stock count variances

#### Audit finding

The following variances were identified during the stock count performed at year end:

Floor to sheet:

Consumable stock

Sampling: Store 1 (Head Office)						
No	(1) Item description	(2) Physical Items	(5) Number of items as per stock records	(6) Variance (Stock records less items counted)	Unit price	Value
1	Sellotape	11	162.00	151	R 10.00	R 1,510.00
2	Indian tag files	15	135.00	120	R 31.00	R 3,720.00
3	HP901 colour cartridge	2	-	-2		0
4	Aren file labor	44	-	-44		0
5	Cardholder	8	-	-8		0
6	Exam pads	37	-	-37		0
7	25mm Plastic binding copubs	7	63.00	56	R 150.00	R 8,400.00
8	32mm Foldaback Clip	48	-	-48		0

9	CE285A Blacknoir	9	-	-9	0
10	32mm Plastic binding combs	2	-	-2	0
11	Computer binders	13	-	-13	0
12	Desk sharpener	29	-	-29	0
13	Lexmark 37 cartridge	4	63.00	1 R 529.00	R 529.00
14	Lexmark 36 cartridge	4	261.00	1 R 489.00	R 489.00
15	33mm Paper clips	6	630.00	624 R 5.00	R 3,120.00

**Total variance**
**761**
**17,768.00**

Maintenance stock

**Sampling: Phola**

No	(1) Item description	(3) Count per stock sheet	(5) Number of items as per stock records	(8) Deficiency/ Misstatements identified
1	140mm*900cupvc bend	32	52	20
2	110mm cascade clamp	30	0	-30
3	9mm cascade sadde	13	0	-13
4	100mm air filter	2	0	-2
5	50mm air valve	6	0	-6
6	100m*80 red bush	150	266	116
7	100mm check rue	12	0	-12
8	10 cascade clamp rm	24	0	-24
9	50*40mm male elbow	83	0	-83
10	125mm upvc pipe	20	25	5
11	rocla slabs 750*12	48	0	-47
12	300 asbetos pipe rm	3	0	-3

13	250*90 upvc elbow	3	5	2
14	200*45 upvc elbow/bend	4	9	5
15	coupling 32mm	253	423	170
<b>Total variance</b>				<b>98</b>

Not all the items could be identified on the stock listing therefore a price could not be obtained for all inventory item variances.

Sheet to floor

Consumable stock

<b>Sampling: Store 1 (Head Office)</b>				
<b>No</b>	<b>(1) Item description</b>	<b>(3) Physical Items counted</b>	<b>(5) Number of items as per stock records</b>	<b>(6) Variance (Stock records less items counted)</b>
1	NP 920XI cartridge	21	-	-21.00
2	Fuel/Oil requisition form	69	-	-69.00
3	CE 323A HP toner	8	-	-8.00
4	CE 322A HP toner	8	-	-8.00
5	Blue eyeline papers	3	-	-3.00
6	Flip chart stand	3	-	-3.00
7	BPSOL claim book	9	-	-9.00
8	PMUOL claim book	9	-	-9.00
9	HP CE270A toner	4	-	-4.00
10	HP CE272A toner	4	-	-4.00
11	HP I40 cartridge	13	-	-13.00
12	HP 26003A toner	9	-	-9.00
13	A4 print paper white	201	-	-201.00
14	A4 print paper pink	5	-	-5.00

15	A3 print paper white	32	-	-32.00
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**Total variance** **-398.00**

Maintenance stock

**Sampling: Phola**

No	(1) Item description	(3) Physical Items counted	(5) Number of items as per stock records	(8) Deficiency/ Misstatements identified	Unit price	Value of misstatement
1	Flange 80mm	13	0	-13	-	-
2	Submersible 7.5kw	8	4	-4	18,650.00	(74,600.00)
3	Sub and Motor 11 kw	2	0	-2	-	-
4	50kg surebuild cement	67	0	23	-	-
5	65mm monohead set	7	0	-7	-	-
6	22mm bobbin bearing	33	0	-4	-	-
7	50mm equal tee	122	0	-122	-	-
8	100mm monostabiliser	72	0	-30	-	-
9	75/50mm male adapter	1	0	1	-	-
10	315mm saddle	13	0	10	-	-
11	100mm monopipes	67	56	-10	6,785.00	(67,850.00)
12	63mm*45 cupvc bend	15	23	18	350.00	6,300.00
13	140*17 v belt	74	164	-74	42.00	(3,108.00)
14	63mm gate valve	23	0	-23	-	-
15	75*63mm reducer upvc	12	0	-12	-	-

<b>Total variance</b>	<b>-249</b>	<b>(139,258.00)</b>
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The sheet that was provided at the day of the count differs from the stock count listing as calculated by management. We could not determine the unit prices of the variances nor could we identify the items listed in the stock listing.

It was also noted that water stock was not included on the stock listing used in the valuation of stock in the GL and AFS.

We were unable to determine the valuation, completeness or existence of inventory through alternative means.

This could result in a limitation of scope on the inventory.

### **Internal control deficiency**

This is due to lack of management's supervision over the stock listing and stock count process.

### **Recommendation**

Management should ensure that all items are counted correctly at stock count, also that all variances are treated accordingly and that all items counted are included on the final stock listing.

### **Management response**

Management agrees that there are variances in the inventory and was caused by the consultants; however the management will ensure that all items counted correctly at stock count. Management will also ensure that all documentation involved in the accounting process will be filled in such a manner that is always obtainable. eg stock cards.

Date: 03 February 2015

Person: MJ Inno

Designation: Manager: Asset and Inventory management

### **Auditor's conclusion**

Management agrees with the finding. The finding will be reported in the management report

## **38. EX.98 - Inventory - Petrol, Diesel and Oil**

### **Audit finding**

According to Sections 62(1)(c) of the Municipal Finance Management Act No. 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.

- 1) During the audit on the Inventories, Reconciliation between Fuel received/Issued was not obtained therefore we were unable to certain ourselves that monthly reconciliation are performed.
- 2) During the audit on Inventories we noted that no senior personnel has authorised the Fuel registers as a sign of receipt.
- 3) During the audit on Inventories we noted that Fuel, Diesel and Oil has not been included in the Stock listing, therefore the Stock listing is incomplete.

The municipality does not have processes in place to monitor and check if reconciliations are performed by the relevant officials.

Inventories may not be completed and accounted for in the Annual financial statements.

### **Internal control deficiency**

#### **Recommendation**

- 1) Management should ensure that information is kept and submitted to the auditors within the specified timeframe when requested for audit.
- 2) Management should ensure that relevant senior personnel authorises Inventories registers.
- 3) Management should ensure that Fuel, Diesel and Oil are accounted for in the Stock listing for the year.

#### **Management response**

No formal management comment received.

#### **Auditor's conclusion**

No management comment received, finding remains and will be reported in the audit and management reports.

### **39. EX.99 - Inventories - Cut off**

#### **Audit finding**

In terms of section 15 of the Public Audit Act no. 25 of 2004: "When performing the audit, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to—

- any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee.

During our audit on Inventories, Stock cards for yearend were not provided for audit by the auditee.

Non - submission of information may result in a limitation of scope.

**Internal control deficiency**

This is due to a lack of management oversight and responsibility with regards to record keeping.

**Recommendation**

Management should ensure that information is kept and submitted to the auditors within the specified timeframe when requested for audit.

**Management response**

No formal management comment received.

**Auditor's conclusion**

No management comment received, finding remains and will be reported in the audit and management report.

**40. EX.101 - Inventory - Safeguarding****Audit finding**

According to the MFMA, Section 62.

(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 prescribed norms and standards;
- (c) that the municipality has and maintains effective, efficient and transparent systems—
  - (i) of financial and risk management and internal control; and
  - (ii) of internal audit operating in accordance with any prescribed norms and standards.

During our audit on Inventory, we have noted that Inventory is not insured for the year under review.

**Summary**

Raw Material Closing Balance	R10,966,573.18
Consumable Closing Balance	R 4,897,547.35
	R15,864,120.53
	R15,864,120.53

Lack of monitoring and review of the inventory by management.

The effect of having uninsured inventory might result in a loss.

### **Internal control deficiency**

#### **Recommendation**

Management should ensure that Inventory is insured.

#### **Management response**

No formal management comment received.

#### **Auditor's conclusion**

No management comment received, finding remains and will be reported in the audit and management reports.

### **Movable assets**

#### **41. EX.18 - PPE - Additions in 2013 year not on the asset register for 2014**

##### **Audit finding**

Municipal Finances Management Act 56 of 2003

96. Asset and liability management.—(1) The accounting officer of a municipal entity is responsible for the management of—

- (a) the assets of the entity, including the safeguarding and maintenance of those assets; and
- (b) the liabilities of the entity.

(2) The accounting officer must, for the purposes of subsection (1), take all reasonable steps to ensure that the entity has and maintains—

- (a) a management, accounting and information system that accounts for proper assets and liabilities of the management systems of the municipal entity; and
- (b) a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.

A sample of the additions in 2013 to movable assets have been selected and could not be traced to the current year's asset register. Items were also compared to the list of disposals approved by Council and did not appear on this list either. Items could not be traced to disposals in the financial statements as no note indicate any disposal during the year. The table below reflect these sample items:



MODEL	LICENCE NUMBER	CHASSIS NUMBER	ENGINE NUMBER	DATE	SUPPLIER	AMOUNT EXC VAT
Hino 700 2841	HZG 730 NW	AHHFS1ELPXXX12416	E13CTN12372	12-Mar-13	Hino Lichtenburg	1 530 623.97
Hino 700 2841	HZF 174 NW	AHHFS1ELPXXX12417	E13CTN12373	12-Mar-13	Hino Lichtenburg	1 178 087.12
Hino 700 2841 TIPPER	HZG 713 NW	AHHFS1ELPXXX12414	E13CTN12370	12-Mar-13	Hino Lichtenburg	1 530 623.97
Hino 700 2841 TIPPER	HZG 726 NW	AHHFS1ELPXXX12415	E13CTN12371	12-Mar-13	Hino Lichtenburg	1 530 623.97
Hino 700 2841	HZF 170 NW	AHHFS1ELPXXX12401	E13CTN12361	12-Mar-13	Hino Lichtenburg	1 178 087.12
Hino 700 2841	HYW 346 NW	AHHFS1ELPXXX12393	E13CTN12354	29-Jan-13	Toyota Lichtenburg	1 449 724.15
Hino 700 2841	HYW 321 NW	AHHFS1ELPXXX12335	E13CTN12290	29-Jan-13	Toyota Lichtenburg	1 340 919.32
Nissan Diesel	HXJ 086 NW	ADDH0600000003881	FE6223090D	08-Oct-12	Vuza Fleet Management	841 750.00

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10 580  
439.62

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This will result in the asset register may not be complete.

### Internal control deficiency

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

### Recommendation

All assets of the municipality should be captured on the asset register

### Management response

Information regarding the exception was submitted to Auditor General on the 29 September 2014, however it should be noted that there was never a request for information for this finding.

Name: LH Mokoena

Position: Acting Chief Financial Officer

Date: 29 September 2014.

### Auditor's conclusion

Documentation was received indicating the above assets were transferred from Ngaka Modiri Molema District Municipality to local municipalities, however note 3 do not disclosed the addition some of the

### Operating expenditure

#### 42. EX.21 - Expenditure - Non submission of supportive documentation

##### Audit finding

In terms of section 15 of the Public Audit Act no. 25 of 2004:

"When performing the audit, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to—

(a) any document, book or written or electronic record or information of the auditee or which reflects or may

elucidate the business, financial results, financial position or performance of the auditee;

(b) any of the assets of or under the control of the auditee; or

(c) any staff member or representative of the auditee."

Information requested was not received in the prescribed time regarding expenditure sample selections as follows:

Expense Category	Acc #	Date	Reference	Description	Supplier	Amount
Grants and subsidies	4300/4320/019/0191/FMG Grants and Subsidies/FMGExpenditure during the year	2013/07/19	INV00216	Design budget & treasury report	TLHA008	6,140.00

Grants and subsidies	4300/4325/11/1103/WSOG Operating WaterGrant-botsheloh water/Water & Sanita	2013/10/31	INV 1	DWA Asset Refurbishment Programme	SHAW001	839, yuiouy' n590.00
Grants and subsidies	4300/4325/11/1103/WSOG Operating WaterGrant-botsheloh water/Water & Sanita	2013/08/30	7	Claim at refurbishment of pre-2003:Inv 7	KWEN002	646,320.42
Grants and subsidies	4300/4325/11/1103/WSOG Operating WaterGrant-botsheloh water/Water & Sanita	2013/08/30	6	Claim at Refurbishment of pre-2003:Inv 6	KWEN002	797,716.80
Grants and subsidies	4300/4325/11/1103/WSOG Operating WaterGrant-botsheloh water/Water & Sanita	2013/12/02	8	Pre-2003 Commnty Watr Supply Schm:Cert 8	KWEN002	1,944,405.43
Grants and subsidies	4300/4381/03/0301/MSIG MSIG expenditure during theyear/Planning and Devel	2014/06/30	2014-05-07	Transporting people from Ward 1 to 20	SOSW001	27,900.00
Grants and subsidies	4300/4382/03/0301/E PWP EPWP expenditure duringthe year/Planning and Devel	2014/01/22	8910145475085	Stipend of M.B Masigo:Erection of Fance	MASI007	3,600.00
Grants and subsidies	4300/4382/03/0301/E PWP EPWP expenditure duringthe year/Planning and Devel	2014/03/31	JBR00313	EPWP expenditure during the year	4300/4382/03/0301/EPWP	188,693.00
Grants and subsidies	4300/4384/11/1101/RTSI Rural Transport Services&Infrastructure/Roads-Infr	2014/01/31	13066	Development of Rural Road Asset Manageme	AGAN002	501,148.07
Grants and subsidies	4400/44155/01/0108/EQUI MIG Support/ProjectManagement Unit)	2013/08/30	383019132	Support to NMMDM PMU:Acc 21	BIGE002	393,626.12

Grants and subsidies	4400/44155/01/0108/EQUI MIG Support/Project Management Unit)	2014/03/27		Project Management Unit Support:Professional	THEM002	82,385.36
Grants and subsidies	4400/44155/01/0108/EQUI MIG Support/Project Management Unit)	2014/06/09	383021683	MIG Support/Project Management Unit:Acc 6	BIGE002	468,543.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/08/02	M211/M209/M208/M202/M204/M203/M210	Plant Hire :Water Tankering	MAQS001	84,775.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/08/02	M211/M209/M208/M202/M204/M203/M210	Plant Hire :Water Tankering	MAQS001	54,998.68
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/08/02	M211/M209/M208/M202/M204/M203/M210	Plant Hire :Water Tankering	MAQS001	79,546.93
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/08/02	M211/M209/M208/M202/M204/M203/M210	Plant Hire :Water Tankering	MAQS001	415,071.49
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/08/02	M211/M209/M208/M202/M204/M203/M210	Plant Hire :Water Tankering	MAQS001	402,117.54
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/08/02	M211/M209/M208/M202/M204/M203/M210	Plant Hire :Water Tankering	MAQS001	297,775.44
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/08/02	M211/M209/M208/M202/M204/M203/M210	Plant Hire :Water Tankering	MAQS001	401,175.44
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/08/02	M211/M209/M208/M202/M204/M203/M210	Plant Hire :Water Tankering	MAQS001	72,964.04

Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/09/05	no036/phaugust/2013-2854	Water Supply Assurance & Draught Relief	MAFO002	1,489,052.63
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/09/05	no036/phaugust/2013-2854	Water Supply Assurance & Draught Relief	MAFO002	342,360.53
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/10/31	2712-2715	Water Tankering:Locals	MAQS001	454,935.53
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/10/31	2712-2715	Water Tankering:Locals	MAQS001	471,594.74
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/10/31	2712-2715	Water Tankering:Locals	MAQS001	245,689.04
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/10/31	2712-2715	Water Tankering:Locals	MAQS001	376,141.67
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/11/04	9 & 10	Water Supply Assurance:Invoice 9 & 10	COCT001	516,029.39
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/11/27	ST170/001	Lehurutshe Crisis:Claim 1	GAOR001	1,658,655.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/11/27	ZT0025	Lehurutshe Water Crisis:Period 1-31 Oct	ZIGG001	1,161,632.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/11/29	2871/2870/2872	Invoice 001/PH/Oct 2870/1/2	MAFO002	1,243,660.00
Grants and	4400/44181/11/1103/EQUI Water Supply	2013/11/2	2871/2870/2872	Invoice 001/PH/Oct	MAFO002	518,624.49

subsidies	Assurance & Draught Relief/Water & San	9		2870/1/2		
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/11/29	2871/2870/2872	Invoice 001/PH/Oct 2870/1/2	MAFO002	1,086,384.48
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/12/13	M231/M232/M230/M233/M228/M229	Hiring water tanker for Locals	MAQS001	309,866.50
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/12/13	M231/M232/M230/M233/M228/M229	Hiring water tanker for Locals	MAQS001	486,331.50
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/12/20	2875/2876/2877	Invoice 002/PH/November/2013-2875,6,7	MAFO002	450,945.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/12/20	2875/2876/2877	Invoice 002/PH/November/2013-2875,6,7	MAFO002	1,376,493.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2013/12/20	2875/2876/2877	Invoice 002/PH/November/2013-2875,6,7	MAFO002	652,213.50
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/01/31	M239/M243/M241/M240/M245/M246/M244/M236/M237	Plant Hire:Water Tankering	MAQS001	75,781.50
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/01/31	M239/M243/M241/M240/M245/M246/M244/M236/M237	Plant Hire:Water Tankering	MAQS001	423,686.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/01/31	M239/M243/M241/M240/M245/M246/M244/M236/M237	Plant Hire:Water Tankering	MAQS001	450,696.50
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/01/31	M239/M243/M241/M240/M245/M246/M244/M236/M237	Plant Hire:Water Tankering	MAQS001	73,142.00

s	Relief/Water & San		M237			
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/01/31	M239/M243/M241/M240/M245/M246/M244/M236/M237	Plant Hire:Water Tankering	MAQS001	152,842.50
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/03/28	m261	Plant Hire water tankering:February 2014	MAQS001	457,534.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/03/28	m261	Plant Hire water tankering:February 2014	MAQS001	432,974.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/03/28	m261	Plant Hire water tankering:February 2014	MAQS001	333,454.50
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/03/28	m261	Plant Hire water tankering:February 2014	MAQS001	361,360.50
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/03/28	m261	Plant Hire water tankering:February 2014	MAQS001	827,326.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/03/28	005/ph/february/2014-2645	Plant hire 004/PH/February/2014	MAFO002	971,312.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/03/28	005/ph/february/2014-2645	Plant hire 004/PH/February/2014	MAFO002	507,796.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/03/28	005/ph/february/2014-2645	Plant hire 004/PH/February/2014	MAFO002	492,957.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/03/28	004/ph/january/2014-2775	Plant Hire Water Trankering:	MAFO002	1,633,068.00

Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/03/28	004/ph/january/2014-2775	Plant Hire Water Tankering:	MAFO002	753,217.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/06/09	M271/M268/M269/M267/M270	Hiring Water Tanker LM 01-30 April 2014	MAQS001	417,580.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/06/09	M271/M268/M269/M267/M270	Hiring Water Tanker LM 01-30 April 2014	MAQS001	424,995.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/06/09	M271/M268/M269/M267/M270	Hiring Water Tanker LM 01-30 April 2014	MAQS001	886,916.49
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/06/09	M271/M268/M269/M267/M270	Hiring Water Tanker LM 01-30 April 2014	MAQS001	331,252.50
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/06/09	007/PH/April/2014-0053	Plant Hire Water Tankering Inv No.0051	MAFO002	1,135,808.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/06/09	007/PH/April/2014-0053	Plant Hire Water Tankering Inv No.0051	MAFO002	552,679.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/06/09	007/PH/April/2014-0053	Plant Hire Water Tankering Inv No.0051	MAFO002	535,392.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	2014/06/09	GI/007W	Plant Hire Water Tankering Claim No.07	GAOR001	2,388,300.00
Grants and subsidies	4400/8104/11/1103/DWAF/ZEER/LEHU Lehurutshe Water Crisis)	2013/08/30	16	Water tank: Inv 16 & 17	COCT001	625,345.61
Grants and	4400/8104/11/1103/DWAF/ZEER/LEHU	2013/09/0	STI70/023	Lehurutshe Water	SALE001	580,592.11



subsidies	LehurutsheWater Crisis)	5		Crisis:Claim No.03		
Grants and subsidies	4400/8104/11/1103/DWAF/ZEER/LEHU LehurutsheWater Crisis)	2013/09/05	ZT0023	Lehurutshe Water Crisis:Claim No.23	ZIGG001	638,534.74
Grants and subsidies	4400/8104/11/1103/DWAF/ZEER/LEHU LehurutsheWater Crisis)	2013/10/11	ST170/024	Lehurutshe Water Crisis:Claim no 24	SALE001	597,039.47
Grants and subsidies	4400/8104/11/1103/DWAF/ZEER/LEHU LehurutsheWater Crisis)	2013/11/07	18&19ff	Lehurutshe Water Crisis:Invoice 18 & 19	COCT001	565,916.67
General expenses	3000/3510/02/0201 Shift Allowance/Corporate ServicesAdministration)	2014/04/30	20140430	VIPPAYROLLSALARIES	3000/3510/02/0201	648.94
General expenses	3000/3510/02/0201 Shift Allowance/Corporate ServicesAdministration)	2014/05/31	20140531	VIPPAYROLLSALARIES	3000/3510/02/0201	648.94
General expenses	4400/4213/11/1103/EQUI Drinking Water QualityManagement/Water & Sanitatio	2013/08/02	Ngaka Modiri 1-5	Water Quality Management & Analyses	BATH007	198,568.90
General expenses	4400/4214/11/1103/EQUI Disludging of Conservancy &Septic Tanks/Water & Sa	2013/10/10	036/PH/AUGUST/2013-2845	Disludging of Conservancy & Septic Tanks	MAFO002	477,280.70
General expenses	4400/4214/11/1103/EQUI Disludging of Conservancy &Septic Tanks/Water & Sa	2013/10/10	036/PH/AUGUST/2013-2845	Disludging of Conservancy & Septic Tanks	MAFO002	64,742.11
General expenses	4400/4214/11/1103/EQUI Disludging of Conservancy &Septic Tanks/Water & Sa	2014/03/28	004/ph/january2014-2778	Plant Hire(Desludging)	MAFO002	81,498.50
General expenses	4400/4214/11/1103/EQUI Disludging of	2014/03/28	004/ph/january2	Plant Hire(Desludging)	MAFO002	582,286.10

s	Conservancy &Septic Tanks/Water & Sa	8	014-2778	ng)		
General expenses	4400/4214/11/1103/EQUI Disludging of Conservancy &Septic Tanks/Water & Sa	2014/03/31	2898/2887/2886/2885	Plant Hire Disludging of Conservancy	MAFO002	224,487.00
General expenses	4400/4214/11/1103/EQUI Disludging of Conservancy &Septic Tanks/Water & Sa	2014/04/14	7	19mm Monshafts & 19mm Bobbin Bearing	KALA002	88,750.00
General expenses	4400/4214/11/1103/EQUI Disludging of Conservancy &Septic Tanks/Water & Sa	2013/11/20	037/ph/september/2013-2863	Vacuum Tankers:Invoice 037/PH/Sept/2013	MAFO002	132,171.93
General expenses	4400/4214/11/1103/EQUI Disludging of Conservancy &Septic Tanks/Water & Sa	2013/10/10	036/PH/AUGUST/2013-2845	Disludging of Conservancy & Septic Tanks	MAFO002	123,501.75
General expenses	4400/4214/11/1103/EQUI Disludging of Conservancy &Septic Tanks/Water & Sa	2013/11/20	037/ph/september/2013-2863	Vacuum Tankers:Invoice 037/PH/Sept/2013	MAFO002	104,180.70
General expenses	4400/4280/01/1008/EQUI Security Services/BusinessProcess Support)	2013/08/02	122	Counter Surveillance Audit done at NMMDM	TRED001	55,000.00
General expenses	4400/4280/01/1008/EQUI Security Services/BusinessProcess Support)	2013/09/20	03/09/2013	Security bodyguard:Chief Whip, Mayor, Spea	SCHU001	214,200.00
General expenses	4400/4280/01/1008/EQUI Security Services/BusinessProcess Support)	2013/12/20	782	Security Services for Dec 2013:Itsosen g	THAB002	28,000.00
General expenses	4400/4280/01/1008/EQUI Security Services/BusinessProcess Support)	2014/03/28	2014/02/18	Security Services for Feb 2014:Tshidila	TIRO003	17,196.18

				m		
General expenses	4400/4280/01/1008/EQUI Security Services/Business Process Support)	2014/05/06	651	Itsoseng Reservoir:24 April 2014	THAB002	14,000.00
General expenses	4400/44147/11/1103/SWS Yard ConnectionsProgramme/Water & Sanitation)	2014/03/28	ZT0034	Plant Hire yard Connection	ZIGG001	138,450.00
General expenses	4400/44011/01/0101/EQUI Bursaries/Executive Mayor)	2013/09/27	680013	Bursary for Malote B	UNIV002	59,000.00
General expenses	4400/44021/02/0201/EQUI CompensationCommissioner/Corporate Services Admini	2013/10/16	140016221981	Compensation for Occupational Injures	DEPA003	756,271.14
General expenses	4400/44025/01/0102/EQUI Consultants Fees/MunicipalManager Administration)	2013/09/13	IN00025	Assessment Report for Sec 78:Feb & March	FUNN001	175,438.60
General expenses	4400/44025/01/0102/EQUI Consultants Fees/MunicipalManager Administration)	2013/09/20	90274550	Ngaka Modiri Molema-SUP-EXPENDITURE	BUSI001	8,338.00
General expenses	4400/44025/01/0102/EQUI Consultants Fees/MunicipalManager Administration)	2013/09/20	90274550	Ngaka Modiri Molema-SUP-EXPENDITURE	BUSI001	13,212.10
General expenses	4400/44025/01/0102/EQUI Consultants Fees/MunicipalManager Administration)	2013/11/08	140	Reallocation of expenditure	4400/44025/01/0102/EQUI	8,699,341.61
General expenses	4400/44025/01/0102/EQUI Consultants Fees/MunicipalMana	2014/03/28	11400022	Preparation of Audit File	MOOR001	832,385.40

	ger Administration)					
General expenses	4400/44025/01/0102/EQUI Consultants Fees/Municipal Manager Administration)	2014/06/20	IN100001	Manage investments, access cash, reports	ICEC001	10,500.00
General expenses	4400/44025/01/0102/EQUI Consultants Fees/Municipal Manager Administration)	2014/06/30	NWP01	Preperation of Audit File for April 2014	MOOR001	658,560.00
General expenses	4400/44025/01/0102/EQUI Consultants Fees/Municipal Manager Administration)	2014/04/09	FC-17699/INV238606/INV238607	INV238606/7	AUDI001	18,593.00
General expenses	4400/44025/01/0102/EQUI Consultants Fees/Municipal Manager Administration)	2014/06/30	NWP01	Preperation of Audit File for April 2014	MOOR001	20,382.20
General expenses	4400/44025/01/0102/EQUI Consultants Fees/Municipal Manager Administration)	2014/06/30	1400052	Preperation of Audit File for June 2014	MOOR001	26,414.60
General expenses	4400/44031/02/0201/EQUI Detergents/Corporate Services Administration)	2014/03/28	17881	Cleaning Material (Molopo, Lehurutshe, Its	KCCH002	17,000.00
General expenses	4400/44038/02/0201/EQUI Electricity/Corporate Services Administration)	2013/10/18	7150829879	Electricity:7150829879	ESKO001	334,675.18
General expenses	4400/44054/02/0201/EQUI Fuel and Oil Vehicles/Corporate Services Administra	2013/08/06	21013/15/14/	Service & Repairs of Petrol Pumps	HENJ001	4,479.50
General expenses	4400/44054/02/0201/EQUI Fuel and Oil Vehicles/Corporate Services	2014/01/27	IN214094/IN214115/IN214116/IN214095	Fuel and Oil: January 2014	HENJ001	187,600.00

	Administra					
General expense s	4400/44062/02/0201/ EQUI InsuranceGeneral/Co rporate Services Administration	2013 /10/2 2	201242	Premium for trucks:2 Tipper Trucks,1 Bre	NUWE001	514,842.79
General expense s	4400/44066/02/0201/ EQUI Job Evaluation/Corporate Services Administration)	2014 /04/0 3	1110291876	Job Evaluation Process:Inv No.11102918 76	DELO001	545,956.00
General expense s	4400/44068/03/0301/ EQUI Led Support Fund/Planningand Development)	2013 /10/3 1	GATES FOR PIGGERY CAGES	Installation of palisade Panels & Gates	BAIT006	197,700.00
General expense s	4400/44068/03/0301/ EQUI Led Support Fund/Planningand Development)	2014 /04/0 2	NMMDM/03	Protective Clothing Ratlou Recycling Cen	GOLD001	27,600.00
General expense s	4400/44069/02/0201/ EQUI Legal Expenses/Corporate Services Administration)	2013 /08/0 2	20/07/2013	NMMDM//T.F Ramashilabel e	LIZE001	500,000.00
General expense s	4400/44069/02/0201/ EQUI Legal Expenses/Corporate Services Administration)	2013 /09/1 1	04/09/2013	NMMDM//Mo roka/Makoloi Arbitration	VUSI001	86,780.00
General expense s	4400/44069/02/0201/ EQUI Legal Expenses/Corporate Services Administration)	2013 /10/2 4	1734	NMMDM//K. M Nchelang	NAID001	189,454.00
General expense s	4400/44069/02/0201/ EQUI Legal Expenses/Corporate Services Administration)	2014 /02/0 6	T DEC 011	Mowana Consultants// NMMDM	KGOM001	86,921.10

General expenses	4400/44069/02/0201/ EQUI Legal Expenses/Corporate Services Administration)	2014/03/31	16967136	Local Government Solutions	LEXI001	47,792.16
General expenses	4400/44069/02/0201/ EQUI Legal Expenses/Corporate Services Administration)	2014/04/16	INA31465	Attend CCMA hearing (Johan de Lange)	PAYD001	5,940.00
General expenses	4400/44069/02/0201/ EQUI Legal Expenses/Corporate Services Administration)	2014/04/16	1	Batho M&E//NMMD M	THWA001	192,207.75
General expenses	4400/44095/05/0505/ EQUI Protective Clothing/Disaster Management)	2014/02/13	JBR00295	Mmaletshabo Projects & Events Management	4400/44095/05/0505/EQUI	163,880.00
General expenses	4400/44117/01/0101/ EQUI Special Projects/Executive Mayor)	2014/04/09	1462	Transport to Cape Town	TAUT003	61,850.00
General expenses	4400/44125/01/1008/ EQUI Telephone/Business Process Support)	2013/09/25	116867	Telephone Bill for August 2013	TELK001	284,139.25
General expenses	4400/44125/01/1008/ EQUI Telephone/Business Process Support)	2013/12/31	31120007	C0014413 0191469564 VODACOM SP	4400/44125/01/1008/EQUI	20,223.25
General expenses	4400/44125/01/1008/ EQUI Telephone/Business Process Support)	2014/04/30	30040003	MTN SP A0055139 0106782796	4400/44125/01/1008/EQUI	163,759.29
General expenses	4400/44125/01/1008/ EQUI Telephone/Business Process Support)	2013/07/01	1070001	NASHUA MBL 63215257	4400/44125/01/1008/EQUI	25,843.07
General expenses	4400/44134/02/0201/ EQUI Training/Development Employees/Corporate	2013/12/02	2105	Registration for Basic Ambulance	MOKG013	195,000.00



	e Services A			Assista		
General expenses	4400/44147/11/1103/ EQUI Yard ConnectionsProgram (me/Water & Sanitation)	2014 /01/3 1	GI/002 TPLB	TLB- Excavtion of trenches	GAOR001	57,720.00
General expenses	4400/44160/01/1008/ EQUI Marketing & CommunityStrategy/B usiness Process Supp	2013 /08/0 8	2013/01 NMM	Branding of Trucks	URBA001	166,400.00
General expenses	4400/44176/03/0301/ EQUI Rural Development/Plannin gand Development)	2014 /06/3 0	116	PPE n Scale for Ramatlabam a	KHET001	21,950.00
General expenses	4400/44200/02/0201/ EQUI SALGA Levy/CorporateServi ces Administration)	2013 /11/2 5	5222	SALGA Levy membership Fee 2013/2014	SALG001	1,088,628.00
General expenses	4400/44203/05/0505/ EQUI Disaster Response & reliefMaterials/Disast er Manag	2014 /01/2 7	NMM19122013	Tools/Equip ment for Disaster	BLUR001	44,233.20
General expenses	4400/44009/019/019 1/EQUI Bank Charges/Budget andTreasury Office)	2013 /10/3 0	30100001	BANK ADJUSTMEN T DR FACILITY FEE	4400/44009/0 19/0191/EQU	148,000.00
General expenses	4400/44009/019/019 1/EQUI Bank Charges/Budget andTreasury Office)	2014 /06/0 2	2060008	#INTERNET FEES 1330130	4400/44009/0 19/0191/EQU	7,893.61
General expenses	4400/44050/019/019 1/EQUI External AuditFees/Budget and Treasury Office)	2013 /11/2 2	11400018/114000 20	Preparation of Audit File:Inv 1140018/20	MOOR001	1,057,700.72
General expenses	4400/44055/019/019 1/EQUI GrapImplementation/ Budget and Treasury	2014 /01/3 0	2013/10/31	Support of BIC	TLHA008	9,600.00

	Office)					
General expenses	4400/44091/019/019/1/EQUI Printing And Stationery/Budget and Treasury Office)	2014/06/30	TE/00024	Toner HP Q	TOLO001	22,500.00
General expenses	4300/4350/11/1103/EQUI/MAFI Transfer To Local Municipalities/ Water & Sanitat	2013/11/20	12632	Water Operating Subsidy: Mafikeng Local M	MAFI005	2,192,982.46
General expenses	4400/44059/03/0301/EQUI Idp Review/Planning and Development)	2014/04/11	92	Catering for 500 people	KGAM002	47,500.00
General expenses	4400/44097/01/0106/EQUI Public Participation Programme/Speaker )	2014/01/27	2013-12-17	Refreshment Council Meeting Held 13/12/13	DANI001	8,640.00
Repairs and maintenance	3800/3804/02/0201/EQUI Maintenance Buildings/Corporate Services Administration	2013/07/24	1208	Installations of OHS Compliant	BEEZ001	554,990.35
Repairs and maintenance	3800/3844/11/1101/EQUI Maintenance Roads/Roads-Infrastructure)	2013/10/03	36	Invoice 036/PH/August/2013 for month Aug	MAFO002	57,986.84
Repairs and maintenance	3800/3844/11/1101/EQUI Maintenance Roads/Roads-Infrastructure)	2013/10/18	EPC001	Internal Road Maintenance: Inv EPC001	ENTL001	686,385.53
Repairs and maintenance	3800/3844/11/1101/EQUI Maintenance Roads/Roads-Infrastructure)	2014/03/20	M247	Plant Hire: Verdwaal/Rooigrond 25-30 Nov 13	MAQS001	138,502.50
Repairs and maintenance	3800/3844/11/1101/EQUI Maintenance Roads/Roads-Infrastructure)	2014/03/20	M248	Plant hire: Rooigrond 1-31 December 2013	MAQS001	142,626.25



Repairs and maintenance	3800/3844/11/1101/EQUI Maintenance Roads/Roads-Infrastructure)	2014/03/28	GI/004	Plant Hire Maintenance Roads	GAOR001	206,662.50
Repairs and maintenance	3800/3848/02/0201/EQUI Maintenance Vehicles/Corporate Services Administrat	2014/06/13	101	Repairs of Crane & Service Truck	MACR001	33,000.00
Repairs and maintenance	3800/3852/11/1103/EQUI Maintenance Water Operations/Water & Sanitation)	2013/08/08	9302151939	Electricity: Borehole 10-78106	ESKO001	6,064.47
Repairs and maintenance	3800/3852/11/1103/EQUI Maintenance Water Operations/Water & Sanitation)	2013/09/18	733032860432/858943929983/696901641475/62038891978	Electricity	ESKO001	1,661.05
Repairs and maintenance	3800/3852/11/1103/EQUI Maintenance Water Operations/Water & Sanitation)	2013/10/10	7744137685/9848539448/7010992367/7277390344/934633	Electricity: Portion of the farm	ESKO001	25,997.89
Repairs and maintenance	3800/3852/11/1103/EQUI Maintenance Water Operations/Water & Sanitation)	2013/11/04	OE001	Mono Elements 6,10,12,16 & 4	OATL001	67,075.30
Repairs and maintenance	3800/3852/11/1103/EQUI Maintenance Water Operations/Water & Sanitation)	2013/11/04	OE001	Mono Elements 6,10,12,16 & 4	OATL001	67,075.30
Repairs and maintenance	3800/3852/11/1103/EQUI Maintenance Water Operations/Water & Sanitation)	2013/12/06	125	Replace a polyflown pipe 50mm, fitting 50m	JSMU001	3,435.69
Repairs and maintenance	3800/3852/11/1103/EQUI Maintenance Water Operations/Water & Sanitation)	2014/01/27	6651059903/6203805224/9066235544	Electricity: Boreholes	ESKO001	346,140.04
Repairs and maintenance	3800/3852/11/1103/EQUI Maintenance Water Operations/Water & Sanitation)	2014/02/13	JBR00298	Tolo's Enterprise	3800/3852/11/1103/EQUI	-

Repairs and maintenance	3800/3852/11/1103/EQUI Maintenance Water Operations/Water & Sanitation)	2014/03/28	9066235544	Electricity:Account No.9066235544	ESKO001	364,513.55
Repairs and maintenance	3800/3852/11/1103/EQUI Maintenance Water Operations/Water & Sanitation)	2014/04/16	7653534274/7162002097/9955800321/8554300560	Electricity	ESKO001	11,239.96
Contracted services	4400/4280/01/1008/EQUI Security Services/Business Process Support)	2014/06/09	2013/2014	PSIRA Annual Statutory Increase	RETL003	166,558.86
Contracted services	4400/4280/01/1008/EQUI Security Services/Business Process Support)	2014/04/25	107	Security Lehurutshe:April 2014	TIRE001	7,000.00
Contracted services	4400/4280/01/1008/EQUI Security Services/Business Process Support)	2013/09/27	385	Security Services:LTX Regional & Fire,Di	THAB002	63,000.00
Contracted services	4400/4280/01/1008/EQUI Security Services/Business Process Support)	2013/10/01	2013/08/19	Security for Women Month Programme	TIRO003	41,800.00
Contracted services	4400/4280/01/1008/EQUI Security Services/Business Process Support)	2013/08/02	July 2013	Security services @ NMMDM,Pho la,Fire,Mo	RETL003	26,945.66
Contracted services	4400/44101/02/0201/EQUI Rates And Taxes/Corporate Services Administration)	2014/03/28	8801	Rates and taxes:February 2014	MAFI005	173,358.17

This could result in a limitation of scope of the audit of expenditure.

### Internal control deficiency

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

### Recommendation



Management should ensure proper filing and records keeping of all relevant supporting documentation, in order to enable them to present such information upon request.

**Management response**

Information was submitted to AG during the 3 day response period.

Name: LS Mokoena

Position: Acting Chief Financial Officer

Date: 29 September 2014.

**Auditor's conclusion**

The following samples requested were not received:

Expense Category	Acc #	Date	Reference	Description	Supplier	Amount
Grants and subsidies	4300/4382/03/0301/EPWP EPWP expenditure during the year/Planning and Devel	31-03-2014	JBR00313	EPWP expenditure during the year	4300/4382/03/0301/EPWP	188,693.00
Grants and subsidies	4400/44155/01/0108/EQUI MIG Support/Project Management Unit)	27-03-2014		Project Management Unit Support:Pro Fe7	THEM002	82,385.36
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	28-03-2014	004/ph/january/2014-2775	Plant Hire Water Trankering:	MAFO002	1,633,068.00
Grants and subsidies	4400/44181/11/1103/EQUI Water Supply Assurance & Draught Relief/Water & San	28-03-2014	004/ph/january/2014-2775	Plant Hire Water Trankering:	MAFO002	753,217.00

General expenses	3000/3510/02/020 1 Shift Allowance/Corporate ServicesAdministration)	30-04-2014	20140430	VIPPAYROLLSALARIES	3000/3510/02/0201	648.94
General expenses	3000/3510/02/020 1 Shift Allowance/Corporate ServicesAdministration)	31-05-2014	20140531	VIPPAYROLLSALARIES	3000/3510/02/0201	648.94
General expenses	4400/4280/01/1008/EQUI Security Services/BusinessProcess Support)	02-08-2013	122	Counter Surveillance Audit done at NMMDM	TRED001	55,000.00
General expenses	4400/44025/01/0102/EQUI Consultants Fees/Municipal Manager Administration)	13-09-2013	IN00025	Assessment Report for Sec 78:Feb & March	FUNN001	175,438.60
General expenses	4400/44025/01/0102/EQUI Consultants Fees/Municipal Manager Administration)	20-09-2013	90274550	Ngaka Modiri Molema-SUP-EXPENDITURE	BUSI001	8,338.00
General expenses	4400/44025/01/0102/EQUI Consultants Fees/Municipal Manager Administration)	20-09-2013	90274550	Ngaka Modiri Molema-SUP-EXPENDITURE	BUSI001	13,212.10
General expenses	4400/44025/01/0102/EQUI Consultants Fees/Municipal Manager Administration)	08-11-2013	140	Reallocation of expenditure	4400/44025/01/0102/EQUI	8,699,341.61
General expenses	4400/44025/01/0102/EQUI Consultants	09-04-2014	FC-17699/INV238606/INV238	INV238606/7	AUDI001	18,593.00

ses	Fees/Municipal Manager Administration)		607			
General expenses	4400/44031/02/0201/EQUI Detergents/Corporate Services Administration)	28-03-2014	17881	Cleaning Material (Molopo, Lehurutshe, Its	KCCH002	17,000.00
General expenses	4400/44038/02/0201/EQUI Electricity/Corporate Services Administration)	18-10-2013	7150829879	Electricity:7150829879	ESKO001	334,675.18
General expenses	4400/44095/05/0505/EQUI Protective Clothing/Disaster Management)	13-02-2014	JBR00295	Mmaletshabo Projects & Events Management	4400/44095/05/0505/EQUI	163,880.00
General expenses	4400/44147/11/1103/EQUI Yard Connections Programme/Water & Sanitation)	31-01-2014	GI/002 TPLB	TLB-Excavtion of trenches	GAOR001	57,720.00
General expenses	4400/44176/03/0301/EQUI Rural Development/Planning and Development)	30-06-2014	116	PPE n Scale for Ramatlabama	KHET001	21,950.00
General expenses	4400/44050/019/0191/EQUI External Audit Fees/Budget and Treasury Office)	22-11-2013	11400018/11400020	Preparation of Audit File:Inv 1140018/20	MOOR001	1,057,700.72
General expenses	4300/4350/11/1103/EQUI/MAFI Transfer To Local Municipalities/Water & Sanitation)	20-11-2013	12632	Water Operating Subsidy:Mafikeng Local M	MAFI005	2,192,982.46
General expenses	4400/44097/01/0106/EQUI Public Participation Programme/ Speaker )	27-01-2014	17-12-2013	Refreshment Council Meeting Held 13/12/13	DANI001	8,640.00

Repairs and maintenance	3800/3852/11/110 3/EQUI Maintenance Water Operations/ Water & Sanitation)	18-09-2013	7330328604 32/85894392 9983/696901 641475/6203 8891978	Electricity	ESKO001	1,661.05
Repairs and maintenance	3800/3852/11/110 3/EQUI Maintenance Water Operations/ Water & Sanitation)	04-11-2013	OE001	Mono Elements 6,10,12,16 & 4	OATL001	67075.3
Repairs and maintenance	3800/3852/11/110 3/EQUI Maintenance Water Operations/ Water & Sanitation)	04-11-2013	OE001aaa	Mono Elements 6,10,12,16 & 4	OATL001	67,075.30
Repairs and maintenance	3800/3852/11/110 3/EQUI Maintenance Water Operations/ Water & Sanitation)	27-01-2014	6651059903/ 6203805224/ 9066235544	Electricity: Boreholes	ESKO001	346,140.04
Contracted services	4400/4280/01/100 3/EQUI Security Services/Business Process Support)	09-06-2014	2013/2014	PSIRA Annual Statutory Increase	RETL003	166,558.86
Contracted services	4400/44101/02/02 01/EQUI Rates And Taxes/Corporate Services Administration)	28-03-2014	8801	Rates and taxes: February 2014	MAFI005	173,358.17

The total extrapolated limitation for grants and subsidies is currently estimated at R 8,462,751.08

The total extrapolated limitation for the remaining sample of expenditure is estimated at R 88,208,523.16

#### 43. EX.50 - Expenditure - Prior period errors

### **Audit finding**

The accounting framework for the Preparation and Presentation of Financial Statements states the following paragraph:

Paragraph (132) Recognition of expenses states that:

"Expenses are recognised in the statement of financial performance when a decrease in future economic benefits or service potential related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment)."

**Relevant for numbers 1-3**

1.

2013/10/16	140016221981	Compensation for Occupational Injuires	DEPA003	DEPARTMENT OF LABOUR	756 2
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The above transaction was expensed in the incorrect year and should have been expensed from 2007-2013 respectively.

2.

2013/09/20	90274550	Ngaka Modiri Molema-SUP-EXPENDITURE	BUSI001	BUSINESS CONNEXION (PTY) LTD	
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The above transaction was expensed in the incorrect year and should have been expensed from 2007-2013 respectively.

3.

2013/09/20	90274550	Ngaka Modiri Molema-SUP-EXPENDITURE	BUSI001	BUSINESS CONNEXION (PTY) LTD	
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The above transaction was expensed in the incorrect year and should have been expensed from 2007-2013 respectively.





Management does not implement a process whereby they can recognise their creditors in the correct period.

1. Results in prior period errors as well as creditors being misstated in the current year.

**Internal control deficiency**

**Recommendation**

1. Management needs to implement a process so that they can recognise their creditors in the correct period.

**Management response**

No formal management comments were received.

**Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

**44. EX.73 - Expenditure - Limitation of scope**

**Audit finding**

In terms of section 15 of the Public Audit Act no. 25 of 2004:

"When performing the audit, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to—

(a) any document, book or written or electronic record or information of the auditee or which reflects or may

elucidate the business, financial results, financial position or performance of the auditee;

(b) any of the assets of or under the control of the auditee; or

(c) any staff member or representative of the auditee.

**Internal control deficiency**

This is due to non-adherence to agree upon audit timeframes.

**Recommendation**

Management should ensure information is readily available for audit purposes.

**Management response**

No formal management comment were received

### Auditor's conclusion

No management comment received, finding remains and will be reported in the audit and management report.

## 45. EX.80 - Expenditure - Disclosure

### Audit finding

Note 16 is a detailed breakdown of the individual expenditure that makes up the line item General expenditure on the statement of financial performance, note 16 however does not cast to the amount as disclosed in the statement of financial performance:

	2014	2013
<b>Correct casting of note 16</b>	139,914,551.00	121,791,039.00
<b>Amount disclosed in the statement of financial performance</b>	137,031,701.00	121,791,039.00
<b>Difference</b>	<b>2,882,850.00</b>	-

This will result in the note to the financial statement to be misstated

### Internal control deficiency

This is due to a lack of management review of the annual financial statement and its notes.

### Recommendation

Management should ensure that they review the annual financial statement are properly prepared and reviewed.

### Management response

No formal management comment received

### Auditor's conclusion

No management comment received, finding remains and will be reported in the audit and management reports.

**46. EX.82 - Expenditure - Limitation of scope****Audit finding**

In terms of section 15 of the Public Audit Act no. 25 of 2004:

"When performing the audit, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to—

(a) any document, book or written or electronic record or information of the auditee or which reflects or may

elucidate the business, financial results, financial position or performance of the auditee;

(b) any of the assets of or under the control of the auditee; or

(c) any staff member or representative of the auditee.

The following information regard cut-off could not be obtained from the expenditure files:

No	Date	Invoice Number	Description	Supplier Code	Supplier	Amount
1	2014-08-29	8523037554/9840109089/8284197270/5400533761	Electricity	ESKO001	ESKOM	14,280.92

This could result in a possible limitation of scope.

**Internal control deficiency**

Leadership This is due to a lack of proper implemented procedures of the documentation and filing of audit evidence.

**Recommendation**

Management should ensure that documentation is readily available for audit purposes.

**Management response**

No formal management comment received

**Auditor's conclusion**

No management comment received, finding remains and will be reported in the audit and management reports.

## Payable

### 47. EX.8 - Payables - Retentions

#### Audit finding

MFMA S62. 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 prescribed norms and standards;

The municipality does not have a system in place to account properly for retentions. The retention remained the same balance as in 2013 financial year of R41 077 561 although a movement of R7 508 406 is indicated on the records of the municipality's commitment register as the expenditure movement for the year.

Inaccurate payable balance for retentions

#### Internal control deficiency

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

#### Recommendation

Retention movements should be accounted for on the accounting records

#### Management response

No management comment was received 26/09/2014

#### Auditor's conclusion

No management comment received therefore the finding will be reported in the management and audit reports.

### 48. EX.9 - Payables: Accrued leave calculated incorrectly

#### Audit finding

GNR 691 of 23 May 2003: Calculation of employees remuneration in terms of section 35(5) of the BCEA the types of payments to be included as remuneration for the calculation

When calculating the leave accrual, the municipality did not base the calculation on the total cost of the employee to the municipality as identified during the system description.

Employee Number	Name	Annual salary package used by municipality	Annual salary package used in recalculation	Leave provision as per municipality	Recalculated Leave Provision	Difference
100001	B.C Tsetse	328 856.28	354 166.80	36 831.90	39 666.68	-2 834.78

Incorrect interpretation of the Basic Conditions of the Employment Act.

This could result in understatement of leave accrual

#### Internal control deficiency

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

#### Recommendation

Management should use the total cost to municipality when calculating a leave accrual for each employee

#### Management response

No formal management comments were received.

#### Auditor's conclusion

No management comment received, finding stand will be reported in the audit and management reports.

### 49. EX.10 - Payables: Incorrect calculation of Accrual for 13th Cheque Bonus

#### Audit finding

According to the MFMA, Section 62.

(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 prescribed norms and standards;

(c) that the municipality has and maintains effective, efficient and transparent systems—

(i) of financial and risk management and internal control; and

(ii) of internal audit operating in accordance with any prescribed norms and standards.

1) The municipality incorrectly calculated the bonus accrual at year end by calculating the bonus based on two months' salary for each individual staff member on the initial list provided .

Employee Number	Name	Bonus provision	Recalculated Bonus Provision	Difference
100001	B.C Tsetse	R39 758.50	R11 596.23	R28 162.27

2) A difference have been identified of R8 750 337 between the list totaling R5 889 212 and the general ledger totaling R14 639 549. We have performed a reasonability calculation and determined that the accrual is R4.96m which is R9.67m less than what is currently disclosed in the financial statements. The amount for the 13th cheque is paid at end November each year, although it only vested at the end of December. The municipality therefore incorrectly apportioned the basic salary for 7 months instead of the remaining 6 months until year end.

3) We have found that the list for the total accrual for the thirteenth bonus accrual did not include all staff members. Attach is a sample of some of these employees:

Employee no.	Employee name
102014	Mr EA Van Der Heiden
102034	Mr AP Molefe
102019	Ms LM Morake
102027	Ms JB Mosiane
102032	Ms BG Nyokong

4) We have identified that the list received from the municipality also included the section 57 managers. Section 57 managers have fixed salary packages and are therefore are not entitled to a 13th cheque and should not be included in the list for the 13th cheque accrual.

Incorrect interpretation of the Basic Conditions of the Employment Act

Overstatement of 13th cheque accrual.

**Internal control deficiency**



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

### **Recommendation**

Management should confirm that correct formula is used to calculate the bonus provision.

### **Management response**

No formal management comments were received.

### **Auditor's conclusion**

Finding 1 has been resolved as a revised list has been provided by management since the system descriptions have been performed.

No management comment received, finding stand will be reported in the audit and management reports.

## **50. EX.26 - Payables - Disclosure and payables not meeting criteria of payables**

### **Audit finding**

GRAP1.123 requires the following: "An entity shall disclose in the summary of significant accounting policies ..."

GRAP 3.08 requires the following: "In the absence of a Standard of GRAP that specifically applies to a transaction, other event or condition, management shall use its judgment in developing and applying an accounting policy ..."

MFMA S62. 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 prescribed norms and standards;

1) Note 1, the accounting policies to the financial statements do not contain any accounting policy for payables from exchange transactions.

2) As part of other creditors stated at R57 444 391 and (2013: R36 733 917) in note 13 to the financial statements, the following account "Yard connection" in the general ledger with a balance of R4 857 385.50 (2013: R2 888 159.46) respectively, which is not supported by documentation to justify that these balances still meet the recognition criteria of payables as the service in our view have already been rendered for most of these pre-payments made by consumers. Revenue is understated and payables overstated, the amount cannot be determined as the exact connections made cannot be determine at each reporting date.

3) As part of other creditors in note 13 to the financial statements, the petrol card debit balance of R214 159 (2013: R95 068) is understated as well as the expenditure with a minimum amount of R223 594 (2013: R103 475) when compared to the bank statement in mid June 2013 and 2014.

**Internal control deficiency****Recommendation**

GRAP disclosure requirements should be complete

**Management response**

No formal management comments were received.

**Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

**51. EX.29 - Payables - No supportive documentation for other creditors****Audit finding**

MFMA S62. 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 prescribed norms and standards;

1) As part of other creditors stated at R57 444 391 and (2013: R36 733 917) in note 13 to the financial statements, the following accounts in the general ledger had either an opening balance which could not be supported by any documentation or cannot be justified as meeting the recognition criteria of a payable, or the closing balance could not be supported by any documentation which is also included in the closing balance of these accounts.

Account with opening balance that could not be supported by any documentation:

Acc No	Details	2013/2014	2012/2013
9400/9425	Unallocated Grants from Bank Statements	(205,000.00)	(205,000.00)
9660/9661	Suspense/Salary Suspense Control Acc	(7,585,132.25)	(7,585,132.25)
9660/9662	Net Salary Clearing Account	(6,207,002.94)	375,451.01
9660/9663	Suspense/Other 3rd Parties	(456,607.95)	616,270.45
9660/9669	Suspense/UIF	(225,577.57)	248.46
9660/9670	Suspense/PAYE/SITE	(2,010,950.19)	246,820.26



9660/9672	Suspense/Medical Aid	378,418.91	428,402.41
9660/9673	Suspense/Industrial Council	(214,683.36)	(173,883.76)
9660/9674	Suspense/Leave Pay	77,607.14	77,607.14
9999/9992	Takeon - Accounts Payable	(29,636,636.61)	(25,828,409.27)
9999/9996	Takeon - Creditors Prior Year Payments	(4,926.04)	(4,926.04)
		<b>(46,090,490.86)</b>	<b>(32,052,551.59)</b>

Account of which the entries do not meet the recognition criteria of payables:

Acc No	Details	2013/2014	2012/2013
9660/9678	Yard Connections Suspense Account	(4,857,385.50)	(2,888,159.46)
		<b>(4,857,385.50)</b>	<b>(2,888,159.46)</b>

The accounts of which the closing balance could not be supported by any documentation:

Acc No	Details	2013/2014	2012/2013
7000/7050	Cash/Petrol Card	14,245.67	-
9400/9425	Unallocated Grants from Bank Statements	(205,000.00)	(205,000.00)
9660/9662	Net Salary Clearing Account	(6,207,002.94)	375,451.01
9660/9663	Suspense/Other 3rd Parties	(456,607.95)	616,270.45
9660/9669	Suspense/UIF	(225,577.57)	248.46
9660/9670	Suspense/PAYE/SITE	(2,010,950.19)	246,820.26
9660/9671	Suspense/Pension	(9,967.02)	-
9660/9672	Suspense/Medical Aid	378,418.91	428,402.41
9660/9673	Suspense/Industrial Council	(214,683.36)	(173,883.76)
9660/9674	Suspense/Leave Pay	77,607.14	77,607.14
9999/9992	Takeon - Accounts Payable	(29,636,636.61)	(25,828,409.27)
9999/9996	Takeon - Creditors Prior Year Payments	4,926.04)	(4,926.04)

**(38,501,079.96) (24,467,419.34)**

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The total of other payables that could not be supported by any documentation or did not meet recognition criteria is R50 943 597.71 (2013: R34 940 711.05)

Balance of other creditors are unsupported and the majority of this balance is as a result of take-on balances brought forward from the previous accounting system to Pastel Evolution

### **Internal control deficiency**

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

### **Recommendation**

Balances should be supported with documentation to substantiate the balance

### **Management response**

No formal management comments were received

### **Auditor's conclusion**

No management response received, the finding will be reported in the audit report.

## **52. EX.31 - Payables - Retentions incomplete**

### **Audit finding**

MFMA S62. 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 prescribed norms and standards;

During testing of retention payables, the following sample items have not been included in the retention list at year end. The retention payable and PPE - Work in progress are understated by at least the following sample of the retention amounts:

	Date of invoice	Supplier	Invoice number	Progress certificate total for amount before retention materials and VAT	Retention amount
1	22/07/2013	ALS BEE Projects (Cert 9)	IAB1784	1 502 595.58	150 259.56
2	3/02/2014	Quantibuild (Cert 14)	1164	1 449 190.00	144 919.00
3	21/09/2013	Quantibuild (Cert 11)	1147	2 319 650.00	231 965.00
4	24/02/2014	Quantibuild (Cert 15)	1168	2 321 894.00	232 189.40
5	30/09/2013	Selelane (Cert 3)	1183	609 246.64	60 924.66
6	2/06/2014	Sunrise Electrical Wholesalers (Cert 8)	SUN0445	3 195 646.84	319 564.68
8	31/07/2013	Glowing Sunset/ Lekoma Theodore JV (Cert 4)	4	3 074 360.00	307 436.00
9	22/07/2013	Quantibuild (Cert 9)	1140	1 500 385.00	150 038.50
10	30/01/2014	Sydwell Shabangu Projects (Cert 7)	SSP10113607	6 078 170.00	607 817.00
11	01/02/2014	Peltona Projects (Cert 2)	002	2 143 619.38	214 361.94
12	23/01/2014	Peltona Projects (Cert 1)	001	1 647 500.00	164 750.00
14	4/12/2013	Peltona Projects (Cert 6)	006	4 221 070.88	422 107.09
15	29/04/2014	BB Construction (Cert 2)	002	2 191 017.68	438 203.54
16	23/05/2014	Quantibuild (Cert 17)	1184	1 124 301.70	112 430.17
17	2/12/2013	Mabaza Construction & Civil Services (Cert 3)	NMMDM-MWS003	1 015 336.90	101 533.69
18	21/08/2013	Quantibuild (Cert 10)	1144	2 924 805.00	292 480.50
19	10/02/2014	SB Engineering (Cert 4)	207	997 008.85	99 700.89
20	28/04/2014	SB Engineering (Cert 6)	214	2 397 981.18	239 798.12
21	22/07/2013	Tsoga Developers (Cert 6)	Six Hundred 006	835 739.32	83 573.93
22	28/03/2014	Glowing Sunset/ Lekoma Theodore JV (Cert 2)	NMMDM 12/13/09-PMU 01/2014	2 100 500.00	210 050.00

23	25/03/2014	Beyond Build Construction JV (Cert 1)	Bag: 16/4/2-03/14/1	1 124 880.13	224 976.03
24	2/12/2013	Als BEE Projects (Cert 10)	IAB1975	2 046 121.51	204 812.51
25	21/11/2013	Quantibuild (Cert 13)	1156	169 920.00	16 992.00
26	14/04/2014	Kwena Mokone Trading (Cert 1)	005	550 496.16	55 049.62
27	25/07/2013	Kwena Mokone Trading (Cert 1)	001	415 750.80	41 575.08
29	02/12/2013	Als BEE Projects (Cert 11)	IAB1976	3 991 796.19	399 179.62
30	15/10/2013	Selelane (Cert 5)	1190	2 094 955.00	209 495.50
				54 043	5 736
				938.74	184.03

We could not determine the total extent of the error and could therefore not extrapolate in order to determine the error on the population.

Inaccurate payable balance for retentions

#### Internal control deficiency

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

#### Recommendation

Retention movements should be accounted for on the accounting records

#### Management response

No formal management's comments were received.

#### Auditor's conclusion

No management comment received, finding stand will be reported in the audit and management reports.

### 53. EX.36 - Payables - List differ from the general ledger

#### Audit finding

MFMA S62. 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 prescribed norms and standards;

1) An unexplained difference of R1 132 900 exist between the total for the trade payable accounts in the general ledger of R161 985 657 and the detail listing of the individual trade payable accounts of R160 852 756.

**Internal control deficiency**

**Recommendation**

Sub ledgers should be reconciled with the general ledger

**Management response**

No formal comments received.

**Auditor’s conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

**54. EX.37 - Payables - Leave accrual**

**Audit finding**

- 1) GNR 691 of 23 May 2003: Calculation of employees remuneration in terms of section 35(5) of the BCEA the types of payments to be included as remuneration for the calculation.
  - 2) Main Collective agreement on conditions of service for the North West Division, determine the maximum number of leave days that may be accrued by an employee is 48 days.
  - 3) The leave records could not be confirmed and as result the entire balance (R11 608 714 2013: 9 446 418) of leave pay accrual as disclosed could not be confirmed.
- 1) The following is a sample of employees identified on the list from the municipality for employees how have leave accrued. We have identified that these employees no longer appear on the payroll or did not receive salary during the last two months before year end and therefore should not qualify for any leave accrual. The list is as follow:

Employee no.	Initials	Surname	Position	No. of days	Leave accrual
100625	MA	Ntaopane	Payroll Specialist	50	R 96 992.52
101601	PN	Matebesi	Water Aid worker	18	R 7 919.14
101839	VP	Tjikunga	Intern	16	R 24 151.70



100922	JM	Selepe	General worker: Claener	16	R	6 867.91
101883	OG	Mosoele	Clerk- Water Service	8	R	8 014.58
101600	WM	Mogajane	General Worker: Gardner	5	R	1 877.49
101928	MS	Matlhaku	General worker: Cleaner	6	R	2 768.00
101713	KE	Molefe	Site Security Officer	10	R	9 085.58
101602	MA	Mohulatsi	Help Desk Coordinator	5	R	3 520.95
101832	S	Hlongwa	Database Supporter Officer	8	R	5 156.69
	AB	Mahlatsi	Casual Worker: Assets	2	-	

2) The following sample of employees have not been credited with the correct number of annual leave days for the year that they were entitled to according to the collective agreement, which is depicted in the table below:

Employee Nr	Title	Initials	Surname	Amount of days accrued 2013/2014	Amount of days to be accrued	Difference
100085	Ms	PG	Modibedi	27	24	3
100097	Mr	RM	Gause	25,5	27	-1,5
100124	Mr	LKF	Mogatusi	24	27	-3
100261	Mr	MPM	Modibedi	27	24	3
100627	Mrs	S	Mokoto	27	24	3
100641	Mr	NJ	Moloi	27	24	3
100663	Mr	MS	Madito	26	27	-1
100945	Mr	MG	Matwa	12	24	-12
100952	Mr	FM	Sefularo	27	24	3
101628		K	Mosimane	24	27	-3
101668		TP	Sebolecwe	17	27	-10
101843	Mr	SP	Thisane	24	16	8
101893	Mr	MJ	Modise	26	24	2
101928		MS	Matlhaku	6	24	-18
101917		M	Ntokwe	8	9	-1
101922		K	Dithate	18	9	9
101920		P	Babedi	12	18	-6
101713	Mr	KE	Molefe	24	12	12
102001	Mr	L	Seroto	6	5	1
102011	Mr	D	Jacobs	8	24	-16

3) The leave accrual did not include all the employees that had accrued leave at the end of the year. Below a sample of these omitted employees:

Emp. Code	Employee Name	Date Engaged	Termination date	Full time employees entitled to leave
102002	Ms NG Tabane	2014/02/01	Active	Full
102007	Mr. TMP Moreo	2014/03/01	Active	Full
102041	Ms KM Segaiso	2014/06/01	Active	Full
100636	Mr MM Motshegwa	2012/03/15	Active	Full
100723	Mr MH Lehero	2012/11/01	Active	Full
100725	Mr BH Tali	2012/11/01	Active	Full
102033	Mr KA Maropefela	2014/05/01	Active	Full
10752	M B J Moepeng	2013/04/01	Active	Full
101790	O O Kgositau	2013/04/01	Active	Full
101656	GC Mothusi	2013/02/01	Active	Full
100951	Ms BC Mogamisi	2013/01/01	Active	Full
100627	Mrs S Mokoto	2012/03/01	Active	Full
100663	Mr MS	2012/03/01	Active	Full



	Madito			
100673	Mr KS Chacha	2012/03/01	Active	Full
102038	Mr G Mongologa	2014/06/01	Active	Full
101674	OI Peloeng	2013/02/01	Active	Full
100669	Mr MV Mokone	2012/03/01	Active	Full
101815	Mr LN Mazakaza	2013/04/01	Active	Full
101683	KT Ledwaba	2013/02/01	Active	Full
101645	BV Montsho	2013/02/01	Active	Full
100621	Mr RP Rampa	2012/02/01	Active	Full
101782	J Khukhwana	2013/04/01	Active	Full
101829	Mr GK Mabilo	2013/05/01	Active	Full
101753	Ms KE Machusi	2013/04/01	Active	Full
101677	KT Malope	2013/02/01	Active	Full
100810	Ms TD Mosiane	2012/07/01	Active	Full



102040	Mr ED Mokgohlwa	2014/06/01	Active	Full
101852	Mr BP Lebelo	2013/06/01	Active	Full
100679	Ms PP Kgotleng	2012/03/01	Active	Full
101858	Ms SR Motlhala	2013/07/01	Active	Full
102005	Mr IKS Bopalamo	2014/03/01	Active	Full
100809	Mr KC Montsho	2012/07/01	Active	Full
100811	Mr G Tlhong	2012/07/01	Active	Full
102006	Ms TE Bokisi	2014/03/01	Active	Full
100676	Mr LP Phawe	2012/03/01	Active	Full
102004	Mr OE Motlhanke	2014/03/01	Active	Full
101927	Mr VP Tjikunga	2013/11/01	Active	Full
100313	Mr TG Motlhale	2007/01/01	Active	Full

Inspected the list for accrued leave for the above employees and confirm that the employees leave days does not corresponds with the system for the accrued leave. Enquire with F.N Sebabyani (

Senior HR Practitioner Emp. Nr. 101869) why this is the result and she confirmed that the leave system is not up to date.

4) Calculating the leave accrual, the municipality did not base the calculation on the total cost of the employee to the municipality when multiplying with the number of accrued leave days of the employee as at year end. The following are examples of this error:

Employee no.	Employee name	Auditors recalculation				Municipality	DIFFERENCE
		VIP CTC	SDL	UIF	NET CTC	NET CTC	
100028	Ms SN Molefe	704 296.05	5 451.35	1 784.64	697 060.06	508 253.16	188 806.90
100030	Ms BL Mothibi	339 069.53	2 678.35	1 784.64	334 606.54	280 897.68	53 708.86
100031	Mr TJ Moile	572 857.59	4 675.71	1 784.64	566 397.24	378 302.76	188 094.48
100032	Ms LD Kole	250 902.32	1 973.30	1 784.64	247 144.38	232 214.76	14 929.62
100038	Mr TB Morwe	231 285.19	1 946.71	1 772.44	227 566.04	171 659.04	55 907.00
100048	Mr BH Tlhoaele	574 098.01	4 502.45	1 784.64	567 810.92	419 369.52	148 441.40
100049	Mr MB Matladi	455 518.05	3 595.90	1 784.64	450 137.51	421 006.32	29 131.19
100050	Mr KW Mothupi	466 704.96	3 788.98	1 784.64	461 131.34	306 855.96	154 275.38
100051	Mr MJ Motsamai	429 396.70	3 498.80	1 784.64	424 113.26	312 077.16	112 036.10
100052	Mr MA Senwedi	669 228.20	5 538.68	1 784.64	661 904.88	419 880.48	242 024.40

The total error is calculated as R2 982 621, which resulted in the understatement of the accrual and expenditure. This error has been recalculated to correct the following errors made by the municipality:

- Incorrect remuneration used
- Employees on the list that is no longer on the payroll



- Incorrect number of annual days credited to employees

- it however exclude the completeness issue with regard to employees not on the municipalities list but identified by the auditor.

Incorrect calculation of leave accrual, being understated

**Internal control deficiency**

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

**Recommendation**

Management should ensure that these accrued leave days are either removed from the system or are paid out as termination leave.

**Management response**

No formal management comments received.

**Auditor’s conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

**55. EX.90 - Payables: Invoices received before yearend and not raised as creditors**

**Audit finding**

According to Section 62 of the MFMA, The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure -

(a) that the resources of the municipality are used effectively, efficiently and economically;

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

During the normal performance of our audit procedures on Creditors, we noted that the following creditors' invoices dated before year end were not raised as creditors at year end

EFT	Amount	Supplier Name	Invoice number
19571	906 956.29	Bagale Consulting	BAGBMMDM-4

The noted finding may result in understatement of Trade Creditors as at year end

**Internal control deficiency**



Financial and performance management: Management should prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

### **Recommendation**

Management should insure that all creditors should be included in as payables.

### **Management response**

No formal management comment received

### **Auditor's conclusion**

No management comment received, finding remains and will be reported in the audit and management report.

### **Predetermined objectives**

#### **56. EX.14 - SCM - Non adherence to policy**

##### **Audit finding**

1 - According to the SCM policy par (42) page (48)states:

" The accounting officer must establish an effective internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorized supply chain management processes were followed and whether the desired objectives were achieved ".

2 - SCM policy paragraph (49 page (52) - Objectives and complaints states that:

"Persons aggrieved by decision or actions taken in the implementation of this supply chain management system, may lodge within 14 days of the decision or action, a written objection or complain against the decision or action."

3 - SCM policy paragraph (14)(1)(d) page (23) - "Disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector."

4 - MFMA

1. Managements internal monitoring system is not carried out as stipulated in the policy based on the result of irregular expenditure incurred during the 2013/2014 year for the amount of R 345 810 366 as disclosed in note 34 in the financial statements.

2. Inspected the bid advertisement and bid document and could not identify where the potential bidders were alerted to the provisions of the SCM policy that complaints and objections may be made to municipality.

Inspected the following: -Contract NO: NMMDM/12/13/56 MHSS

-Date: 20 December 2013

-Tshikovha Environmental & Communication Consulting

3. The municipality does not use the prohibited supplier list, from the National Treasury to ensure that prohibited suppliers are not used.

4. The municipality does not let Provincial and/or National Treasury know of the deviations from the SCM policy regarding the bidding processes.

1. Management does not apply the internal monitoring checks strictly enough.

2. Management neglects to let the prospective bidders know on the bid documentation and/or advertisement.

3. SCM management does not download the list from National Treasury.

4. The municipality does not let Provincial and/or National Treasury know of the deviations from the SCM policy regarding the bidding processes.

1. This may result in internal control deficiency relating to the irregular expenditure.

2. This may result in the prospective bidders not being able to lodge a complaint with the municipality when they feel necessary.

3. This may result in the municipality using prohibited suppliers, identified from National Treasury, as service providers to the municipality.

4. This may result in deviations not being communicated to AG as well as the respective Treasury's.

### **Internal control deficiency**

#### **Recommendation**

1 - Management should implement a higher level of internal control to make sure that all the necessary and needed SCM procedures/authorizations are followed and completed according to the SCM policy.

2 - Management needs to make the prospective bidders aware of the actions that can be taken against the municipality if they are aggrieved by the decisions or actions taken in the implementation of the SCM system.

3 - SCM management should download the prohibited list from National Treasury's website so as to see who should not be included and who should be removed from the list.

4 - Management should look at implementing a system whereby all the deviations are reported to the relevant parties on a monthly/quarterly basis.

**Management response**

No formal management comments were received.

**Auditor’s conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

**57. EX.126 - AOPi - Usefulness - Consistency**

**Audit finding**

**Basis for qualified conclusion**

Section 25(2) of the Municipal Systems Act determines that an integrated development plan adopted by a municipal council may be amended in accordance with the process as prescribed per section 34 of the Municipal Systems Act, and that such a plan remains in force until an integrated development plan is adopted by the next elected council. Material changes were made to the indicators and targets in the annual performance report, without following the process as prescribed in section 34 of the MFMA and without adoption by the municipal council. This was due to possible misunderstanding of the MFMA requirement when changes occur to performance indicators.

The following indicators were not consistent:

Program	Planned indicator	Reported indicator	Planned targets	Planned targets as contained in the annual performance report
MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT		KPI 1 Workplace Skills Plan (WSP) submitted to LGSETA	2013/2014 WSP	2013/2014 WSP Submitted to LGSETA by 30 April 2014
BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT	WC/WDM	KPI 30 M (water Conservation/Water and Demand Management)	20% Reduction by June 2014	20% Reduction by June 2014



Program	Planned indicator	Reported indicator	Planned targets	Planned targets as contained in the annual performance report
T				
BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT	number of water quality assessments conducted	KPI 33 Water quality assessments conducted	65% Score by June 2013	65% Score by June 2014
BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT	Fire safety and compliance	KPI 52 Number of premises inspected for fire safety and compliance	65	50 Premises to be Inspected
BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT	Spend the NMMDM allocation by the end of the quarter	KPI 55 Spend the NMMDM allocation 100% by the end of the year	Spend the allocation 100% by 30 June 2014	Spend the allocation 100% by 30 June 2014
BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT	Spend the BRIG allocation by the end of the year	KPI 56 Spend the RBIG allocation 100% by the end of the year	Spend the allocation 100% by 30 June 2014	Spend the allocation 100% by 30 June 2014
FINANCIAL VIABILITY	Number of Budget statements submitted to the executive mayor	KPI 63 Number of Budget Statements submitted to the Executive Mayor & Provincial Treasury (Section 71 Reports)	12	12
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	NONE	KPI 85 Number of Risk Assessment workshop held	NONE	4 Workshop by July 2013
GOOD GOVERNANCE	Number of risk assessments	KPI 86 Number	4	4 Risk Register



Program	Planned indicator	Reported indicator	Planned targets	Planned targets as contained in the annual performance report
E AND PUBLIC PARTICIPATION	concluded	of Risk Register		developed by July 2013
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Number of internal audit reports submitted to Council locals and district - Excluding Ratlou and Mafikeng	KPI 87 Number of Risk Assessment conducted for all municipalities in the District	16	4 Risk Assessment Reports by July 2013
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Audit Charter Revised	KPI 88 Review Internal Audit Charter	Mar-14	Internal Audit Charter Reviewed by Sep 2013
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	3 year audit roll out plan developed	KPI 89 Internal Audit three year rolling plan for the District developed	May-14	Three year rolling plan developed by August 2013
GOOD GOVERNANCE AND PUBLIC PARTICIPATION		KPI 90 Operational Plan Developed		Operational Plan Developed by August 2013
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Number if the performance and Audit Committee	KPI 95 Number of Municipal Public Accounts Committee meetings coordinated and Supported	4	6
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	No. of programmes, events and campaigns Supported	KPI 100 No of media briefings, statements, questions and responses	12	12
GOOD GOVERNANCE AND PUBLIC PARTICIPATION		KPI 101 Number of District Communications Forum held	NONE	4
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Number of Mayors Forum held	KPI 102 Number of Mayors forum facilitated	4	4



Program	Planned indicator	Reported indicator	Planned targets	Planned targets as contained in the annual performance report
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Number of Municipal Managers forum held	KPI 103 Number of Municipal Managers forum facilitated	4	4
GOOD GOVERNANCE AND PUBLIC PARTICIPATION		KPI 109 Vetting of municipal officials		Vetting 34 municipal officials
Municipal transformation and institutional Development	Sound Human Resource management & Development	NONE	100%	NONE
Municipal transformation and institutional Development	Employment equity report submitted to Department of Labour	NONE	Jan-14	NONE
Municipal transformation and institutional Development	Sound Administration	NONE	100%	NONE
Service Delivery and Infrastructure Investment	% of WWTW related queries addressed within 24hrs: O&M	NONE	90%	NONE
FINANCIAL VIABILITY	Budget process plan	NONE	Aug-13	NONE
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Annual audit plan approved	NONE	May-13	NONE
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Enterprise wide risk management framework	NONE	Sep-13	NONE
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	% reduction in matters of emphasis	NONE	100%	NONE
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Number of Municipal Public Accounts Committee meeting	NONE	8	NONE

Program	Planned indicator	Reported indicator	Planned targets	Planned targets as contained in the annual performance report
	Coordinated and Supported			
GOOD GOVERNMANC E AND PUBLIC PARTICIPATIO N	Number of meetings of Mayor Forums	NONE	4	NONE
GOOD GOVERNMANC E AND PUBLIC PARTICIPATIO N	Number of municipal Public accounts Committee meetings held	NONE	0	NONE
GOOD GOVERNMANC E AND PUBLIC PARTICIPATIO N	Number of Anti-Corruption campaigns/progra mmes held	NONE	4	NONE
GOOD GOVERNMANC E AND PUBLIC PARTICIPATIO N	Number of anti-corruption forum meetings held	NONE	4 meeting s	NONE
GOOD GOVERNMANC E AND PUBLIC PARTICIPATIO N	Public Participation strategy revised	NONE	Strateg y adopted by Februar y 2014	NONE
GOOD GOVERNMANC E AND PUBLIC PARTICIPATIO N	Number of community meetings held	NONE	4 meeting s	NONE
GOOD GOVERNMANC E AND PUBLIC PARTICIPATIO N	Number of programmes to support ward committees	NONE	4 worksh ops	NONE
GOOD GOVERNMANC E AND PUBLIC PARTICIPATIO N	Number of Speakers' forum meeting held	NONE	4 meeting s	NONE
GOOD GOVERNMANC E AND PUBLIC PARTICIPATIO N	Number of MPAC meetings Coordinated and supported.	NONE	8	NONE

### Internal control deficiency

Financial and performance management - This is due to lack of understanding of the MFMA requirement regarding changes to performance indicators.

### Recommendation

Management should ensure that if changes were done that all MFMA requirement regarding changing of indicators are met.

### Management response

No formal management comment received.

### Auditor's conclusion

No management comment received, finding remains and will be reported in the audit and management report.

## 58. EX.130 - AOPI - Reliability

### Audit finding

The following indicators were misstated:

KEY PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL PERFORMANCE	Auditor's finding	Misstatement type
<b>Basic service</b>				
<b>KPI 30</b> WC/WDM (water Conservation/Water and Demand Management)	20% Reduction by June 2014	The target was not achieved 3 bulk meters in peri urban have been replaced for trying to correct fluctuations of readings on bulk meters of botshelo water.	Limitation	Limitation
<b>KPI 35</b> % of water relate queries addressed per reporting month	90% Constant	96% constant	98%	Disagreement
<b>KPI 39</b> Length of new roads constructed/rehabilitated	As per individual ward (average of 6 km per ward)		Limitation	Limitation

<b>KPI 42</b> Mahikeng South Road Rehabilitation	100% Construction by March 2014	53% construction	55%	Disagreement
<b>KPI 45</b> Disaster Response and Recovery Material Purchased	200 Material Purchased by June 2014	100 disaster response and recovery material were purchased at the end of the 1st and 2nd quarter. The Annual target was not achieved. Service provider contract was cancelled due to delivering none quality material	Limitation	Limitation
<b>KPI 51</b> Number of operational fire satellite stations established	5	6 porter camps were purchased for Tshidila molomo and Coligny. The target was not achieved	Limitation	Limitation
<b>KPI 52</b> Number of premises inspected for fire safety and compliance	65	225	Limitation	Limitation
<b>KPI 54</b> Spend the MIG allocation 100% by the end of the year	Spend the allocation 100% by 30 June 2014	R258,277,578.00	Limitation	Limitation
<b>KPI 55</b> Spend the NMMDM allocation 100% by the end of the year	Spend the allocation 100% by 30 June 2014	R 5,054,441.19	Limitation	Limitation
<b>KPI 56</b> Spend the RBIG allocation 100% by the end of the year	Spend the allocation 100% by 30 June 2014	R 24,419,442.00	Limitation	Limitation
<b>Financial viability</b>				
<b>KPI 59</b> Number of supply chain management reports submitted to council	4	4 supply chain management reports were submitted to council	Limitation	Limitation
<b>KPI 63</b> Number of Budget Statements submitted to the Executive Mayor & Provincial Treasury (Section 71 Reports)	12	12 section 71 reports were submitted to the Executive Mayor and Provincial Treasury	Limitation	Limitation

<b>KPI 66</b> Number of section 11(4) reports submitted to Council, Provincial Treasury and Auditor General	4		Limitation	Limitation
<b>KPI 69</b> Monthly progress report on the action plan on issues raised by Auditor General	12	12 monthly progress report on the action plan on issues raised by the Auditor General	Limitation	Limitation
<b>Good governance and public participation</b>				
<b>KPI 85</b> Number of Risk Assessment workshop held	4	4 Workshops performed by July 2013	Limitation	Limitation
<b>KPI 86</b> Number of Risk Register	4	4 Risk Register developed by July 2013	Limitation	Limitation
<b>KPI 88</b> Review Internal Audit Charter	1	Reviewed Internal Audit Charters by Sep 2013	Limitation	Limitation
<b>KPI 89</b> Internal Audit three year rolling plan for the District developed	1	Three year rolling plan developed by August 2013	Limitation	Limitation
<b>KPI 91</b> Number of Internal Audit Conducted at Ditsobotla	10	10 Internal Audit Reports issued	Limitation	Limitation
<b>KPI 92</b> Number of Internal Audit conducted at Ramotshere	10	10 Internal Audit Reports issued	Limitation	Limitation
<b>KPI 93</b> Number of Internal Audit conducted at Tswaing	10	12 Internal Audit Reports issued	Limitation	Limitation
<b>KPI 94</b> Number of Internal Audits conducted at NMMDM	10	12 Internal Audit Reports issued	Limitation	Limitation

<b>KPI 96</b> Submission of MPAC Oversight Report	Sub	Oversight Report submitted to Council by March 2014	Oversight Report submitted to Council by March 2014	0	Disagreement
<b>KPI 97</b> MPAC Oversight Report submitted to Provincial Legislature	MP	Apr-14	Oversight report submitted to Provincial Legislature on the 4th of April 2014	0	Disagreement
<b>KPI 98</b> Number of external magazine developed and produced		3	3 external magazines developed and produced (Modiri)	Limitation	Limitation
<b>KPI 102</b> Number of Mayors forum facilitated		4	1 Mayors forum held	Limitation	Limitation
<b>KPI 104</b> Number of District Lekgotla facilitated		2	1 District Lekgotla facilitated 12 February 2014	Limitation	Limitation
<b>KPI 105</b> Implement the approved IGR Strategy's		Aug-13	The strategy was not implemented	Limitation	Limitation
<b>KPI 108</b> Number of security risk assessment of key personnel		3 Risk Assessment of key personnel	3 risk assessments conducted	Limitation	Limitation
<b>KPI 109</b> Vetting of municipal officials		Vetting 34 municipal officials	Vetting was conducted for 34 Municipal Officials	Limitation	Limitation
<b>KPI 110</b> Number of meetings of the Mayoral Committee	Nu	4 Mayoral Committee meetings per year	4 full & 1 special mayoral committee meeting 1) 11 Dec 2013 2) 20 Jan 2014 3) 19 Feb 2014 4) 24 Mar 2014 special 5) 04 Mar 2014	Disclosed meetings do not correspond with the dates of the meeting as provided for evidence	Disagreement
<b>KPI 125</b> Submission of Mid-Term Performance Report		Mid-Term Performance Report	Mid Term Performance Report submitted to the executive mayor	Limitation	Limitation

	Submitted to the Executive Mayor by 25 January 2014			
<b>KPI 127</b> Annual Report Compiled and Publicised	Annual Report tabled at council by 31 January 2014	Annual Report tabled at council by 31 January 2014	Limitation	Limitation

The following indicators were not achieved but correctly disclosed:

KEY PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL PERFORMANCE
<b>KPI 32</b> (Waste Water and Treatment Works) Infrastructure Operations and Maintenance	WWTW 55% Score by June 2014	Preliminary assessment was conducted in June 2014, however we are still waiting for official publication from DWA
<b>KPI 34</b> Number of Yard Connections	800 Yard Connection by June 2014	202 yard connection
<b>KPI 41</b> Rehabilitation of 1st Street	100% Construction by March 2014	83% construction
<b>KPI 50</b> Number of operational fire stations	5	the target was not achieved
<b>KPI 53</b> Procurement of fire engine and equipment	1 Fire Engine and equipment procured by June 2014	The fire engines and equipment were not procured. The specification for the procurement of the fire engine were compiled and submitted to the municipal manager for approval
<b>KPI 65</b> Turn around payments of creditors	Within 30 days	Creditors were not paid within 30 days but in 3 months
<b>KPI 71</b> Number of cash flows statement compiled	12	cash flows statements were not compiled

<b>KPI 112</b>	Develop	Adopt policy & Bursary Management System installed	bursary management system installed but policy was not adopted
Bursary Policy and install bursary management system			

Performance report misstated

**Internal control deficiency**

Financial and performance management - This is due to lack of proper controls over the documentation regards individual indicators.

**Recommendation**

Management should ensure that ALL documentation in regards to a specific indicator must be filed and taken into account for reporting purposes and to substantiate reported results.

**Management response**

No formal management comment received.

**Auditor’s conclusion**

No management comment received, finding remains and will be reported in the audit and management report.

**Provisions**

**59. EX.23 - Provisions: Botshelo Water**

**Audit finding**

- 1) GRAP 19.19 determines that: A provision shall be recognised when:
  - (a) an entity has a present obligation legal or constructive) as a result of a past event;
  - (b) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
  - (c) a reliable estimate can be made of the amount of the obligation.





If these conditions are not met, no provision shall be recognised.

For a liability to qualify for recognition there must be not only a present obligation but also the probability of an outflow of resources embodying economic benefits or service potential to settle that obligation. For the purpose of GRAP19, an outflow of resources or other event is regarded as probable if the event is more likely than not to occur, that is, the probability that the event will occur is greater than the probability that it will not. Where it is not probable that a present obligation exists, an entity discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

2) GRAP19.41 states that the amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

The use of estimates is an essential part of the preparation of financial statements and does not undermine their reliability. This is especially true in the case of provisions, which by their nature are more uncertain than most other assets or liabilities. Except in extremely rare cases, an entity will be able to determine a range of possible outcomes and can therefore make an estimate of the obligation that is sufficiently reliable to use in recognising a provision.

3) MFMA 116(1) requires a contract or agreement procured through the supply chain management system of a municipality or municipal entity must:

- (a) be in writing;
- (b) stipulate the terms and conditions of the contract or agreement, which must include providing for -
  - (i) the termination of the contract or agreement in the case of non- or underperformance
  - (ii) dispute resolution mechanisms to settle disputes between the parties
  - (iii) a periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years; and
  - (iv) any other matters that may be prescribed.

4) GRAP 19.92 states that: For each class of provision, an entity shall disclose:

- (a) the carrying amount at the beginning and end of the period;
- (b) additional provisions made in the period, including increases to existing provisions;
- (c) reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period;
- (d) reductions in the carrying amounts of provisions resulting from re-measurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the entity;
- (e) unused amounts reversed during the period; and
- (f) the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.

5) GRAP 19.93 states that: An entity shall disclose the following for each class of provision:



(a) A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

(b) An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .53.

(c) The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

1) The municipality did not take into account any bulk purchases into account during the year, although it has sold/utilised water. A cost for this water should be recognised through the statement of financial performance. The minimum amount that was agreed upon between the municipality and the supplier was R400 000 per month, until the issue has been resolved. The municipality merely deducted all payments it has made during the year against the opening balance of the provision, without taking into account any purchases of water for the year. The bulk purchase expense and provision is therefore understated with a minimum of R4 800 000, based on the agreement.

2) The provision as disclosed in note 12 have no supportive documentation/ assumptions from management in order to support the balance of R5 322 779 in the current year. No support that the requirements of GRAP 19 with regard to recognition and measurement criteria have been applied.

3) No supportive documentation or explanations could be obtained for the difference of R18 363 544 between the supplier statement of R23 686 323 on 30 June 2014 and the provision raised by the municipality of R5 322 779 for the current year.

4) An unexplained difference of R1 810 590 exists between the supplier statement balance of R18 121 089 on 30 June 2013 and the provision raised by the municipality of R16 310 499 in the prior year. The supplier

5) No service level agreement exists between the supplier Botshelo Water as the water service provider and the municipality.

6) The financial statements does not disclose the requirements of GRAP19.92 (b),(c),(e) and of GRAP19.93(a),(b) with respect to this provision.

Provisions and expenditure are understated with current year's purchases and the balance of the provision can not be supported with documentation or assumptions

### **Internal control deficiency**

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

### **Recommendation**

Provisions should be evaluated based on all known facts available at the time of compiling the financial statements

### **Management response**

No formal management comments were received.

**Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

**60. EX.24 - Provision - Long service awards****Audit finding**

1) GRAP 19.19 determines that: A provision shall be recognised when:

- (a) an entity has a present obligation legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognised.

2) Long service awards is classified as other long-term employee benefits as per GRAP25.142. In measuring this liability, an entity shall apply paragraphs .57 - .123 of GRAP 25, excluding paragraphs .64 and .74. An entity shall apply paragraph .116 in recognising and measuring any reimbursement right.

GRAP 25.82 states that: Employee service gives rise to an obligation under a defined benefit plan even if the benefits are conditional on future employment (in other words, they are not vested). Employee service before the vesting date gives rise to a constructive obligation because, at each successive reporting date, the amount of future service that an employee will have to render before becoming entitled to the benefit is reduced. In measuring its defined benefit obligation, an entity considers the probability that some employees may not satisfy any vesting requirements. Similarly, although certain post-employment benefits, for example, post-employment medical benefits, become payable only if a specified event occurs when an employee is no longer employed, an obligation is created when the employee renders service that will provide entitlement to the benefit if the specified event occurs. The probability that the specified event will occur affects the measurement of the obligation, but does not determine whether the obligation exists.

3) For other long-term employee benefits, an entity shall recognise the net total of the following amounts as expense or (subject to paragraph .68) revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- (a) current service cost (see paragraphs .77 - .104);
- (b) interest cost (see paragraph .95);
- (c) the expected return on any plan assets (see paragraphs .120 - .122) and on any reimbursement right recognised as an asset (see paragraph .116);
- (d) actuarial gains and losses, which shall all be recognised immediately;
- (e) past service cost, which shall all be recognised immediately; and

(f) the effect of any curtailments or settlements (see paragraphs .124 and .125).

4) GNR 691 of 23 May 2003: Calculation of employees remuneration in terms of section 35(5) of the BCEA the types of payments to be included as remuneration for the calculation.

1) Calculating the long service awards provision, the municipality did not base the calculation on the total cost of the employee to the municipality when multiplying with the number of leave days the employee is entitled too after reaching the milestones. The following are examples of the differences:

Employee Name	Employee No.	Basic Salary X 12	Remuneration as per VIP (CTC)	Salary difference between client and AGSA
Mr JB Moabi	100055	307 059.00	551 572.43	-244 513.43
Mrs HT Moselane	100058	392 847.72	682 640.07	-289 792.35
Mr LD Mongale	100226	97 226.52	159 226.39	-61 999.87
Mr EL Pule	100228	18 916.47	381 501.15	-362 584.68
Mr SS Motlhabane	100229	111 248.28	235 422.59	-124 174.31

2) The municipality only accounts for the staff who will most likely reach the number of year's threshold to qualify for long service award, within the next financial year as part of the provision for long service awards. It ignore the probability of all the other employees reaching the thresholds as well as ignoring the past service cost principle and recognise the total amount of the staff member in the year before the anticipated event. In measuring the obligation, the probability that employees will satisfy the vesting requirements should be considered annually and past and current service cost and interest cost should be accrued annually to the provisions based on the probabilities calculated.

Included in the provision list is employees for whom incorrect assumptions were used, below a table with explanations:

Employee Name	Employee No.	Date of Engagement	Number of years	Number of days entitlement	Should the amount be included as part provision based on the milestone reached in future
Mr JB Moabi	100055	1999/03/01	15.34	20.00	Yes but not for 15 years service time already past at year end, already received 20 days
Mrs HT Moselane	100058	1999/04/01	15.26	20.00	Yes but not for 15 years service time already past at year end, already received 20 days
Mr LD Mongale	100226	2004/02/09	10.39	10.00	Yes but not for 10 years service time already past at year end, already received 10 days

Mr EL Pule	100228	2004/02/11	10.39	10.00	Yes but not for 10 years service time already past at year end, already received 10 days
Mr SS Motlhabane	100229	2004/02/09	10.39	10.00	Yes but not for 10 years service time already past at year end, already received 10 days
Mr LH Mahole	100230	2004/04/01	10.25	10.00	No, Senior Manager do not qualify for long service award section 56 manager

3) The calculation of the municipality is understated by an undeterminable amount. A reasonability calculation has been performed by the auditors and a provision of R5 605 156 has been calculated based on the probability that the staff establishment have a 5.7% retention rate on average at the end of 10 years, which is the first threshold criteria in order to satisfy the vesting requirements.

4) The financial statements does not disclose the requirements of GRAP19.92 (b),(c),(d),(e) and of GRAP19.93(a),(b) with respect to this provision.

Provision understatement may not be determined

#### Internal control deficiency

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

#### Recommendation

Provisions should be evaluated based on all known facts available at the time of compiling the financial statements

#### Management response

No formal management comments were received.

#### Auditor's conclusion

No management comment received, finding stand will be reported in the audit and management reports.

#### Reserves

#### 61. EX.4 - Accumulated surplus - Statement of changes in net assets

#### Audit finding

## GRAP1 Presentation of Financial Statements

.17 Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses 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.

## GRAP3 Accounting Policies, Changes in Accounting Estimates and Errors

.51 In applying paragraph .44, an entity shall disclose the following:

- a) the nature of the prior period error;
- b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected;
- c) the amount of the correction at the beginning of the earliest prior period presented; and
- d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

The following misstatement was identified on the statement of changes in net assets:

- 1) Prior period errors of R1 634 688 763 have been disclosed as part of the current year movements instead of being included in the prior period movements as required by GRAP 3.
- 2) The accumulated surplus total at the end of 2013 does not add up to R1 375 056 022 when the opening balance for 2013 of R522 404 478 is added to the movement for 2013 of R2 521 461 174.
- 3) In the prior year adjustments a difference of R34 120 867 was noted between the restated general ledger and the restated comparative figures.

### **Internal control deficiency**

According to Section 62 of the MFMA, The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure -

- (a) that the resources of the municipality are used effectively, efficiently and economically;
- (b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards

### **Recommendation**

Disclosure requirements of GRAP 1 and GRAP 3 to be followed when compiling financial statements

### **Management response**



Adjustment has been made to the statement of changes in net assets. Support of the adjustment to be provided

Name: LS Mokoena

Position: Acting Chief Financial Officer

Date: 25 September 2014

**Auditor's conclusion**

Adjustment was denied as it would require the audit section to be revisited and would require additional audit work, and adjusting for this finding will not alter the audit opinion, therefore the finding will be reported in the management and audit report.

**ANNEXURE B: OTHER IMPORTANT MATTERS****Cash and cash equivalents****62. EX.55 - Cash and Bank: Bank details not submitted annually to treasury.****Audit finding**

MFMA (Sec 9) states that the accounting officer of a municipality must submit to the relevant provincial treasury and the Auditor-General, in writing -

- (a) within 90 days after the municipality has opened a new bank account, the name of the bank where the account has been opened, and the type and number of the account; and
- (b) annually before the start of a financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account.

During our review on cash and cash equivalents, we noted that the accounting officer had not submitted banking details to provincial treasury and the Auditor-General

as required in terms of section 9 of the MFMA. Management has thus not complied with MFMA requirements.

The following bank accounts were opened throughout the year:

<b>Vote Description</b>	<b>Banking institution</b>	<b>Bank Account number</b>	<b>Month of opening of bank account</b>
Investment	Momentum	01006488030	August 2013
Investment	Nedbank	037881001518	November 2013
Investment	First National Bank	62445709746	December 2013

Confirm through inquiry with management (L. Mokoena and S. Oostruis) that details were not submitted in the required amount of days according to the MFMA requirements.

Management did not submit information as requested by Sec 9 of the MFMA

Management did not comply with the MFMA Act

**Internal control deficiency**

Leadership: The accounting officer does not exercise oversight responsibility over compliance with laws and regulations and internal control.



**Recommendation**

Management should ensure that the banking details are submitted to the provincial treasury and the Auditor-General annually as required by section 9 of MFMA.

**Management response**

No formal management comments were received

**Auditor’s conclusion**

No management comment received, finding stand will be reported in the management report.

**Commitments**

**63. EX.100 - Commitments**

**Audit finding**

**1. Regarding the opening balance of commitments.**

I was unable to obtain sufficient appropriate audit evidence regarding commitments as the municipality did not have an adequate document management system to record commitments.

I was unable to confirm the commitments by alternative means. In addition, commitments are overstated by R1 551 857.20 due to various errors. Consequently, I was unable to determine whether any Adjustments to commitments of R335 182 412(2013: R580 610 448) disclosed in note 25 of the financial statements were necessary

**2. Regarding the movement for the year versus the capital budget expenditure.**

According to the comparison of the current years new projects on the registers and that of the capital budget the calculations indicated over spending.

We could not determine the budget of last year, as the information was not available therefore the movement of the prior year could not be compared to the roll-forwarded capital budget of the prior year.

<b>Commitments</b>				
<b>Details</b>	<b>Movement for the</b>	<b>New Projects</b>	<b>Capital budget</b>	<b>Difference</b>



	year		expenditure	
<b>Total values</b>	53,241.49)	(234,0	(285	2 (1,8
		,854,601.37)	83,957,000.00	97,601.37)

### 3. Regarding the contracts listed on the contracts list.

The calculation of the contracts do not seem to be calculated accurately.

N O	NAME	DESCRIP TION	MONTHLY AMOUNT PAYABLE	SIGNAT URE DATE	Value on contract	Date inspec ted on contra ct	Within 6 months	Financia Is
1	LIVING WATER MINISTRI ES	Primitives let for Itsoseng Fire Station	9,485.70	4 12-12- 2013	49,48 5.70	01-01- 2014	296,91 4.20	-
2	ALIANGY ENTERP RISE	Parking space for Municipal and Employees ' vehicles due to the renovations taking place (Head Office)	3,940.00	2 01-07- 2013	23,94 0.00	01-07- 2013	143,64 0.00	-
						<b>Total</b>	<b>440,55 4.20</b>	<b>402,10 8.00</b>
							<b>Difference</b>	<b>38,44 6.20</b>

Samples to the value of R80 123 145 were requested, however supportive documentation could not be obtained.

NO	CONTRACT REFERENCE NUMBER	CONTRACT DESCRIPTION	NAME OF CONTRACTOR	CONTRACT PRICE
3	NMMDM 12/13/58 MHSS	Procurement of uniform for trainee fire fighter	Mmaletshabo Project	R 1 303 950.00
4	NMMDM10/11/24 PMU	Dinokana water supply phase 11	Beyond Building JV	R 21 468 289.74
7	NMMDM12/13/56 MHSS	Development of Intergrated Waste Management Plan ( IWMP) for NMMDM	Tshikovha Enviromental & Communication Consulting	R 879 920.40
8	NMMDM12/13/53 GED	Construction of piggery house in Lekubung Village ( Ramotshere Moiloa Local Municipality)	Ratlhogo Construction & Project	R 646 157.00
10	NMMDM 12/12/19 PMU	Emergency upgrading and refurbishment of Mmabatho water treatment works	HT Pelatona(Pty) Ltd	R 27 089 672.31
11	MIG/NW10199/5/10/1 4-A	Construction of VIP toilets in Ramotshere Moiloa Local Municipality	Sunrise Electrical Wholesalers	R 5 498 433.80
12	NMMDM 12/13/57 MHSS	Disaster Management Level 2 Plan for NMMDM and its 5 Local Municipalities	Skills Promotion Agency cc	R 814 079.00



13	NMMDM13/14/19 BPS	Provision of a 24 hours security services at offices, waste water treatment plants and reservoirs within Ngaka Modiri Molema District for a period of 3(three) years	Tshireletso Professional services	R 723 615.18 per month
16	NMMDM 12/13/62 PMU	Technical Support Unit(TSU) for Project Management Unit(PMU) for a period of (3) three years	Bigen Africa	R 21 699 027.92
				<b>80,123,145.</b>
				<b>35</b>

1. This could result in a misrepresentation of the actual balance of the commitments in the financial statements.
2. This could result in a overspending of the capital budget.
3. This could result in a miscalculation of the liability.

### Internal control deficiency

Financial and performance management

1. Management did not ensure the completeness as well as the accuracy of the opening balance nor provide supporting documentation.
2. Management did not comply within the budget's set out capital expenditure value.
3. Management did not calculate the value correctly

### Recommendation

1. Management should ensure that all supportive documentation regarding commitments is available as well as to ensure that the registers are complete.

2. Management should ensure that the capital budget is not overspent.
3. Management should ensure that calculation are done correctly and reviewed.

### **Management response**

No formal management comment received.

### **Auditor's conclusion**

No management comments received, finding remains and will be reported in the audit and management report.

### **Employee costs**

#### **64. EX.61 - Employee cost - Payments to Third parties**

### **Audit finding**

Section 62(1) (c) of MFMA states that: "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards."

During our audit on employee related costs, we noted that reconciliations on payments made to third parties are not performed, therefore we could not ascertain ourselves of accuracy and completeness of the amounts disclosed in the financial statements.

Third party payments disclosed in the AFS may be misstated

### **Internal control deficiency**

Leadership - No properly documented policy in place to ensure internal controls are properly met.

### **Recommendation**

Management must ensure that reconciliations are performed between payments made to third parties and transactions captured on the general ledger and ensure that control accounts are cleared on a monthly basis.

### **Management response**

No formal management comments were received.

### **Auditor's conclusion**

Reconciliation was subsequently performed by the audit team and accuracy of the third party payments could be determined. However as we did not receive any formal management comment the internal control is still considered to be a problem and therefore this finding will stand and be reported in the management report.

#### **65. EX.92 - Employee costs - Leave testing**

##### **Audit finding**

Section 62(1) (c) of MFMA states that: "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards."

During our audit on employee cost, we noted differences of leave days taken between the leave register and leave forms.

Selection from leave register followed through to leave forms

Employee number	Employee name	File				System				Annual Leave				Closing balance of system	Difference
		Date of Leave taken	Date of approval	Type of leave	Number of days taken	Leave captured on system	Leave taken	Number of days	Type	Opening balance	Awarded	Taken (Only approved)	Closing balance		
100038	Morwe T.B	02-06-2014	03-06-2014	Study	4	No	04-05-2014	1	Vacation	16.75	24	22	18.75	21.75	-3
100171	Mogwase O.P	24-06-2014	26-06-2014	Vacation	3	Yes				12.25	24	19	17.25	6.25	11
100133	Kwena G.G	10-06-2014	10-06-2014	Family responsibility	3	No	27-08-2013	5	Vacation	10	24	14	20	9	11
100139	Bokisi L.T	03-06-2014	12-06-2014	Sick	4	Yes	10-03-2014	3	Sick	21.75	24	29	16.75	19.75	-3
100167	Mothusi S.K	17-01-2014	13-01-2014	Vacation	1	Yes				21	24	25	20	8	12
100123	Mogomotsi S.S	23-06-2014	30-06-2014	Sick	4	Yes				21.75	24	33	12.75	15.75	-3
100169	Mokotedi M.J	05-06-2014	30-05-2014	Vacation	4	Yes	28-03-2014	1	Vacation	6.75	24	26	4.75	11.75	-7
100121	Motsosi	05-06-2014	01-06-2014	Vacation	2	Yes	11-06-2014	2	Sick	21.25	24	38	7.25	10.25	-3
100111	Sekano M.P	27-06-2014	19-06-2014	Vacation	4	Yes	17-02-2014	4	Vacation	13.75	24	36	1.75	4.75	-3
100168	Molamu	14-05-	12-05-	Vacation	3	Yes				17	24	25	16	5	11



	G.E	2014	2014												
100122	Mosweu I.K	01-06-2014	27-05-2014	Vacation	1	Yes	14-04-2014	1	Sick	6.75	24	19	11.75	14.75	-3
100157	Maroro M.G	16-05-2014	11-05-2014	Vacation	2	Yes				9.75	24	21	12.75	15.75	-3
100140	Maqhubela N.B	27-06-2014	19-06-2014	Vacation	4	Yes	15-08-2013	2	Vacation	17.25	24	38	3.25	6.25	-3
100143	Ramatlho I.L	07-03-2014	14-03-2014	Vacation	1	Yes				12	24	26	10	13	-3
100150	Morakabi S.P	20-05-2014	20-06-2014	Vacation	4	Yes				12.75	24	24	12.75	15.75	-3
100138	Moabi M.L	09-06-2014	07-08-2014	Sick	2	No				21	24	31	14	15	-1
100048	Tlhoaele	04-04-2014	31-03-2014	Vacation	1	Yes				14	24	20	18	15	3
100126	Matsobe W.T	26-06-2014	30-06-2014	Sick	2	Yes	07-03-2014	1	Vacation	12.75	24	31	5.75	8.75	-3
100149	Mafole N.S	11-06-2014	18-06-2014	Sick	2	Yes				17	24	30	11	5	6





Selected from leave forms followed through to leave registers:

Employee number	Employee name	Leave forms inspected	Leave captured on system	Leave taken
100135	Mokwanatle M.E	03-03-2014	No	Yes
100030	Mothibi B.	22-06-2014	No	Yes
100120	Mosiathlaga B.N	25-06-2014	No	YES
100115	Pens L.M	11-06-2014	No	YES
100508	Moetsi M.	12-06-2014	No	YES
101770	Nakedi K.	11-08-2014	No	YES
100936	Disipi M.A	29-06-2014	No	YES
100613	Molifi T	19-05-2014	No	YES
100684	Matwa M.J	23-05-2014	NO	Yes
100815	Mzingae N.G	19-03-2014	NO	Yes
100177	Nkoliswa T.R	12-03-2014	NO	Yes
100093	Makgoana K.A	02-06-2014	NO	Yes
102017	Motsumi E.T	25-11-2013	NO	Yes
10	Khumalo N	03-11-2014	NO	Yes
100165	Molaolwa E.T	25-06-2014	NO	Yes
100110	Selebogo O.A	13-06-2014	No	Yes
100110	Selebogo O.A	13-06-2014	No	Yes
100098	Bereng S,M	27-06-2014	No	Yes
100119	Lesabe P.D	28-06-2014	No	Yes
100156	Tsobane T.S	23-06-2014	No	Yes
100113	Ramogapi S.M	25-01-2014	No	Yes

### **Internal control deficiency**

#### **Recommendation**

Management must ensure that proper reconciliations between the leave register and leave forms are performed on a monthly basis.

#### **Management response**

No formal management comment received

#### **Auditor's conclusion**

No management comment received, finding remains and will be reported in the management report.

### **General IT controls**

#### **66. EX.105 - IT organogram has not been approved**

##### **Audit finding**

The IT organogram was last approved in October 2010, consisting of 4 positions (i.e. IT Manager, Systems Administrator, and 2 Systems support Technicians). However, the IT team as at 30 June 2014 consisted of 6 employees (i.e. IT, Systems Administrator, Project Manager, 2 Systems support Technicians and an Intern). A revised IT Organogram was developed in the 2013/14 financial year; however it has not been approved by NMMDM Council.

This finding was reported during the 2012/13 financial years and management had committed to rectifying the issue.

Lack of an approved IT organogram that reflects the current structure of the IT environment may result in the appointment of personnel with skills that are not required for the current IT infrastructure. This appointment may lead to wasteful expenditure.

##### **Internal control deficiency**

Leadership: Implementation of appropriate key controls:

An IT organisational structure had not been approved to ensure that IT vacancies are filled. This is due to management waiting for Council to adopt the organisational structure. Once the structure has been adopted the structure will then be approved.

##### **Recommendation**

The Acting Municipal Manager should ensure that:

1. The proposed IT Organogram be submitted to Council for approval.

This process should be completed within three months from the date of the final report.

### **Management response**

Agreed with recommendation, but given the circumstances of the Council been under administration, the process can only be completed end financial year 2014/15

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: June 2015

### **Auditor's conclusion**

Finding remains, will be reported in the management report.

## **67. EX.106 - Information security officer role not adequately defined**

### **Audit finding**

The Information Security Role had been catered for within the Physical Security Access team. This resource assigned to this role did not perform the information security function for the information technology environment.

Information security officer roles and responsibilities that are not delegated to a specific individual could result in the lack of coordination, management oversight and direction for both physical and logical aspects of security, including information security.

### **Internal control deficiency**

Leadership: Adequacy and competence of personnel responsible for reporting:

Oversight in the IT and Human Resources operational processes to appoint a person who has Information security skills and qualification. This is also due to the lack of an adequate and approved organogram

### **Recommendation**

The Acting Municipal Manager should ensure that:

1. The responsibilities of the Information Security role are conducted by the allocated resource

This process should be completed within one month from the date of the final report.

### **Management response**

Agreed with recommendation, but given the circumstances of the Council been under administration, the process can only be completed end financial year 2014/15

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: June 2015

### **Auditor's conclusion**

Management agrees with the finding. The finding will be reported in the management report.

### **68. EX.107 - Lack of IT governance steering committee**

#### **Audit finding**

An IT steering committee or similar structure had not been established as reported during the 2011/12 financial year.

Lack of an IT steering committee may result in:

1. IT governance, as part of enterprise governance, not being adequately addressed;
2. Inadequately designed IT policies; and
3.  An ICT strategy that is not aligned to NMMDM's strategic objectives.

#### **Internal control deficiency**

##### **Leadership: Implementation of appropriate key controls**

A formal structure of the IT steering committee could not be established due to conflicts in identifying and staffing the different roles involved.

#### **Recommendation**

The Acting Municipal Manager should ensure that:

1. A formal Terms of Reference is established;
2. The objectives of the committee is defined;
3. Identify and formally appoint internal and external committee members;
4. Hold regular meetings of the IT steering Committee.

This process should be completed within four months from the date of the final report.

#### **Management response**

Agreed with recommendation

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: Jan 2015

### **Auditor's conclusion**

Finding remains, will be reported in the management report.

### **69. EX.108 - Lack of IT risk framework**

#### **Audit finding**

IT risk assessment exercise has not been performed in the past financial year and the NMMDM does not have a risk register in place as reported during the 2011/12 and 2012/13 financial.

Without an adequate risk assessment process, NMMDM can neither sufficiently anticipate nor address threats and vulnerabilities to its assets nor design appropriate controls to mitigate risk.

#### **Internal control deficiency**

**Leadership:** Implementation of appropriate key controls (policies and framework)

A risk management framework had not been defined to ensure that set requirements and guidelines for performing risk assessments and the subsequent monitoring are met. The project to compile ICT policies and procedures, including the ICT risk framework, was postponed due to the lack of funding within the municipality.

#### **Recommendation**

The non-adoption of an IT risk and control framework could result in the non-definition of the municipal departments overall approach to risk management.

#### **Management response**

Agreed, but the period should be extended to six months

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: March 2015

### **Auditor's conclusion**

Finding remains, will be reported in the management report.

### **70. EX.109 - Service level agreement (SLA) not in place**

#### **Audit finding**

SLA's between the municipality and the vendors (Camelsa Consulting Group and TMDG) had not been defined to ensure that expectations are understood and adhered to by both parties as reported during the 2011/12 and 2012/2013 financial years.

Without formalised and signed SLAs between the NMMDM and IT service providers, there exists no basis to govern the relationship between the NMMDM and its service providers and manage deliverables effectively

### **Internal control deficiency**

#### **Leadership: Implementation of appropriate key controls (service level agreements)**

IT operational processes to formally develop, adopt and monitor IT service management processes are not defined.

#### **Recommendation**

The Acting Municipal Manager, should establish SLAs with the service providers. The SLA should be developed to include not limited to the following:

1. - performance measures,
2. - monitoring and reporting formats;
3. - schedules and penalties for non-performance.
4. - processes to formally monitor IT vendor performance on a periodic basis.

This process should be completed within three months from the date of the final report.

#### **Management response**

Agreed, the SLA will be established within six months

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: April 2015

#### **Auditor's conclusion**

Finding remains, will be reported in the management report.

### **71. EX.110 - Lack of a service level agreement between IT and business**

#### **Audit finding**

The IT function did not have a defined SLA with business detailing the following:

1. Service performance measures for services provided by the IT function to other business units;
2. Strategic alignment of IT services to business; and

Reporting requirements to business, this finding was reported during the 2011/12 and 2012/13 financial years. Management indicated that the SLA's will be reviewed and approved by January 2013

Without an established operational level agreement between IT and business with defined reporting requirements on key performance indicators (KPIs), management could fail to identify IT service deviations and degradations, resulting in IT failing to deliver on business requirements.

### **Internal control deficiency**

**Leadership:** Implementation of appropriate key controls (operational level agreements)

IT operational process to formally develop, adopt and monitor IT service management was not defined. The project to compile ICT policies and procedures, including the service management framework and operational level agreement, was postponed due to the lack of funding within the municipality.

### **Recommendation**

The Acting Municipal Manager should ensure that the current project with SITA should include that the:

1.  The Service Management Framework, including the operational level agreement, is developed to ensure the adequacy of the policies in terms of current municipal requirements and current information technology risks;
2. Information Technology processes are implemented to support the Service Management Framework.
3. Monitoring processes are developed and implemented with appropriate Key Performance Indicators (KPI).

This process should be completed within nine months from the date of the final report.

### **Management response**

Agreed with recommendation

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: June 2015

### **Auditor's conclusion**

Finding remains, will be reported in the management report.

## **72. EX.111 - Lack of baseline configuration standards**

### **Audit finding**

Baseline configuration standards for the following had not been formulated:

1. Firewall;
2. SQL servers; and
3. Domain controllers.

This finding was reported during the 2011/12 and 2012/13 financial years.

Lack of baseline standards for configuration of the firewall, SQL server and Domain Controller might increase the risk of the firewall, SQL server and Domain Controller being insecurely configured and vulnerable to compromise.

### **Internal control deficiency**

**Leadership:** Implementation of appropriate key controls (policies, procedures and standards)

The project to compile ICT policies and procedures, including configuration standards, was postponed due to the lack of funding within the municipality.

### **Recommendation**

The Acting Municipal Manager should ensure that the current project with SITA should include that the:

1. The Information Technology Baseline Configuration Standards are developed to ensure the adequacy of the policies in terms of current municipal requirements and current information technology risks;
2. Information Technology processes are implemented to support the Information Technology Baseline Standards.
3. Monitoring processes are developed and implemented with appropriate Key Performance Indicators (KPI).

This process should be completed within six months from the date of the final report.

### **Management response**

Agreed with recommendation

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: June 2015

### **Auditor's conclusion**

Finding remains, will be reported in the management report.

## **73. EX.112 - Firewall rules not enabled**

### **Audit finding**

It could not be confirmed that rules configured on the firewall had been enabled to log firewall events/messages and that these logs are reviewed.



This finding was reported during the 2012/2013 financial year and management had committed to a review of firewall configuration.

Failure to ensure that firewall events/messages are logged and logs are reviewed may result in inability to timely detect any hacking attempts or attacks.

### **Internal control deficiency**

**Leadership:** Implementation of appropriate key controls (policies, procedures and standards)

Management oversight in the IT operational process to formally develop, adopt and monitor IT service management. The project to compile ICT policies and procedures, including the firewall configuration standards, was postponed due to the lack of funding within the municipality

### **Recommendation**

The Acting Municipal Manager should ensure that the current project with SITA should include that the:

1. The Configuration Standards for the firewall is developed to ensure the adequacy of the policies in terms of current municipal requirements and current information technology risks; and
2. Information Technology monitoring processes are implemented to support the Configuration Standards.
3. Monitoring processes are developed and implemented with appropriate Key Performance Indicators (KPI).

This process should be completed within three months from the date of the final report.

### **Management response**

Agreed with recommendation

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: Jan 2015

### **Auditor's conclusion**

Finding remains, will be reported in the management report.

## **74. EX.113 - Database security – Lack of evidence**

### **Audit finding**

1. SQL database security configuration settings were not provided for audit purposes. As a result, the following security setting could not be confirmed:

1. SQL administrative privileges were allocated to those that perform SQL administrative functions on the database;
2. Audit logging was enabled on the database; and

3. Windows authentication mode was utilised.

This finding was reported during the 2012/2013 financial year and IT management had committed to a review of SQL configuration.

2. There is no process in place for implementing security patches for the SQL database

Failure to extract database security settings makes it difficult for IT management to monitor and evaluate whether adequate security parameters have been configured on the database.

### **Internal control deficiency**

#### **Leadership: Implementation of appropriate key controls (policies, procedures and configuration standards)**

Oversight in the IT operational process to formally develop, adopt and monitor configuration on the SQL database. The project to compile ICT policies and procedures, including the SQL database configuration standards, was postponed due to the lack of funding within the municipality

### **Recommendation**

The Acting Municipal Manager should ensure that the current project with SITA should include that the:

1. · The Configuration Standards for the SQL database is developed to ensure the adequacy of the policies in terms of current municipal requirements and current information technology risks; and
2. · Information Technology monitoring processes are implemented to support the Configuration Standards.
3. · Monitoring processes are developed and implemented with appropriate Key Performance Indicators (KPI).

This process should be completed within three months from the date of the final report.

### **Management response**

Agreed with recommendation

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: Jan 2015

### **Auditor's conclusion**

Finding remains, will be reported in the management report.

## **75. EX.114 - SQL database super user account not disabled**

### **Audit finding**



The "sa" account on the SQL database had not been renamed and disabled to ensure restricted access as reported during the 2012/2013 financial year.

Failure to restrict access to the super user account could result in unauthorised changes to information at database level.

### **Internal control deficiency**

**Leadership:** Implementation of appropriate key controls (policies, procedures and configuration standards)

Programmatic constraints in VIP batch jobs and Pastel system authentication prevented management on establishing controls.

### **Recommendation**

The Acting Municipal Manager should formalise an exercise to indicate that the SQL "sa" account is a requirement for the VIP and Pastel systems. A monitoring procedure for the SQL "sa" account should be established. A risk acceptance statement should be prepared and approved by the CFO.

This process should be completed within one month from the date of the final report.

### **Management response**

Agreed with recommendation

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: Dec 2014

### **Auditor's conclusion**

Management agrees with the finding. The finding will be reported in the management report.

## **76. EX.115 - Administrator account management**

### **Audit finding**

There were 11 IT administrators that were responsible for assigning privileges and rights on the operating system to other individuals, including the Senior Manager Business Process Support and two SQL "sa" users. These were:

1. Menwell Mahlangu
2. Moiloa Richard Mogotsi
3. Mzikayise January
4. Nmmdmadmin ("SA user")
5. Obakeng Sekgarametso
6. Oratile-wa-Boitumelo Itumeleng
7. Seymour Williams - Senior Manager
8. Skalolok Hlongwa

9. Aobakwe Ditshetelo
10. Denver Jacobs
11. CA NMMdm ("SA user")

This finding was reported during the 2012/2013 financial year and management had committed to a review the administrator group.

Excessive administrator profiles increase the likelihood of unauthorised user access to system functions and data. In addition, user profiles with administrative privileges are a prime target to hackers.

### **Internal control deficiency**

**Leadership:** Implementation of appropriate key controls (policies, procedures for user management)

Management oversight in the IT operational process to formally develop, adopt and monitor the users in operating system (Windows Active Directory) environment.

### **Recommendation**

The Acting Municipal Manager should conduct an exercise to limit access to the system administrator group in line with current responsibilities

This process should be completed within one month from the date of the final report.

### **Management response**

Agreed with recommendation, officials at IT need administrative privileges, except maybe the Senior Manager, but we will document why needed. We will remove the rest.

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: Jan 2015

### **Auditor's conclusion**

Finding remains, will be reported in the management report.

## **77. EX.116 - Inadequate password configuration on the network and systems**

### **Audit finding**

1. VIP – Password length and password history was not configured in the current version.
2. Pastel – Password length had been set to zero and password history security parameters had not been configured.
3. IQMS – Password length had been set to zero.

4. Active Directory - The security settings had been enabled on the domain. However there was no periodic review of the compliance of the security configuration to the password policy

Failure to adequately configure password security within the applications and the network might compromise the municipal data result in unauthorised access to the systems and municipal information.

#### **Internal control deficiency**

**Leadership:** Implementation of appropriate key controls (policies, procedures for auditing and logging)

Lack of training – Municipal personnel is not trained on how to use/ configure the systems (VIP, Pastel, IQMS).

#### **Recommendation**

The Acting Municipal Manager should ensure that training is provided to personnel on how to use/ configure the systems and a formal process should be in place to govern password configuration standards as part of the system upgrade standards. Additional monitoring of user account violations should be performed until the password standards are implemented.

This process should be completed post issuing of the final report

#### **Management response**

Agreed with recommendation

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: Jan 2015

#### **Auditor's conclusion**

Finding remains, will be reported in the management report.

### **78. EX.117 - Lack of user account management process**

#### **Audit finding**

Active Directory:

From a sample of twenty four user-creation events selected, only four user forms were provided.

Failure to ensure that user profile creation on systems follow a defined process and user profiles are authorised prior creation may lead to unauthorised access to systems and compromise of data integrity. Furthermore the municipality should ensure that user application forms are filed and kept

in a safe place. Failure to not filing the forms would lead in the municipal not knowing the number of people who have access to the municipal applications resulting in fraud and unauthorised access.

Pastel:

The system did not have the functionality to generate a list of users with creation dates. User forms to support the creation and termination of user on the system were not filed. Of the two forms provided for review, the user did not indicate which functionality the user needed access to, however this form was signed by the manager.

Failure to ensure that user profile creation on systems follow a defined process and user profiles are authorised prior creation may lead to unauthorised access to systems and compromise of data integrity.

A finding regarding user creation and supporting evidence was reported during the 2012/2013 financial year and management had committed to reviewing the user account creation process.

IQMS:

Management of users is performed by IQMS, with no reporting to the municipality. An email is utilised to create and modify user accounts on the system with no monitoring by the municipality.

The municipality may be unaware of the users on the IQMS system resulting in unauthorised access.

### **Internal control deficiency**

**Leadership:** Implementation of appropriate key controls (policies, procedures and standards)

IT operational process to formally develop, adopt and monitor policies and processes for the IT systems environment were not defined.

### **Recommendation**

The Acting Municipal Manager should ensure that a formal process is in place to govern the user management process. This process should include a process on user account creation; filing of access application forms

### **Management response**

Agreed with recommendation

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: March 2015

### **Auditor's conclusion**

Finding remains, will be reported in the management report.

## **79. EX.118 - Periodic reviews not performed**

### **Audit finding**

1. Periodic review of user access rights on Pastel and VIP had not been performed as reported during the 2012/2013 financial year.
2. Periodic review of user accounts had been performed by IQMS, with no formal reporting to the Municipality.

Failure to periodically review users' access rights might result in users being granted excessive privileges leading to users performing unauthorised system based functions.

### **Internal control deficiency**

**Leadership:** Implementation of appropriate key controls (policies, procedures and standards)

The task of reviewing user accounts had not been assigned to anyone.

### **Recommendation**

The Acting Municipal Manager should ensure that a formal process is in place to govern the user management process. This should include a periodic review of user access rights to the Active Directory and financial application systems to ensure that user privileges are commensurate with their job profiles. The Acting Municipal Manager should also ensure that IQMS sends a periodic review report to the Municipality for further review.

This process should be completed within three months from the date of the final report.

### **Management response**

Agreed with recommendation

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: Jan 2015

### **Auditor's conclusion**

Finding remains, will be reported in the management report.

## **80. EX.119 - Inadequate review of audit logs on systems**

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### **Audit finding**



1. Domain Controller

The audit logging policy was configured to log key events for failed and/or success; no reviewing of this activities was performed.

2. Pastel

Although audit setting were configured to log user and administrator activities, no reviewing of this activities was performed.

3. VIP

Although audit setting were configured to log user and administrator activities, no reviewing of this activities was performed.

The above mentioned findings were reported during the 2012/2013 financial year and management had committed to a review the user accounts.

4. IQMS

Audit logs are not activated on the current IQMS version. Furthermore, monitoring and review of user and administrator activities was not performed.

Failure to ensure that audit settings of user and administrator activities are enabled and reviewed might lead to inability to timely detect unauthorised access to the applications and related data resulting in fraudulent activities.

**Internal control deficiency**

**Leadership:** Implementation of appropriate key controls (policies, procedures for auditing and logging)

Management oversight in the IT operational process to monitor audit logs on a periodic basis. This is due to the large volume of audit logs produced on a daily basis. The Municipality does not have automated log-reporting tools available due to operational spending restrictions.

**Recommendation**

The Acting Municipal Manager should ensure that a formal process is in place to govern the log-monitoring process. Further, the Acting Municipal Manager should motivate to municipal management the need for additional funds to support the procurement of additional monitoring software. This process should be completed within three months from the date of the final report.

**Management response**

Agreed with recommendation

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: Jan 2015



### **Auditor's conclusion**

Finding remains, will be reported in the management report.

### **81. EX.120 - Lack of defined user naming standard**

#### **Audit finding**

1. Active Directory – No formal user naming standard in place.
2. VIP – No formal user naming standard in place.
3. Pastel – No formal user naming standard in place.
4. IQMS – Based on the evidence provided, it could not determine whether a formal naming standard exists.

Failure to adequately configure naming standards within the network and applications could result in difficulty of identifying users

#### **Internal control deficiency**

**Leadership:** Implementation of appropriate key controls (policies, procedures for naming standards configuration management)

Management oversight in the IT operational process to develop, implement and monitor compliance to a username standard on a periodic basis.

#### **Recommendation**

The Acting Municipal Manager should ensure that a formal process is in place to govern user-naming standard across the Active Directory and financial application environments. This process should be completed within three months from the date of the final report

#### **Management response**

Agreed with recommendation

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: Jan 2015

### **Auditor's conclusion**

Finding remains, will be reported in the management report.

### **82. EX.121 - Domain account management**



### **Audit finding**

As at the 24 July 2014, there were 197 dormant user accounts on Domain Controller, 132 of these accounts had never logged-on. Refer to Appendix A

This finding was reported during the 2011/12 and 2012/2013 financial years and management had indicated that dormant accounts would be disabled.

Dormant user accounts are a prime target for intruders. If their passwords are compromised, these user accounts might be used with little fear of detection. The risk is increased further, if dormant accounts include those with administrative privileges.

### **Internal control deficiency**

**Leadership:** Implementation of appropriate key controls (policies, procedures for user management)

Management oversight in the IT operational process to formally develop, adopt and monitor the users in operating system (Windows Active Directory) environment.

### **Recommendation**

The Acting Municipal Manager should conduct an exercise to disable the dormant accounts on the operating system environment.

This process should be completed within three months from the date of the final report.

### **Management response**

Agreed with recommendation

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: Jan 2015

### **Auditor's conclusion**

Finding remains, will be reported in the management report.

## **83. EX.122 - Lack of change management policies**

### **Audit finding**

The change management policy and process had not been defined to ensure that changes are properly managed and monitored as reported during 2012/13 financial year.

Lack of a change management process may result in unauthorised changes being migrated to the production environment which may compromise the integrity of data and systems.

### **Internal control deficiency**

Leadership: Implementation of appropriate key controls (policies and procedures)

The project to compile ICT policies and procedures, including the Change Management Policies and Procedures, was postponed due to the lack of funding within the municipality.

### **Recommendation**

The Acting Municipal Manager should ensure that the current project with SITA should include that the:

1. Change Management policies, processes and procedures, including a monitoring process are designed and implemented to detect unauthorised changes;
2. The change management process is applied to all changes implemented into the production environment; and
3. Monitoring processes are developed and implemented with appropriate Key Performance Indicators (KPI).

This process should be completed within six months from the date of the final report.

### **Management response**

Agreed with recommendation

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: June 2015

### **Auditor's conclusion**

Finding remains, will be reported in the management report.

## **84. EX.123 - Lack of a disaster recovery plan**

### **Audit finding**

A DRP had not been performed.

This finding was reported during the 2011/12 and 2012/13 financial years and management had indicated that SITA has been engaged to assist with performing a BIA and the development of a DRP which was supposed to be completed by December 2013.

Lack of a formal, comprehensive and tested recovery and contingency plan might lead to NMMDM's inability to regain critical processing capabilities in an event of a disaster.

### **Internal control deficiency**

Leadership: Implementation of appropriate key controls (risk mitigation plans)

The municipality does not have skills to document the disaster recovery plan.

### **Recommendation**

The Acting Municipal Manager should ensure that the current project with SITA should include that the:

1. Business Impact Analysis is performed;
2. Disaster Recovery Plan is designed, implemented and tested;
3. Monitoring processes are developed and implemented with appropriate Key Performance Indicators (KPI).

This process should be completed within six months from the date of the final report.

### **Management response**

Agreed with recommendation

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: June 2015

### **Auditor's conclusion**

Finding remains, will be reported in the management report.

## **85. EX.124 - Lack of backup management process**

### **Audit finding**

1. VIP: Data backups and restoration for VIP had not been performed.
2. Pastel: Data backups and restoration had not been performed.
3. IQMS: Data backups and restoration had not been performed.

For the period 01 July 2013 to 30 June 2014 there are no backup logs to support the back-up process as the backup system has been configured to overwrite the logs

Failure to perform data backup might result inability to recover critical data in an event of a disaster.

### **Internal control deficiency**

Leadership: Service Management

The policies and procedures for executing IT back-ups, restoration testing and back-up monitoring have not been fully developed and implemented.

The project to compile ICT policies and procedures, including the ICT Backup and Restoration, was postponed due to the lack of funding within the municipality.

### **Recommendation**

The Acting Municipal Manager should ensure that backups are performed on a regular basis in order for the municipality to recover its data during a disaster.

This process should be completed within six months from the date of the final report.

### **Management response**

Agreed with recommendation

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: June 2015

### **Auditor's conclusion**

Finding remains, will be reported in the management report.

## **86. EX.125 - Backup off-site storage**

### **Audit finding**

Backup tapes had not been stored at an off-site location. Backup tapes were not removed from the tape library and were overwritten continuously when a new backup was performed which was not set in any particular order.

This finding was reported during the 2012/13 financial year and management committed to resolving the issue.

Data loss could occur if backups are not stored at an off-site location in an event of a disaster occurring at the primary site. The risk is increased when backup tapes are overwritten in no particular order and not removed from the tape library.

### **Internal control deficiency**

Leadership: Service Management

The backup off-site storage was not identified due to financial constraints.

The project to compile ICT policies and procedures, including the ICT Backup and Restoration, was postponed due to the lack of funding within the municipality.

### **Recommendation**

The Acting Municipal Manager should ensure that the budget for the off-site storage is allocated  
This process should be completed within six months from the date of the final report.

### **Management response**

Agreed with recommendation,

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: June 2015

### **Auditor's conclusion**

Finding remains, will be reported in the management report.

## **Heading 1**

### **87. EX.1 - No policy document to regulate specific sections**

#### **Audit finding**

Section 62(1)(c) of the MFMA no.53 of 2003, 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.

The following Policies have not been implemented

- 1) Inventory Policy
- 2) Debt and Credit Control Policies
- 3) Revenue policy

Control activities of the municipality are not documented causing weaknesses of the implementation thereof.

#### **Internal control deficiency**

This is due to a lack of control measure on complying with laws and regulations

## Recommendation

Management should ensure that approved policies are implemented in order for the municipal operations to be controlled efficiently.

## Management response

### 1. Inventory Policy

We used GRAP statement 12 as a guideline as well as our counting procedures (see attached).

### 2. Debt and Credit Control Policy

Noted and we will implement the policy next financial year.

### 3. Revenue Policy

We used GRAP statement 23 for revenue from non-exchange transactions and GRAP 9 for exchange transactions.

## Auditor's conclusion

Management comment noted, however internal controls are not covered by the GRAP frameworks, only the accounting treatment of that specific item. Therefore the finding will remain and will be reported in the management report.

## 88. EX.5 - Internal control - weaknesses

### Audit finding

MFMA, Section 62.

(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 prescribed norms and standards;

(c) that the municipality has and maintains effective, efficient and transparent systems—

(i) of financial and risk management and internal control; and

(ii) of internal audit operating in accordance with any prescribed norms and standards.

During the performance of planning procedures the following matters were identified.

1. No policy on skills retention and monitoring of the competency of staff in place to ensure that skilled and competent staff are retained and assessed.
2. There is not an appropriate training programme to meet the needs of all employees.
3. The municipality does not emphasise the need for continuing training and has a control mechanism to help ensure that all employees actually receive appropriate training.
4. Employees are not provided candid and constructive job performance counselling.
5. Data recorded by information and financial systems are not periodically compared with physical assets and discrepancies is not examined, with reference to inventory and PPE only performed annual comparison and differences not inspected.
6. The entity does not take appropriate follow-up actions with regard to findings and recommendations of audits and other reviews, for example problems with particular transactions or events are not promptly corrected.

Weaknesses in internal controls may lead to inaccurate financial reporting

### Internal control deficiency

Financial and performance management: Management should prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information

### Recommendation

Management should implement and address internal control weaknesses

### Management response

1. There is no specific policy dealing literally with skills retention in the workplace, however there is a strategy and some policies in existence and in place which encapsulates this aspect. For example Municipality's Human Resource and Labour Relations Strategy provides for skills retention in terms of objective number two (2) and five (5). Find the attached as **annexure A & B**. further to this, the Municipality's Human Resource Management does take in account this factor in terms of Chapter 16. Find the attachment herein as **Annexure C**. policies such as skills development, compensation and placement practices that encourage the retention hence there is no turn-over in the institution.
2. There is an internal training plan in place in a form of Workplace Skills Plan (WSP). The WSP is compiled and submitted annually and ultimately submitted to LGSETA. This plan takes into account training needs of employees considered and approved by respective Heads of Departments. Find herein as **Annexure D & E**.
3. Reference is made to both response number 1 and 2 above. It is the management's position that provisions, efforts and systems currently in place does make an emphasis and do provide a conducive environment that enables employees to actually receive appropriate training. For example the some training do allow for employees to continue with their training because it is NQF aligned and portable. Find here is a copy of one certificate on training conducted. Find herein as **Annexure F**.
4. Management agrees with the finding, audit recommendations will be implemented.
5. Management agrees with the finding, audit recommendations will be implemented.
6. An action plan was implemented based on the audit report and a methodology for correcting opening balances implemented. These were provided to the auditors during the system description.



Name: LH Mahole & LS Mokoena

Position: Senior Manager: Corporate Resource Support Service & Acting Chief Financial Officer

Date: 23 September 2014

**Auditor’s conclusion**

1 - 3 ) No annexures has been received. Finding will stand.

4 and 5) Management agrees and finding will be reported as internal control weaknesses in the Management report

6) The finding isn’t just with regards to prior year audit findings, but also relates to internal audit findings, which we could find no evidence that those findings were timeously and correctly resolved. And having a action plan does not in itself result in a finding or recommendation to be resolved.

Findings will be reported in the management report

**89. EX.11 - Internal control - Sale of water reconciliation**

**Audit finding**

MFMA, Section 62.

(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 prescribed norms and standards;
- (c) that the municipality has and maintains effective, efficient and transparent systems—
  - (i) of financial and risk management and internal control; and
  - (ii) of internal audit operating in accordance with any prescribed norms and standards.

The amount paid at the cashier for the sale of water is not reconciled to the sales transactions in the Lesira teq Meter Management System (MMS), which is a stand alone system.

The following items were found not to have been reconciled:

Date	Description	Ref.	Amount
02/08/2013	Sale of Water	POS008546	3,000.00



30/09/2013	Sale of Water	POS009075	6,000.00
08/10/2013	Sale of Water	POS009189	5,000.00
13/11/2013	Sale of Water	POS009486	900.00
30/04/2014	Sale of Water	POS010384	6,000.00
27/08/2013	Sale of Water	POS008739	1,000.00
			<b>21,900.00</b>

**Extrapolation:**

Population 986,427.00

Sample size 90,740.00

**Extrapolated misstatement: 238,073.08**

As a result of the stand alone system not reconciled to what has been paid, may result in water actually provided to the customer may be more than what has been paid for

**Internal control deficiency**

Financial and performance management: Management should prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information

**Recommendation**

Both systems should be reconciled with each other as the Lesira teq Meter Management System (MMS) is a stand alone system.

**Management response**

Management agrees with the finding. Reconciliation between the sale of water and water quantities will be implemented in the current year.

Name: LS Mokoena

Position: Acting Chief Financial Officer

Date: 25 September 2014

**Auditor's conclusion**

Management agrees and the finding will be reported in the management report.

## **90. EX.17 - Compliance - SCM Regulation**

### **Audit finding**

Section 8(2)(b) of the Preferential Procurement Policy Framework Procurement Regulation 502 states if one or more of the acceptable tenders received are above the prescribed threshold of R1 million, all tenders received must be evaluated on the 90/10 preference points system.

Incorrect point scoring system has been used during evaluation of the tender NMMDM 12/13/53 GED, as one of the acceptable tenderers bids exceed R1million, but the evaluation was performed on the 80/20 scoring system.

Incorrect interpretation of procurement regulations

This will result in non compliance with legislation

### **Internal control deficiency**

The findings on procurement processes and contract management are indicative of an environment where insufficient attention is given by leadership and oversight to the implementation, enablement, enforcement and monitoring of compliance with the SCM legislation.

### **Recommendation**

PPPF Act should be adhered too.

### **Management response**

Bid was advertised on 80/20, and the amount of the appointed bidder was R646 157,00. Find attached advert and appointment letter.

Name: LS Mokoena

Position: Acting Chief Financial Officer

Date: 29 September 2014

### **Auditor's conclusion**

Attachment inspected and determined that the non-compliance still exists, as PFFF A requires 90/10 evaluation to be used and not 80/20. Finding will be reported in the management report.

## **91. EX.38 - Disclosure - Other MFMA disclosures**

### **Audit finding**

1) Section 125(1)(b) of the MFMA requires that the total amount of contributions to organised local government for the financial year, and the amount of any contributions outstanding as at the end of the financial year be disclosed in the financial statements.

1) The municipality did not disclose the required information of section 125(1)(b) of the MFMA in the financial statements.

Incomplete disclosure in the financial statements

**Internal control deficiency**

Leadership - Oversight of complete disclosure of financial statements not performed

**Recommendation**

All additional disclosures as per the MFMA requirements should be disclosed in the financial statements

**Management response**

No formal management comments received.

**Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

**92. EX.102 - Compliance: AFS**

**Audit finding**

1) The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the Municipal Finance Management Act. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion. (AR)

2) Oversight report, containing comments on the annual report, was not adopted by council within two months from the date on which the 2012/13 annual report was tabled, as required by section 129(1) of the Municipal Finance Management Act. (AR)

**Internal control deficiency**

**Recommendation**

Management should ensure adherence to all legislative requirements

**Management response**

No formal management comment received.

**Auditor's conclusion**

No management comment received, finding remains and will be reported in the audit and management reports.

### **93. EX.103 - Irregular expenditure compliance**

#### **Audit finding**

1) According to the financial statement council condoned R345 810 366 (2013: R787 120 957), these condonements were done irregularly. In addition the prior year audit identified an additional R165 922 884, and in the current year and additional irregular expenditure of R25 854 144. taking all of these misstatement into account the balance of irregular should be at least R1 320 610 017, this amount is also then by which irregular expenditure is understated in the financial statement.

2) Overtime payments could not be audited to determine if they occurred and were accurate, therefore the total amount of overtime paid of R4 098 333 is regarded as irregular.

3) The condonation of irregular expenditure was not approved by the appropriate relevant authority, as required by section 1 and 170 of the Municipal Finance Management Act. (AR)

This will result in the understatement of irregular expenditure.

#### **Internal control deficiency**

Financial and performance management - This is due to a lack of understanding of SCM regulations.

#### **Recommendation**

Management must ensure that all irregular expenditure are properly disclosed, and that condonement is done by National treasury as council does not have the authority to condone the irregular expenditure.

#### **Management response**

No formal management comment received,

#### **Auditor's conclusion**

No management comment received, finding remains and will be reported in the audit and management reports.

## **Heading 2**

### **94. EX.16 - SCM - No service level agreement**

#### **Audit finding**



MFMA 116(1) requires a contract or agreement procured through the supply chain management system of a municipality or municipal entity must:

- (a) be in writing;
- (b) stipulate the terms and conditions of the contract or agreement, which must include providing for -
  - (i) the termination of the contract or agreement in the case of non- or underperformance
  - (ii) dispute resolution mechanisms to settle disputes between the parties
  - (iii) a periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years; and
  - (iv) any other matters that may be prescribed.

No service level agreement or contract signed between the municipality and the successful service provider Batho M&E Consultants for tender NMMDM 11/12/47 TS.

This will result in non-compliance with legislation

#### **Internal control deficiency**

Leadership - This is due to legislative non adherence

#### **Recommendation**

Service level agreements should be signed with all service providers

#### **Management response**

There is appointment letter and terms of conditions for the service of Batho M & E Consultants.

Name: LH Mahole

Position: Senior Manager: Corporate Resource Support Service

Date: 29 September 2014

#### **Auditor's conclusion**

An contract agreement was found, however no service level agreement, which clearly stipulate what each parties responsibilities are and any recourse if not adhered too, therefore the finding will be reported in the management report.

#### **95. EX.85 - Expenditure - Procurement not correct**

##### **Audit finding**

The following expenditure were not procured within the requirements of the supply chain regulations:

GL Account	Date	Invoice	Description	Supplier Code	Supplier	Amount in GL
4300/4382/03/0301/EPWP EPWP expenditure during the year/Planning and Devel	22-01-2014	8.91015 E+12	Stipend of M.B Masigo:Erection of Fance	MASI007	MASIGO MONIMANG BELINA	3,600.00
4300/4384/11/1101/RTSI Rural Transport Services&Infrastructure/Roads-Infr	31-01-2014	13066	Development of Rural Road Asset Manageme	AGAN002	AGANANG CONSULTING ENGINEERS	501,148.07
4400/8104/11/1103/DWAF/ZEER/LEHU Lehurutshe Water Crisis)	30-08-2013	16	Water tank:Inv 16 & 17	COCT001	COC TRADING	625,345.61
4400/8104/11/1103/DWAF/ZEER/LEHU Lehurutshe Water Crisis)	05-09-2013	ST170/02	Lehurutshe Water Crisis:Claim No.03	SALE001	SALES TALK 170 PTY LTD	580,592.11
4400/8104/11/1103/DWAF/ZEER/LEHU Lehurutshe Water Crisis)	11-10-2013	ST170/024	Lehurutshe Water Crisis:Claim no 24	SALE001	SALES TALK 170 PTY LTD	597,039.47
4400/8104/11/1103/DWAF/ZEER/LEHU Lehurutshe Water Crisis)	07-11-2013	18&19ff	Lehurutshe Water Crisis:Invoice 18 & 19	COCT001	COC TRADING	565,916.67
4400/44025/01/0102/EQUI Consultants Fees/Municipal Manager Administration)	28-03-2014	i1400022	Preparation of Audit File	MOOR001	MOORE STEPHENS	832,385.40
4400/44025/01/0102/EQUI Consultants Fees/Municipal Manager Administration)	20-06-2014	IN100001	Manage investments,access cash,reports	ICEC001	ICE CAPITAL	10,500.00
4400/44025/01/010	30-06-	NWP01	Preperation of Audit File	MOOR0	MOORE	658,560.00



2/EQUI Consultants Fees/Municipal Manager Administration)	2014		for April 2014	01	STEPHENS	
4400/44025/01/010 2/EQUI Consultants Fees/Municipal Manager Administration)	30-06-2014	NWP01	Preperation of Audit File for June 2014	MOOR001	MOORE STEPHENS	20,382.20
4400/44025/01/010 2/EQUI Consultants Fees/Municipal Manager Administration)	30-06-2014	11400052	Preperation of Audit File for June 2014	MOOR001	MOORE STEPHENS	26,414.60
4400/44054/02/020 1/EQUI Fuel and Oil Vehicles/Corporate Services Administration	06-08-2013/14/	21013/15	Service & Repairs of Petrol Pumps	HENJ001	HENJEN PETROLEUM (EDMS) BPK	4,479.50
4400/44054/02/020 1/EQUI Fuel and Oil Vehicles/Corporate Services Administration	27-01-2014	IN214094/IN21415/IN214116/IN214095	Fuel and Oil: January 2014	HENJ001	HENJEN PETROLEUM (EDMS) BPK	187,600.00
4400/44062/02/020 1/EQUI Insurance General/Corporate Services Administration	22-10-2013	201242	Premium for trucks: 2 Tipper Trucks, 1 Bre	NUWE001	NU WEST INSURANCE BROKERS (PTY) LTD	514,842.79
4400/44066/02/020 1/EQUI Job Evaluation/Corporate Services Administration)	03-04-2014	1110291876	Job Evaluation Process: Inv No. 1110291876	DELO001	DELLOITTE CONSULTING (PTY) LTD	545,956.00
4400/44069/02/020 1/EQUI Legal Expenses/Corporate Services Administration)	02-08-2013	20/07/2013	NMMDM//T.F Ramashilabele	LIZE001	LIZEL VENTER ATTORNEYS	500,000.00
4400/44069/02/020 1/EQUI Legal Expenses/Corporate Services Administration)	24-10-2013	1734	NMMDM//K.M Nchelang	NAID001	NAIDOO & ASSOCIATES INCORPORATED	189,454.00
4400/44069/02/020 1/EQUI Legal	06-02-	T DEC	Mowana	KGOM0	KGOMO MOKHETLE &	86,921.10





Expenses/Corporate Services Administration)	2014	011	Consultants//NMMDM	01	TLOU ATTORNEYS	
4400/44069/02/0201/EQUI Legal Expenses/Corporate Services Administration)	31-03-2014	16967136	Local Government Solutions	LEXI001	LEXISNEXIS BUTTERWORTHS	47,792.16
4400/44069/02/0201/EQUI Legal Expenses/Corporate Services Administration)	16-04-2014		1 Batho M&E//NMMDM	THWA001	THWANE ATTORNEYS	192,207.75
4400/44117/01/0101/EQUI Special Projects/Executive Mayor)	09-04-2014	1462	Transport to Cape Town	TAUT003	TAUTONA TOURS & SAFARIS	61,850.00
4400/44203/05/0505/EQUI Disaster Response & relief Materials/Disaster Manag	27-01-2014	NMM19122013	Tools/Equipment for Disaster	BLUR001	BLU-REACH ENTERPRISE	44,233.20
4400/44050/019/0191/EQUI External Audit Fees/Budget and Treasury Office)	22-11-2013	11400018/11400020	Preparation of Audit File: Inv 1140018/20	MOOR001	MOORE STEPHENS	1,057,700.72
4400/44055/019/0191/EQUI Grap Implementation/Budget and Treasury Office)	30-01-2014	31-10-2013	Support of BIC	TLHA008	TLHABOLLO CONSULTING AND SERVICES (PTY) LTD	9,600.00
						<b>7,864,521.35</b>

Management does not ensure that the correct procurement policies are applied

The incorrect suppliers could get the work

#### Internal control deficiency

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



### **Recommendation**

Management needs to ensure that the policy is carried out and implemented in the entire municipality

### **Management response**

No formal management comments received,

### **Auditor's conclusion**

No management comments received, finding remains and will be reported in the management report.

## **96. EX.104 - Inadequate process for design and revision of policies**

### **Audit finding**

Policies and procedures addressing the following aspects of IT were last reviewed and approved during the financial year ending 30 June 2008:

1. Backup Management;
2. IT security;
3. Password policy; and
4. Anti-Virus Policy.

Furthermore policies and procedures have not been formulated to address the following aspects of IT:

1. User Account Management;
2. Environmental Controls;
3. Data Centre Physical Access;
4. System Software Maintenance; and
5. Monitoring of Network devices.

This finding was reported during the 2011/12 and 2012/13 financial years. Management indicated that the policies identified will be reviewed and approved by January 2013.

Failure to review IT policies on defined intervals or develop IT policies and ensure that they are approved timely may lead to policies that do not address municipality's current operations and security requirements.

### **Internal control deficiency**

Leadership: Implementation of appropriate key controls (policies and procedures)

The project to compile ICT policies and procedures was postponed due to the lack of funding within the municipality.

## Recommendation

The Acting Municipal Manager should ensure that budget for developing IT policies is allocated to the department

## Management response

Agreed with the recommendation, but because of the municipality been put under administration the completion date can be put as end of June 2015. Some of these policies have already been developed. Waiting for Management and Council to adopt them

Name and surname: Richard Mogotsi

Position: Manager ICT

Date: June 2015

## Auditor's conclusion

Finding remains, will be reported in the management report.

## Heading 3

### 97. EX.94 - Fruitless and wasteful expenditure

#### Audit finding

Municipal Finances Management Act 56 of 2003

32. Unauthorised, irregular or **fruitless and wasteful expenditure**.—(1) Without limiting liability in terms of the common law or other legislation—

(c) any political office-bearer or official of a municipality who deliberately or negligently committed, made or authorised an irregular expenditure, is liable for that expenditure; or

(d) any political office-bearer or official of a municipality who deliberately or negligently made or authorised a fruitless and wasteful expenditure is liable for that expenditure.

(2) A municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure—

(b) in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.

4) The accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of—

(a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;

(b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and

(c) the steps that have been taken—

(i) to recover or rectify such expenditure; and

(ii) to prevent a recurrence of such expenditure

The following were identified as fruitless and wasteful expenditure.

Description	Amount
Consulting	9,816,888.89
Penalty interest	3,256.18
<b>Total</b>	<b>9,820 145.07</b>

These items were identified in the auditing of the expenditure section.

This could result in misstatement of the annual financial statements as well as possible non-compliance to the MFMA.

#### **Internal control deficiency**

This is due to lack of management understanding of the requirements of the MFMA with regards to the requirements and calculation of the unauthorised expenditure.

#### **Recommendation**

Management should ensure that fruitless and wasteful expenditure is firstly calculated on the correct basis according to ensure the amounts are accurate and then secondly compliance treatment of the fruitless and wasteful expenditure before condonement is done as required.

#### **Management response**

No formal management comment received.

#### **Auditor's conclusion**

No management comments received, finding remains and will be reported in the management report.

**Heading 5****98. EX.84 - Expenditure - Completeness****Audit finding**

The following supplier invoices could not be identified in the general ledger:

Date	Purchase order number	GRV	Invoice Number	Supplier	Purchase description	Amount
02-10-2013	PO003077	2855	NGAKA1013	Bakubung	Lodge, accomodation	146,032.27
04-10-2013	PO003069	2891	5	Nutri feeds	Pig food	61,842.80
06-11-2013	PO003107	3116	16866	Daintys wholesale hardware	Building materials	31,042.11
04-12-2013	PO003167	3061	IN212659	Henjen petroleum	Fuel	518,200.00
05-12-2013	PO002866	3150	9077715184	Lekurwane construction and projects	Repairs and maintenence	192,000.00
07-01-2014	PO003668	3466	8059128/8059129	Protea hotel Mafikeng	Accomodation	4,168.25
28-05-2014	PO004210	4045	984014622517	Eskom	Electricity	84,219.17
13-06-2014	PO004334	4101	147115-50/14	State security agency	Security services course	12,000.00
13-06-2014	PO004309	4159	5675	De Swart Vogel	Lawyer - consulting	31,559.00
<b>Total</b>						<b>1,081,063.60</b>

Management does not ensure that all transactions are recorded in the correct period

Expenses could be understated in the financials

**Internal control deficiency**

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

**Recommendation**

Management should ensure that all transactions are recorded in the general ledger.

**Management response**

No formal management comment received.

**Auditor's conclusion**

No management comment received, finding remains and will be reported in the management report.

**Immovable assets****99. EX.43 - Property, plant and equipment - Depreciation on additions incorrectly calculated****Audit finding**

GRAP 12 (March 2012)

*.55 The depreciable amount of an asset shall be allocated on a systematic basis over its useful life*

Depreciation on the following additions was not pro-rated during the period:

ComponentID	Additional Asset ID (VOTE)	Moveable/Immovable	Depreciation - Financial YTD	Recalculated depreciation	Difference
7347564c-cd93-4204-97f1-c23162251951	6394	Movables	1,710.89	656.23	1,054.66
8151dbdd-e5d6-4415-87a2-6b0a106b33fc	6269	Movables	477.83	354.77	123.06
24112c26-44f0-466f-8673-4b1d3fd61abc	6299	Movables	293.91	218.22	75.69
b3c28047-858c-4e85-afc4-fd87f7bf7728	6328	Movables	1,710.89	656.23	1,054.66
034 added 34-1b08-4d37-9895-89328724fc8e	6308	Movables	1,710.89	656.23	1,054.66

f7f07dd6-e590-4694-bb6b-58a83ae28f74	6327	Movables	1,710.89	656.23	1,054.66
8fd28834-9301-42a0-ba7a-273918e2e832	6302	Movables	1,710.89	656.23	1,054.66
9fdb23de-2b74-4c3d-a2f9-496512a76921	6324	Movables	1,710.89	656.23	1,054.66
abd515d6-3fb9-4486-9de5-a4279a5e2e4a	5968	Movables	996.00	905.95	90.05
5664aa81-3c99-4535-893a-731c3ba8f0be	5971	Movables	996.00	905.95	90.05
5d91dcd3-c877-4bc5-8e10-b73339798788	5969	Movables	996.00	905.95	90.05
33d5f229-177e-4684-87b3-edede0032ffed7	5970	Movables	996.00	905.95	90.05
48218cdc-fdef-4e96-86dc-1cd9f8dac247	6358	Movables	1,377.56	1,177.53	200.03

The total error for the above included in the fixed asset register is R 82 066.13

Property, plant and equipment is understated and depreciation is overstated.

#### **Internal control deficiency**

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

#### **Recommendation**

Management should ensure that depreciation is correctly calculated.

#### **Management response**

No formal management comments received.

#### **Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

**100. EX.66 - Property, plant and equipment - Fixed asset methodology incorrectly applied for immoveable assets****Audit finding**

GRAP 1 (March 2012)

21. 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 result in financial statements that achieve a fair presentation.

The deemed cost formula was incorrectly applied for the following immoveable assets:

ComponentID	Asset Sub Category	Recalculated Final DRC	DRC as per FAR	Difference
PPE-LNB-COF-HAL--BLD-ETWK BH_6	Community facilities	13,205.47	11,469.86	1,735.61
PPE-LNB-OPF-MUN--BLD-ETWK BH_1	Operational facilities	246,502.20	214,104.10	32,398.10
PPE-LNB-OPF-MUN--BLD-ETWK BH_12	Operational facilities	6,767.88	5,878.37	889.51
MCDM__AB05286.770291122_1	Roads	1,037,914.49	901,500.07	136,414.42
MCDM__AB164463.475261138_1	Roads	876,282.76	761,111.80	115,170.96
MCDM__AB27533.493851124_1	Roads	985,998.64	856,407.58	129,591.06
MCDM__AB277370.593751149_1	Roads	1,205,847.44	1,047,361.37	158,486.06
MCDM__AB399440.395451262_1	Roads	1,235,577.71	1,073,184.15	162,393.55
MCDM__AB45430.840761126_1	Roads	888,499.03	771,722.47	116,776.56
MCDM__AB55418.866681127_1	Roads	1,063,848.05	924,025.15	139,822.90
MCDM__AB725674.674673537_1	Roads	1,114,069.04	967,645.52	146,423.51
MCDM_000051356_1	Roads	1,028,933.00	893,699.03	135,233.97
MCDM_000061384_1	Roads	937,831.46	814,571.07	123,260.38
MCDM_000081353_1	Roads	932,842.17	810,237.53	122,604.63
MCDM_000121497_1	Roads	1,044,323.25	907,066.52	137,256.73





MCDM_000973219_1	Roads	999,221.19	867,892.27	131,328.91
MCDM_004611086_1	Roads	978,922.45	850,261.43	128,661.02
MCDM_0047034_1	Roads	1,226,655.73	1,065,434.80	161,220.92
MCDM_004841264_1	Roads	1,193,013.63	1,036,214.33	156,799.30
MCDM_005091758_1	Roads	1,409,191.85	1,223,979.97	185,211.88
MCDM_005361040_1	Roads	994,041.19	863,393.09	130,648.10
MCDM_005481027_1	Roads	1,042,620.08	905,587.19	137,032.88
MCDM_00550398_1	Roads	984,806.33	855,371.98	129,434.35
MCDM_00551399_1	Roads	1,216,967.75	1,057,020.13	159,947.62
MCDM_00561982_1	Roads	877,125.24	761,843.55	115,281.69
MCDM_00687983_1	Roads	1,039,160.45	902,582.27	136,578.18
MCDM_006921229_1	Roads	1,241,041.14	1,077,929.52	163,111.62
MCDM_007471045_1	Roads	949,444.60	824,657.88	124,786.71
MCDM_008311278_1	Roads	1,102,535.78	957,628.10	144,907.68
MCDM_013261230_1	Roads	1,077,267.36	935,680.74	141,586.62
MCDM_01586228_1	Roads	912,277.52	792,375.72	119,901.80
MCDM_018622094_1	Roads	892,620.99	775,302.67	117,318.31
MCDM_056304_1	Roads	1,157,526.26	1,005,391.11	152,135.15
MCDM_058681874_1	Roads	1,057,977.01	918,925.75	139,051.27
MCDM_058701101_1	Roads	887,733.99	771,057.98	116,676.01
MCDM_06377709_1	Roads	952,286.17	827,125.99	125,160.18
MCDM_064871597_1	Roads	929,318.82	807,177.26	122,141.56
MCDM_067751646_1	Roads	1,434,653.59	1,246,095.24	188,558.35
MCDM_067761647_1	Roads	929,681.86	807,492.59	122,189.27
MCDM_067801886_1	Roads	1,294,127.28	1,124,038.48	170,088.80
MCDM_069801911_1	Roads	874,410.32	759,485.45	114,924.86
MCDM_071452145_1	Roads	876,554.04	761,347.42	115,206.61
MCDM_072091712_1	Roads	1,061,033.80	921,580.78	139,453.02

MCDM__AB120242.65013571_1	Roads	39,698.16	34,480.58	5,217.58
MCDM__AB235173.967661520_1	Roads	28,461.54	24,720.80	3,740.74
			Total difference	5,556,758.96

The total extrapolated difference identified is R27 761 209

This could result in property, plant and equipment to be misstated.

### Internal control deficiency

This is due to a lack of management oversight with regards to the application of the asset valuation methodology.

### Recommendation

Management should ensure that the fixed asset methodology is correctly applied for all classes of immovable assets.

### Management response

No formal management comments received.

### Auditor's conclusion

No management comment received findings remains and will be reported in the management report.

## 101. EX.67 - Property, plant and equipment - Fixed assets selected from the floor not identified on the fixed asset register

### Audit finding

After performing the audit procedures, there were assets selected from the floor which could not be traced back to the fixed asset register.

Asset Type	Additional Asset ID (VOTE)	Office	Comments on condition
Printer	7436	J.K. Meleofane	Equipment is in a good working condition
Printer	7440	0381 (Room code)	Equipment is in a good working condition

HINO Truck (HYW 313 NW)	5874	Fire station	Vehicle is in good working condition
HINO Truck (JBH 344 NW)	6125	Guest House	Vehicle is in good working condition
HINO Truck (HZF 165)	6123	Guest House	Vehicle is in good working condition
HINO Truck (JBH 345 NW)	6126	Guest House	Vehicle is in good working condition
Motor (40kw) - S/N 05044706	25,650722	Danville Waste water treatment plant	Asset is in good working condition

The assets might be understated as there could be assets belonging to the municipality which are not appearing in the accounting records.

### Internal control deficiency

Financial and performance management

- Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information

Review and monitor compliance with applicable laws and regulations

### Recommendation

Management should take reasonable steps to ensure that the completeness of property, plant and equipment can be confirmed

### Management response

The information was submitted to the office of the auditor general 19/01/2015

Date: 03 February 2015

Person: MJ Inno

Designation: Manager: Asset and Inventory management

### Auditor's conclusion

Finding remains and will be reported for the management report.

**102. EX.68 - Property, plant and equipment - Fixed assets that could not be verified for existence****Audit finding**

After performing the audit procedures, there were assets which could not be physically verified and existence thereof could not be confirmed:

<b>Additional Asset ID (VOTE)</b>	<b>Classification</b>	<b>Asset Register Description</b>	<b>Descriptor General</b>	<b>Book value year end</b>
4886	MOTOR VEHICLES	TOYOTA LAND CRUISER	HNG 896 NW	543,949.22
5871	MOTOR VEHICLES	MOTOR GRADER 530	0	615,059.13
5659	MOTOR VEHICLES	FIRE ENGINE	HNB 099 NW	393,281.30
222	COMPUTER EQUIPMENT	GuideBook 8560w	0	6,170.46
7430	COMPUTER EQUIPMENT	LASERJET Pro 200 M251n	VNC3B1950	6,398.40
7432	COMPUTER EQUIPMENT	LASERJET Pro 200 M251n	VNC3GI5196	6,398.40
7741	COMPUTER EQUIPMENT	LASERJET Pro 200 M251n	VNC3GI5189	6,398.40
7745	COMPUTER EQUIPMENT	LASERJET Pro 200 M251n	VNC3GI5201	6,398.40
7415	COMPUTER EQUIPMENT	LASERJET Pro 200 M251n	VNC3B1934	6,398.40
4892	COMPUTER EQUIPMENT	ACER NOTEBOOK TM 5742	0	7,799.58
2191	COMPUTER EQUIPMENT	ACER NOTE BOOK TM5742	0	7,799.58
686	COMPUTER EQUIPMENT	ACER NOTE BOOK TM5742	0	7,799.58
4252	COMPUTER EQUIPMENT	Acer ravelmate5760g	NXV6MEA002222067A7600	3,663.06

3957	FURNITURE & FITTINGS	Wooden table with upper leather	0	11,989.04
2126	FURNITURE & FITTINGS	4 DRAWERS WOODEN CABINET	0	6,893.70
517	FURNITURE & FITTINGS	1 seater grey and pink couch	0	9,474.85
2493	OFFICE EQUIPMENT	Fellowes 99.ci	0	4,687.35
6588	EMERGENCY EQUIPMENT	PUMP - FLOATING - HALE FYR TR FLOTE	0	255.14
3687	OTHER ASSETS	Network Switch	0	3,872.01
6582	OTHER ASSETS	Network Switch	0	3,872.01
6061	OTHER ASSETS	24 port switch	0	3,872.01

The assets might be overstated as there could be assets included in the AFS that does not exist.

### Internal control deficiency

Financial and performance management

1. • Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information
2. • Review and monitor compliance with applicable laws and regulations

### Recommendation

Management should take reasonable steps to ensure that property, plant and equipment can be physically verified.

### Management response

Moveable assets could not be verified because there was a strike during October 2014. Management will ensure that assets will be made available.

Date: 03 February 2015

Person: MJ Inno

Designation: Manager: Asset and Inventory management

**Auditor's conclusion**

finding remains and will be reported in the management report.

**Inventory****103. EX.32 - Valuation method of inventory not in accordance with the accounting policy****Audit finding**

1)

In terms of the accounting policy, the basis of allocating cost to inventory items is the first-in, first-out method.

In terms of GRAP 12, paragraph 37, the first-in, first-out formula assumes that the items of inventory that were purchased or produced first are sold first,

and consequently the items remaining in inventory at the end of the period are those most recently purchased or produced.

2)

In terms of section 15 of the Public Audit Act no. 25 of 2004: "When performing the audit, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to—

- any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee

1)

During the audit, it was noted that the first-in, first -out cost method of assigning inventory items was not used to assign costs.

**Consumable stock**

<b>RECALCULATION</b>				
<b>Quantity</b>	<b>Unit Price per invoice</b>	<b>Amount</b>	<b>Management valuation</b>	<b>Difference</b>
180	900	162,000.00	144,000.00	(18,000.00)
234	1800	421,200.00	187,200.00	(234,000.00)
225	1300	292,500.00	180,000.00	(112,500.00)
225	900	202,500.00	180,000.00	(22,500.00)
3393	30	101,790.00	81,432.00	(20,358.00)

450	34	15,300.00	54,000.00	38,700.00
				<b>(368,658.00)</b>

**Maintenance stock****RECALCULATION**

Quantity	Unit Price per invoice	Amount	Management valuation	Difference
484.2	415.00	200,943.00	203,364.00	2,421.00
22	6,896.80	151,729.60	725,978.00	574,248.40
78	4,268.00	332,904.00	382,122.00	49,218.00
9	30,150.33	271,352.97	188,991.00	(82,361.97)
34.2	355.25	12,149.55	12,277.80	128.25
55.8	1,036.81	57,854.00	32,085.00	(25,769.00)
493.2	305.41	150,628.21	197,280.00	46,651.79
628.2	458.39	287,960.60	455,445.00	167,484.40
125	3,315.55	414,443.75	415,750.00	1,306.25
55.8	1,198.49	66,875.74	51,615.00	(15,260.74)
3.6	16,850.20	60,660.72	67,960.80	7,300.08
89	445.98	39,692.22	44,500.00	4,807.78
75	401.69	30,126.75	36,675.00	6,548.25
5.4	36,000.00	194,400.00	126,673.20	(67,726.80)
59.4	281.45	16,718.13	147,846.60	131,128.47
56	4,700.45	263,225.20	379,960.00	116,734.80
352	127.04	44,718.08	123,200.00	78,481.92
313.2	425.00	133,110.00	140,940.00	7,830.00
39.6	3,323.88	131,625.65	59,400.00	(72,225.65)
				<b>930,945.23</b>

**Extrapolation**

Population 15,864,121.00



Sample size	5,562,253.20
Total factual misstatement	562,287.23
<b>Total extrapolated misstatement</b>	<b>1,603,701.30</b>

2)

Contrary to Section 15 of the Public Audit Act no. 25 of 2004, during the audit of inventory, we were not provided with the invoice for the following inventory item:

CONSUMABLE STORES				
As per stock valuation				
No	Description	Quantity	Unit Price	Amount
5	fuel filer	549	R201.00	R110,349.00

### Extrapolation

Population	15,864,121.00
Sample size	5,562,253.20
Total factual misstatement	110,349.00
<b>Total extrapolated misstatement</b>	<b>314,726.75</b>

Exception 1

Lack of monitoring and review of the inventory listing by management.

Exception 2



Management lacks control in ensuring requested information is submitted within the specified time period.

Exception 1

The value of inventories which is R 15,864,121.00 disclosed in the financial statements might be misstated.

Exception 2

The non - submission of information may result in a limitation of scope.

**Internal control deficiency**

Financial/Performance management: Pertinent information is not identified and captured in a form and time frame to support financial and performance reporting.

**Recommendation**

Exception 1

Management should ensure that the first-in, first-out formula is applied in recording inventory received and issued.

Exception 2

Management should ensure that information is kept and submitted to the auditors within the specified timeframe when requested for audit

**Management response**

No formal management comments were received.

**Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

**104. EX.46 - Inventory - Delivery notes not signed**

**Audit finding**

As per the MFMA section 65. Expenditure management - (1) The accounting officer of the municipality is responsible for the management of the expenditure of the municipality.

(2) The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure -

(a) That the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds

1) During our audit procedures we noted that the delivery notes for the following purchases were not signed as a proof of receipt:

DELIVERY NOTE/INVOICE NO	ORDER NO	ORDER DATE	SUPPLIER NAME	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL PRICE
GRV2898	PO001984	21/05//2013	Government Printing Works	A4 white xenographic bond	3006	R 134.70	R 40428.00
GRV3558	PO003669	07/01/2014	Urban Bubblez Projects	Memory sticks 4Gig	2000	R 170.00	R 34000.00
<b>Total</b>					<b>500.00</b>	<b>304.70</b>	<b>74428.00</b>

2)The following purchases of inventory was selected and we could not obtain evidence that these purchases were signed for at receipt or payment

ORDER NO/Payment Request	ORDER DATE	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL PRICE
PO003007	27/09/2013	16x50mm Bobbin bearings	200	R 330.35	R 66,070.00
PO002042	24/01/2014	19mm moon shafts	250	R 295.00	R 73,750.00
PO002614	07/08/2013	3,7kw Complete Motor with 100mm Pully (3 phase)	4	R 10,140.00	R 40,560.00
PO003574	06/12/2013	1,5kw Pump and motor (3phase)	5	R 12,726.60	R 63,633.00
PO003574	06/12/2013	7,5kw Pump and Motor	5	R 30,532.11	R 152,660.55
PO003554	04/12/2013	20mm plastic taps	500	R 71.20	R 35,600.00
PO003554	04/12/2013	160x110mm Y junction	5	R 770.70	R 3,853.50
PO002616	07/08/2013	7,5kw Complete motor with 150mm pulley (3 phase)	2	R 18,700.00	R 37,400.00

PO003004	27/09/2013	15mm bip Tap	30	R 530.00	R 15,900.00
P0003004	27/09/2013	BP6 Mono Element	1	R 13,863.00	R 13,863.00
PO002042	24/01/2014	19mm bobbin bearings	250	R 355.00	R 88,750.00
PO002613	07/08/2013	1,5Kw control box 220v - 1phase)	5	R 985.00	R 4,925.00
PO002614	07/08/2013	18kw Complete motor with 150mm Pully (3phase)	2	R 31,200.00	R 62,400.00
PO003574	06/12/2013	3,7kw pump and motor (3phase	5	R 18,920.10	R 94,600.50
PO003004	27/09/2013	15mm PVC/Plastic taps	40	R 35.90	R 1,436.00
					<b>R 755,401.55</b>

This is due to a lack of proper internal controls when receiving inventory goods

This could result in non-compliance with the MFMA Act section 65 2(a).

#### **Internal control deficiency**

Leadership: The accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

#### **Recommendation**

Management should ensure that all delivery notes are signed as a proof of receipt of goods.

#### **Management response**

No formal management comments were received.

#### **Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

#### **105. EX.58 - Inventory - Unused part of issue voucher is not crossed out when the month has ended**

#### **Audit finding**

According to Sections 62(1)(c) of the Municipal Finance Management Act No. 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.

It was noted during the testing of issue vouchers that the issue voucher of a particular month is not crossed out when the month has passed

The municipality does not have processes in place to monitor and check if the issue vouchers are crossed out or closed after a particular month

Lack of internal control - Employees could take inventory items for their own use and record the issue on a month that has already passed and this could be overlooked by management.

### **Internal control deficiency**

Financial and performance management - Implement controls over daily and monthly processing and reconciling of transactions

### **Recommendation**

Management should ensure that every month's issue vouchers should be crossed out when the month is completed so that no issues can be recorded on the issue voucher on a month that has passed

### **Management response**

No formal management comments were received.

### **Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

### **Movable assets**

#### **106. EX.30 - Property, Plant and Equipment - Disposals not properly disclosed on fixed asset register**

#### **Audit finding**

MFMA, Section 62.

(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 prescribed norms and standards;

(c) that the municipality has and maintains effective, efficient and transparent systems—

(i) of financial and risk management and internal control; and

(ii) of internal audit operating in accordance with any prescribed norms and standards.

While performing audit procedures in determining if disposal of assets were correctly accounted for during the period it was identified that the fixed asset register for moveable assets did not indicate the assets that were disposed of as per council resolution SC 05/03/2014. Furthermore the following sample assets that were included in council resolution SC 05/03/2014 were still shown in the asset register of the municipality:

Asset no	Serial no	Sub category	Description	Condition	Carrying amount as per FAR
5093	-	Board	red board	1	R2.05
5087	-	Table	2 Shelf table	2	R20.18
5942	-	Bed	Single bed	1	R508.89
2945	-	Water dispenser	White water dispenser	2	R845.11
3195	-	Stove	White stove	1	R11.70
1263	-	Safe	Steel safe	1	R13.81
5681	-	Chair	Blue low back	1	R24.84
4963	-	Bed	Pink	1	R527.27
1413	zab7120021	Computer desktop	HP Compaq dx 2200 Microtower	1	R996.31
4590	m9c62a107991	Monitor	Black computer monitor	1	R527.27

R3,477.43

**Estimated value of the exception**

**R 229,973.99**

This will result non-compliance with disclosure requirement.

**Internal control deficiency**

This is due to lack of management oversight of the preparation of the annual financial statements.

**Recommendation**



Management should ensure proper oversight responsibilities during the preparation process of the annual financial statements.

### Management response

No formal managements comments were received.

### Auditor's conclusion

No management comment received, finding stand will be reported in the audit and management reports.

## 107. EX.40 - Property, plant and equipment - Duplicate asset ID/Serial numbers

### Audit finding

MFMA, Section 62.

(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 prescribed norms and standards;
- (c) that the municipality has and maintains effective, efficient and transparent systems—
  - (i) of financial and risk management and internal control; and
  - (ii) of internal audit operating in accordance with any prescribed norms and standards.

The following duplicate asset numbers were found in on the asset register for moveable assets:

Additional Asset ID (VOTE)	Asset Sub Category	Asset Group Type	Carrying value - closing
815	FURNITURE & FITTINGS	CHAIR	973.03
814	FURNITURE & FITTINGS	CHAIR	973.03
814	FURNITURE & FITTINGS	CHAIR	973.03
815	FURNITURE & FITTINGS	CHAIR	973.03
5613	COMPUTER EQUIPMENT	LAPTOP	6,071.20

1122	COMPUTER EQUIPMENT	LAPTOP	4,597.12
647	FURNITURE & FITTINGS	CHAIR	1,119.30
647	FURNITURE & FITTINGS	CHAIR	177.59
005613.	COMPUTER EQUIPMENT	LAPTOP	5,198.89
1122	COMPUTER EQUIPMENT	LAPTOP	4,475.35
		<b>TOTAL</b>	<b>25,531.57</b>

The following duplicate serial numbers were identified on the fixed asset register:

Room Barcode Nr	Serial/ Reg. No	Carrying value
8365e870-afe3-4b96-808f-1ffd41894815	HTG 523 NW	138,080.59
b4809458-bfc8-48c6-97f2-3e97e0abfc52	HTG 523 NW	138,107.00
475f62d5-99c8-4834-8c87-331610342647	C 20	527.27
c46ce73c-4822-47a7-b590-f64e02a11d2c	V191024GP0E	3,872.01
c46ce73c-4822-47a7-b590-f64e02a11d2c	V191024GP0E	3,872.01
8e195b41-103e-4af6-95b0-8a914052e167	C 20	827.84
9402b251-cf03-4b32-b6e6-c8adcf0b0577	101TAYV00202	1,077.79
9402b251-cf03-4b32-b6e6-c8adcf0b0577	101TAYV00202	532.98
		<b>286,897.50</b>

This will result in property, plant and equipment being overstated

#### Internal control deficiency

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

#### Recommendation

Management should ensure that asset identification numbers are not duplicated on the fixed asset register

**Management response**

No formal management comments were received.

**Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

**108. EX.64 - Property, plant and equipment - Current year depreciation incorrectly calculated****Audit finding**

GRAP 1 (2012)

21. 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 result in financial statements that achieve a fair presentation.

The depreciation charge for all moveable assets was recalculated and the following differences were noted:

	<b>Current year depreciation as per asset register</b>	<b>Recalculated depreciation</b>	<b>Difference</b>
<b><u>Other assets</u></b>			
General vehicles	5,403,704.00	3,845,118.19	- 1,558,585.81
Computer equipment	593,020.00	492,907.37	- 100,112.63
Furniture and fittings	1,228,615.00	1,223,635.42	- 4,979.58
Office equipment	135,820.00	134,460.27	- 1,359.73
Emergency equipment	10,406.00	10,405.78	- 0.22
Other	116,188.00	116,188.47	0.47
Total Difference			- 1,665,037.51

This could result in property, plant and equipment to be misstated.



**Internal control deficiency**

This is due to a lack of management oversight with regards to calculating the depreciation for the period.

**Recommendation**

Management should ensure that the correct values are used when calculating depreciation.

**Management response**

No formal management comments were received.

**Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

**109. EX.65 - Property, plant and equipment - Asset valuation methodology incorrectly applied for moveable assets****Audit finding**

GRAP 1 (March 2012)

21. 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 result in financial statements that achieve a fair presentation.

The deemed cost formula was incorrectly applied for the following moveable assets:

Additional Asset ID (VOTE)	Component Type	Recalculated cost	Cost price as per FAR	Difference
4517	MOTOR VEHICLES	456,924.31	853,772.10	396,847.79
4842	MOTOR VEHICLES	501,446.81	875,243.79	373,796.98
5657	MOTOR VEHICLES	501,446.81	875,243.79	373,796.98
4886	MOTOR VEHICLES	296,127.48	752,072.31	455,944.82

23	MOTOR VEHICLES	352,590.34	855,917.62	503,327.28
5876	MOTOR VEHICLES	1,419,519.23	1,500,144.23	80,625.00
2678	MOTOR VEHICLES	296,127.48	752,072.31	455,944.82
4523	MOTOR VEHICLES	352,590.34	855,917.62	503,327.28
4503	MOTOR VEHICLES	296,127.48	752,072.31	455,944.82
3980	MOTOR VEHICLES	352,590.34	855,917.62	503,327.28
4515	MOTOR VEHICLES	438,440.60	776,706.34	338,265.75
5871	MOTOR VEHICLES	1,419,519.23	1,500,144.23	80,625.00
6127	MOTOR VEHICLES	1,030,786.68	1,091,101.21	60,314.53
4336	MOTOR VEHICLES	615,128.38	644,723.44	29,595.06
5659	MOTOR VEHICLES	615,128.38	644,723.44	29,595.06
4175	MOTOR VEHICLES	104,288.50	184,300.00	80,011.50
4884	MOTOR VEHICLES	121,770.89	196,504.69	74,733.80
4509	MOTOR VEHICLES	381,149.84	433,741.99	52,592.15
4456	MOTOR VEHICLES	121,770.89	196,504.69	74,733.80
3	MOTOR VEHICLES	160,716.80	261,914.64	101,197.84
4287	COMPUTER EQUIPMENT	9,618.19	10,149.87	531.68
4937	COMPUTER EQUIPMENT	9,618.19	10,149.87	531.68
4997	COMPUTER EQUIPMENT	9,618.19	10,149.87	531.68
222	COMPUTER EQUIPMENT	13,516.83	15,049.91	1,533.08
4892	COMPUTER EQUIPMENT	12,116.41	12,786.19	669.78
2191	COMPUTER EQUIPMENT	12,116.41	12,786.19	669.78
686	COMPUTER EQUIPMENT	12,116.41	12,786.19	669.78
1108	COMPUTER EQUIPMENT	1,081.83	1,145.13	63.30

4389	COMPUTER EQUIPMENT	-	1,286.03	-	1,286.03
1981	COMPUTER EQUIPMENT	-	1,357.12	-	1,357.12
1968	OFFICE EQUIPMENT	7,052.18	7,684.19	-	632.00
5202	OFFICE EQUIPMENT	7,052.18	7,684.19	-	632.00
1919	OFFICE EQUIPMENT	7,052.18	7,684.19	-	632.00
2493	OFFICE EQUIPMENT	7,052.18	7,684.19	-	632.00
1719	OFFICE EQUIPMENT	7,052.18	7,684.19	-	632.00
701	OFFICE EQUIPMENT	7,052.18	7,684.19	-	632.00
194	OFFICE EQUIPMENT	7,052.18	7,684.19	-	632.00
272	OFFICE EQUIPMENT	7,052.18	7,684.19	-	632.00
3425	EMERGENCY EQUIPMENT	-	1,214.94	-	1,214.94
5696	EMERGENCY EQUIPMENT	-	1,214.94	-	1,214.94
6588	EMERGENCY EQUIPMENT	-	1,214.94	-	1,214.94
3687	OTHER ASSETS	6,015.06	6,347.56	-	332.50
4860	OTHER ASSETS	15,378.13	16,251.56	-	873.44
5228	OTHER ASSETS	26,174.36	37,836.60	-	11,662.24
6582	OTHER ASSETS	6,015.06	6,347.56	-	332.50
6061	OTHER ASSETS	6,015.06	6,347.56	-	332.50

Total difference	R5 060 913.45
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The extrapolated difference identified is R 8 304 417

This could result in property, plant and equipment to be misstated.

#### Internal control deficiency

This is due to a lack of management oversight with regards to the application of the asset valuation methodology.

#### Recommendation



Management should ensure that the fixed asset methodology is correctly applied for all classes of moveable assets.

### Management response

No formal management comments were received.

### Auditor's conclusion

No management comments were received, finding remain and will be reported in the management report.

### Operating expenditure

#### 110. EX.74 - Expenditure - Grants and subsidies

##### Audit finding

The calculated amount for the grants and subsidies that needed to be included in the annual financial statements was incorrect

Recognised to Revenue	Value	Value
<b>Opening balance of expenditure</b>	<b>R 9,191,378.26</b>	<b>R 225,461,731.28</b>
	R -	R 29,788,142.29
July	R -	R 22,091,688.86
August	R 2,126,656.32	R 61,103,134.56
September	R 1,219,126.85	R -
October	R 1,798,018.42	R 14,536,742.32
November	R 565,916.67	R 5,693,855.98
December	R -	R 64,628,018.08
January	R -	R 10,455,557.07
February	R -	R 18,819,175.50
March	R 3,481,660.00	R 11,240,364.48
April	R -	R 11,240,364.48
May	R -	R 2,245,671.56

June	R	-	R	21,710,310.33
<b>Financed by own funds</b>	R	-	R	48,091,294.23
<b>Balance of liability</b>	R	5,192,736.16	R	-
<b>Amount already recognised to revenue</b>	R	-		<u>94,200,415.30</u>
<b>Amount still needs to be recognised</b>	R	9,191,378.26	R	131,261,315.98

	R	9,191,378.36	R	258,277,578.00
	R	(0.10)	R	(32,815,846.72)
<b>AFS</b>		9,191,378.00		258,241,618.00
<b>Differences</b>	R	(0.26)	R	32,779,886.72

The total amount of expenditure is understated in the financial statements.

#### Management response

No formal management comment received

#### Auditor's conclusion

No management comments received, finding remains and will be reported in the audit and management report.

#### 111. EX.75 - Expenditure - Grant and subsidies incorrect allocation

##### Audit finding

There was a difference picked up in the amount included in the GL compared to the amount that was in the grant. The transaction is as follows:

Date	Invoice number	Description	Supplier Code	Supplier	Amount in GL	Amount in register	Difference
09-	383021683	MIG	BIGE002	BIGEN	468,543.00	476,959.41	8,416.41

06-2014		Support/Project Managemnt Unit:Acc 6		AFRICA SERVICES (PTY) LTD			
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The amount represented in the financials might be understated.

#### Internal control deficiency

#### Recommendation

Management should ensure that the transaction are recorded and reconciled correctly.

#### Management response

No formal management comment received

#### Auditor's conclusion

Finding remains, will be reported in the management report.

### 112. EX.76 - Expenditure - Grants and subsidies

#### Audit finding

The following transactions could not be found in the grants reconciliation but was in the GL under grants and subsidies.

Date	Invoice number	Description	Supplier Code	Supplier	Amount in GL
<b>4300/4325/11/1103/WSOG Operating WaterGrant-botshelo water/Water &amp; Sanita - Account used</b>					
31-10-2013	INV 1	DWA Asset Refurbishment Programme	SHAW001	SHAWENI CONSULTING ENGINEERS (PTY) LTD	839,590.00
30-08-2013	7	Claim at refurbishment of pre-2003:Inv 7	KWEN002	KWENA MOKONE TRADING CC	646,320.42
30-08-2013	6	Claim at Refurbishment of pre-2003:Inv 6	KWEN002	KWENA MOKONE TRADING CC	797,716.80

02-12-2013	8	Pre-2003 Commnty Watr Supply Schm:Cert 8	KWEN002	KWENA MOKONE TRADING CC	1,944,405.43
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Management does not ensure that the registers are updated.

The grants register is incomplete.

### Internal control deficiency

### Management response

No formal management comment received

### Auditor's conclusion

No management comment received, finding remains and will be reported in the management report.

## 113. EX.83 - Expenditure - Cut off accuracy

### Audit finding

The following invoices were accounted for in the incorrect period:

No	Date	Invoice Number	Description	Supplier Code	Supplier	Amount
1	2014-07-22	003 NMMDM	Water Material	ZTVN001	ZTV NALEDI CONSTRUCTION	1,653,384.53
2	2014-08-27		Maintenance Water Pumps	JSMU001	JS MULLER	12,000.00
3	2014-08-21	002NMMDM	Security Services for Mahikeng Game Rese	TSHI013	TSHIRELETSO PROFESSIONAL SERVICES	60,899.87
4	2014-07-16	D6325/6/7074/7782/8476/8475/0096	Water Samples Analysis	WATE001	WATERLAB (PTY) LTD	785.00

5	2014 -07- 16	D6325/6/7074/7782/8476/8475/009	Water Samples Analysis	WATE00 1	WATERLAB (PTY) LTD	3,281.00
6	2014 -07- 16	D6325/6/7074/7782/8476/8475/009	Water Samples Analysis	WATE00 1	WATERLAB (PTY) LTD	1,059.00
7	2014 -07- 16	D6325/6/7074/7782/8476/8475/009	Water Samples Analysis	WATE00 1	WATERLAB (PTY) LTD	753.00
8	2014 -07- 16	D6325/6/7074/7782/8476/8475/009	Water Samples Analysis	WATE00 1	WATERLAB (PTY) LTD	799.00
					Total	<b>1,732,961.4 0</b>

This could result in expenditure being recognised in the incorrect period.

#### Internal control deficiency

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

#### Recommendation

Management should ensure that there are proper cut-off systems in place so that this situation does not occur.

#### Management response

No formal management comments received.

#### Auditor's conclusion

No management comment received, finding remains and will be reported in the management report.

#### 114. EX.86 - Expenditure - Payments not correctly authorised

##### Audit finding

The following payments were not authorised as required by municipal policy:



No	Date	Invoice	Description	Supplier Code	Supplier	Amount in GL
1	20-09-2013	03-09-2013	Security bodyguard: Chief Whip, Mayor, Spea	SCHU001	SCHUTZSTAFFEL	214,200.00
2	20-09-2013	90274550	Ngaka Modiri Molema-SUP-EXPENDITURE	BUSI001	BUSINESS CONNEXION (PTY) LTD	8,338.00
<b>Total</b>						222,538.00

This could result in unauthorised expenditure as well as creditors being double paid.

### Internal control deficiency

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

### Recommendation

Management should ensure that all expenses are properly authorised before paying for the expense.

### Management response

No formal management comment received

### Auditor's conclusion

No management comment received, finding remains and will be reported in the management report.

## Receivables

### 115. EX.6 - Receivables - Provision for bad debts incorrect

#### Audit finding

MFMA S62. 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 prescribed norms and standards;

- 1) The reconciliation of the provision for impairment of trade and other receivables in note 7 to the financial statements, incorrectly disclose a provision for impairment of receivables and an amount

equal to the provision of R873 906 respectively. No entries have been processed for either of the transactions.

2) We have inspected the prepayment in the amount of R1 474 445 in note 7 to the financial statements and found that this specific debtor Fire and Emergency Vehicle (Pty) Ltd has been outstanding since 2012 and despite indications from the debtor that it will be settled by October 2013. The amount was still outstanding at year end and in our opinion this amount may not be recoverable and should be impaired. Receivables therefore are overstated and expenditure understated with the abovementioned amount.

Receivables overstated and expenditure understated

### **Internal control deficiency**

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

### **Recommendation**

Management should assess each individual debtor to determine whether it is recoverable

### **Management response**

- 1) Adjustment will be made to correct this.
- 2) Find attached supporting documents that explains that the amount is recoverable and cannot be regarded as impaired

Name: LS Mokoena & LH Mahole

Position: Acting Chief Financial Officer & Senior Manager: Corporate Resource Support Services

Date: 25 September 2014

### **Auditor's conclusion**

No supporting documentation received, adjustments was not allowed as it would require the section to be revisited and require additional audit work to be performed as well as adjusting for this finding will not alter the audit opinion, therefore the finding will be reported in the management report.

## **116. EX.56 - Disclosure: Receivables not disclosed correctly**

### **Audit finding**

.64	Information about the expected dates of realisation of assets and liabilities is useful in assessing the liquidity and solvency of an entity. The Standard of GRAP on Financial Instruments requires disclosure of the maturity dates of financial assets and financial liabilities. Financial assets include receivables due in the ordinary course of operations and other receivables, and financial liabilities include payables due in the ordinary course of operations and other payables. Information on the expected date of recovery and settlement of non-monetary assets and liabilities such as inventories and provisions is also useful, whether or not assets and liabilities are classified as current and non-current. For example, an entity discloses the amount of inventories that is expected to be recovered more than twelve months after the reporting date.
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1) Accounting policy not disclosed for receivables

2) Disclosure in Financial statements

	2014	2013
Other Debtors	2,165,449.00	419,363.00
	1,474,445.00	1,474,445.00
	3,639,894.00	1,893,808.00
Age analysis		
3 to 6 Months	417,979.00	419,363.00
Over 6 Months	3,222,256.00	3,222,256.00
	3,640,235.00	3,641,619.00
<b>Difference</b>	<b>(341.00)</b>	<b>(1,747,811.00)</b>

Incorrect disclosure in financial statements

#### **Internal control deficiency**

Leadership - Oversight of complete disclosure of financial statements not performed

#### **Recommendation**

Disclosures should be correctly disclosed in terms of GRAP

#### **Management response**



No formal management comments were received.

### **Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

### **Revenue**

#### **117. EX.15 - Revenue - Only net sales from water sales are recognised**

##### **Audit finding**

GRAP1.39 requires assets, liabilities, revenue and expenditure shall not be offset unless required or permitted by a standard of GRAP.

Revenue from the sale of water is disclosed at the net amount after commissions due to the vendor distributing the water have been deducted. Based on the revenue from water sales as per the statement of financial performance of R986,427, which represent 89% of the total sales as the commission of 11% are not included. The commissions paid on the sales are calculated to be R121,918. The revenue and expenditure is understated with this amount, respectively.

##### **Internal control deficiency**

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

##### **Recommendation**

Revenue to be recognised according to GRAP requirements

##### **Management response**

No management comment received.

### **Auditor's conclusion**

No management comment received; therefore the finding will be reported in the management report.

#### **118. EX.78 - Revenue: Yard connection income incorrectly classified.**

##### **Audit finding**

Money received for tender documentation of R500.00 was incorrectly classified as yard connection income.

The will result in yard connection revenue to be overstated.

**Internal control deficiency**

This is due to lack of management review with regards to revenue occurrence.

**Recommendation**

Management should ensure they review revenue classification on a daily basis.

**Management response**

No formal management comment received

**Auditor’s conclusion**

No management comment received, finding remains and will be reported in the management report.

**119. EX.87 - Revenue - Incorrect rates used for sales**

**Audit finding**

In terms of the section 63(2)(c) of the MFMA, the Accounting Officer of the Municipality has the responsibility of maintaining efficient, effective and transparent system of financial control.

The new tariffs for the year 2013/2014 were only approved on the 22 of July 2013, and distributed on the 23rd of July 2013, the effective date of the tariffs was 1 July 2013, however as the nature of most of the receipts of the municipality is that of cash, the effective date could not be applied from the 1st of July 2013 and as result incorrect rates were used for the first 22 days of the financial year. The following are examples of such incorrect rates used:

Customer's name	Invoice amount (incl Vat)	VAT	Invoice amount (excl. Vat)	Difference between GL and support	Recalculation	Difference
Caltex Garage ( Uncle Barney)	1,650.00	202.63	1,447.37	-	1,750.00	-100.00
Letlamoreng Primary School	3,300.00	405.26	2,894.74	-	3,500.00	-200.00



Management did not provide the new tariffs before the start of the new financial year to be used  
This could result in revenue being understated.

### **Internal control deficiency**

Governance - Tariff listing was not approved before the new year commenced.

### **Recommendation**

Management must ensure new rates are presented before the new year to council, in order to enable council to approve the rates before the new year commences and to able to

### **Management response**

No formal management comments received.

### **Auditor's conclusion**

No management comment, finding remains and will be reported in the management report.

## **Taxes**

### **120. EX.49 - VAT - Vat number invalid**

#### **Audit finding**

Section 20 (4) (b) of the VAT Act states that:

(4) Except as the Commissioner may otherwise allow, and subject to this section, a tax invoice (full tax invoice) shall be in the currency of the Republic and shall contain the following particulars:

(b) "the name, address and VAT registration number of the supplier ... "

The following supplier and vat number does not exist

SCHUTZSTAFFEL - VAT NR: 4330258399 is the vat number given on the invoice. to the value of R214 200 excl VAT

When the VAT number is searched , there is nothing found.

This is the result of management not conducting a VAT vendor search prior to transacting with the supplier.

This will result in VAT claimable will be overstated and the expenditure will be understated.

### **Internal control deficiency**

#### **Recommendation**

Management should do a VAT vendor search for all prospective/suppliers so as to make sure that the suppliers are indeed VAT vendors.

#### **Management response**

No formal management comments were received.

#### **Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.

### **121. EX.57 - VAT - No monthly reconciliations are done between the general ledger and the VAT 201's**

#### **Audit finding**

According to Sections 62(1)(c) of the Municipal Finance Management Act No. 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.

During the audit of VAT it was noted that there were no monthly reconciliations done between the VAT 201's and the general ledger.

The municipality does not have processes in place to monitor and check if reconciliation are performed by the relevant officials.

VAT may not be correctly accounted for in the financial statements resulting in the understatement/overstatement of VAT in the Annual financial statements.

#### **Internal control deficiency**

Financial and performance management - Implement controls over daily and monthly processing and reconciling of transactions

#### **Recommendation**

Monthly reconciliation should be done between the general ledger and VAT 201's as the financial statements are on an accrual basis and the recording of VAT is on a payment basis.

#### **Management response**

No formal response from management received

#### **Auditor's conclusion**



No management comment received, finding stand will be reported in the audit and management reports.



**ANNEXURE C: ADMINISTRATIVE MATTERS****Movable assets****122. EX.42 - Property, plant and equipment - Obsolete assets from prior year still recorded in fixed asset register****Audit finding**

MFMA, Section 62.

(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 prescribed norms and standards;
- (c) that the municipality has and maintains effective, efficient and transparent systems—
  - (i) of financial and risk management and internal control; and
  - (ii) of internal audit operating in accordance with any prescribed norms and standards.

The following assets were classified as obsolete in the prior year yet they still appear in the current year fixed asset register:

DESCRIPTION	ASSET BARCODE	ASSET SUB CATEGORY	CARRYING VALUE AS AT 30 JUNE 2014	COMMENTS
STOREROOM - (IT)	586	COMPUTER EQUIPMENT	R532.98	WATER DAMAGED GOODS
OFFICE - SB SEGOLA	1720	OFFICE EQUIPMENT	R1,723.69	BROKEN

Property, plant and equipment might be overstated.

**Internal control deficiency**

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

**Recommendation**

Management should ensure that obsolete assets are removed from the fixed asset register

**Management response**

No formal management comments were received.

**Auditor's conclusion**

No management comment received, finding stand will be reported in the audit and management reports.