

# Report of the auditor-general to the Eastern Cape Provincial Legislature and the council on the Port St Johns Municipality

## Report on the financial statements

### Introduction

1. I was engaged to audit the financial statements of the Port St Johns Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Disclaimer of opinion

4. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

## Basis for Disclaimer of opinion

### Payables from exchange transactions [EX.99](#) [EX.29](#)

5. The municipality did not maintain adequate records of outstanding payments for goods and services received but not yet paid at year end as required by SA standards of GRAP 1 *Presentation of financial statement*, and as a result did not include all outstanding amounts in the financial statements. Consequently, payables from exchange transactions as disclosed in note 10 and expenditure as disclosed in the statement of financial performance is understated by R41,87 million (2014: R13,92 million).
6. In addition, sufficient appropriate audit evidence was not available to support the amounts disclosed as payables from exchange transactions in note 10 to the financial statements. I was unable to confirm the payables from exchange transactions balance by alternative means. Consequently, I was unable to determine whether any adjustment to payables from exchange transactions of R20,9 million (2014: R19,8 million) as disclosed in note 10 of the financial statements and on the statement of financial position was necessary.

### VAT receivable [EX.121](#) [EX.139](#)

7. The municipality did not maintain adequate VAT records and daily and monthly reviews are not conducted. VAT receivable does not agree to the VAT statements of accounts from the South African Revenue Services confirmation. As a result, VAT receivable is understated by R9,37 million and the Payables from exchange transactions is understated by R9,37 million as disclosed in note 10 in the financial statements. Furthermore, the municipality attempted to correct the opening balance but processed the adjustments in the incorrect financial year. Consequently, VAT receivable opening balance is understated by R10,98 million, accumulated surplus is understated by R4,94 million, payables from exchange transactions is understated by R1,83 million, receivables from exchange transactions is overstated by R4,23 million as disclosed in the statement of change in net assets, note 6, note 10 and note 4 respectively in the financial statements.

### Property, plant and equipment [EX.105](#) [EX.79](#)

8. The municipality did not account for its PPE in accordance with SA standards of GRAP 17 *PPE* in the following circumstances:
  - The municipality did not capitalise retentions to infrastructure work in progress (WIP)
  - The municipality did not record all infrastructure WIP in the financial statements
9. Consequently, PPE as disclosed in note 9 is understated by R9,05 million (2014: R3,67 million), retentions disclosed in note 10 is understated by R4,66 million, payables from exchange transactions by R751 258, accumulated surplus as disclosed in the statement of changes in net assets is overstated by R3,67 million and depreciation is understated by R33 666 as disclosed in the statement of financial performance.
10. In addition I was unable to obtain sufficient appropriate audit evidence for the reconciling differences in the underlying records to support the amounts disclosed in the financial statements. Furthermore, adjustments made in the prior year were not

supported by sufficient appropriate information. I was unable to confirm the amount of PPE by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to property, plant and equipment of R342,6 million as disclosed in note 9 to the financial statements.

### Receivables from exchange transactions [EX.85](#)

11. The municipality did not ensure that the provision for doubtful debts policy was properly implemented as inconsistencies in the calculation of the provision was identified. Consequently, receivables from exchange transactions as disclosed in note 4 and the debt impairment disclosed in the statement of financial performance is understated by R2,3 million.

### Unspent conditional grants [EX.67](#)

12. An adequate and complete costing system for internally generated roads was not in place. As a result I could not determine if all related expenditure has been appropriately recognised as PPE and associated revenue recognised that meet the restrictions of the use of the Municipal Infrastructure Grant (MIG) funding. Consequently I was unable to determine whether any adjustment relating to unspent conditional grants, PPE infrastructure work-in-progress, government grants and subsidies, total expenditure and unauthorised expenditure stated of R29,81 million (2014: R14,17 million), R43,83 million (2014: R40,67 million), R113,73 million (2014: 111,47 million), R140,43 million (2014: R130,68 million) and R36,18 million respectively in the financial statements was necessary.

### Employee costs and Councillors remuneration [EX.47](#)

13. The municipality does not have adequate systems in place to reconcile the municipal payroll. Sufficient appropriate audit evidence was not available in support of the reconciling difference. Due to the inadequate reconciliation processes, I was unable to confirm this expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to employee related costs and councillors remuneration of R49,69 million (2014: R39,33 million) and R10 million respectively as disclosed in note 21 and 22 in the financial statements.

### Unauthorised expenditure [EX.150](#) [EX.137](#) [EX.81](#)

14. The municipality did not disclose all unauthorised expenditure incurred in contravention of the vote as required by the MFMA in the following circumstances:
  - Capital budget was overspent
  - Unspent conditional grants were not cash backed
  - Unauthorised expenditure incurred for the current year includes amounts that do not meet the definition of unauthorised expenditure
15. Consequently, unauthorised expenditure as disclosed in note 37 is understated by R21,26 million.
16. In addition, I was unable to obtain sufficient appropriate audit evidence for unauthorised expenditure, as a result of limitations on information on budget versus actual expenditure per vote. I was unable to confirm the unauthorised expenditure disclosure value by alternative means. Consequently, I was unable to determine whether any adjustment relating to unauthorised expenditure, amounting to

R36,18 million (2014: R32,46 million), disclosed in note 37 to the financial statements was necessary.

### Irregular expenditure [EX.154](#)

17. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for all irregular expenditure relating to prior years. Due to a lack of systems to identify contraventions of the supply chain management (SCM) requirements it was impracticable to confirm the full extent of irregular expenditure relating to prior years. Consequently, I was unable to determine whether any adjustment to the opening balance and resulting closing balance of irregular expenditure stated at R63,55 million (2014: R33,05 million) in note 39 to the financial statements was necessary.

### Cash flow statement [EX.142](#)

18. Sufficient appropriate audit evidence was not available for cash receipts and payments as disclosed in the cash flow statement, and for reconciling items included as other non-cash items in note 30 - cash generated from operations. I was unable to confirm the current and prior year disclosures by alternative means. Consequently I was unable to determine whether any adjustments to the cash flow disclosures were necessary.

### Statement of comparison of budget and actual amounts

#### [EX.141](#)


19. The municipality did not disclose the Statement of comparison of budget and actual amounts in terms of SA standards of GRAP 24 *Presentation of budget information in financial statements* in the following circumstances:







- The final adjusted budget was disclosed under both the approved and final adjusted budget columns
- The non-cash line items were omitted from the expenditure disclosure in the statement.
- It's disclosed that the budget is on a cash basis. However the comparable actual amounts are disclosed on an accrual basis. No reconciliation between these two basis has been presented.

20. I was unable to confirm the correct disclosure by alternative means. Consequently, I was unable to determine whether any adjustment relating to the statement of comparison of budget and actual amounts disclosed in the financial statements was necessary.

### Aggregation of immaterial uncorrected misstatements

21. The financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up and as disclosed on the statement of financial performance and position:

- Revenue from non-exchange is understated by R 565 386 (2014: understated by R134 098)  [EX.40](#)

- Revenue from exchange is overstated by R209 423 (2014: overstated by R195 346)  
 [EX.40](#)
  - Employee cost is understated by R76 642  [EX.102](#)
  - Depreciation is overstated by R419 676
  - Expenditure is overstated by R249 180 (2014: R333 362)  [EX.29](#)
  - Debt impairment (2014: understated by R31 458)
  - Current Assets is understated by R1 161 699 (2014: overstated by R31 458)  
 [EX.40](#)     [EX.29](#)
  - Current liabilities understated by R 76 642 (2014: understated by R405 312)  
 [EX.102](#)
  - Non current assets understated by R419 676
  - Non current liabilities understated by R1,228 million (2014: understated by R2,13 million)
22. I was unable to obtain sufficient appropriate audit evidence regarding the following items included in the statement of financial position and the statement of financial performance, which had a cumulative effect on the financial statements:
- Revenue from exchange R155 000 (2014: R18 126)
  - Current liabilities R263 988
  - Non-current assets R 667 004
  - Non-current liabilities R1,95 million
23. Consequently, I was unable to determine whether any further adjustment to these items was necessary.

## Emphasis of matters

24. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## Fruitless and wasteful expenditure

25. As disclosed in note 38 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R1,5 million (2014:R8.9 million) due to interest on overdue accounts and penalties for the late submission and payment of statutory returns and taxes.

## Restatement of corresponding figures

26. As disclosed in note 41 to the financial statements, the corresponding figures for 30 June 2014 have been restated as a result of an error discovered during 2015 in the financial statements of the municipality at, and for the year ended, 30 June 2014.

## Additional matter

27. I draw attention to the matter below. My opinion is not modified in respect of this matter.

## Unaudited supplementary information

28. The supplementary information, appropriation statement set out on pages XX to XX which is not required to be a part of the financial statements, is presented as additional information. I have not audited this statement, accordingly, I do not express an opinion thereon.

## Report on other legal and regulatory requirements

29. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected development objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## Predetermined objectives

30. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development objectives presented in the annual performance report of the municipality for the year ended 30 June 2015:
- Development objective 2: Infrastructure Service Delivery on pages x to x
  - Development objective 6: Community Development & Services on pages x to x
31. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
32. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
33. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
34. The material findings in respect of the selected development objectives are as follows:

## Infrastructure Service Delivery

### Usefulness of reported performance information

35. Section 41(c) of the Municipal Systems Act (MSA) requires the integrated development plan (IDP) to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting

documents. A total of 46% of the reported targets were not consistent with those in the approved IDP. This was due to inappropriate systems in place for proper reporting.

36. Section 25(2) of the MSA determines that an IDP adopted by a municipal council may be amended in accordance with the process as prescribed per section 34 of the MSA, 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 development priorities, indicators and targets in the annual performance report, without following the process as prescribed in section 34 of the MFMA and/or without adoption by the municipal council. This was due to insufficient in year monitoring of the annual performance plan.
37. Performance targets should be specific in clearly identifying the nature and required level of performance as required by the FMPPI. A total of 36% of the targets were not specific.
38. Performance targets should be measurable as required by the FMPPI. We could not measure the required performance for 36% of the targets.
39. The period or deadline for delivery of targets should be specified as required by the FMPPI. A total of 39% of the targets were not time bound.
40. Performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use, as required by the FMPPI. A total of 21% of the indicators were not well defined.
41. The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. A total of 21% of the indicators were not verifiable.
42. This is as a result of lack of training by the relevant officials in the requirements of the FMPPI and due to a lack of proper systems and processes and technical indicator descriptions.
43. The FMPPI requires indicators to relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives. A total of 38% of the indicators did not relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives as per the three-year integrated development. This was because proper performance planning and management practices had not been developed and implemented to provide for the development of performance indicators and targets included in the annual performance that logically and directly address the municipalities mandate.

## Reliability of reported performance information

44. 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, the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures.

## Community Development and Services

### Usefulness of reported performance information

45. Section 41(c) of the Municipal Systems Act requires the IDP to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 22% of the reported targets were not consistent with those in the approved IDP. This was due to inappropriate systems in place for proper reporting.
46. Section 25(2) of the MSA determines that an IDP adopted by a municipal council may be amended in accordance with the process as prescribed per section 34 of the MSA, 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 development priorities, indicators and targets in the annual performance report, without following the process as prescribed in section 34 of the MFMA and/or without adoption by the municipal council. This was due to insufficient in year monitoring of the annual performance plan.
47. Performance targets should be specific in clearly identifying the nature and required level of performance as required by the FMPPI. A total of 21% of the targets were not specific.
48. Performance targets should be measurable as required by the FMPPI. We could not measure the required performance for 21% of the targets.
49. This was not trained in the requirements of the FMPPI due to a lack of proper systems and processes and technical indicator descriptions.

### Reliability of reported performance information

50. 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, the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures.

### Additional matter

51. I draw attention to the following matter:

### Achievement of planned targets

52. Refer to the annual performance report on page(s) x to x and x to x for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected development objectives reported in paragraphs 35 to 48 of this report.



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## **Compliance with legislation**

53. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

### **Annual report and annual financial statements**

54. 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 of non-current assets, current assets, liabilities, revenue, expenditure, and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a disclaimer audit opinion.

### **Revenue management**

55. A credit control and debt collection policy was not maintained and implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of MFMA.

56. Sufficient appropriate audit evidence could not be obtained that a policy was adopted for the levying of rates on rateable property within the municipality, as required by section 3(1) of the Property Rates Act and section 62(1)(f)(ii) of MFMA.

### **Expenditure management**

57. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

58. Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure or fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

### **Liability management**

59. 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.

60. 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.

### **Audit committee**

61. The audit committee did not make recommendations to the council, as required by Municipal planning and performance management regulation (MPPMR) 14(4)(a)(ii).

62. The audit committee did not review all the quarterly internal audit reports on performance measurement, as required by MPPMR 14(4)(a)(i).

63. The audit committee did not advise the council on matters relating to compliance with legislation, as required by section 166(2)(a)(vii) of the MFMA.

64. The audit committee did not advise the council on matters relating to internal financial control and internal audits, risk management, accounting policies, effective governance, performance management or performance evaluation as required by section 166(2)(a) of the MFMA.
65. The audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by MPPMR 14(4)(a)(iii).

### **Asset management**

66. 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.
67. 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.
68. The municipality did not establish an investment policy that was adopted by council, as required by section 13(2) of the MFMA and Municipal investment regulation 3(1)(a).
69. Sufficient appropriate audit evidence could not be obtained that all investments were made in accordance with the requirements of the investment policy, as there is no investment policy, as required by Municipal investment regulation 3(3).

### **Consequence management**

70. Unauthorised, Irregular, Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.

### **Conditional grant**

71. The MIG allocation was not spent in accordance with the applicable grant framework, in contravention of section 17(1) of the DoRA.

### **Human resource management**

72. The competencies of the senior managers were not assessed in a timely manner in order to identify and address gaps in competency levels as required by Municipal Regulations on Minimum Competency Levels 13.
73. 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 Municipal Regulations on Minimum Competency Levels 14(2)(a).

### **Procurement compliance**

74. Contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of SCM Regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations.
75. Contracts were awarded to bidders based on preference points that were not allocated and in accordance with the requirements of the Preferential Procurement Policy Framework Act (PPPFA) and its regulations.
76. Contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of PPPFA.

77. Contracts were modified without tabling the reasons for the proposed amendment in the council of the municipality, as required by section 116(3) of the MFMA.
78. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
79. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.

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

80. Measurable performance targets for the financial year were not set in the IDP, for each of the key performance indicators and with regard to each of the development priorities or objectives, as required by section 41(1)(b) of the MSA and the Municipal planning and performance management regulations (MPPMR)12(1) and 12(2)(e).
81. The performance of Port St Johns Development Agency against the agreed performance objectives and indicators was not monitored and annually reviewed, as part of the annual budget process, as required by section 93B(b) and 93C(a)(v) of the MSA.
82. Sufficient appropriate audit evidence could not be obtained that the municipality did not give effect to its IDP and conduct its affairs in a manner which was consistent with its integrated development plan, as required by section 36 of the MSA, section 21(2)(a) of the MFMA and MPPMR6.
83. Sufficient appropriate audit evidence could not be obtained that the IDP was not annually reviewed or adopted by the council based on the assessment of its performance measurements, as required by section 34 of the MSA and MPPMR 3 and 11.
84. Sufficient appropriate audit evidence could not be obtained that the municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA.
85. Sufficient appropriate audit evidence could not be obtained that annual performance objectives and indicators were not established by agreement with the Port St Johns Development Agency or included in the municipal entity's multi-year business plan, as required by section 93B(a) of the MSA.
86. Sufficient appropriate audit evidence could not be obtained that revisions to the service delivery and budget implementation plan were not approved by the council after the approval of the adjustments budget, as required by section 54(1)(c) of the MFMA.
87. Sufficient appropriate audit evidence could not be obtained that the performance management system and related controls were not in place 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, including determining the roles of the different role-players, as required by sections 38 of the MSA and regulation 7 of the MPPMR.

### **Internal Audit**

88. The internal audit unit did not advise the accounting officer or report to the audit committee on matters relating to compliance with the MFMA, the DoRA and other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.
89. The internal audit unit did not function as required by section 165(2) of the MFMA, in that it did not advise the accounting officer or report to the audit committee on matters relating to internal audit, internal controls, accounting procedures and practices and loss control.

## **Internal control**

90. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for disclaimer of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

## **Leadership**

91. The prolonged vacancies in key leadership positions have resulted in instability of leadership. This has also resulted in the undermining of the accountability of management relating to financial and performance reporting as well as compliance with laws and regulations.
92. The leadership was not able to implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored and where necessary consequence management is applied. This contributed to the material misstatements identified in the financial statements as a whole and the findings on the predetermined objectives.
93. The information technology (IT) governance framework has not been implemented.
94. In addition, the municipalities audit action plan did not address all internal and external audit findings. This plan was not implemented or monitored throughout the year resulting in numerous internal control deficiencies re-occurring.

## **Financial and performance management**

95. The municipality did not perform daily and monthly processing and reconciling of transactions throughout the financial year. As a result, the municipality was unable to produce credible and reliable financial statements and performance reports.
96. The municipality did not have a proper record management system in place to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting. This resulted in various amounts disclosed in the financial statements not being supported by the relevant accounting records.
97. There are no processes in place to monitor compliance with all applicable laws and regulations within the municipality. As a result non-compliance with applicable laws and regulations is not effectively identified or prevented and municipal officials are not held accountable for any transgression in respect of this.

98. The municipality did not have sufficient capacity to ensure IT controls are designed appropriately, implemented and embedded in IT systems and processes. As a result the security, user access management as well as the IT service continuity is not being monitored or managed

## Governance

99. The municipality does not have adequate risk management processes in place. As a result there are no processes in place to identify and manage all risks to which the municipality is exposed to. In addition, mitigating controls were not set in place for risks that were identified. Consequently, a number of control deficiencies were identified during the audit that were similar to that of the prior year in respect of financial and performance management and compliance with laws and regulations.

100. Internal audit was not effective in their review of internal controls and compliance with laws and regulations as the audit action plan was not completely implemented.

101. As a result of the impaired functioning of the internal audit function, the audit committee could not effectively evaluate and monitor responses to risks and provide effective oversight in respect of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

East London

30 November 2015



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*