**XHARIEP DICTRICT MUNICIPALITY**

**ACTION PLAN:**

**AUDIT REPORT 30 JUNE 2015**

| **Page. no.** | **Finding** | **Detailed Audit Finding** |
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| **Proposed remedial action** | **Responsible person** | **Deadline Date** | **Root Causes** |

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| **ANNEXURE A: Matters affecting the auditor’s report** | | | | | | | | | | |
| **13 - 14** | Co.19-Cash flow statement: incorrect amounts disclosed(Ex.65) | | 1.During the audit, it was noted that management disclosed the following amounts in note 26. These transactions are not cash flow related transactions  2.The movements of the following transactions disclosed in note 26 could not be identified or traced in the Statement of Financial Position.  3.The movement of the previous year Provision (2014) as disclosed in note 26 is understated. | | | The Interim Financial Statements and the Annual Financial Statements will presented to the AGSA and the Provincial Treasury Task Team timeously prior to commencement of the 2015/16 Audit. | Chief Financial Officer | 31 March 2016  29 July 2016 | | The matter occurred due to lack of proper review of the Financial Statements. |
| **15 – 16** | Co.1- Employment performance management system (EX.1) | | No system has been put in place to measure the performance of non-section 56 employees. This shortcoming was also communicated during 2013/14 in Communication no 2 (Ex 9) and management response was that although a policy on the assessment of lower level employees has been developed it could not be implemented due to budget constraints. | | | The Municipality is still under financial constraints to be able to implement the assessment on the performance of non-section 56 employees.  Management will submit a report to council to request council to place the policy of the assessment on lower level employees on a moratorium.  The HR Manager will perform a benchmark analysis with other Municipalities within the Free State to establish their system in place for implementation of the Performance Management Systems for all employees. | Municipal Manager  Manager: Human Resources | 29 January 2016  29 January 2016 | | The matters occurred due to the following:  (a)  Controls are not implemented to ensure that performance agreements and assessments are done for non-section 56 employees.  (b)  A performance management system (PMS) was not established that includes non –section 56 employees. |
| **17-18** | Co.9 – Non-compliance: Audit Committee (EX.9) | | During the assessment of the audit committee, the following non-compliance relating to the audit committee was identified for the 2014/15 financial year:  (a)  No proof could be obtained that the audit committee performed the following:  assessed the effectiveness of the internal audit  (b) No proof could be obtained that all quarterly reports were submitted by the audit committee to the council as required by the terms of reference of the audit committee.  (c) No proof could be obtained that the council assessed the effectiveness of the audit committee. | | | 3rd and 4th quarter Internal Audit reports were tabled to the audit committee on the 29th November 2015, Subsequently 3rd and 4th Quarter Audit Committee reports have been prepared for Council and will be tabled to council, during its ordinary council meeting scheduled to be held on the 26th January 2016.  The Compliance Evaluation Matrix of the Audit Committee will be reviewed and subsequently tabled to Council for adoption, after which the assessment can be conducted by Council. | Audit Committee  Internal Audit  Council | 30 January 2016  30 March 2016  30 June 2016 | | Non- functional Internal Audit activity – due to the suspension of the Internal Audit Staff |
| **19 – 20** | Co.47 – Internal Audit: quarterly reports not submitted (EX.115) | | The internal audit unit did not advise the accounting officer and/or report to the audit committee on matters relating to compliance with the Municipal Finance Management Act, the Division of Revenue Act and other applicable legislation, as required by section 165(2)(b)(vii) of the Municipal Finance Management Act. Due to the following:  a) Chief Audit Executive was suspended during the year and the third and fourth quarterly reports were not tabled to audit committee. | | | Internal Audit reports were tabled to Audit Committee as per Section 165(2)(b)(vii) of the MFMA on the 30th November 2015. | Manager Internal Audit (Acting) | 30 November 2015 | | The suspension of the Chief Audit Executive, and the third and fourth quarterly reports that were not tabled to the audit committee. |
| **21 - 22** | Co.28 – Unauthorised, irregular, fruitless and wasteful expenditure: No section 32 committee set (EX.79) | | The municipality did not set up a section 32 committee to investigate and take corrective measures against unauthorised, irregular and fruitless and wasteful expenditure identified for the 2013/14 and 2014/15 financial year. | | | Management will ensure the section 32 committee is appointed as prescribed or recommended.  Investigation of unauthorised, irregular, fruitless and wasteful expenditure incurred will commence effectively after appointment of the section 32 committee | Municipal Manager | Appointment: 26 February 2016  Investigation: 27 May 2016 | | This is due to the municipality not placing accountability on officials, the composition of the section 32 committee was not established properly . |
| **23- 24** | Co.27 – Procurement and Contract Management: No approval of extension of contracts (EX.50) | | Contracts were extended to a month to month contract - without the approval of the accounting officer. | | | Management shall ensure that any extension to a contract is reported to the council and approved by the Accounting Officer. Contract extension will only be valid for a period no longer than three (3) months to ensure that competitive bidding is not prohibited. | Manager: Supply Chain | On going | | The municipality did not follow competitive bidding process on contracts coming to an end. |
| **25 - 27** | Co.39 – Procurement and Contract Management: No declaration of interest identified. (Ex.56) | | 1. No declaration of interest was identified for the following supplier;  2. No declaration of interest was identified for the following suppliers whom are in service of the state. | | | Management shall ensure that prior to awarding, all awards between R10 000.00 and R30 000.00 are accompanied by signed declaration of interests by suppliers  All payment vouchers above R10 000.00 will be accompanied by declaration of interest by supplier | Manager: Supply Chain | On going | | This is due to the municipality not ensuring that all suppliers registered on the data base is accompanied with a declaration of interest. |
| **28** | Co.35 – Procurement and Contract Management: Njunga Construction and projects tender irregular (EX 62) | | The project for the Cleaning and Greening of Cemeteries for Kopanong and Letsemeng Local Municipality awarded to Njunga Contructions was disqualified by the bid evaluation committee due to accounts for the municipal rates and taxes and municipal service charges was not submitted on their bid documents.  The bid adjudication committee indicated that the bid evaluation committee's reason for disqualifying the contractors was invalid. However, upon inspection of the bid documents, no municipal accounts was submitted by supplier. | | | The Adjudication Committee shall ensure that it adheres to the SCM policy in instances where it disagrees with the Evaluation Committee recommendations. | Chief Financial Officer  Chairperson of the Bid Adjudication Committee | On going | | The matter occurred due to the bid adjudication committee not validating the bid documentations before concluding on their statement. |
| **29 - 30** | Co.39 – Procurement and contact management: Month to month contracts prohibits competitive bidding (EX.77) | | Contracts were on a month to month basis and thus prohibits competitive bidding. The payment were however reported as irregular expenditure. | | | Both Digicoms and Multitech went through a competitive bidding process. As for O2 Information Technology (i.e. Website Maintenance) the municipality has moved to the Province for such a service.  Management will ensure that all service contracts coming to an end will be taken through competitive bidding three months prior to expiry of current service contracts. | Municipal Manager  Chief Financial Officer  Manager: Supply Chain | On going | | This is due to slow response by management to prior year findings. |
| **31-32** | Co.39- Procurement and contract management: No deviations letter attached and no 3 quotations (EX.78) | | 1. The following transactions did not have 3 quotations nor did it have a deviation memo.  2.The following transactions did not have 3 quotations, although a deviation letter was attached, the reason was not justifiable as the render of the service for occupational health and safely is not only rendered by one service provider. | | | Management shall ensure that in instances where there are proper and relevant supporting documents, deviations approved by the Accounting Officer are attached  The SCM checklist will be effectively implemented and reviewed prior payment is processed. | Manager: Supply Chain and Expenditure | On going | | The cause of the above is that the SCM unit did not ensure that all payments had 3 quotations attached. |
| **33-37** | Co.45 – Njunga construction (EX.106) | | The following sequence of events and/or deficiencies were identified for the following payment:  Transaction no 38427: Payment of R450 000 dated 9 September 2014 for Njunga Construction & Project  (a) According to an appointment letter Njunga Construction and Projects was appointed on 1 September 2015 for the cleaning of cemeteries at Kopanong and Letsemeng Local Municipalities. (Annexure A)  (b) A Service Level agreement between the Accounting Officer of Xhariep District Municipality and the service provider, Njunga Construction and Projects was signed on 5 September 2015. (Annexure B)  (c) The service provider was appointed on conditions and delivery of specific time frame as indicated below:   Cleaning and greening of cemeteries at Letsemeng and Kopanong Local Municipalities at a total amount of R450 000    The agreement been effective from date of signature by both parties and shall cease to exist once the contract period is furnished and the service provider having submitted a report regarding completion of the project     This project shall run for a period of two months, effective from the 1st of September 2014 to the 31st of October 2014    The municipality is obliged to make payment of the relevant amount referred to in this agreement for the abovementioned service, subject to the condition that the municipality receives the applicable invoice from the service provider, and   That each invoice is supported by a proof from the user department that the service has been rendered by the service provider (preferably the Project Manager)    All reporting/challenges shall be addressed to the Municipal Manager or designated official(s) and should be done on a regular basis or as agreed between the parties to this agreement    The Municipal Manager or his delegate shall act as the Project Officer, for control over this project, and to provide the service provider with ad hoc instructions and all supportive documentation/information as may be needed by the service provider to secure and execute the proposal and project and to act as a communication between the parties  The following inconsistencies were however identified with the evaluation and payment process of this supplier:  (d) The detail of Invoice No 0036, dated 3 September 2014 to an amount of R450 000 were also not accurate as the quantity and unit price did not reconcile with the total amount.  (e) A memo, dated 5 September 2014, was sent from Mr Mopedi Mohale (as acting Municipal Manager) to Mr Levy Mashiane (CFO) where Mr Mohale decided that payments to Njunga Construction and Project Management should be made in advance for this project. (Annexure D)  There was in fact no motivation and reasons indicated by Mr M Mohale to pay this supplier in advance.  (f) A Performance assessment of Njunga Construction and Project was finally approved by Mr M Mohale on 9 September 2014 with an indication that the performance rating of Njunga Construction and Project was acceptable and a performance comment that the service was good. (Annexure E) | | | The Municipal Manager will report the matter to:   * Executive Mayor * Section 32 Council Committee * MEC for Local Government * South African Police Service | Municipal Manager | 29 January 2016 | | The cause of the above is that management did not exercise oversight responsibility by overriding internal controls.  There is also a possible collusion that exists between management and suppliers that resulted in payments being made for services not delivered. |
|  |  | | g) Payment voucher no 38427, for R450 000 was certified and finally approved by the accounting officer, Mr MM Kubeka on 9 September 2014.  This payment voucher is certified that all the undermentioned requirements are met:(Annexure F)     The service was delivered     The prices are fair and reasonable   The amount has not been settled     All accounts have been calculated and is correct    The amount due and payable     All expenses has been budgeted for in the current year  (h) According to the audit trail report, Njunga Construction and Project was fully paid an amount of R450 000 on 9 September 2014. (Annexure G)  (i) During the audit it could not be confirmed that the cleaning of cemeteries at Kopanong and Letsemeng Local Municipalities was actually delivered by Njunga Construction and Project as indicated below:   The  manager of the Expanded Public Works Programme (EPWP) of Xhariep District Municipality indicated that she is responsible for managing the contact workers for the cleaning of towns and cemeteries. She also stated that there was no external service provider responsible for this cleaning and that the municipality used their conditional grant (EPWP) for this purpose.     According to confirmation from Kopanong and Letsemeng Local Municipality, this service of the cleaning of cemeteries by Njunga Construction and Project were not delivered at respective municipalities (no evidence exist that the services was done).   The council minutes and the execution list (summary of resolutions of council minutes) of Xhariep District Municipality were also verified/inspected and it was noted that there were no assessment submitted to Council that this service of the cleaning of cemeteries was actually delivered.   The council minutes of Kopanong and Lestsemeng Local Municipalities were also verified and there were also no assessment or any acknowledgement of the cleaning of cemeteries apparently by Njunga Construction and Project.  (j) The following inconsistencies as indicated below were also identified with Njunga Construction and Project:     According to a search done on Companies and Intellectual Property Commission (CIPC) it was noted that Mr RM Taka is the Director of Njunga Construction & Project as well as for O2 Information Technology. O2 Information Technology was responsible to maintain the municipal website for Xhariep District Municipality and an amount of R226 258 has already been paid by the municipality for this service.    Njunga Construction & Project was also been paid an amount of R195 000 during the 2013/14 financial year as indicated in Communication no 6 of 2014 for apparently a mayoral imbezo. This service was also not delivered by this supplier. | | |  |  |  | |  |
| **38-39** | Co.18- Property, plant and equipment- Valuation of assets could not be confirmed. (EX.51) | | During the audit of property, plant and equipment the valuation of the assets could not be confirmed due to the following:  1.  The following assets were grouped together (security systems, air conditioners and blade servers) and recorded as such on the asset register. During inspection of the assets, it was noted that the assets are of different sizes and models. We therefore could not verify the valuation of these assets because there is no indication when these assets were brought to use or procured. Furthermore it was noted that management maintained the sub-list of these assets, but the list does not include the cost price, the date the assets was purchased.  2.  There were assets on the asset register which were components of other assets that were being depreciated separately, the basis of allocating cost to those assets was questionable. For example some laptops batteries and laptop bags were recorded separately on the asset register with a value.  3. The depreciation of assets could not be confirmed due to the following  (i)  Assets were being depreciated over useful lives which were not according to the municipality fixed assets policy  (ii) The reasonability of useful lives of other assets was questionable, e.g. speakers had a useful life of 65 years.  (iii) Assets in the same class were being depreciated over different useful lives, which was not in accordance to the accounting policy. | | | Management will use the 2014/15 Audited Asset Register as a base for consistency.  Management will prepare the asset register as per requirements of GRAP17, Directive 7 and according to the municipality fixed asset policy and correct the financial statements as such. | Chief Financial Officer  Manager: Budget and Asset | On-going until 30 June 2016 | | This was due to management focus on the asset register for existence (barcodes) to clear prior year audit report matter and then neglected the valuation thereof. |
| **40 - 42** | Co.23- Expenditure: Payment made later than 30 days after receipt of invoice (EX. 37) | | Payments were not paid within 30 days. | | | Payments will be made within 30days after receipt of invoice when the municipal financial position permits. | Municipal Manager  Chief Financial Officer | On going | | This is due to cash constrains faced by the municipality. |
| **43** | Co.47 – Irregular expenditure- non compliance (EX.59) | | It was noted that reasonable steps were not taken to prevent irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the Municipal Finance Management Act due to the following:  The municipality incurred irregular (R4 418 427) and fruitless & wasteful expenditure (R296 066) during the current year. | | | Management shall ensure that all internal controls in place, as well as policies and procedures, are adhered to at all times in order to minimize the incurring of such expenditure. | Chief Financial Officer | On going | | Lack of internal controls to detect and prevent  irregular and fruitless expenditure. |
| **44-45** | Co.38- Payables- Balances as per AFS does not agree with accrual listing. (EX.41) | | The amount as per the age analysis provided by the auditee does not agree to Other creditors amount disclosed in financial statements (Note 12). | | | The matter will be corrected going forward and will be disclosed properly in the Interim Financial Statements  Proper monthly creditors reconciliations will be performed and reviewed. | Manager: Expenditure and Payroll  Manager: Revenue, Reporting and Compliance | 29 February 2016 | | Management did not adequately review amount disclosed in the financial statements against supporting documentation to ensure accuracy of the amount recorded in the financial statements. |
| **46-48** | Co.34- FMG 4th quarter report /annual performance report (EX.81) | | Contrary to the above, the following non-compliance was identified:  a) No financial information was indicated on the 4th quarterly report/annual performance report submitted to Treasury.  b) The following deficiency was identified between the FMG activities support plan and the 4th quarter report.  An amount of R 75 000 (included in the R 1 250 000) was budgeted for training on Pastel, VIP and Caseware, the whole budget of R 1 250 000 was spent, but on the 4th quarter report it was indicated that this activity was not applicable. | | | Management will ensure that:  (a) the requirements of DORA are met when submitting reports to Treasury; and  (b) the information on the support plan submitted to treasury agrees to the annual performance report | Manager: Revenue, Reporting and Compliance | On-going | | The cause of the above is due to:  (a) Responsible official submitted the performance report based on a respond from Treasury in 2013  (b) Changes was made in the Support Plan and management did not ensure approval by Treasury. |
| **49-51** | Co. 34- Payables- Creditors which are not paid within 30 days (EX.102) | | During testing of the payables age analysis it was identified that the Municipality did not pay all Creditors within 30 days. | | | Creditors will be made within 30days after receipt of invoice when the municipal financial position permits and all the require information has been received from the suppliers. | Municipal Manager  Chief Financial Officer  Manager: Expenditure and Payroll | On-going | | This is due to the fact that the Municipality is experiencing cash flow challenges. |
| **52** | Co.46- Trade payables- Follow up on prior year Ex.14 of- opening balance limitation (EX.114) | | No supporting documentation could be provided for the opening balance of R490 344 as per prior year Ex. 14. | | | Management will investigate the matter and the results thereof will be availed to auditors as recommended.  The municipality will perform a creditors verification to confirm the validity and existence of all creditors.  Furthermore the travelling allowance policy will be reviewed for alignment with the current structure applied in the implementation of travelling allowance. | Manager: Expenditure and Payroll  Manager: Revenue, Reporting and Compliance | 29 February 2016 | | This is due to limitation is from 3 years ago and management does not know how to clear the matter. Furthermore, management did not keep a proper accrual list with all the trade creditors name that we owe money to and reconciliations were performed for compliance purpose. The completeness and accuracy of the accrual list was not verified. |
| **53-54** | Co.32- Receivables- Interest understated (EX.98) | | 1.During the testing of the account receivables there were differences in interest calculated by management and the auditor's recalculation (prime plus 2%) for Kopanong account.  2. There was no interested that was calculated for the certain trade debtor | | | 1. Management will ensure that interest is re-calculated retrospectively.  2. Management will review all trade debtors account to ensure that interest is charged on outstanding invoices. | Manager: Revenue, Reporting and Compliance | 29 February 2016 | | This was due to no review was performed by management on the individuals interest calculation. |
| **55-56** | Co. 32- Receivables- Sundry debtors not complete (EX.100) | | During the testing of the completeness of sundry debtors the following debtors could not be traced to the sundry debtors account. | | | Management will scrutinize the payroll run to ensure that all deductions that qualify as debt from the payroll input are clearly recorded as debtors.  Management will keep a debtors list for sundry debtors and agree the list to the general ledger on a monthly basis. | Manager: Revenue, Reporting and Compliance | 29 February 2016 | | This was due to when debt is realised, the corporate service department did not communicate with the finance department to raise the debt. |
| **57** | Co.40- Receivable – Debtors not raised (EX.105) | | During the testing of the sundry debtors it was noted that there were debt repayments that were made by employees but no debt was raised. | | | Management will ensure that all employees of the municipality who are owing the municipality be raised as individual debtors and ensure that the repayments from debtors must be recorded and accounted properly.  Management will perform monthly reconciliations on all individual debtors | Manager: Revenue, Reporting and Compliance | 29 February 2016  On-going | | This was due to when debt is realised, the corporate service department did not communicate with the finance department to raise the debt. Furthermore, no sundry debt register was maintained to reconcile the debts and hence the matter was not identified. |
| **ANNEXURE B: Other Important Matters** | | | | | | | | | | |
| **59-60** | | Co.4 – Control Environment – Approved policies and procedures not in place (EX,3) | (a) During the planning of the audit, while obtaining an understanding of the municipality's transaction cycles, it was noted that formalised policies, procedures, techniques, and control mechanisms have not been developed and are not in place for the following cycles:  (1) Irregular Expenditure (Identification, reporting and preventing)  (2) Fruitless and Wasteful Expenditure  (3) Related parties  (4) Journals  (5) Contingent assets  (6) Post-employment benefits  (7) Contingent liabilities  (8) VAT  (9) Provisions  (10) Commitments  (11) Payables  (11) Leases  (12) Debts impairment  (13) Travel and Subsistence Policy  (14) Payables | | | Management will develop a procedure manual for the listed cycles required for obtaining the understanding the transaction cycles. The Procedure manual will be submitted to Council to take note. | Manager: Supply Chain | | 29 February 2016 | The above mentioned resulted due to the following:  (a) Management did not develop and implement the necessary policies and procedures.  (b) Recommendations of the auditors in the previous year was not implemented. |
| **61-62** | | Co.8 – Completeness of work in progress in asset register (EX.16) | During the audit it was noted that Xhariep District Municipality (XDM) received funds from Motheo District Municipality to complete the capital project of Naledi Local Municipality. It was further noted that the project should have been transferred on completion to Naledi Local Municipality.  The following were noted on the project:  (1) The project is still in progress however no work in progress (WIP) amount has been included XDM’s asset register.  (2) It was also noted that the project has been put on hold for a period of over two years. According to XDM, this project has been abandoned by the contractor. XDM should indicate the processes and steps in place to ensure the completion of the project. The amount indicated on the commitments register is R985 325.06. Attached to the communication are the pictures indicating the status of the contract.  (3) Management has indicated that the project costs were being expensed in the year it was paid through operating expenditure. | | | Management of Xhariep District Municipality will take the matter to council with the following recommendation:  - Council to notify Provincial Treasury and COGTA of the incomplete project;  - Council to solicit advise and financial support from Provincial Treasury and COGTA on the process to follow in order to complete the project;  - Council to recommend that the project be transferred to Manguang Metrol Municipality once Naledi Local Municipality is demarcated to Mangaung Metro Municipality. | Municipal Manager  Chief Financial Officer | | 29 February 2016 | The cause is due to a lack of management controls to ensure that work in progress is properly identified and disclosed in the financial statements. |
| **63-64** | | Co.16 – Employee Costs – Non compliance (no assessment competencies) (EX.40) | No evidence that assessments of competencies were undertaken for finance and supply chain officials, that assessments were done by assessors accredited by the LGSETA in terms of SAQA guidelines and NQF-registered Unit Standards and criteria in accordance to the guidelines issued by National Treasury. | | | Management will ensure that all Finance and Supply Chain Officials are assessed on their respective competencies.  HR to continuously monitor the completion of all employees that have been enrolled for competency skills assessment as required by Municipal Regulation on Minimum competency level reg 6 and 7(GNR 493). Furthermore, all certificates of completion will be filed in each employee’s respective file. | HR Manager | | 30 June 2016 | The cause of the above is that management did monitor adequate compliance with laws and regulations |
| **65-66** | | Co.24 – AOPO: IDP priorities without budget allocations (EX.89) | Contrary to the requirements, it was noted that, based on the budget information obtained from the 2014/15 budget, budget allocations were not allocated to each of the IDP priorities as stated in the 2014/15 IDP. | | | Management will review the IDP for 2015/16 and consider allocating budget to each IDP priority. | Manager: IDP | | 31 March 2016 | Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related matters. |
| **67-68** | | Co.31 – Investigation reports: follow up on management responses (EX.90) | Management response on Communication No 2 indicated that the municipality has no internal capacity to execute an investigation based on the findings of the Auditor General  The task team that was instituted to execute an investigation of the findings concludes inter alia as follows:  (a) all findings by the Auditor General were assessed to be a true reflection of the documentation  presented to the AGSA  (b) all interview reports were assessed to be a true reflection of the documentation presented to the AGSA  (c) all discrepancies identified by the AGSA where possible alleged collusion by officials of the municipality were considered to be performed in good faith  and without any malicious intentions  (d) the investigation team wish to bring to attention that they are not signature experts to conclude on alleged tampering of signatories on attendance register for Njunga Construction Project.  Notwithstanding the requirement as indicated above this investigation in respect of possible fraudulent transactions and alleged collusion between management and the service providers were not referred to the following role players by the accounting officer:   * Executive Mayor * Section 32 Council Committee * MEC for Local Government * South African Police Service | | | The accounting officer will refer the investigation as indicated to the:  - Executive Mayor  - Section 32 Council Committee  - MEC for Local Government  - South African Police Service | Chief Financial Officer  Municipal Manager | | 29 January 2016 | Management did not monitor adequate compliance with laws and regulations as well as recommendations made by the Auditor General as indicated in paragraph 52 of the Audit Report of 2013/14. |
| **Appropriated and surrend. Funds** | | | | | | | | | | |
| **69-71** | | Co.12 – Budget: Expenditure exceeding budget (EX.30) | During the audit, it was noted that the budget for expenditure exceeded the income which resulted in municipality utilising bank overdraft to fund operation of municipality. | | | Management will ensure that the budget of municipality covers the operating expenditure payable is short term period.  Management will report the matter to COGTA and Provincial Treasury. | Chief Financial Officer  Municipal Manager | | 29 January 2016 | Reliance on provincial assistance grant to assist the municipality. |
| **Cash and cash equivalents** | | | | | | | | | | |
| **72-73** | | Co.11 – Cash & cash equivalents: Cheques not crossed (EX.36) | During the follow up of Ex.40 of 2013/2014 it was noted that the following cheques that were used to pay some for the expenditures incurred were not crossed. This increases the risk that if such cheques land in the wrong hands they could be cashed by that person thus resulting in financial losses for the District. | | | Non-cash cheques will be crossed forthwith.  The CFO will review all cash cheques drawn to ensure that they are crossed. | Manager: Expenditure and Payroll | | On-going | This was due to cheques not reviewed appropriately. |
| **74** | | Co.29 – Cash & cash equivalents – New bank account ( EX.48) | Through inspection of the bank confirmation received from ABSA and the municipalitie’s bank confirmation for the 2013/2014 financial year, the following bank/investment account was not confirmed. It is hence identified to be a new bank/investment account opened during the 2014/2015 financial year. | | | Management will submit the list on all bank accounts to Provincial Treasury and AGSA. | Chief Financial Officer | | 29 February 2016 | The cause is due to management assumes that this is a sub account of the current account and hence not considered it as a new account. |
| **75** | | Co.42 – Investment policy (EX.96) | It was discovered that the municipality did not include procedures for benchmarking and performance evaluation in their Banking and Investment Policy. | | | Management will review the banking and investment policy of the municipality and ensure that a clause is included regarding the procedures for Benchmarking and Performance Evaluation | Chief Financial Officer | | 29 January 2016 | The cause of the above is that the Banking and Investment Policy was not drafted in conjunction with the relevant regulations. |
| **Cash flow statements** | | | | | | | | | | |
| **76-77** | | Co.19 – Cash Flow Statement: Incorrect amounts disclosed as proceeds (EX.66) | | During the audit of cash flow statements, the following were noted.  1. Cash flow from operating activities  a) Included in Suppliers as presented in the cash flow statement, is an amount of R456 123,00 (2014: R2 048 717). This variances could not be traced to statement of financial position and statement of financial performance.  2. Cash flow from investing activities  During the audit of property, plant and equipment, it was noted that management wrote-off and disposed assets to the value of R534 713 as per note 4 of financial statements and assets register. When auditing the cash flow statement, it was noted that management incorrectly presented the loss of assets as the Proceeds from sales of property, plant and equipment | | (a) A proper review will be done of the financial statements before submission for audit purposes.  (b) Supporting schedules will be kept for amounts disclosed in the financial statements. | Chief Financial Officer  Manager: Budget and Asset | | 29 February 2016  30 July 2016 | The above mentioned might have resulted due to the following:  (a) A proper review not being done of the financial statements before submission for audit purposes.  (b) Supporting schedules not kept for amounts disclosed in the financial statements. |
| **Commitments** | | | | | | | | | | |
| **78-79** | | Co.22 – Commitments – Presentation and Disclosure (Ex.20) | | During the audit, the following was noted:  1. Note 27 to the financials was not presented correctly as the following contract was included in capital commitment and operating lease (lessee). No additional notes was indicated stating that the operating lease (lessee) forms part of the commitments.  2. The note indicating how committed expenditure will be funded is incorrectly disclosed that it will be funded by rights issue of shares and issue of debentures as the municipality does not have such funding. | | The Chief Financial Officer will review the Interim and Annual Financial Statements to ensure that commitments are fairly and accurately presented. | Chief Financial Officer | | 29 February 2016  30 July 2016 | Management used the standard case ware notes without ensuring the fairness of the presentation. |
| **80** | | Co.14 – Commitments – No accounting policy (Ex.34) | | During the audit of commitments, it was found that there were no accounting policies for commitments in the financial statements. | | The Chief Financial Officer will ensure that all the applicable tabs on Caseware are selected for fair presentation. | Chief Financial Officer | | 29 February 2016  30 July 2016 | This was due to the tab for accounting policy for commitment in case ware not selected. |
| **81** | | Co.14 – Contract Register – Internal Control Deficiency (EX.39) | | During the audit of the completeness of commitments, it was found that certain contracts was not listed on the commitment register. Upon enquiry with management it was indicated that the contract register as submitted per RFI 2 was not accurate. The municipality had to then provide an updated contract register. However upon receipt of the contract register no evidence of signature for review was done. | | On a monthly basis, the contract register will be updated accordingly and management will ensure that it does bear the signatures of relevant officials. | Manager. Supply Chain | | On going | This was due to the contract register is not reviewed for accuracy and completeness thereof. |
| **82** | | Co.22 – Commitments – overstatement of commitments (EX.76) | | During the testing of commitments, the following contract was identified from the commitment register that had a commitment value of R 985,325.04 but the amounts still to be paid according to the supporting document was R 712,414,76. | | The Chief Financial Officer will review the Interim and Annual Financial Statements to ensure that commitments are fairly and accurately presented. | Chief Financial Officer | | 29 February 2016  30 July 2016 | This is due to management not reviewing the commitment register for completeness. |
| **Employee costs** | | | | | | | | | | |
| **83-84** | | Co.37 – Employee cost – Difference in leave payouts (EX.49) | | Discrepancies were identified during the testing of leave:  (a) A difference was identified during the recalculation of leave balance at year end for the following employees.  (b)The following employee's leave balance is above 48 days and they did not forfeit their leave balance as per leave balance at year end.  (c) The Following employees took less than 16 days leave during the current year of audit. | | A thorough Audit will be conducted on leave days for all employees and will be recalculated.  Leave reconciliation will be performed on a month basis.  HR manager will continuously review the leave captured on the leave register against the leave books. | Human Resources Manager | | 31 March 2016  On going | Lack of proper review of Financial Statement submitted for audit purposes by management and service provider appointed to review the financial statements. |
| **85-86** | | Co.26 – Employee related costs – Acting allowance of senior managers not disclosed (EX.58) | | Management did not adequately review the notes of the financial statements to ensure that they complied with the requirements of the MFMA and MSA to disclose the acting allowance paid to employee's who acted in senior management positions. | | Acting allowances of Senior Managers will be disclosed separately in the subsequent set of Financial Statements. | Manager: Expenditure and Payroll,  Manager: Revenue, Reporting and Compliance | | 29 February 2016  31 August 2016 | Management did not adequately review the notes of the financial statements to ensure that they complied with the requirements of the MFMA and MSA to disclose the acting allowance paid to employee's who acted in senior management positions. |
| **87-88** | | Co.37 – Employee Costs – Difference in leave payouts (Follow up prior year exception 31) (EX.63) | | Differences were identified during the recalculation of leave pay outs made to employees: | | A thorough investigation on leave payouts for all terminations will be conducted and reported. Supporting documents to that effect will be made available.  All differences noted will be reported to Council.  Furthermore HR manager will ensure that leave reconciliation is performed and reviewed on a monthly basis. | Chief Financial Officer  Director: Corporate Services  Manager: Human Resource | | 19 February 2016  On-going | Management submitted their responses in the prior year, however they did not submit the evidence to support their calculations and there were also differences on their calculations.  Management did not properly recalculate leave pay-outs made to employees to be able to identify the differences noted |
| **89** | | Co.26 – Employee Costs: Late payments made to SARS (EX.64) | | Payments to the South African Revenue Services were made late. | | The municipality will ensure timeous payments to SARS when the financial position permits | Chief Financial Officer | | On-going | The cause of this late payment might be caused by cash flow constraints which resulted in late payments to SARS. |
| **90-94** | | Co.33 – Employee costs: Overpayment of allowance to managers (EX.67) | | It was noted the personnel acting on senior management positions were not paid in accordance with government gazette resulting to overpayment of salaries. The remuneration package of Mr. M. Khapha and Mr. M.C. Mogoale exceeds 60% of the upper limit of the remuneration of managers directly accountable to municipal managers which could have been used to calculate the acting allowance of the mentioned employees. | | Management acknowledges that the incumbents were paid in excess, and therefore debtors will be raised. Subsequently management will obtain council approval to write the debts off.  Furthermore, management will ensure going forward to remunerate the incumbents as per the government regulations on the appointment od senior managers.  . | Municipal Manager  Municipal Manager | | 30 June 2016  25 February 2016 | Lack of implementation of government regulations. |
| **n/a** | | Co.37 – Employee costs – Vetting omitted (EX.68) | | Municipality did not perform the vetting of the employees when appointing | | Employee vetting will be conducted for all newly appointed candidates. The vetting process will be outsourced and all evidence will be kept for records purposes.  The position of the CFO has been advertised and all shortlisted candidates will be subject to the vetting process. | Manager: Human Resources | | 26 February 2016 | The accounting officer did not exercise oversight responsibility regarding compliance and related internal controls |
| **95** | | Co.26 – Employee costs: Note 43 to the F/S (PAYE, UIF and SDL) (EX.74) | | Note 43 to the financial statements was reconciled to the declaration made to SARS and the following difference were identified: | | The issue will be investigated and resolved  Reconciliations with supporting documentation will be performed continuously | Manager: Expenditure and Payroll  Manager: Revenue, Reporting and Compliance | | 29 February 2016  On going  30 July 2016 | The note in the financial statements was not agreed to the declarations and payments made to SARS. |
| **96-98** | | Co.33 – Employee related costs – Non compliance – key position not filled (EX.95) | | During our testing of employee costs it was noted that the position of Director Corporate Services was vacant for the entire 2014/15 financial year (note: the appointment was rendered invalid by MEC GoGTA on letter dated 26 May 2015).  It was further noted that the municipality did take steps to fill the vacant position of Director Corporate Services which were in compliance with section 56 of the Municipal Systems Act.  We noted that the advertisement for the post of Director Corporate Services was done at provincial level and not advertised nationally to attract suitable candidates.  We noted that interview process and recommendation process was correctly performed by manager. The council approved the appointment on 31 March 2015 and the MEC GoGTA was informed within 14 days.  Through inspecting of the responses from MEC CoGTA dated 26 May 2015, it was noted that MEC declined the appointment of Mr. M. Khapha as Director Corporate Services due to the following reason:  (i)      The employee does not satisfy the requirements in term of the Regulations on Appointment and Conditions of Employment of Senior Managers, 2014 read with Section 56 of the Municipal System Act, 2000. Further it was indicated Mr Khapha’s acting appointment should be terminated with effect from 01 June 2015.  Based on the above information, the MEC has the power to take appropriate steps to enforce compliance by the municipal council with the MSA, which steps may include an application to a court for a declaratory order on the validity of the appointment or any other legal action against the municipal council (section 56(5) of the MSA).  There is no evidence that MEC has taken steps within 14 days to comply with sec 56(5) of MSA and therefore the appointment of Mr. Khapha is valid until the court rules out that the appointment of the senior manager was made in contravention of the MSA. | | The municipality will commence with the recruitment processes of filling the vacant position of Director Corporate Services and ensure compliance with section 56 when a senior manager is appointed. | Municipal Manager | | 01 April 2016 | The position was not filled as the municipality had not received concurrence from the MEC of Corporate Governance and Traditional Affair. |
| **99-100** | | Co.33 – Employee costs – Acting more than 3 months (EX.99) | | Discrepancies were identified during testing of employee related cost compliance:  a)  Mr. Khapha (Acting Director Corporate Services) acted for period of July 2014 to June 2015 (12 months) without the municipality obtaining approval from the MEC of Corporate Governance and Traditional Affairs to extend his acting period.  b)  Mr. M.C. Mogoale (Acting CFO) acted from 15 September 2014 to 15 December 2014 for a period of 3 months, thereafter he continued to act without the municipality obtaining approval from the MEC of Corporate Governance and Traditional Affairs to extend his acting period. | | Management will obtain approval from the MEC for local government to extend acting periods of incumbents if a vacancy of such nature exists. | Municipal Manager | | 29 February 2016 | Management did not in all instances review and monitor compliance with applicable laws and regulations. |
| **101 - 103** | | Co.41 – Municipal Vacancies increased (EX.110) | | Discrepancies were identified during testing of employee related cost compliance:  The overall vacancies increased by 3.16% (10.70% in 13/14 to 14 % in 14/15) and the senior management vacancies increased with 25% (25% in 13/14 to 50% in 14/15). | | All vacant positions were abolished. See attached Council Resolution  The municipality will commence with the recruitment processes of filling the vacant position of Director Corporate Services and ensure compliance with section 56 when a senior manager is appointed.  All vacant positions will be filled before 01 April 2016. | Municipal Manager | | On-going  01 April 2016 | Management did monitor adequate compliance with laws and regulations. |
| General IT controls | | | | | | | | | | |
| **104** | | Co.25 – IT: Programme Change Management: System upgrades were not approved by management (EX.12) | | During the audit of Xhariep District Municipality for 2014/15 it was identified that the system upgrades were not approved by management. | | Management will sure to implement the business process for upgrades as outlined in the IT Business Process. Any upgrades will have management approval and copies for such approvals for any upgrades made will be made available. I t should be noted that during the 2014/15 financial year there were no upgrades, hence there were no documentation preserved in this regard. | IT Manager | | Ongoing | System upgrades were performed by vendors who were not monitored by the IT staff. |
| **105** | | Co.25 – IT: User Access Management: Lack of review of access and privileges of users (EX.23) | | Sufficient audit process could not be obtain to ensure that processes were in place to ensure that periodically reviews were undertaken to determine whether employees’ current access and privileges on the system (Softline Pastel) were commensurate with their job responsibilities. | | The IT Staff will be trained on the respective Financial Systems so that can be in a better position to administer these systems. | Manager: IT | | 30 March 2016 | No formalised policies and procedures to provide guidance in the process to be followed. |
| **106** | | Co.25 – IT Continuity: Backups not verified, checked for successful completion (Ex.25) | | Although financial information was backed up periodically by Procons IT Solutions, we could not obtain evidence that backups were verified for completeness to ensure that all the data could be restored in the event of a disaster. | | Evidence will be provided for all backups to date. | Manager: IT | | On going | Leadership  Policies and procedures – Backup and restoration policies and procedures had not established to ensure that sufficient IT internal controls would be implemented. |
| **Heading 1** | | | | | | | | | | |
| **107-108** | | Co.3 – AFS: Explanations not included on Statement of Comparison of Budget vs Actual (EX.5) | | shortcoming was identified with regard to the disclosure of the comparison of actual and budget information:  (a) Explanations of material differences between the final budget and actual amounts was not disclosed in the financial statements as required by standard of GRAP 24. | | The Chief Financial Officer will review the IFS and the AFS together with the Provincial Treasury task team. | Chief Financial Officer  Provincial Treasury  AGSA | | 31 March 2016  31 July 2016 | Lack of independent checking and reviews to ensure that approved budgets are correctly presented in the financial statements. |
| **109-110** | | Co.3 – AFS: High level review of financial statements submitted for audit purposes (EX.6) | | The following errors were noted on the financial statements presented to Auditor General for audit purposes.  (1) Appropriation Statement: Percentage errors on the statements.  (2) Note 11 of financial statements: Present value of unfunded obligation at year end is disclosed as (2014) R137 300 instead of R1 373 000.  (3) Note 18 of financial statements: The presentation note is incorrectly disclosed as it exclude the remunerations of Sec.57 appointees. Management must ensure that they separate the disclosure for GRAP and MFMA sec 124(1)(c).  (4) Disclosure note 30: Prior period error - Overstatement of Property, plant and equipment. Copy and past paragraph was used resulting to incorrect disclosure.  (5) Disclosure note 30: Prior period error - The correction of the error(s) results in adjustments as follows: The statement Property, Plant and Equipment should read as Statement of Financial Position.  (6) Management did not include a disclosure note for Reclassification.  (7) Disclosure note 27: The note is for Commitments, management must disclosed Leases separately  (8) Management did not disclose the disclosure note for Related Party.  (9) Disclosure note 28: Management did not indicate if an amount of R93 254 is contigent liability. Also it was noted that the comparative figures are not included on the AFS.  (10) Cash Flow Statement: The preparation of the statement is not consistent with the previous year audited and presented. Current year cash flow statement is not entity specific (i.e Compensation of Employees is presented as Suppliers and Grants are included as Sales of goods and services). | | The Chief Financial Officer will review the IFS and the AFS together with the Provincial Treasury task team. | Chief Financial Officer  Provincial Treasury  AGSA | | 31 March 2016  31 July 2016 | Lack of proper review of Financial Statement submitted for audit purposes by management and service provider appointed to review the financial statements. |
| **111-112** | | Co.40 – Municipal Public Account Committee not functioning (EX.44) | | Municipal Public Account Committee (MPAC) did not sit during the financial year as no minutes was provided to the auditors. Furthermore, the investigation report was not overseen by the MPAC. | | The Municipal Manager will ensure that the Municipal Public Account Committee sits and review the investigation reports provided by management and accountability should be held. | Municipal Manager | | 30 April 2016 | This is due to the MPAC not executing their duties. |
| **113** | | Co.28 – Unspent Conditional Grants – Quarterly reports not submitted within 30 days (EX.75) | | quarterly report was not submitted within 30 days to the transferring officer:  a) The MSIG report was not submitted to CoGTA within thirty days after the end of the quarter:  b) The FMG report was not submitted to Treasury within thirty days after the end of quarter: | | Management will ensure that quarterly monthly Grants reports are submitted to COGTA and Treasury within 30 days.  Management will ensure compliance by having a schedule in which quarterly reports are compiled, reviewed, signed and subsequently submitted. | Chief Financial Officer | | 29 January 2016 | The cause of the above is due to late compilation of the quarterly reports. |
| **114-115** | | Co.34 – Going Concern Assessment (EX.92) | | Contrary to the above, it was identified that management going concern assessment is incomplete as the assessment did not include the following:   * cover a 12 month period after year end. * include all relevant going concern risks (debtors and creditors and other relevant going concern ratios). * managements representation regarding their plans for future actions and the feasibility of these plans. * consider the period beyond managements going concern assessment for 12 months after year end. | | Management will perform a 12 month assessment to include all other risks for going concern purpose. | Chief Financial Officer | | 29 February 2016 | This is due to oversight from management to perform a full going concern assessment. |
| **Heading 2** | | | | | | | | | | |
| **116** | | Co.10 – AOPO: Approved SDBIP not sent to National and Provincial Treasury (EX.32) | | | Notwithstanding that the SDBIP was approved on 28 July 2014 by the executive mayor the SDBIP was not sent in both printed and electronic form  within 10 working days to  National Treasury and the relevant Provincial Treasury. | Management will ensure that the SDBIP is submitted to both National and Provincial Treasury timeously.  The SDBIP for 2015/16 has been sent to all relevant authorities in time. | Manager: PMS | | 06 August 2015 | Leadership did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls. |
| **117** | | Co.28 – Unauthorised, irregular and fruitless and wasteful expenditure – Presentation and Disclosure (EX.82) | | | During the inspection the disclosure note 36 - Irregular expenditure it was noted that the amount of the analysis of expenditure awaiting condonation per age classification, does not agree with the amount of irregular expenditure closing balance. | Management will ensure that irregular expenditure are disclosed with the correct in the Financial Statements. | Chief Financial Officer | | 31 March 2016  30 July 2016 | This is due to the error from capturing the current year amount in the analysis and lack of review of the financials. |
| **118-121** | | Co.40 – Irregular expenditure overstated (EX.107) | | | During the testing of irregular expenditure the following was noted:  1. Payment to DIRCO was included as irregular expenditure. This is however not irregular as DIRCO is the only department that can arrange for overseas costs.  2. The attached payment did not have invoices from DIRCO for proof of payments of the respective costs.  3. Furthermore, the below transactions was identified to be overstating the irregular expenditure as 3 quotations is impractical. | Management request all supporting documentation from DIRCO for the overseas trip taken. | Chief Financial Officer | | 29 January 2016 | This is due to:  1. Management saw the payment did not have 3 quotations and hence listed it under irregular expenditure.  2. Management could not get relevant supporting documents from DIRCO. |
| **Heading 4** | | | | | | | | | | |
| **122-123** | | Co. 28 – Comparison of Budget and Actual amount: Incomplete budget disclosure (EX.84) | | | Incomplete comparison of budget and actual amount disclosed in the financial statements. | Management will ensure that all disclosure as required by GRAP 24 are done. | Chief Financial Officer | | 31 March 2016  30 July 2016 | This is due to management did not interpret the standard in conjunction with the basis of conclusion. |
| **Heading 7** | | | | | | | | | | |
| **124-125** | | Co.27 – Procurement and Contract Management – contract ending within the next 6 months (EX.10) | | | The following contract has ended or is ending within the next 6 months, relates to continued needs of the municipality and no procurement process to appoint a new service provider has commenced: | New appointments have been made through a competitive bidding process except only for Travel Agency and Insurance.  New service provider will be appointed for travel agency, while the contract for insurance has been extended for another twelve months.  In future, the municipality shall ensure that correct processes are followed when a contract has to be extended, or shall invite competition in time prior to contract coming to an end. | Manager: Supply Chain  Manager: Supply Chain | | March 2015  On going | This is due to no needs analysis performed on the current services. |
| **126** | | Co.27 – Procurement and Contract Management – Schalk General Trading (EX.45) | | | Contrary to the above, the following control deficiency were identified for Schalk General Trading:  1. No measures to monitor contract performance and delivery have been defined and implemented.  2. No project manager was appointed to monitor the project (Sewer project).  3. Management did not take effective steps to ensure that penalty clause is applied on the supplier after they abandoned the site. Note: the service level agreement could not be verified. | Management will liaise with Provincial Treasury to advice the way forward regarding the project. | Chief Financial Officer  Municipal Manager  Provincial Treasury | | 29 January 2016 | Xhariep District Municipality did not take ownership of the project after it was transferred from Motheo District Municipality. |
| **127-128** | | Co.35 – Procurement and Contract Management – Tenders not advertised on Municipal Website (EX.52) | | | Contrary to the above, the entries in the bid register and the bid results were not published on the website of the municipality. | Management shall ensure that all transactions above the value of R30 000.00 are placed on the official municipal website. | Manager: Supply Chain | | On going | This is due to challenges faced in obtaining quotations due to limited suppliers and good/services are required with immediate effect, resulting in suppliers used on the quickest quotations obtained |
| **129** | | Co.46 – Procurement and Contract Management – no monthly monitoring (Ex.54) | | | For the following suppliers there was no monthly monitoring of performance. | Management shall ensure that all contracts for more than one month are monitored on a monthly basis.  A report on a monthly basis will be submitted to the office of the Chief Financial Officer in respect of performance of appointed suppliers. | Manager: Supply Chain | | On going | This was due to monitoring of performance only performed upon payment of invoice. |
| **130-131** | | Co.35 – Procurement and Contract Management – Irregular expenditure – Overpayment on contract price (EX.55) | | | Contrary to the above, the following supplier was paid more than what the contract stipulated. | Going forward, management shall ensure effective management of contract register to circumvent such irregularities  A monthly report on incurred expenditure against the contract value will be submitted to the office of the Chief Financial Officer. | Manager: Supply Chain | | On going | This occurred due to there being no monitoring of the expenditure from contracts and there being no approval for any deviations. |
| **132-133** | | Co.39 – Procurement and Contract Management: Irregular expenditure not reported to the board (EX.57) | | | Contrary to the above, the following payments was noted to not have three quotations and was not reported in the irregular expenditure register. | Management shall derive a system that will help identify all transactions that are irregular by year end  During the preparation of the IFS and AFS the general ledger will be scrutinized to identify any irregular transactions. | Manager: Supply Chain | | 29 February 2016  30 July 2016 | This is due to oversight from the employees to included payments without 3 quotations in the register. |
| **134-136** | | Co.44 – Procurement and Contract Management – consultants – Non compliance audit finding (EX.86) | | | Contrary to the above, the following non-compliance was found regarding the use of consultants.  a) No service level agreement or contract and terms of reference was available for the above contracts, except for Mission Point Trading.  b) No measures are in place to ensure transfer of skills is implemented and no evidence of formal skills transfer, except for mission point Trading.  c) The contract of Mission Point Trading did not stipulates deliverables which were linked to milestones and timelines.  d) The consultants were appointed without the policy\strategy for the appointment of consultants. | Management to ensure the following:  That service level agreement or contract and terms of reference are available for contracts.  b) that measures are in place to ensure transfer of skills is implemented  c) That all contracts do stipulates deliverables which are linked to milestones and timelines.  d) That policy\strategy for the appointment of consultants be developed. | Manager: Supply Chain | | On-going  29 February 2016 | Municipality only drafts the contract for tenders above R 200 000.00. |
| **137-138** | | Co.27 – Procurement and Contract Management – Contract value exceeded (EX,88) | | | The following non-compliance was identified:  1. Thepa Trading's contract did not stipulates the terms and conditions of the contract which include provisions for a dispute resolution mechanisms to settle disputes between the parties.  2. The contract performance measures and the methods whereby it is monitored are not sufficient to ensure effective contract management due to the following:   * Royal Haskoning DHB - The contract value was exceeded * Mission Point Trading - Payment no 41197 - Report indicated that the project is not complete | Management will review all contracts entered by the Municipality to include the terms and conditions for a dispute resolution.  Management will develop a controls that will enable the Municipality to measure the performance of service providers. | Manager: Supply Chain | | 29 January 2016 | Lack of contract management and monitoring. |
| **Movable Assets** | | | | | | | | | | |
| **139** | | Co.14 – Property, Plant and Equipment – Trial Balance do not agree to AFS (EX.8) | | | During the auditing of the property, plant and equipment it was discovered that the following assets balances on the TB did not agree to the amount disclosed on the financial statements. Management erroneously classified the journal when posting it. | The Chief Financial Officer will ensure that the amounts disclosed on the financial statements agree to the trial balance. | Chief Financial Officer  Manager: Budget and Asset | | 31 March 2016  30 July 2016 | Lack of contract management and monitoring. |
| **140-141** | | Co.18 – Property, Plant and Equipment – Assets not verified (EX.13) | | | During the asset verification process, the asset could not be verified: | The Chief Financial Officer will ensure that only existing assets are recorded in the asset register. Proper and regular control should be implemented to avoid misappropriation of assets. | Chief Financial Officer  Manager: Budget and Asset | | 31 March 2016  30 July 2016 | This was due to negligence of the employee when performing the asset count and the write off of the asset not identifying the foremention asset. |
| **142-143** | | Co.17 – Property, Plant and Equipment – Assets with negative values (EX.14) | | | During the inspection of the asset register, the following assets were identified to have depreciated over their book value. | The Chief Financial Officer will filter the asset register for negative value during the review process. | Chief Financial Officer  Manager: Budget and Asset | | 31 March 2016  30 July 2016 | Management did not calculate depreciation correctly on the assets. They did not consider the book value of assets at the beginning of the year, hence depreciated the assets above their book value. |
| **144-146** | | Co.17 – Property, Plant and Equipment – Duplicated assets code (EX.15) | | | During the audit work of property, plant and equipment, it was noted that the following asset codes were duplicated on the asset register. | The Chief Financial Officer will ensure that all the asset on the asset register have unique asset numbers for easy identification of assets. | Chief Financial Officer  Manager: Budget and Asset | | 31 March 2016  30 July 2016 | This was due to the asset register erroneously captured and lack of oversight on management on the compilation of the asset register. |
| **147** | | Co.18 – Property, Plant and Equipment – Loss on assets disclosure not correctly classified (EX.26) | | | a) During the audit for the asset register, it was noted that management wrote-off assets to be value of R534 713. Through inspection of note 4 and note 23 of Financial Statement, the following variances were noted: | Management will develop a loss register to ensure that all assets lost or written-off are presented accurately and completely on the face of the financial statements. | Chief Financial Officer  Manager: Budget and Asset | | 31 March 2016  30 July 2016 | This was due to the loss on disposal and the actuaries gains was netted off. |
| **148** | | Co.28 – Fixed Assets – No loss register (EX.80) | | | Contrary to the above, the municipality did not keep a loss register for assets lost or stolen. | Management will develop a loss register to ensure that all assets lost or written-off are presented accurately and completely on the face of the financial statements. | Chief Financial Officer  Manager: Budget and Asset | | 31 March 2016  30 July 2016 | Contrary to the above, the municipality did not keep a loss register for assets lost or stolen. |
| **Operating Expenditure** | | | | | | | | | | |
| **149-150** | | Co.36 – S&T’s claim for trip other than official purposes (EX.87) | | | Contrary to the above, during the testing of expenditure it was noted that the follow trips was not for official business purpose and S&T was paid. | The Chief Financial Officer will adequately review S&T supporting documentation to ensure that the S&T claim was for official business purpose. | Chief Financial Officer  Municipal Manager | | On-going | Management did not adequately review the S&T claim to ensure that the S&T was for official municipality business. |
| **151-152** | | Co.49 – Expenditure – Incorrect Classification of Multitech Payments | | | During the audit of expenditure, it was noted that the following payments to Multitech was incorrectly classified as repairs and maintenance instead of operating lease expense. | The transactions will be properly classified and the budget will be accordingly allocated to the correct vote | Manager: Budget and Assets  Manager: Expenditure and Payroll | | 29 February 2016 | This is due to oversight from management to ensure that transaction was correctly recorded in the correct account. |
| **Payables** | | | | | | | | | | |
| **153-155** | | Co.23 – Unspent Conditional Grant – No Roll –Over applications (EX.18) | | | Contrary to the above requirement, the following discrepancies were identified:  Through inspection of the 2014/15 Annual Financial Statements Unspent Grants were identified.  However, no proof could be provided that the Municipality applied to retain unspent grants containing the following information as per Section 21(2) of the Division of Revenue Act:   * Details of each of the projects to which funds are committed; * A progress report on the state of implementation of each of the projects; * The amount of funds committed to each project, and the conditional allocation from which the funds come from; and * An indication of the time-period within which the funds are to be spent.   A request dated 27/05/2015 was send to Theta for approval to write the unspent part off, but the response from CATSHSSETA dated 13/08/2015 indicated that the money must be refunded.  A request was made to FS Treasury on 06/05/2015 and followed up on 22/10/2015 for approval to write the unspent part off, but no approval of write off had been received to date. | Management will ensure that it implements proper controls to ensure that applications for roll-overs are made timelessly and records are kept. | Manager: Revenue, Reporting and Compliance | | 29 January 2016 | This is due to the grants are from previous financial years and the municipality tried to get the transferring officer to retain the grants from it equitable shares. |
| **156-157** | | Co.44 – Unspent Conditional Grant – Liability not cash backed (EX.27) | | | The following discrepancies were identified:  2014/2015 financial statements, indicated that the unspent conditional grant liability exceeded the cash and cash equivalents of the municipality with R 59 225.00. | Management will locate and manage the conditional grants monies that were not spent.  Monthly reconciliations are done to ensure that the unspent liability of the conditional grants agrees with the bank accounts used for the unspent monies. | Manager: Revenue, Reporting and Compliance | | On-going | Management did not reconcile the movement in the unspent grants to ensure that it is cash backed. |
| **158** | | Co.38 – Payables – Renaming of account 9000/0000/000 (Other creditors) and account 9360/0000/000 (Trade payables) (EX,46) | | | During the testing it was identified that the general ledger codes for the following accounts are incorrect which resulted to material classification:   * Account number 9000/0000/000 Other creditors disclosed as R4 813 118 instead of R1 202 201. * Account number 9360/0000/000 Trade payables disclosed as R1 202 201 instead of R4 813 178. | The issue has been resolved and corrected on the face of the AFS. The proposed renaming is therefore not necessary. | n/a | | n/a | Lack of proper review of Financial Statement submitted for audit purposes by management and service provider appointed to review the financial statements. |
| **159-160** | | Co.29 – Unspent grant – Note 14 incomplete disclosure (EX.69) | | | Contrary to the above, the following grant disclosed in note 14 was not correctly presented and disclosed as the purpose of the grant and the reason for unspent was not provided:  1) Provincial Infrastructure Grant:  2) Provincial Financial Assistance Grant: | The Chief Financial Officer will ensure that proper reviews are done on the Interim and Annual Financial Statements. | Chief Financial Officer  Manager: Budget and Asset | | 31 March 2016  30 July 2016 | Lack of proper review of Financial Statement submitted for audit purposes by management and service provider. |
| **161** | | Co.38 – Payables – Salary control account not cleared (EX.70) | | | During the testing it was determined that salary control account (9350/0000/000) still has a balance of R 97 224.01 at year end, this account should balance to Zero. | The opening balance will be investigated and cleared off | Manager: Expenditure and Payroll  Manager: Revenue, Reporting and Compliance | | 29 February 2016 | Management did not adequately review amount disclosed in the financial statements against supporting documentation to ensure accuracy of the amount recorded in the financial statements |
| **162-163** | | Co.40 – Provision for leave incomplete (EX.103) | | | During the testing of leave gratuities, compared the leave registers to the leave provision and the following discrepancies was identified: | Management will implement controls over daily and monthly processing, reviewing and reconciling of daily leave transactions. | Manager: Human Resource  Chief Financial Officer  Manager: Budget and Asset | | 31 March 2016  30 July 2016 | Management did not review the accuracy number of leaves as per the leave provision. |
| **164 -165** | | Co.40 – Provision for leave understated (Ex. 104) | | | During the audit, it was noted that the leave provision as presented in the financial statement does not correspond to calculated schedule of leave provision.  The variances is due to the following list of employees not considered when calculating the provision: | Management will implement controls over daily and monthly processing, reviewing and reconciling of daily leave transactions. | Manager: Human Resources  Chief Financial  Officer  Manager: Budget and Asset | | 31 March 2016  30 July 2016 | Lack of proper review by management to ensure accurate information is captured on the system. |
| **166 - 167** | | Co.40 – Unspent Conditional Grant – Progress Report not complying with DORA (Ex. 108) | | | No progress report on the spending of MSIG and RAMMS. | Management will ensure that all requirements for the application of roll-over are met. | Chief Financial Officer | | 30 July 2016 | This was due to a lack of feedback received from project managers regarding the status of the project and the deadline approaching. |
| **Receivables** | | | | | | | | | | |
| **168-169** | | Co.11 – Receivables from non exchange transaction (EX.35) | | | During the audit of unspent conditional grants, it was identified that the following grants had debit balances and was disclosed in note 7 to the financial statements as Receivables from non-exchange transaction. This disclosure does not comply with the definition of an asset as no economic benefits or service potential are expected to flow to the entity. The unspent conditional grants balances are in a debit as an result of expenditure exceeding the grant allocation. | The Chief Financial Officer will review the Interim and the Annual Financial Statements to ensure fair and accurate presentation and disclosure. | Chief Financial Officer  Manager: Budget and Asset | | 31 March 2016  30 July 2016 | This was due to management not applying the definition of assets correctly. |
| **170 -171** | | Co.32 – Receivables – Trade debtors balances not agreeing to the confirmations (EX.94) | | | 1. During the testing of the account receivables the balances of the following debtors were different from the balance confirmation by the debtor; 2. The following debtor was long overdue (more than 90 days) and no movement in this account was identified for the financial year. Furthermore, no debt confirmation was received; 3. The following debtor was wrongly classified as trade debtor. | A proper debtors reconciliation and external confirmations will be performed to ensure that all debtors are accurately accounted for. | Manager: Revenue, Reporting and Compliance | | 31 March 2016  30 July 2016 | This is due to:  a) Management did upon receiving the debtors confirmation did not investigate the differences  b) Management did not ensure that the debtor was written off.  c) Oversight of employee when recording the debtor as trade debt. |
| **Revenue** | | | | | | | | | | |
| **172-173** | | Co.28 – Revenue from exchange transactions: Misclassification (EX.28) | | | During the audit of Revenue from exchange transactions, the following transaction was identified to be incorrectly classified under insurance payout (note 38) | At an initiation of a transaction management will ensure that the correct votes are used for processing.  A detailed scrutiny of all general ledger accounts per transaction to ensure correct classification will be performed . | Manager: Budget and Assets  Chief Financial Officer | | On going  31 March 2016  30 July 2016 | The cause of the above was due to incorrect capturing of the rental and parking fees under insurance pay-out. |
| **174** | | Co.14 – Revenue from non exchange – Audit fee paid by Treasury incorrectly classified (EX.29) | | | During the audit, it was noted that an amount of R250 000 paid by Provincial Treasury to decrease the liability of audit fees (paid to Auditor-General), was incorrectly classified as revenue from exchange transaction (other income) instead of revenue from non-exchange transactions (Public contributions and donations). | A detailed scrutiny of all general ledger accounts per transaction to ensure correct classification will be performed  The Chief Financial Officer will review the Interim and the Annual Financial Statements to ensure fair and accurate presentation and disclosure. | Chief Financial Officer  Manager: Budget and Asset | | 31 March 2016  30 July 2016 | This is due to management not applying the standard of SA GRAP 23 when recognising the transaction. |
| **Taxes** | | | | | | | | | | |
| **175-177** | | Co.21 – VAT – The Municipality did not claim input vat (EX.11) | | | During the audit of VAT, it was identified The Municipality did not claim vat input on the following invoice: | Monthly reports will be reviewed to ensure that all transactions that are inclusive of VAT are accurately recorded | Manager: Expenditure and Payroll | | On going | This was due to a lack oversight of accountant when capturing the invoice. |
| **178-180** | | Co.21 – VAT – Invoice without VAT numbers (EX.21) | | | During the testing performed on VAT it was noted that the district Municipality vat number was not included on the following invoices as indicated below. | Monthly reports will be reviewed to ensure that all transactions that are inclusive of VAT are accurately recorded | Manager: Expenditure and Payroll | | On going | The cause of the above is that management have not implemented proper controls to ensure that invoices from the suppliers contain all required information as required by VAT Act and VAT guide for vendors 404 |
| **ANNEXURE C: Administrative Matters** | | | | | | | | | | |
| **181-182** | | Co.43 – Assessment of Senior Management (EX.111) | | | It was found that performance contracts for senior management were signed but there was no evaluation/ assessment of their performance. | The Municipality is still under financial constraints to be able to implement the assessment on the performance of non-section 56 employees.  However management will make necessary provision in its forthcoming budget that will enable for the appointment and remuneration of the committee that will assess the performance of senior management. | Municipal Manager | | 30 June 2016 | The municipality did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored. |
| **183-184** | | Co.38 – Investment register – Internal Control deficiency (EX.47) | | | During the testing of the investment register the following errors was noted:  a) Nedbank investment account: 03/7662022528/000011)  It was noted that management are not performing accurate bank reconciliations. The following differences were noted when comparing bank statements, financial statements and reconciliation registers. Note: there is no impact in the financial statements.  b) ABSA investment account (92 97067856)  The total withdrawal amount on the investment register is not correctly totalled for the year and thus creates a difference between the register and the register summary.   c)Nedbank investment account (03/7662022528/000012)   The total withdrawal amount on the investment register does not include the complete movement during the year and thus creates a difference between the register and the register summary. | Management will review the mathematical accuracy of their reconciliations before signoff. | Manager: Revenue, Reporting and Compliance | | On-going | The cause of the above is due to a lack of proper review/recalculation by the reviewer and approver. |
| **185** | | Co.14 – Control Environment – Ethical behaviour (EX.310) | | | During the audit, we noted the following:  1. Internal auditors were suspended due to breach of confidentiality.  2. Investigations was conducted on possible irregularities of prior year payments.  3. Media release of information regarding the purchase of the expensive car for the speaker, while the municipality was under cash constrains.  The above event indicates that employees are not adhering to code of conducts. | The Municipality has a confidentiality clause in place, of which all employees have signed and agreed to the contents thereof.  Furthermore management will encourage a culture of ethical behaviour, by work shopping all employees on the confidentiality clause and the code of conduct at large. | Municipal Manager | | 31 March 2016 | Management did not in all instances provide effective leadership based on a culture of honesty, ethical business practice and good governance, protecting and enhancing the interest of the entitiy. |
| **186** | | Co.34 – Going Concern – errors on reports (EX.93) | | | The following errors were identified on the financial statements:   * Accounting Officer's Report - Going concern paragraph indicates an accumulated deficits of R 9 885 125, instead of a accumulated surplus of R 9 885 125. * Statement of Changes in Net Assets - a surplus of - R 5 207 147 is indicated for 2014/2015 ( - R 3 656 911 for 2013/2014) instead of an deficit. | The Chief Financial Officer will review the Interim and the Annual Financial Statements to ensure fair and accurate presentation and disclosure. | Chief Financial Officer  Manager: Budget and Asset | | 31 March 2016  30 July 2016 | The cause is a lack of proper review of Financial Statement submitted for audit purposes by management and service provider appointed to review the financial statements. |
| **187-188** | | Co.47 – Expenditure – Lease of Mayor’s car (EX.101) | | | Contrary to the above mentioned requirement, the lease of the mayor's motor vehicle was evaluated and noted that the procurement was not cost effective, as the total payment to Government Garage for the term was more than purchasing a new vehicle. | Management will consider budgeting for the vehicle in order to purchase the asset instead of leasing it.  Management will ensure that in the forthcoming municipal budget, provision made for the procurement of the Mayoral car. | Chief Financial Officer  Municipal Manager | | 28 February 2016 | This matter occurred due to the department did not have sufficient cash to buy the Mayor a car and hence had to lease from the Government Garage. |

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| **189-190** | Co.3- AOPO: Targets not achieved for 2014/15 (EX.97) | Through inspection of the actual performances included in the 2014/15 annual performance report, of the total number of 59 targets were planned, 21 of these targets were not achieved during the year under review. This represents 35.6% (>20%) of the total planned targets that were not achieved during the year under review. | Revision of the SDBIP 2015/16 to ensure all KPI’s meets all components of the SMART principle. | All Departments | 31 March 2016 | KPI`s not meeting all the components of the SMART principle |