

SECTION 8: SUMMARY OF DETAILED AUDIT FINDINGS

Page. no.	Finding	Classification					Rating			Number of times reported in previous 3 years	Status of implementation of previous year(s) recommendation
		Misstatements in financial statements	Misstatements in annual performance	Non-compliance & with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
Immovable assets											
38	PPE: Unknown description of assets in the asset register(EX.32)*			✓			✓			0	In progress
40	PPE-Difference between Asset Register and AFS (Ex.42)*	✓					✓			0	In progress
42	PPE: Fully depreciated assets that are still in use (Ex.79)*			✓			✓			0	In progress
44	PPE: Asset still in progress incorrectly classified as completed instead of work in progress.(EX.81)*			✓			✓			0	In progress
46	PPE: Land and buildings were not accounted or shown separately (EX.95)*				✓		✓			0	In progress
49	PPE: Asset register not updated.(EX 98)*			✓			✓			0	In progress
50	PPE: Incorrect calculation of net book value(Ex 105)*	✓					✓			0	In progress
54	PPE: Assets belonging to the municipality could not be traced to the asset register (Ex.114)*				✓		✓			0	In progress
56	PPE: Additions cut off (Ex.115)*	✓					✓			0	In progress
57	PPE: Impairment of an asset not			✓			✓			0	In progress



	assessed(EX 120)*										
58	PPE: Retentions included in the cost of WIP (EX.121)*			✓			✓			0	In progress
60	Assets-Asset register not GRAP compliant (Ex.41)*			✓			✓			0	In progress
Predetermined objectives											
67	AOPO: Inconsistency in reported targets from planned targets(Ex.50)*		✓				✓			0	In progress
80	AOPO: Citizens & Community Services targets disclosed inaccurate (Ex.75)*		✓				✓			0	In progress
117	AOPO: Outstanding information (Ex.107)*		✓					✓		0	In progress
101	AOPO: Information not submitted relating to target. (Ex.113)		✓					✓		0	In progress
83	AOPO: Performance indicators not consistent, well defined and/or measurable (Ex.125)		✓				✓			0	In progress
Provisions											
99	Provision: Material difference noted between landfill site provision disclosed and amount recalculated (Ex.106)	✓					✓			0	In progress
119	Provisions: Incomplete disclosure in AFS (Ex.119)	✓						✓		0	In progress
Borrowings & long-term loans											
104	Long Term Liabilities: Finance Lease, Payments as per the Lease Register do not agree to the Contract (Ex. 74)*	✓								0	In progress
103	Long Term Liabilities: Interest incorrectly classified for short term portion of DBSA loan (Ex.103)	✓						✓		0	In progress
Cash and cash equivalents											
139	Cash and Bank: Bank Reconciliation Cash Book Balance does not agree to the Final Trial Balance (Ex.44)*	✓						✓		0	In progress
141	Cash and Bank: Bank Confirmation Balances does not agree to Annual Financial Statements and there is no reconciliation (Ex.46)*	✓						✓		0	In progress



142	Cash and Bank: Petty Cash Expenditure exceeding the maximum prescribed amount as per regulation 12 of SCM Policy (Ex.47)*			✓				✓		0	In progress
139	Cash and Bank: Non Compliance with Sec 9 of the MFMA (Ex. 89)*			✓			✓			0	In progress
Contingent liabilities											
159	Contingent Liabilities: Difference between legal confirmation and note in the financial statements (Ex.102)*	✓						✓		0	In progress
Employee costs											
122	Employee cost: annual remuneration offered exceeded the budgeted amount for the position.(Ex.51)*			✓				✓		0	In progress
Budget and Procurement											
143	Budget- The budget was not disclosed in the AFS in accordance with GRAP 24 correctly (Ex.49)*			✓				✓		0	In progress
123	Procurement: Bids incorrectly eliminated from the bidding during evaluation process (Ex.64)*			✓				✓		0	In progress
Disclosure											
108	Statement of Changes in Net Assets: Incorrect recognition of amounts on the Statement of Changes in Net Assets(Ex.38)	✓						✓		0	In progress
125	Annual financial statements misstatements identified(Ex.84)*	✓						✓		0	In progress
110	Financial Instruments: Amounts disclosed as per the annual financial statement do not agree to the final trial balance (Ex. 93	✓						✓		0	In progress
112	Financial Instruments: Numerous deviations have been noted on financial instruments disclosed(Ex.109)	✓						✓		0	In progress
Unspent Conditional Grant											
146	Unspent conditional grants: Overspending on grant received (Ex.87)*			✓				✓		0	In progress
148	Unspent conditional grants: Information per AFS do not agree to the register (Ex.88)*	✓						✓		0	In progress



144	Unspent conditional grants : Insufficient balance in bank account (Ex.118)			✓				✓		0	In progress
Unauthorised Fruitless and Wasteful Expenditure											
164	Disclosure: Unauthorised Expenditure note is incomplete (Ex. 90)*	✓						✓		0	In progress
151	Fruitless and Wasteful Expenditure not disclosed (Ex. 92)*	✓						✓		0	In progress
Intangible assets											
127	Intangibles-Amortisation incorrectly calculated(Ex.82)*	✓						✓		0	In progress
131	Intangible: Intangible assets incorrectly included under PPE.(EX.99)*				✓			✓		0	In progress
162	Intangibles: Assets could not be traced back to the asset register (Ex.108)*	✓						✓		0	In progress
Inventory											
133	Inventory: lack of controls in inventory issues(EX.37)*				✓			✓		0	In progress
135	Inventory: Reconciliations not properly prepared (Ex.104)*	✓						✓		0	In progress
153	Inventory: Amounts not disclosed for some store items (Ex 126)*				✓			✓		0	In progress
Operating expenditure											
155	Operating expenditure: Suppliers not in the Municipality database (Ex. 19)				✓			✓		0	In progress
137	Procurement: Companies with the same directors bidding for the same tender (Ex.29)*				✓			✓		0	In progress
157	Procurement: Related party transaction not disclosed on the financial statements (Ex.39)	✓						✓		0	In progress
Payable											
115	Creditors: Opening balances not cleared (Ex.123)	✓						✓		0	In progress
Revenue											
121	Revenue from Government Grants and Subsidies - Grant revenue incorrectly disclosed in the AFS (Ex.48)*	✓						✓		0	In progress

120	Revenue: Change in accounting policy (Ex 59)*	✓						✓		0	In progress
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DETAILED AUDIT FINDINGS

ANNEXURE A: MATTERS AFFECTING THE AUDITOR'S REPORT

Immovable assets

1. PPE: Unknown description of assets in the asset register (EX.32)*

Audit finding

In terms of the MFMA ,section 63(2)(a) the accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure that the municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality.

1. While performing the audit procedures as required by International Standards on Auditing (ISA), it was noted that the following assets had incorrect descriptions:

#	DESCRIPTION OF AN ASSET PER ASSET REGISTER	PURCHASE DATE	PURCHASE COST
1	PHAKISA CONTSRUCTION & CATERERS	2007/05/01	5 460,30
2	JEAN COETZEE BRIDGE	2006/10/31	25 023,60
3	CONSULTING FEES FOR CONSTRUCTION OF OFFICES	2011/06/30	4 205 591,70

2.It was further noted that retentions were recorded separately as additions on the asset register.

#	DESCRIPTION OF ASSET PER ASSET REGISTER	PURCHASE DATE	PURCHASE COST
1	MPENDLE INTERNAL ROAD(Payment of retention amount)	2013/07/03	23 809,88
2	MOLWANA ROAD(Payment of retention amount)	2013/07/01	40 861,33

The cause of the above finding is lack of review of asset register by management.

The impact of the above finding is non-compliance with GRAP 17 and extrapolated amount of R297 074,67.

Internal control deficiency

Financial and performance management:

Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation

Management should review the asset register to ensure that the description of assets is recorded clearly.



Management response

Consulting Fees: Management does not acknowledge the finding

IAS 16 paragraph 15 states that:

An item of property, plant & equipment that qualifies for recognition as an asset shall be measured at its cost.

Per paragraph 16 (b), elements of costs include

Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Examples of directly attributable costs include Consultants & Professional fees (par 17 (f))

It is against this background that consulting fees were capitalized as they form part of an asset. It should be noted that this is the only expenditure incurred on this asset as at 30 June.

Incorrect Asset Description: Management acknowledges the finding. Asset register will be reviewed and correct all assets with incorrect description.

Retention: Management acknowledges the finding. Full review of asset register will be done and an adjustment will be made to asset register and AFS.

Name: N Zibi
Position: AM SCM
Date:

Auditor's conclusion

Consulting fees: Management comments are noted, finding closed.

Incorrect asset description: Management comments are noted, therefore finding remains.

Retention: Management comments are noted therefore finding remains.

Subsequently management submitted journals with correct descriptions and allocations for retentions. Therefore finding was closed

2. PPE-Difference between Asset Register and AFS (Ex.42)*

Audit finding

In terms of Section 62(1)(c)(i) of the Municipal Finance Management Act 56 of 2003, The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

While performing the audit procedures as required by International Standards on Auditing (ISA), it was noted there were differences that were noted in the asset register and AFS for additions and work in progress for infrastructure assets. Below are is the table showing differences.

DESCRIPTION	TOTAL ASSET REGISTER	PER	TOAL PER GL/TB	DIFFERENCE
Opening Carrying Value	156 678 877,16		156 678 877,42	(0,26)
Additions	20 243 315,30		21 778 195,58	(1 534 880,28)
WIP	79 322 439,63		77 787 559,35	1 534 880,28
TOTAL	240 820 415,69		240 820 415,95	(0,26)

The cause of the above finding is lack of review of the amounts posted in the asset register and AFS.

The impact of the above finding is that addition for infrastructure may be may be overstated by R1 534 880,28

Further, the impact of the above finding us that work in progress for infrastructure assets may be understated by R1 534 880,28.

Internal control deficiency

Financial and performance management:

Implement controls over daily and monthly processing and reconciling of transactions.

Recommendation

Management should reconcile the amounts posted in the asset register and the AFS before submission.

Management response

The difference is as a result of 2013/14 expenditure on roads which was WIP at the beginning of the year and completed at the end of the year. Expenditure was erroneously directly journalized to Completed Assets and not to WIP first for AFS asset note to correctly record the asset flow. As a result, journal had to be to be passed to record the expenditure first as additions to Work in Progress and then amounts transferred from WIP to Completed. (The net effect will be the same – Statement of Financial Position).

The assets are as follows:

Asset ID	Amount
42081	R419 818.70
42091	R370 468.58
41891	R95 716.00



42051	R467 533.61
41931	R107 437.50
41941	R73 905.89
Total	R1 534 880.28

Name: N. Zibi
Position: SCM Manager
Date: 21/10/2014

Auditor's conclusion

Management comments are noted, however the finding remains until such time that the amended financial statements have been submitted to the auditors and the amendments have been verified.

Subsequently management submitted journals to correctly reclassify the above. Therefore finding was closed.



3. PPE: Fully depreciated assets that are still in use (Ex.79)*

Audit finding

In terms of GRAP 17 paragraph 55, depreciable amount and depreciation period: The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The residual value and the useful life of an asset shall be reviewed at least at each reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

While performing the audit procedures as required by International Standards on Auditing (ISA), it was noted that there are fully depreciated assets that were identified to be still in use and their condition appears as good in the asset register. The following serves as example:

4.

#	DESCRIPTION	PURCHASE DATE	PURCHASE COST	DEPRECIATION AMOUNT	BOOK VALUE
1	CWEBENI ACCESS ROAD (FROM KM 5.5 (CWEBENI VILLAGE) TO CWEBENI VILLAGE)	2000/01/01	708 007,99	0	0
2	DANGWANA ACCESS ROAD (FROM TR - R4_015B TO T - R4_015B)	2000/01/01	161 132,85	0	0
3	11TH AVENUE (FROM T - N2 TO TL - 12TH AVENUE)	2002/01/01	61 035,17	0	0
4	4TH WEST SHORT STREET	2009/01/01	282 501,39	0	0
5	DUBULA STR (FROM TL - NOMSTHENKETSHE TO + - TEKWINI STR)	2002/01/01	202 486,95	0	0
6	EZIBHLOWENI ACCESS ROAD (FROM T-N2 TO TR - R5_022C)	2000/01/01	102 539,09	0	0
7	GOOD HOPE ACCESS ROAD (FROM T - T 80 TO GOOD HOPE VILLAGE)	2000/01/01	703 125,17	0	0
8	GWEGWENI ACCESS ROAD (FROM T - TAA TO KM 5.0)	1999/01/01	813 802,28	0	0
9	HAGWINI ACCESS ROAD (FROM KM 5.0 TO T - T 100)	2000/01/01	732 422,05	0	0
10	LONCI ACCESS ROAD (FROM T - T17 TO LONCI VILLAGE)	2002/01/01	356 445,40	0	0
11	DINGEZWENI PRE SCHOOL WIRE FENCE	2004/01/01	50 984,04	0	0
12	LUKHANYO PRE SCHOOL WIRE FENCE	2003/06/30	38 238,03	0	0
13	SIPHOLILE PRE SCHOOL WIRE FENCE	2004/01/01	50 984,04	0	0
14	BOREHOLE STRUCTURE	2010/06/30	100 000,00	0	0
15	MBUMBAZI COMMUNITY HALL WIRE FENCE	2003/01/01	46 556,95	0	0
16	MOUNT FRERE SMALL BUSINESS CENTRE WIRE FENCE	2003/01/01	47 160,23	0	0
17	ZIZAMELE PRE SCHOOL WIRE FENCE	2004/01/01	28 041,22	0	0
18	BUFFNEK COMMUNITY HALL WIRE FENCE	2003/06/30	39 905,95	0	0



#	DESCRIPTION	PURCHASE DATE	PURCHASE COST	DEPRECIATION AMOUNT	BOOK VALUE
19	SAPHUKANDUKU PRE SCHOOL WIRE FENCE	2001/01/01	15 295,22	0	0
20	SIDAKENI PRE SCHOOL WIRE FENCE	2004/01/01	17 844,41	0	0

The cause of the above finding is that useful lives of these assets were not assessment and considered at each reporting date and adjusted as appropriate.

The impact of the above finding is understatement of property, plant and equipment by R4 558 508.43 and non-compliance with GRAP17.

Internal control deficiency

Leadership:

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation

1. Management should review the useful lives and residual values of assets at year end and make adjustments where necessary. Disclosure should be made of the fully depreciated assets in use.
2. The asset register needs to reflect the useful lives of assets as this is the basis upon which the assets will be depreciated.

Management response

During the last financial year the municipality embarked on a process of addressing assets with zero carrying value including gravel roads. Gravel roads' useful life was changed from 3 years to 10 years as it was realized that 3 years was not the correct economic useful life and adjustments were made accordingly.

All the above stated asset do not have a residual values because they do not have resale values. A disclosure will be made on the Financial Statements to indicate assets that are on the register with zero values as per GRAP 17.

Auditor's conclusion

Management comments are noted, however the finding remains until such time that the amended financial statements have been submitted to the auditors and the amendments have been verified.

Subsequently the amended financial statements were submitted and the disclosure included and therefore finding closed.

4. PPE: Asset still in progress incorrectly classified as completed instead of work in progress.(EX.81)*

Audit finding

In terms of paragraph 11 of GRAP 17, the cost of an item of property plant and equipment shall be recognised as an asset if, and only if:

- a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- b) the cost or fair value of the item can be measured reliably.

Further in terms of the accounting policy paragraph 3.6, depreciation only commences when the asset is available for use.

While performing the audit procedures as required by International Standards on Auditing (ISA), it was noted through physical verification that the following assets are still work in progress and were incorrectly classified as completed (current year additions) and depreciation is charged for Puti Borehole.

#	DESCRIPTION	PURCHASE DATE	PURCHASE COST	ASSET CLASS PER ASSET REGISTER	COMMENT
1	High Mast Street Lights	2014/06/30	265 556,01	Street Lighting	High Mast Street Light is not yet complete as it is not lighting/ functioning.
2	Puti Borehole	2014/03/18	170 000	Water Boreholes - Structure	The construction of Puti borehole is not yet complete as there were no pipes and water pumps.

The cause of the above finding is that there are no controls in place to ensure that the asset register prepared is accurate and evaluation of projects in progress is not done to establish the stage of completion prior to reclassifying such assets.

The impact of the above finding is that work in progress is understated by R435 556.01, extrapolated amount is R 460 608,07

Internal control deficiency

Financial and performance management:

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Recommendation

Management should ensure that all projects in progress should be evaluated to establish the stage of completion prior to reclassifying such assets.

Management response

Management does not acknowledge the finding. Both assets were completed and operating before 30 June hence were recorded as complete assets and depreciated.

It should further be noted that finding is not clear as the auditor did not indicate the basis used to evaluate and conclude that assets are still work in progress.

Auditor's conclusion

Management comments are noted however the following was noted during physical verification and discussed with Mr Hendricks.

1. The borehole is situated at Puti market place. It has been drilled and the pipes have been inserted however the water pump has not been installed and thus borehole is not yet in a usable condition.
2. The high mast lights are around town. We physically verified and confirmed that they have been erected. However, they have not yet been connected by ESKOM and therefore are not in a usable condition.

Thus finding remains and impact added to SUM

5. PPE: Land and buildings were not accounted or shown separately (EX.95)*

Audit finding

In terms of the GRAP 17 paragraph 64 Land and buildings are separable assets and are accounted separately, even when they are acquired together. With some exceptions, such as quarries and sites used for landfill, land has an unlimited useful life and therefore is not depreciated. Buildings have a limited useful life and therefore are depreciable assets. An increase in the value of the land on which a building stands does not affect the determination of the depreciable amount of the building.

While performing the audit procedures as required by International Standards on Auditing (ISA), it was noted that land and buildings were not accounted or shown separately for the following in the asset register as required by GRAP 17.

#	DESCRIPTION	ERF NO	DATE	CARRYING VALUE (R)
1	MOBILE OFFICES	No ERF no in the Asset register	2009/11/30	64 458,62
2	MOBILE OFFICES	No ERF no in the Asset register	2009/11/30	72 101,04
3	MOBILE OFFICES	No ERF no in the Asset register	2009/11/30	72 101,04
4	MOUNT AYLIFF COUNCIL CHAMBERS BLOCK A	67	2004/01/01	4 143 130,36
5	MOUNT AYLIFF COUNCIL CHAMBERS BLOCK B	67	2004/01/01	4 143 130,36
6	MOUNT AYLIFF COUNCIL CHAMBERS BLOCK C	67	2004/01/01	1 168 575,24
7	MOUNT AYLIFF COUNCIL CHAMBERS BLOCK E GUARD HOUSE	67	2004/01/01	118 037,90
8	MOUNT AYLIFF COUNCIL CHAMBERS BLOCK F	67	2004/01/01	1 085 948,71
9	MOUNT AYLIFF COUNCIL CHAMBERS BLOCK H TRAFFIC CENTRE	67	2006/06/30	1 883 048,78
10	MOUNT AYLIFF COUNCIL CHAMBERS COVERED WALKING AREAS	67	2004/01/01	77 672,38
11	MOUNT AYLIFF COUNCIL CHAMBERS GARAGE 1	67	2004/01/01	324 604,23
12	MOUNT AYLIFF COUNCIL CHAMBERS GARAGE 2	67	2004/01/01	661 012,18
13	MOUNT AYLIFF COUNCIL CHAMBERS SHADED CAR PORTS	67	2004/01/01	193 317,90
14	MOUNT FRERE OLD MUNICIPAL OFFICES	No ERF no in the Asset register	1981/01/01	988 066,03
15	MOUNT FRERE SMALL BUSINESS CENTRE BRICK PAVING	No ERF no in the Asset register	2003/01/01	174 654,04



#	DESCRIPTION	ERF NO	DATE	CARRYING VALUE (R)
16	MOUNT FRERE SMALL BUSINESS CENTRE BUILDING A	No ERF no in the Asset register	2003/01/01	623 109,32
17	MOUNT FRERE SMALL BUSINESS CENTRE BUILDING B	No ERF no in the Asset register	2003/01/01	87 445,80
18	MOUNT FRERE SMALL BUSINESS CENTRE BUILDING C	No ERF no in the Asset register	2003/01/01	77 044,57
19	UMZIMVUBU MAIN MUNICIPAL BUILDING HALL MOUNT FRERE	No ERF no in the Asset register	2004/01/01	2 631 477,17
20	UMZIMVUBU MAIN MUNICIPAL BUILDING LIFTS MOUNT FRERE	No ERF no in the Asset register	2004/01/01	17 779,19
21	UMZIMVUBU MAIN MUNICIPAL BUILDING OFFICES MOUNT FRERE	No ERF no in the Asset register	2004/01/01	3 217 676,13
22	UMZIMVUBU MAIN MUNICIPAL BUILDING PAVING	No ERF no in the Asset register	2004/01/01	666 139,25
23	CONSULTING FEES FOR CONSTRUCTION OF OFFICES	No ERF no in the Asset register	2011/06/30	4 205 591,70
24	SERVICES IN MOUNT FRERE AND MOUNT AYLIF	No ERF no in the Asset register	2012/06/30	101 599,61
25	Capitalizing Expenditure for infrastructure Services on Municipal Plots	No ERF no in the Asset register	2012/06/30	565 015,61
26	ULM OFFICES, MOUNT FRERE	No ERF no in the Asset register	2013/03/19	149 343,25
27	DLTC Building	No ERF no in the Asset register	2013/06/12	748 287,33
28	Municipal Mt Ayliff Staff Housing	No ERF no in the Asset register	2014/06/30	2 955 811,42
29	Contract for Staff Housing / Cottage	No ERF no in the Asset register	2013/06/30	501 392,90
				31 717 572,05

The cause of the above finding is lack of review of asset register by management to ensure that all assets in the asset register are correctly recorded as required by GRAP.



The impact of the above finding is that depreciation could be incorrectly levied on land and non compliance with GRAP 17.

Internal control deficiency

Leadership:

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation

Management should review the asset register on a timely basis to ensure accuracy, completeness and that its GRAP compliant.

Management response

Management does not acknowledge the finding. Municipal offices and land are separated in our asset register. Amounts disclosed per above finding relates to Building only, and clearly stated in asset register under classification column-sub and category (columns U &V) as buildings and office buildings respectively.

Land has been disclosed separately in the asset register with a value of R2 739 700 and recorded as land

A human error occurred while capturing Mount Ayliff council chambers erf number and 67 was captured instead of 68. Erf 67 does not belong to the municipality but belongs to public works with user department being Magistrate Court (*Refer to attached proof of ownership*)

Land erf number has been correctly captured as erf 68 in the asset register.

Asset register will be updated for council chambers and correct erf number will be documented.

Name: N Zibi
Position: AM SCM
Date:

Auditor's conclusion

Management comments are noted, supporting documents as noted have been verified and agreed, however finding remains as there is an inconsistency of asset register.

6. PPE: Asset register not updated.(EX 98)*

Audit finding

In terms of **Section 62 (1)(a)&(c) of the Municipal Finance Management Act No. 56 of 2003**, the accounting officer of the municipality must take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with the prescribed norms and standards. The accounting officer must also ensure that the municipality has and maintains effective and efficient and transparent systems of financial and risk management and internal control.

While performing the audit procedures as required by International Standards on Auditing (ISA), It was noted through physical verification and inspection of the map street naming for Umzimvubu municipality and the street name board that the following street names has changed and the changes has not been updated to the asset register:

#	OLD STREET NAME PER ASSET REGISTER	NEW STREET NAME PER MAP STREET NAMING AND BOAD IN THE STREET
1	MTSI STR (FROM T - NORTH STR TO TR - MOUNTAIN STR) SURFACE LAYER	Bhigayeni Mlenzana Street
2	GARANE STR (FROM MAGEWUSHE TO MANKAHLA) SURFACE LAYER	Keneth Makiwane street
3	SHORT MARKET STR (FROM T - CHURCH STR TO T - MAKAHLA STR) SURFACE LAYER	Nqalutyana Seku Street

The cause of this finding is inadequate asset register reviews.

The impact of the above finding is that this is may result to inadequate controls surrounding the recording and updating of assets in the asset register.

Internal control deficiency

Leadership:

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation

Management should update the information on the asset register frequently to ensure that all the information is always up to date band complete.

Management response

Management acknowledges the finding and asset register will be update with latest street names.

Name: **N Zibi**
Position: **AM SCM**
Date:

Auditor's conclusion

Management comment noted therefore finding remains.

Asset register subsequently submitted with the correct street names and finding closed



7. PPE: Incorrect calculation of Net book value (Ex 105)*

Audit finding

In terms of GRAP 017, paragraph 59. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. Paragraph 60. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations and the date that the asset is de-recognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated. However, under usage methods of depreciation the depreciation charge can be zero while there is no production.

While performing audit procedures in terms of IAS, it was discovered that the current year depreciation was incorrectly calculated:

RECALCULATED DEPRECIATION	DEPRECIATION AS PER THE AR	DIFFERENCE
22 650 266,07	24 454 548,51	1 804 282,44

The cause of the above finding is that this is a result of insufficient controls surrounding the asset register

The impact of this finding is overstatement of asset net book values by R9 525 007.48 and understated by R 293 191.011

Internal control deficiency

Financial and performance management:

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Recommendation

Management should ensure that the asset register is properly reviewed and that depreciation calculations are done correctly and useful life of assets is assessed annually .

Management response

Management does not acknowledge the finding. An incorrect formula was used by auditors to calculate depreciation.

Depreciation is calculated based on cost over asset useful life, apportioned if asset was not used for the entire financial year using straight-line method of depreciation.

Auditor's conclusion

Management comment noted, Auditor agrees with management on recalculation of the finding, however as an investigation was performed on this, noted was Net Book Values that are incorrectly recorded which led to this disagreement. Please refer to the calculations below:

The Following is overstatement of NBV for 2013/14:



#.	Description	Category	Cost	Initial year	Useful Life	Accumulated Depreciation(R)	NBV as per auditor for 2013/14 (R)	NBV as per Auditee for 2013/14 (R)	Difference (R)
1	MOUNT AYLIF COUNCIL CHAMBERS BLOCK A	Land & Buildings	5 178 771,17	01-Jan-04	25	2 195 798,98	2 982 972,19	4 143 130,36	1 160 158,17
2	MOUNT AYLIF COUNCIL CHAMBERS BLOCK B	Land & Buildings	5 178 771,17	01-Jan-04	25	2 195 798,98	2 982 972,19	4 143 130,36	1 160 158,17
3	UMZIMVUBU MAIN MUNICIPAL BUILDING HALL MOUNT FRERE	Land & Buildings	3 289 256,40	01-Jan-04	25	1 394 644,71	1 894 611,69	2 631 477,17	736 865,48
4	UMZIMVUBU MAIN MUNICIPAL BUILDING OFFICES MOUNT FRERE	Land & Buildings	4 021 985,05	01-Jan-04	25	1 705 321,66	2 316 663,39	3 217 676,13	901 012,75
5	NJIJINI GAMAKHULU GREAT PLACE ACCESS ROAD X 3.4 KM, STORM WATER PIPE CROSSING, LOW LEVEL BRIDGE, ROAD SIGNS X 25, GUARDRAILS	Infrastruct ure	2 254 432,26	21-Oct-10	10	856 684,26	1 397 748,00	1 414 176,98	16 428,98



#.	Description	Category	Cost	Initial year	Useful Life	Accumulated Depreciation(R)	NBV as per auditor for 2013/14 (R)	NBV as per Auditee for 2013/14 (R)	Difference (R)
6	NTLABENI ACCESS ROAD X 5.10 KM, STORM WATER PIPE CROSSING, LOW LEVEL BRIDGE, 2 X GUARDRIALS, ROAD SIGNS X 39	Infrastructure	3 302 799,03	01-Oct-10	10	1 288 091,62	2 014 707,41	2 022 146,70	7 439,29
									3 982 062,83

The following are understatements of NBV for 2013/2014

#	Description	Category	Cost	Initial year	Useful Life	Accumulated Depreciation	NBV as per auditor 2013/14	NBV as per Auditee 2013/14	Difference
1	BONGA ACCESS ROAD X 3.8KM	Infrastructure	1 925 209,74	24-Jun-11	3653	580 250,73	1 344 959,01	1 343 904,96	-1 054,05
2	Phuhini - Sylusville A/R & Bridge	Infrastructure	3 227 740,48	15-Dec-10	3653	1 142 035,20	2 085 705,28	1 962 688,94	-123 016,35
3	WELAKA BINI ACCESS ROAD X 7.57 KM, STORM WATER	Infrastructure	2 026 807,85	30-Jun-11	10	608 042,36	1 418 765,50	1 418 155,19	-610,31



#	Description	Category	Cost	Initial year	Useful Life	Accumulated Depreciation	NBV as per auditor 2013/14	NBV as per Auditee 2013/14	Difference
	PIPE CROSSING, ROAD SIGNS X 28								
									-124 680,70

Subsequently management submitted journals to correctly account for the net book values. Additional samples were selected and the result was satisfactory. Therefore funding was closed



8. PPE: Assets belonging to the municipality could not be traced to the asset register (Ex.114)*

Audit finding

In terms of Section 62 (1)(a)&(c) of the Municipal Finance Management Act No. 56 of 2003, the accounting officer of the municipality must take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with the prescribed norms and standards. The accounting officer must also ensure that the municipality has and maintains effective and efficient and transparent systems of financial and risk management and internal control.

While performing the audit procedures as required by International Standards on Auditing (ISA), the following misstatements were identified:

1. Properties belonging to the municipality per the deeds office could not be traced to the asset register. The details of these properties are detailed below

#	ERF no	DESCRIPTION	DEED NO	GRANT
1	2917	UMZIMVUBU MUNICIPALITY(MOUNT AYLIF EXT 8)	T222/2006	
2	657	MUNICIPALITY OF MOUNT FRERE(MOUNT FLETCHER EXT 4)	T1501/1993	
3	658	MUNICIPALITY OF MOUNT FRERE(MOUNT FLETCHER EXT 4)	T1501/1993	
4	208	VILLAGE MANAGEMENT BOARD OF MOUNT FRERE	MFRF1-38/1925	
5	215	VILLAGE MANAGEMENT BOARD OF MOUNT FRERE	G42/1965	
6	228	UMZIMVUBU MUNICIPALITY(MT ALYIFF)	G679/1985	

2. The movable assets detailed in the table below were selected from the municipality premises, however they could not be traced back to the asset register.

#	DESCRIPTION	BAR CODE/SERIAL NO
1	2 Door wooden cupboard	401431
2	Hisense bar fridge	401476
3	Hp laserjet pro200 colour printer	401201
4	Visitors chair	402023
5	TLB CAT 416E	400298
6	Hp probook 6570B laptop	402380
7	Hp probook 4540s laptop	402478
8	L-shape desk	401416
9	2 door cupboard	401418
10	Russell hobbs microwave	402358
11	Dyna Truck(DDT 806 EC)	6317
12	Laserjet pto CN 1415 Printer	400340
13	Hp officejet 6500A printer	402491
14	Lenovo printer	402384



#	DESCRIPTION	BAR CODE/SERIAL NO
15	Sync master aido samsung monitor	ZTZHH4LD411083Y
16	Flatron E1941 Monitor(104TPCA3C707) LG	400941
17	Flatron E1941 Monitor(104INCNB8067) LG	400424

The cause of the above finding is that this is a result of ;

1. Lack of reconciliation to the deeds register information
2. Lack of review of the register
3. Insufficient controls surrounding the asset register.

The impact of the above finding is that asset register is not complete and non compliance with GRAP 17 and MFMA .

Internal control deficiency

Leadership:

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation

Management should place controls in place that enable the accurate and complete recognition of Property, Plant and Equipment and ensure that the asset register is complete.

Management response

Management response: Management does not acknowledge the finding. Properties from erf number 267-215 are not municipal properties. *Refer to attached windeed reports.*

Erf 2917 is a municipal property and is included in asset register. Refer to asset register

Erf number 228 does not exist on municipal map. This is a subdivision from commonage 188 and erf 188 is included in asset register,

Management response: Management partially acknowledges the finding as some assets appear on asset register. Asset verification will be performed to ensure that all municipal assets are included, asset register will be updated. Mr. Zibi to review asset register with auditor to clear and remove all assets appearing on asset register

Bombeni community hall is included in asset register. *Refer to asset register*

Auditor's conclusion

1. Land: Management comments are noted, supporting documents as noted have been verified and agreed there finding closed.
2. Other Assets: Management comments noted, finding remains

9. PPE: Additions cut off (Ex.115)*

Audit finding

According to section 63(2)(a) of the MFMA the accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure that the municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality.

While performing the audit procedures as required by International Standards on Auditing (ISA), it was noted that the following assets were disclosed as additions in the asset register but relate to the prior year:

DATE	DESCRIPTION	AMOUNT (R)	DATE OF PAYMENT	DATE OF GRV
2014/06/30	Parking Meter (Mobile)	12 788	04-Jun-13	23-May13
2014/06/30	Parking Meter (Mobile) - Printer	4 285,60	04-Jun-13	23-May13
Total		17 073,60		

The cause of the above finding is that there is a lack of monitoring of assets by management of the department.

The impact of the above finding is overstatement of current year additions by an extrapolated amount of R 21 533, 07 and understatement of current and prior year depreciation of an actual amount of R3 699,93

Internal control deficiency

Leadership:

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation

Management should review the fixed asset register and ensure that assets are accounted for properly.

Management response

Management acknowledges the finding. Asset register & AFS will be adjusted accordingly

Name: **N Zibi**
Position: **AM SCM**
Date:

Auditor's conclusion

Management comment is noted, finding remains.

The following differences will be included in the SUM:
Projected amount R17 073.60
Depreciation R3 699.93



10. PPE: Impairment of an asset not assessed (Ex.120)

Audit finding

In terms of GRAP 21 paragraph 18, an entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable service amount of the asset.

While performing the audit procedures as required by International Standards on Auditing (ISA), it was noted during physical verification that the following was taken by a storm and impairment was not assessed and disclosed in the AFS.

DESCRIPTION	ACQUISITION DATE	CARRYING VALUE	ASSET TYPE
HAGWINI BRIDGE	2010/06/15	45 897,49	Roads - Gravel Surface

The cause of the above finding is that impairment of this asset was not assessed and considered at the reporting date as required by GRAP 21.

The impact of the above finding is misstatements on infrastructure assets by an extrapolated amount of R572 093,12 and non-compliance with GRAP 21.

Internal control deficiency

Leadership:

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation

Management should review the impairment of assets at year end and make adjustments where necessary. Disclosure should be made of the impaired assets.

Management response

Management comment will be emailed as bridge has to be verified.

Auditor's conclusion

Management comment noted, finding remains. In addition, bridge was physically inspected by the auditors in the presence of the infrastructure manager and pictures were taken.

Subsequently management submitted journal to correctly accounted for the impairment of the bridge. Therefore finding was closed

11. PPE: Retentions included in the cost of WIP (EX.121)

Audit finding

In terms of section 62 (1) (b) and (c)(i) of the Municipal Finance Management Act, No. 56 of 2003, the accounting officer of the municipality is responsible for managing the financial administration of the municipality ,and must for this purpose take reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards ,and that the municipality has and maintains an effective, efficient and transparent system of the financial and risk management and internal control.

While performing the audit procedures as required by International Standards on Auditing (ISA), it was noted that:

1. The expenditure amount on asset register includes retentions but the assets are not yet complete.

NO.	DATE	DESCRIPTION	SUPPLIER	EXPENDITURE	EXPENDITURE RECORDED PER ASSET REGISTER	RETENTION AMOUNT(MOT YET PAID)
1	30-Jun-14	MANYIMBANENI ACCESS ROAD	Thiyane Management Solution	583 717,77	604 603,00	20 885,23
2	30-Jun-14	SIKOLWENI ACCESS ROAD	Xabase Trading Enterprise	491 733,96	506 611,67	14 877,71
3	30-Jun-14	SIKHUMBENI ACCESS ROAD	Gorha Construction	942 954,47	967 475,10	24 520,63
Total				2 018 406,20	2 078 689,77	60 283,57

The cause of the above finding is lack of review and update of asset register.

The impact of the above is understatement of additions in the AFS and overstatement of WIP R60 283,57

Internal control deficiency

Financial and performance management:

Review and monitor compliance with applicable laws and regulations



Recommendation

Management should implement Supply Chain Management Policies appropriately and in all transactions relevant.

Management response

Management acknowledges the finding. Asset register will be adjusted as follows

1. Manyimbaneni & Sikolweni access roads: Assets will be changed from WIP to complete. No depreciation will be calculated as assets were completed at year end. Refer to attached completion certificates
2. Sikhumbeni access road: Asset will be changed from WIP to complete and depreciation will be calculated from March to June. AFS will be adjusted. Refer to attached completion certificates

Auditor's conclusion

Management comment noted, therefore finding remains.

Subsequently the amended asset register and financial statements were submitted and the correct disclosure included and therefore finding closed.



12. Assets-Asset register not GRAP compliant (Ex.41)*

Audit finding

In terms of section 63 (1) (a) and (2) (a) of the Municipal Finance Management Act (MFMA), the accounting officer of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those.(2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality.

While performing the audit procedures as required by International Standards on Auditing (ISA), it was noted that, the following control deficiencies were Identified :

1. Assets with no Purchase Dates and or bar code. The following serve as examples:

#	DESCRIPTION	PURCHASE DATE	BAR CODES
1	HP LAPTOP	no purchase date	400588
2	HP LAPTOP	no purchase date	400603
3	VERBATIM WIRELESS OPTICAL MOUSE	no purchase date	400628
4	4GB MICRO SD CARD FOR CAMERA	no purchase date	400633
5	BAQHUQHINI ACCESS ROAD X 3.90 KM	no purchase date	No bar code
6	BAQHUQHINI ACCESS ROAD STORM WATER RIVER CROSSING	no purchase date	No bar code
7	MAJALUMANE - NYATHINI ACCESS ROAD X 2.72KM, TRAFFIC SIGNS X 12	no purchase date	No bar code
8	MAJOJWENI ACCESS ROAD X 10.2 MAJOJWENI ACCESS ROAD	no purchase date	No bar code
9	RHODE TO VOVENI ACCESS ROAD X 2.1KM, LOW LEVEL BRIDGE, ROAD SIGNS X 12	no purchase date	No bar code
10	BAQHUQHINI ACCESS ROAD UZM/2010-11/INFRA/029	no purchase date	No bar code
11	SANDINI ACCESS ROAD UMZ/2011-12/INFRA/002	no purchase date	No bar code
12	MAJAKMANI ACCESS ROAD UMZ/2011-12/INFRA/004	no purchase date	No bar code
13	NDIKINI ACCESS ROAD UMZ/2011-12/INFRA/005	no purchase date	No bar code
14	REHABILITATION AND EXTENTION OF MT AYLIFF TOWN HALL UMZ/2011-12/INFRA/010	no purchase date	No bar code
15	EXT MFULAMKHULU ACCESS ROAD UMZ/2011-12/INFRA/013	no purchase date	No bar code
16	DINGEZWENI TO NTSIMANGWENI ACCESS ROAD UMZ/2011-12/INFRA/014	no purchase date	No bar code
17	XHOLOTI TO MAHOBE ACCESS ROAD X 2.5 KM, ROAD SIGNS X 20	no purchase date	No bar code
18	MOLWANA ACCESS ROAD X 6.4 KM, STORM WATER PIPE CROSSING, ROAD SIGNS X 8	no purchase date	No bar code
19	GHUBUZI-LUGANGENI TO MALONGWE ACCESS ROAD X 5KM	no purchase date	No bar code
20	SURFACING OF MT AYLIFF STREETS	no purchase date	No bar code
21	SURFACING OF MT FRERE STREETS	no purchase date	No bar code

2. Duplicated Assets. The following serve as examples:



#	DESCRIPTION	BAR CODES
1	CHAIN SAW/STIHL MS 381	400644
2	HP M1319F MONO LASER PRINTER WITH AMALE-BMALE PRINTER	400644
3	TABLE ROUND WOODEN	5790
4	TABLE ROUND WOODEN	5790
5	CUPBOARD FILING WOODEN	5464
6	CUPBOARD FILING WOODEN	5464
7	TABLE WOODEN	623
8	TABLE WOODEN	623

3. Assets with no purchase Cost and or purchase date. The following serve as examples:

#	DESCRIPTION	PURCHASE DATE
1	BETSHWANA A/R	11/7/2011
2	Mount Ayliff Hall Rehabilitation	no purchase date
3	Surfacing of mount frère phase 1& 2	no purchase date
4	Welakabini Access Road	6/30/2012
5	Qhanqu Macheleni A/R	6/30/2012
6	Nursery WIP	6/30/2013
7	Economic Infrastructure - WIP	6/30/2013
8	Trading Facility WIP	6/30/2013
9	Other Assets WIP	6/30/2013
10	Trading Facility WIP	6/30/2013
11	Trading Facility WIP	6/30/2013
12	Access Road Peach Value Addition WIP	6/30/2013
13	Trading Facility WIP	6/30/2013
14	Mpemba Access Road	7/1/2012
15	Mpemba Access Road	7/1/2012
16	Sidakeni Acess Road	7/1/2012
17	Sidakeni Acess Road	7/1/2012
18	Sidakeni Acess Road	7/1/2012
19	Sidakeni Acess Road	7/1/2012
20	Sidakeni Acess Road	7/1/2012
21	Sidakeni Acess Road	7/1/2012
22	Sidakeni Acess Road	7/1/2012
23	Sidakeni Acess Road	7/1/2012
24	Sidakeni Acess Road	7/1/2012
25	Sidakeni Acess Road	7/1/2012
26	Nkanji Acess Road	7/1/2012
27	Nkanji Acess Road	7/1/2012
28	Mhlotsheni Access Road	10/26/2012
29	Lubhacweni, Tela & Luxwesa AR Maintenance	



#	DESCRIPTION	PURCHASE DATE
30	Construction of Mt Ayliff Streets Phase 3	
31	Mount Ayliff Trading Facility - Phase 2	

4. Assets without location/town. The following serve as examples:

#	DESCRIPTION	PURCHASE DATE	PURCHASE AMOUNT	LOCATION/BUILDING
1	SURFACING OF Mount Frere Streets-Phase 1	2010/06/30	505 235,40	No location /building
2	Mpoza Access Road	2010/06/30	30 075,68	No location /building
3	Mvizi Mtshaza Access Road	2010/06/30	123 934,91	No location /building
4	LUXWESA-SAPUKANDUKU ACCESS ROAD X 5.6 KM, STORM WATER PIPE CROSSING, LOW LEVEL BRIDGE, GUARDRAILS, ROAD SIGNS X 44	2010/06/30	425 981,25	No location /building
5	MVUZI-MTSHAZI ACCESS ROAD X 7.5 KM, STORM WATER PIPE CROSSING, ROAD SIGNS X 20	2010/06/30	124 425,00	No location /building
6	HAGWINI BRIDGE	2010/06/15	49 936,13	No location /building
7	JEAN COETZEE BRIDGE	2006/10/31	29 555,02	No location /building
8	LONCI BRIDGE	2010/06/15	49 936,12	No location /building
9	MARWAQA BRIDGE	2010/06/15	49 936,13	No location /building
10	BONGA PRE SCHOOL	2007/06/29	281 875,70	No location /building

5. Assets without bar codes. The following serve as examples:

	DESCRIPTION	PURCHASE DATE	PURCHASE AMOUNT	DEPARTMENT	BAR CODES
1	3 IN 1 HP Laser jet colour printer	2010/10/15	495	Local Economic Development	No barcode/serial number
2	HP tablet 2740P charger and power cable	2010/07/01	2 400	Infrastructure and Planning	No barcode/serial number
3	HP office jet 4500 colour printer	2010/07/22	898	Community and Social Services	No barcode/serial number
4	Laptop: HP Pro book	2012/08/14	8 066,85	Community and Social Services	No barcode/serial number
5	Printer	2012/08/14	2 710,84	Community and Social Services	No barcode/serial number
6	Bar Fridge	2013/05/07	1 899,95	Local Economic Development	No barcode/serial number



	DESCRIPTION	PURCHASE DATE	PURCHASE AMOUNT	DEPARTMENT	BAR CODES
7	Generator-Yamaha	2013/06/11	22 300	Local Economic Development	No barcode/serial number
8	Laptop: Hp Workstation Z220	2012/12/10	15 278,26	Community and Social Services	No barcode/serial number
9	4 LEGGED EPOXY CHAIR	2014/01/21	603,12	Executive and Council	No barcode/serial number
10	PRINTERS	2013/11/27	17 160	Budget and Treasury	No barcode/serial number

The cause of this finding is inadequate asset register reviews

The impact of the above finding is non compliance with GRAP 17 and MFMA.

Internal control deficiency

Financial and performance management:

Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation

Management should place controls in place that enable the accurate and complete recognition of Property, Plant and Equipment and ensure that the asset register is complete and complied with GRAP.

Management response

1. 1. Asset with no Purchase dates:

1.1) A laptop with the barcode 400588 appears on the AR twice. First under ID 585 1 and also ID 34311. Asset ID 5851 had purchase date 21/06/201 @ R12 543,86. The second entry has no purchase date or value and it is uncertain why it is on the AR twice. The second entry is the query. With the physical verification this item could not be found as indicated in the AR. The second entry should/can be deleted.

2. 1.2) A laptop with the barcode 400603 appears on the AR twice. First under ID 5961 and also ID 34321. Asset ID 5961 had purchase date 21/06/201 @ R12 543,86. The second entry has no purchase date or value and it is uncertain why it is on the AR twice. The second entry is the query. With the physical verification this item could not be found as indicated in the AR. The second entry should/can be deleted.

3. 1.3) The optical mouse was capitalised with the laptop Asset ID 34351 with the same barcode. (15 /10/2010 Voucher EF007846 Aumsoft Computers).The entry for the optical mouse should be removed from the AR.

4. 1.4) The SD card was capitalised with the camera ID 34881. (27/10/2010 Voucher EF008167 R1 682,46). The entry for the card on it's own, 34901, should be removed from the AR.

Items 1.5 to 1.21 Some assets had more than one entry or an initial WIP ID on the AR but these entries were later combined as one asset. (Old entries were kept for history purposes but should



probably be removed from the AR. It has no value and have no effect on the AFS but the listing in the AR might cause confusion).

1. 5,6,10 Asset ID 36201
2. 7,12 Asset ID 40821
3. 8 Asset ID 36241
4. 9 Asset ID 40831
5. 14 Asset ID 40701
6. 15 Asset ID 41571
7. 17 Asset ID 40981
8. 18 Asset ID 41041
9. 19 Asset ID 41091
10. Items 11, 13 and 16 appeared on the 2011/12 AR with no value and no expense on these was recorded since then. The items should be removed from the AR.
11. Items 20 and 21 refers to the Surfacing program for Mount Frere and Mount Ayliff which is work in process for the last few years. The old WIP entries will be reduced to zero as the individual streets are capitalized. These old entries were kept for history purposes but should probably be removed from the AR the year after the balance come to zero.

2 .Duplicated Assets

12. All the items above but the barcodes on 5 of them were changed but not updated to the AR:

Asset ID	Old Barcode	New Barcode
34701	400644	03332
34981	400644	402303
14131	05790	400949
102581	05790	05790
12461	05464	00626
101531	05464	05464
7161	00623	400496
102631	00623	00623

The assets have therefore not been duplicated. The AR needs to be updated with the barcodes applied during the physical stock take.

3. Assets with no Purchase costs

- 1) Amount transferred to Asset ID 33641 as indicated in the AR (Notes)
- 2) Temporary entry under ID 38531 asset was capitalized under Asset ID 40701
- 3)Temporary entry. The surfacing of the roads are WIP. WIP mounts are reduced as streets are completed.
- 4) Asset ID 38781 (now zero) was transferred to the asset 36161 during 2012/13. Retention amount of R79 817,39. Asset ID's remain in the AR once allocated.
- 5) Amount transferred to Asset ID 33801 as indicated in the AR (Notes)
- 6) Nursery combined under Asset ID 41871
- 7) Was a temporary vote for the Economic Infrastructure WIP until it was individually capitalised. Entry should be removed from the AR.
- 8) To 10,11,13 Trading facility WIP temporary entries which should be removed from AR. Item capitalised under Asset ID 42011
- 9) Temporary Asset ID "Other Assets". Entry was used to record for draft AR and should be removed from AR.
- 12) The item listed forms part of the Peach Farm Project capitalised under asset ID 41881. The entry under ID 40501 should be removed from the AR.
- 14) -15 Amounts transferred to Asset ID 30651
- 16) -25 Amounts transferred to Asset ID 34081 as indicated in the AR



26) -27 The two entries on Nkanji Access Road appears in the AR for the first time in 2012/13. No expenditure took place on the road in that year or thereafter.. The road is capitalised under asset ID 34031.

28) Temporary entry under ID 33861 & 41301 asset was capitalized under Asset ID 36211.

29) Asset ID 41931 appears on the AR twice. Amounts were combined to one asset and the entry with no value and date should be deleted from the AR.

30) -31 These are old WIP entries on the resurfacing program and amounts to zero when streets are completed and individually tarred. The old entries should be removed from the AR once the value becomes zero.

It was the idea to keep these old numbers as history. The query however resulted from this practice and it is obvious that the old entries with zero values be removed not to cause confusion.

4. Asset with no Location

Assets highlighted in yellow: Management does not acknowledge the finding, these have a link to the map which shows location on column HC.

Assets not highlighted: Management acknowledges the finding, the whole asset register is going to be adjusted to ensure that it contains no errors.

5. Assets without bar codes.

2) This is the 3 in 1 HP printer referred to in 1. Asset ID 34431. The physical verification indicated that the bar code is 400664. The AR should be updated accordingly.

3) This is the HP Charger with cable refer to in 2. Asset ID 34521. These cables are probably not barcoded.

4) The Asset ID for this item is 39611 and according to the physical verification the barcode is 400998. The AR need to be updated accordingly.

5) The Asset ID for this item is 39631. It seems not to have been verified in the physical verification. Barcode need to be investigated. Barcode 400982

6) The Asset ID for this item is 39711 and according to the physical verification the barcode is 400128. The AR need to be updated accordingly.

7) The Asset ID for this item is 39721 and according to the physical verification the barcode is 401645. The AR need to be updated accordingly.

8) The Asset ID for the 2 items is 39281 and 39771 and according to the physical verification the barcodes are 400691 and 400912 respectively. The AR need to be updated accordingly.

9) The Asset ID for the 2 items is 90861 and 91111 and it was assets added during the last financial year with reference "Munsoft AR item 4126 and 4155 (barcode 402023)" First barcode should be verified and the excel AR should be updated accordingly.

10) The asset ID for this item is 90951. Also a new item added with Munsoft AR reference 4093. Barcode should be determined and excel AR should be updated accordingly.

Auditor's conclusion

1. Assets with no Purchase Date: Management comments are noted, asset register as noted have been verified and agreed, therefore finding closed.

2. Duplicated Assets: Management comments are noted, therefore finding remains as non compliance

3. Assets with no purchase Cost: Management comments are noted, asset register as noted have been verified and agreed, therefore finding closed



4. Assets without location/town: Management comments are noted, asset register as noted have been verified and agreed except for Bonga pre school, therefore finding remains as non compliance.
5. Assets without bar codes: Management comments are noted, therefore finding remains.

Predetermined objectives

13. AOPO: Inconsistency in reported objectives, indicators and targets from planned information documented (Ex.50)*

Audit Finding

In accordance with section 46(1)(b) of the Municipal Systems Act No. 32 of 2000, a municipality must prepare for each financial year a performance report reflecting the performance of the municipality during that financial year and a comparison of the performances with targets set for and performances in the previous financial year.

For this reason the performance indicators and targets reported must remain consistent with those initially determined in the Service Delivery and Budget Implementation Plan (SDBIP).

Please note that this is a re-issuance of exception 50 with specific detail on the inconsistencies noted as well as an update of the relevant data.

We have noted numerous inconsistencies between the performance indicators, objectives and targets recorded in the annual performance report and the SDBIP, below is a summary of the inconsistencies noted (a detailed schedule of actual inconsistencies is available for management):

Infrastructure and Planning

A	Inconsistency on objectives/priorities	Findings	Population	% error
1	Objectives disclosed on the revised SDBIP but not are not disclosed on the annual performance report.	26	51	51%
2	Objectives disclosed in the annual performance report but were not included in the SDBIP	31	56	64%
3	Objectives that are reported in both the revised SDBIP and the annual performance report but are not consistent.	7	51	14%

B	Inconsistency on indicators/measures	Findings	Population	% error
1	Indicators disclosed on the revised SDBIP but not are not disclosed on the annual performance report.	26	51	51%
2	Indicators disclosed in the annual performance report but were not included in the SDBIP	31	56	64%
3	Indicators that are reported in both the revised SDBIP and the annual performance report but are not consistent.	21	51	41%

C	Inconsistency on targets	Findings	Population	% error
1	Targets disclosed on the revised SDBIP but not are not disclosed on the annual performance report.	26	51	51%
2	Targets disclosed in the annual performance report but were not included in the SDBIP	31	56	64%
3	Targets that are reported in both the revised SDBIP and the annual performance report but are not consistent.	7	51	14%

Details for “A” above

Inconsistency on objectives/priorities	
1) Objectives disclosed on the revised SDBIP but not disclosed on the annual performance report.	
1.1	<u>Rural Development Plan</u>
	The need to focus on rationalising the use of land and resources in rural areas
	The need to focus on what is achievable in development terms and how this related to spatial and economic development proposals
	The need to understand the urban – rural interface in certain parts of the study area
	Identification and protection of prime productive land in the rural areas
1.2	<u>Urban Design Framework (or Implementation Plan) for Mount Ayliff and Mount Frere</u>
	Creating a legible structure for the town including urban design concepts
	Establishing a focal point of the town
	Establishing a formal public space system
	Creating a more functional and attractive town
	Providing the basis for a development management system.
	Providing a clear development plan and policy for urban decaying of both towns.
1.3	<u>Upgrading of Land Zoning Plans for Mount Ayliff and Mount Frere</u>
	<u>More updated development changes.</u>
	Easy access to information for both the municipality and people it serves.
1.4	The study would also be required to provide the municipality with all the latest General plans for filling at our records.
	<u>Relocation/Identification of pegs and Ownership of Mount Frere and Mount Ayliff Surveyor Registered properties.</u>

	This will allow the municipality to Identify all the encroachments within both towns it serves,
	<u>Installation of Auto CAD and Ally-Cad for Planning Staff</u>
1.5	This will allow the planning section to do miner applications in-house without out sourcing
	<u>Workshop on National Building regulations</u>
1.6	To facilitate through the department of Human Resources Training on the NBR as informed by the WSP
	<u>Building Control Awareness Campaigns</u>
1.7	To promote adherence to building standards
	<u>Building inspections</u>
1.8	To promote adherence to building standards
	<u>Building Plan Approval</u>
1.9	To provide for a planned and a regulated development
	<u>Housing Needs Register</u>
1.1	To formulate a base document for future housing development
	<u>Review of Housing Sector Planning</u>
	Review of Housing Sector Planning
1.11	To align the housing chapter with current priorities
	<u>Beneficiary Administration on BNG Project</u>
1.12	To provide for necessary additional space accommodation to middle income
	<u>Enhanced People's Housing Process</u>
1.13	To provide for affordable houses
	<u>Facilitate Middle income Housing on Ext 3 & Ext 6</u>
1.14	To provide for additional space to middle income bracket
	<u>High Masts / Street Lights</u>
	To provide much need lighting to communal settlement & t areas which are currently identified as possible danger to human live through request to Sanral
	<u>Solar Heater Geyser and Electrification of Public Amenities</u>
	To contribute on energy serving and to
1.16	Leverage on the existing opportunities for the community, and the poor in particular
	<u>Building plan collection Fee Enhancement</u>
	To contribute towards a financially self-sustainable institution
	<u>Development of Building & Housing Manual</u>
	To create a base document which is going to guide council on Building process and housing allocation
	<u>Training Development</u>
1.19	Transfer of skill using the appointed SMME's contractor
	<u>Mt Ayliff Trading Facility – Phase 2</u>
1.2	To change the outlook in our town
	<u>Mt Ayliff Multi-Purpose center – Phase 2</u>
1.21	To Improve access to our communities
1.22	<u>Shinta Cluster=16,19,20&21, Mandileni Cluster= 14, 15,22, 23 & 24</u>

	To attend to youth programmes
1.23	<u>Badibanise Sports field phase 1</u>
	To rehabilitate Badibanise Stadium
1.24	<u>Ngwegweni – Sipolweni Access Road</u>
	To ensure provision of adequate access road to communities in a sustainable manner
1.25	<u>Electricity connection to number of Households</u>
	To ensure our communities receive basic service delivery in terms of Electricity
1.26	<u>Community Involvement in all maintenance projects.</u>
	To ensure community involvement and public participation in all maintenance projects

Inconsistency on objectives/priorities	
2) Objectives disclosed in the annual performance report but were not included in the SDBIP	
	<u>Sub-division & Rezoning of Portion of Erf 188 Mt Ayliff Commonage (Government Offices & Shopping Mall).</u>
	To manage land use in accordance with the townships ordinance 33 of 1934 and town planning scheme.
2.2	<u>Sub-division & Rezoning of Portion of Erf 188 Mt Ayliff Commonage (Shopping Complex). Or Lease hold of for a Mall.</u>
	To manage land use in accordance with the townships ordinance 33 of 1934 and town planning scheme.
2.3	<u>Sub-division & Rezoning of Portion of Erf 188 Mt Ayliff Commonage (Stadium).</u>
	To manage land use in accordance with the townships ordinance 33 of 1934 and town planning scheme.
2.4	<u>Sub-division & Rezoning of Portion of Erf 188 Mt Ayliff Commonage (Social Development Offices).</u>
	To manage land use in accordance with the townships ordinance 33 of 1934 and town planning scheme.
2.5	<u>Sub-division & Rezoning of Portion of Erf 188 Mt Ayliff Commonage (MADA Building).</u>
	To manage land use in accordance with the townships ordinance 33 of 1934 and town planning scheme.
2.6	<u>Sub-division & Rezoning of Portion of Erf 351 Mt Frere Commonage (POUND in Mt Frere).</u>
	To manage land use in accordance with the townships ordinance 33 of 1934 and town planning scheme.

2.7	<u>Sub-division & Rezoning of Portion of Erf 351 Mt Frere Commonage (Testing Ground in Mt Frere).</u> To manage land use in accordance with the townships ordinance 33 of 1934 and town planning scheme.
2.8	<u>Sub-division & Rezoning of Portion of Erf 188 Mt Ayliff Commonage (Testing Ground in Mt Ayliff).</u> To manage land use in accordance with the townships ordinance 33 of 1934 and town planning scheme.
2.9	<u>Sub-division & Rezoning of Portion of Erf 188 Mt Ayliff Commonage (Land fill site in Mt Ayliff).</u> To manage land use in accordance with the townships ordinance 33 of 1934 and town planning scheme.
2.1	<u>Proposed Township Establishment on Portion of Erf 188 Mt Ayliff Low Cost.</u> To have a properly planned and pegged township, To manage land use in accordance with the townships ordinance and in a more sustainable way. To make sure that development application is aligned with all the land use development acts.
2.11	<u>Proposed Township Establishment on Portion Erf 188 Mt Ayliff, Ext 3.</u> To have a properly planned and pegged township, To manage land use in accordance with the townships ordinance and in a more sustainable way. To make sure that development application is aligned with all the land use development acts.
2.12	<u>Formalization of Santombe</u> To have a properly planned and pegged township, To manage land use in accordance with the townships ordinance and in a more sustainable way. To make sure that development application is aligned with all the land use development acts. Also to provide adequate housing for the poor people of ULM.
2.13	<u>Rural Settlement Development Plan</u> To manage land in the rural areas of umzimvubu local municipality
2.14	<u>Land Survey of extension 5 Mount Ayliff .</u> To formalize and have a properly planned and pegged township. Most importantly to provide a security to tenure.
2.15	<u>AERIAL PHOTOGRAPHY AND MAPPING</u> To generate large scale digital line maps as well as conventional orthophoto maps, from aerial photographs, of designated Local Municipalities for development planning as outlined in the Municipal Integrated Development Plans (IDPs) and Spatial Development Frameworks (SDFs).
2.16	<u>Formalization of Silver City Mt Frere.</u> To formalize and have a properly planned and pegged township. Most importantly to provide a security to tenure.
2.17	<u>Cluster 3 Road Maintenance</u> To ensure provision of adequate access road to communities in a sustainable manner
2.18	<u>Mpungulelweni AR & Bridge - 2.3 km</u>

	To ensure provision of adequate access road to communities in a sustainable manner
2.19	<u>Ntshongweni AR - 4.8 km</u> To ensure provision of adequate access road to communities in a sustainable manner
2.2	<u>Weekly sectional meetings with Planning Stuff and site visits.</u> To capacitate planning section stuff. Give training on how inspections are done on site and how to undertake legal planning action using relevant planning legislation.
2.21	<u>Erection of billboards marking the Mount Frere and Mount Ayliff Commonage Boundaries</u> To boost local economic development, and to avoid illegal invasion to the municipal land
2.22	<u>Employment of local labour</u>
2.23	<u>Received subdivisions, special consent application selling of tender documents, trading licenses</u> To generate revenue for ULM
2.24	<u>Surfacing of Mt Ayliff Streets phase 3</u> To change the outlook in our town and to also eliminate dust pollution
2.25	<u>Surfacing of Mt Ayliff Streets phase 4</u> To change the outlook in our town and to also eliminate dust pollution
2.26	<u>Badibanise and Galali - Moyeni Road Maintenance - 6 km</u> To ensure provision of adequate access road to communities in a sustainable manner
2.27	<u>Sodladla - Ntabankulu via Mdantsane AR - 5.0km</u> To ensure provision of adequate access road to communities in a sustainable manner
2.28	To ensure provision of adequate access road to communities in a sustainable manner
2.29	<u>Maintenance of Cabhane, Mkhiwa - Nolangeni AR - 8.10 km</u> To ensure provision of adequate access road to communities in a sustainable manner
2.3	<u>Maintenance of Magontsini AR - 3.6 km</u> To ensure provision of adequate access road to communities in a sustainable manner
2.31	<u>Maintenance of Matyamhlophe - Xholothi AR - 6.5 km</u> To ensure provision of adequate access road to communities in a sustainable manner

Inconsistency on objectives/priorities

3) Objectives that are reported in both the revised SDBIP and the annual performance report but are not consistent.

3.1	<u>Surfacing of Mt Frere Internal streets</u> To change the outlook in our town and to also eliminate dust pollution	To change the outlook in our town and to also eliminate dust pollution
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3.2	Job creation for local labour Facilitate provision of jobs for SMME's and contribute towards job creation for the unemployed through maintenance of municipal infrastructure.	To boost local economic development
3.3	Budget Control for the PMU Section To maintain the municipal infrastructure through proper budget planning and implementation	Though indicator on provided on the annual report no objective was disclosed to match. Therefore classified as an inconsistency.
3.4	Transfer of skill using the appointed SMME's contractor.	Though indicator on provided on the annual report no objective was disclosed to match. Therefore classified as an inconsistency.
3.5	Job creation for local labour Facilitate provision of jobs for SMME's and contribute towards job creation for the unemployed through maintenance of municipal infrastructure.	To boost local economic development
3.6	Budget Control for the Department To maintain the municipal infrastructure through proper budget planning and implementation	To generate revenue for ULM
3.7	Community Involvement in all maintenance projects. To ensure community involvement and public participation in all maintenance projects	Formation of project steering committee.

Details for "B" above

Inconsistency on indicators/measures	
1) Indicators disclosed on the revised SDBIP but not are not disclosed on the annual performance report.	
1.1	Identification and protection of prime productive land in the rural areas Controlling the haphazard growth and development, thus promoting optimal use and management of land in the rural areas
1.2	The proposed project would involve expects to conduct Environmental report for both towns, flood line study for both towns, a land surveyor to provide a base plan map with at least 5m contour intervals, a Town Planner/Urban Designer which would consolidate all this information to one report and different Urban Design Concepts for the towns
1.3	This project will need a big role on the stakeholders, community involvement to make sure the community is well involved in the planning process of the town.
1.4	This project will need community involvement. To make sure the community understands the project processes and provides the municipality with relevant information.
1.5	Urban design concepts and Cad Designs
1.6	Training is provided to employees as informed by the WSP
1.7	National Building Regulations and By- Law advocacy
1.8	Inspections Register
1.9	Regulate development
2	Base line document for housing demand
2.1	Housing Chapter
2.2	BNG beneficiary list
2.3	204 Approved beneficiary list using the (EPHP)
2.4	Beneficiary list for Middle Income category
2.5	2 new high mast
2.6	Provision of affordable service to the needy
2.7	Collection of revenue
2.8	Building & Housing Manual source document
2.9	number of skills transfer to employees
3	Construction of 250m2 Business units with ablutions
3.1	Construction of Bridges.
3.2	Construction of pitch, stands and goal posts.

3.3	Construction of Parking's, installation of Flood lights and site works, construction of construction of soccer seats,
3.4	Construction of 3.9 km of access road and storm water drainage
3.5	Electricity installation to 4900 Number of Households
3.6	Attend project meetings where the community is represented and involved

Inconsistency on indicators/measures

2) Indicators disclosed in the annual performance report but were not included in the SDBIP

2.1	To manage land use in accordance with the townships ordinance and in a more sustainable way, Controlling the haphazard growth and development, thus promoting optimal use and management of land in the commonage of ULM
2.2	To manage land use in accordance with the townships ordinance and in a more sustainable way, Controlling the haphazard growth and development, thus promoting optimal use and management of land in the commonage of ULM
2.3	To manage land use in accordance with the townships ordinance and in a more sustainable way, Controlling the haphazard growth and development, thus promoting optimal use and management of land in the commonage of ULM
2.4	To manage land use in accordance with the townships ordinance and in a more sustainable way, Controlling the haphazard growth and development, thus promoting optimal use and management of land in the commonage of ULM
2.5	To manage land use in accordance with the townships ordinance and in a more sustainable way, Controlling the haphazard growth and development, thus promoting optimal use and management of land in the commonage of ULM
2.6	To manage land use in accordance with the townships ordinance and in a more sustainable way, Controlling the haphazard growth and development, thus promoting optimal use and management of land in the commonage of ULM
2.7	To manage land use in accordance with the townships ordinance and in a more sustainable way, Controlling the haphazard growth and development, thus promoting optimal use and management of land in the commonage of ULM
2.8	To manage land use in accordance with the townships ordinance and in a more sustainable way, Controlling the haphazard growth and development, thus promoting optimal use and management of land in the commonage of ULM
2.9	To manage land use in accordance with the townships ordinance and in a more sustainable way, Controlling the haphazard growth and development, thus promoting optimal use and management of land in the commonage of ULM
2.10	To have a Formal township. To manage land use in accordance with the townships ordinance and in a more sustainable way, Controlling the haphazard growth and development, thus promoting optimal use and management of land in the commonage of ULM
2.11	To have a Formal township. To manage land use in accordance with the DFA principles and in a more sustainable way, Controlling the haphazard growth and development, thus promoting optimal use and management of land in the commonage of ULM
2.12	To have a Formal township. To manage land use in accordance with the townships ordinance and in a more sustainable way, Controlling the haphazard growth and development, thus promoting optimal use and management of land in the commonage of ULM
2.13	Controlling the haphazard growth and development, thus promoting optimal use and management of land in the rural areas
2.14	To have a Formal township. To manage land use in accordance with the townships ordinance and in a more sustainable way, Controlling the haphazard growth and development, thus promoting optimal use and management of land in the commonage of ULM

2.15	To integrate mapping data for GIS applications. To identify all the platform/building encroachments or any other encroachments. To clearly show all the Surveyor General registered properties. To supply Aerial photographs and orthophoto maps to local users.
2.16	To have a Formal township. To manage land use in accordance with the townships ordinance and in a more sustainable way, Controlling the haphazard growth and development, thus promoting optimal use and management of land in the commonage of ULM
2.17	Construction of gravel access roads and storm water drainage
2.18	Construction of 2.3km of gravel access road and storm water drainage
2.19	Construction of gravel access road and storm water drainage
2.20	To capacitate planning section staff and develop working skills
2.21	to have a properly marked urban edge
2.22	Ensuring employment of local labour on site.
2.23	ULM receiving revenue...
2.24	Surfacing of 3.3 km of internal streets
2.25	Surfacing of 3.2 km of internal streets
2.26	Construction of 6 km of gravel access road and storm water drainage
2.27	Construction of 5.0km of gravel access road and storm water drainage
2.28	Maintenance of 10.7km of gravel access road and storm water drainage
2.29	Maintenance of 8.10km of gravel access road and storm water drainage
2.30	Maintenance of 3.6km of gravel access road and storm water drainage
2.31	Maintenance of 6.5km of gravel access road and storm water drainage

Inconsistency on indicators/measures		
3) Indicators that are reported in both the revised SDBIP and the annual performance report but are not consistent.		
3.1	Construction of 3.5km surfaced roads	Surfacing of 3.3 km of internal streets
3.2	Construction of Parking's, installation of Flood lights and site works, construction of pool change rooms and swimming pool; construction of soccer seats, cricket nets, basketball and tennis courts.	Construction of Multi-Purpose center: Grand stand, Summing pool, Flood lights, Netball court, volleyball court & tennis court
3.3	Maintenance of 7.8 km of access road and storm water drainage	Construction of 7.8 km of gravel access road and storm water drainage
3.4	Maintenance of 3.1 km of access road and storm water drainage	
3.5	Maintenance of 5.8 km of access road and storm water drainage	Maintenance of 10.6 km of gravel access road and storm water drainage
3.6	Providing labour forms to service providers. Monitoring the completion and submission of the forms on a monthly basis. Submit reports on labour employed.	To establish a factory for processing aloe into products
3.7	Well managed budget for the department and compliance with the municipal policies and National Regulations	Prepare claims to contractors as per the work done on site.

3.9	number of skills transfer to employees	Training of 05 No of laborers on concrete works, curbing and brick laying
3.10	Providing labour forms to service providers. Monitoring the completion and submission of the forms on a monthly basis. Submit reports on labour employed.	To establish a factory for processing aloe into products
3.11	Well managed budget for the department and compliance with the municipal policies and National Regulations	'ULM receiving revenue...
3.12	Attend project meetings where the community is represented and involved	Formation of project steering committee.

Details for “C” above

Inconsistency on targets	
1	Targets disclosed on the revised SDBIP but not are not disclosed on the annual performance report.
1.1	Identification of existing infrastructural and social services and where there the gaps are. Identification and protection of prime productive land and environmental sensitive areas in the rural areas Identification as settlement edges as proposed in the Provincial Spatial Development Plan Identification of rural nodes and service centers where a higher order of services should be planned for.
1.2	Guiding the future growth of Mount Frere and Mount Ayliff. Maintaining of the characteristics of a rural town Guiding the creation of an efficient urban development Guiding the creation of an efficient urban development
1.3	The Planning department would also be able to update all the new changes in zonings and other land development changes
1.4	Provide the municipality with better information on the property boundaries and will be helpful for future planning.
1.5	The municipality will be able to provide draftspersons with digital copies of cadastral information.
1.6	At least four (4) employees to be trained in line with WSP.
1.7	Adherence to National Building Regulation and the By-Law
1.8	Adherence to National Building Regulation and the By-Law
1.9	Revenue Generation
1.10	Future projects on housing demand and backlog
1.11	Proper planning
1.12	Accommodation space
1.13	Implementation of the EPHP
1.14	Out rolling of the programme
1.15	Communal lighting which will subsequently reduce crime
1.16	Energy efficiency
1.17	Enforcement of the National Building Regulation
1.18	Internal controls
1.19	Implementation of skills transfer.
1.20	Well-constructed trading facilities business units
1.21	Well-constructed bridges
1.22	Well-constructed sports field
1.23	Well-constructed stadium

1.24	Well drivable gravel access road and good drainage
1.25	Well electrified households
1.26	Implementation of public participation and involvement of local communities

Inconsistency on targets	
2) Targets disclosed in the annual performance report but were not included in the SDBIP	
2.1	To have a MEC approved rezoning and subdivision application by 30 June 2014. The MEC normally takes 3 to 6 months to approve the application, however the land use board may take longer.
2.2	To have a MEC approved rezoning and subdivision application by 30 June 2014. The MEC normally takes 3 to 6 months to approve the application, however the land use board may take longer.
2.3	To have a MEC approved rezoning and subdivision application by 30 June 2014. The MEC normally takes 3 to 6 months to approve the application, however the land use board may take longer.
2.4	To have a MEC approved rezoning and subdivision application by 30 June 2014. The MEC normally takes 3 to 6 months to approve the application, however the land use board may take longer.
2.5	To have a Council approved rezoning and subdivision application by 30 June 2014.
2.6	To have a Council approved rezoning and subdivision application by 30 June 2014.
2.7	To have a Council approved rezoning and subdivision application by 30 June 2014.
2.8	To have a Council approved rezoning and subdivision application by 30 June 2014.
2.9	To have a Council approved rezoning and subdivision application by 30 June 2014.
2.10	To have the township establishment application submitted to Bisho, for MEC approval by 30 June 2014
2.11	To have a Formalized and registered Township before 30 June 2014
2.12	To have the Township establishment application submitted to Bisho by June 2014
2.13	To have a spatial guideline for rural development
2.14	To have a resurveyed township and amended layout submitted to Bisho by 30 June 2014 for MEC approval.
2.15	To have the project completed by 30 June 2014
2.16	To have a deviation plan approved by the Townships Board by 30 June 2014
2.17	To provide adequate access road and complete the project on time and within the allocated budget
2.18	To provide adequate access road and complete the project on time and within the allocated budget
2.19	To provide adequate access road and complete the project on time and within the allocated budget
2.20	to have at least two sectional meetings a month
2.21	To have a properly marked urban edge before by 30 June 2014
2.22	To create employment opportunities and alleviate poverty
2.23	to meet the targets as stipulated in the IDP by 30 June 2014
2.24	To complete surfacing of roads on time and within allocated budget
2.25	To complete surfacing of roads on time and within allocated budget
2.26	To provide adequate access road and complete the project on time and within the allocated budget
2.27	To provide adequate access road and complete the project on time and within the allocated budget

2.28	To provide adequate access road and complete the project on time and within the allocated budget
2.29	To provide adequate access road and complete the project on time and within the allocated budget
2.30	To provide adequate access road and complete the project on time and within the allocated budget
2.31	To provide adequate access road and complete the project on time and within the allocated budget

Inconsistency on targets

3) Targets that are reported in both the revised SDBIP and the annual performance report but are not consistent.

3.1	Well surfaced internal streets	To complete surfacing of roads on time and within allocated budget
3.2	Implementation of labour form and signed on site on a monthly basis	To establish an aloe Processing Factory for the Local Communities of ULM
3.3	Implementation of budget monitoring	To implement projects identified in the Municipal IDP document.
3.4	Implementation of skills transfer.	Training and transfer of skills on site using the appointed contractors
3.5	Implementation of labour form and signed on site on a monthly basis	To establish an aloe Processing Factory for the Local Communities of ULM
3.6	Implementation of budget monitoring	to meet the targets as stipulated in the IDP by 30 June 2014
3.7	Implementation of public participation and involvement of local communities	To involve project steering committee in all projects undertaken by the municipality. Tender document to meet CIDB required standards

The cause of the above finding could be as a result of the following factors:

Possible unauthorised amendments to the goals and objectives by management at year end.

Budget figures were updated in the milestones reported in the revised SDBIP but not on the capital works plan.

Insufficient controls in place to monitor the consistency of information reported in the annual performance report as per the revised Service Delivery and Budget Implementation Plan.

The impact of the above finding would be non-compliance with National Treasury's Framework for managing programme performance information as there is no consistency between planned and reported objectives

Internal control deficiency

Leadership

Oversight responsibility has not been exercised regarding financial and performance reporting and compliance and related internal controls.

Recommendation

Management should implement appropriate controls over performance information, these controls should ensure that indicators, objectives and targets recorded in the SDBIP agrees to those reported in the annual performance report.

Management response

Management acknowledges the finding. Management has noted that annual performance report submitted to auditors was incomplete as Building & housing section was mistakenly omitted. Refer to attached building & housing annual performance report.

Furthermore, management does not acknowledge the fact that there are inconsistencies in annual performance report as these are not inconsistencies but wording used due to town planning complexities. Enough explanations to auditors regarding meaning of Town Planning terms were done. However, further explanations can be done to explain these.

Name: SP Ntonga
Position: Manager: I & P
Date: 28/10/2014

Auditor's conclusion

Management comments are noted, we disagree with management comments as the wording for the planning and the report must be similar or the same. The building and housing report mentioned has not been provided for audit purposes.

14. AOPO: Citizens & Community Services targets disclosed inaccurate (Ex.75)

Audit Finding

Section 62 (1)(a)&(c) of the Municipal Finance Management Act No. 56 of 2003 stipulates that the accounting officer of the municipality must take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with the prescribed norms and standards. He must also ensure that the municipality has and maintains effective and efficient and transparent systems of financial and risk management and internal control.

(a) During the audit it was noted that some of the targets disclosed in the annual performance report are not supported by the evidence provided. Details of these are indicated in the table below.

#	Date	Name of indicator.	Reported target	Amount per POE	Difference	Overstatement / Understatement
1	1 July 2013 - 30 June 2014	3060 number of applicants tested for driving licenses	3 501 applicants tested	3 545 applicants tested	44	Understatement
2	1 July 2013 - 30 June 2014	2304 applicants tested for learners license	2 978 applicants tested	2 958 applicants tested	20	Overstatement
3	1 July 2013 - 30 June 2014	1530 Driving Licenses renewal	2 435 drivers license issued	2 461 drivers license issued	26	Understatement
4	1 July 2013 - 30 June 2014	Issuing of 5000 notices to transgressors	5975 summons +158 suspensions +65 arrests +51 warrants	6016 summons +163 suspensions +66 arrests +51 warrants	41 summons + 5 suspensions + 1	Understatement
5	1 July 2013 - 30 June 2014	Testing of 600 vehicles for roadworthy	341 paying applicants, 24 law enforcement directed	410 paying applicants, 24 law enforcement directed	69	Understatement
6	1 July 2013 - 30	Execution of	1913 livestock	2077 livestock	164	Understatement



#	Date	Name of indicator.	Reported target	Amount per POE	Difference	Overstatement / Understatement
	June 2014	400 Pound by law contravention cases	impounded	impounded		
7	1 July 2013 - 30 June 2014	Issue 150 waste by-law transgressors annually	Prosecution of 150 waste by-law transgressors annually	Prosecution of 129 waste by-law transgressors annually	21	Overstatement
8	1 July 2013 - 30 June 2014	Divert and recover 80 tons of recyclable waste	Divert and recover 80 tons of recyclable waste	Divert and recover 60 tons of recyclable waste	20	Overstatement

(b) The following targets reported as achieved could not be agreed to supporting documentation provided:

#	Police officer	Month	Public transport stopped and screened	All other motor vehicles stopped and screened	Auditor count
1	Ngejane	September	3	28	> 30
2	Swartbooi P	February	20	45	65,00
3	Gqokoma	February	44	104	140,00

The cause of the finding noted above are errors in reporting as well as inadequate review.

The impact would be that achievements reported are misstated in the annual performance report.

Internal control deficiency

Leadership

The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

Recommendation

Management should investigate the above differences noted and communicate the outcome to the auditor's.



Management response

The outstanding information in relation to rehabilitation of illegal dumping sites have submitted on the 21st of October 2014, however the department can engage on the content of the submitted information

The outstanding information on traffic officers' activity reports is ready for auditing, and has been collected and will be submitted.

Name: M Sineke
Position: Manager C&CS
Date: 28/10/14

Auditor's conclusion

Management comment noted. The finding does not pertain to dumping sites. We are currently awaiting information on the traffic officer's activity reports and the finding thus remains. The finding has not been resolved and will remain in the management report.



15. AoPO: Performance indicators not consistent, well defined and/or measurable (Ex.125)

Audit Finding

According to National Treasury's Framework for managing programme performance information, Chapter 3, paragraph 3.2, Performance indicators: "Suitable indicators need to be specified to measure performance in relations to inputs, activities, outputs, outcomes and impacts."

Furthermore the following criterion is required:

Indicators/measures should be:

- Well-defined
- Verifiable
- Cost-effective
- Appropriate
- Relevant

a) Criteria for well-defined is as follows:

- It must have a clear, unambiguous definition.
- It should be defined so that data will be collected consistently.
- It must be easy to understand and use.

b) Criteria for verifiable is as follows:

- It must be possible to validate the processes and systems that produce the indicator.

c) Criteria for cost effective is as follows:

- The usefulness of the indicator must justify the cost of collecting the data.

d) Criteria for appropriate is as follows:

- The indicator must avoid unintended consequences.
- The indicator must encourage service delivery improvements.
- The indicator must not give managers incentives to carry out activities simply to meet a particular target.

e) Criteria for relevant is as follows:

- The indicator must relate logically to an aspect of the institution's mandate, and the realisation of goals and objectives.

1. The following deviations have been noted while conducting our audit on community and services indicators.



(a) The following were not considered to be consistent (information on IDP and SDBIP is not consistent with annual performance report):

1. The following deviations have been noted while conducting our audit on community and services indicators.

(a) The following were not considered to be consistent (information on SDBIP is not consistent with annual performance report):

#	INCONSISTENT OBJECTIVE			AUDITORS COMMENTS
	IDP	SDBIP	REPORT	
1	To contribute towards combating of crime by 2017	To contribute towards reduction of crime in support of proactive policing	To contribute towards the reduction of road accidents and fatalities	Management Comment noted. Adjustment noted and finding has been removed.
			Management acknowledges the finding performance report will be adjusted.	
2	Waste Management	To bring about coordinated efforts with other relevant departments interested parties to reduce illegal activities	To curb and reduce illegal activities	Management Comment noted. Adjustment noted and finding has been removed.
			Management acknowledges the finding performance report will be adjusted	

#	INCONSISTENT INDICATORS			AUDITORS COMMENTS
	SDBIP	PERFORMANCE REPORT		
1	Road Markings maintained bi-annually	Maintain 5km of road surface markings twice a year	Management acknowledges the finding.	Management Comment noted. Adjustment noted and finding has been removed.
	Replace road signs as and when required			
2	To contribute to municipal revenue generation	Contribute to revenue generation - set target R4 593 700	Management acknowledges the finding.	Management Comment noted. Adjustment noted and finding has been removed.
3	80% expenditure of Capital Budget	90% capital budget expenditure	Management acknowledges the finding. Target per performance report will be adjusted	Management Comment noted. Adjustment noted and finding has been removed.
4	Reports on four community safety forum meetings	Reports on four Local Transport forum meetings		Management Comment noted. Adjustment noted and finding has been removed.



		Management acknowledges the finding. Target per performance report will be adjusted	
5	Illegal Dumping sites GIS Map	40 Illegal Dumping sites rehabilitated Management acknowledges the finding. Target per performance report will be adjusted	Management Comment noted. Adjustment noted and finding has been removed.
6	Municipal Bylaws and other relevant legislation	Four Special operation annually Management acknowledges the finding. Target per performance report will be adjusted	Management Comment noted. Adjustment noted and finding has been removed.

#	INCONSISTENT TARGETS SDBIP	PERFORMANCE REPORT	AUDITORS COMMENTS
1	Road Markings maintained bi-annually Replace road signs as and when required	Landfill site assessment report Landfill Site Compactor equipment specification developed Cell Development in both landfill sites Management does not acknowledge the finding as the information documented is incorrect.	Management Comment noted. Resubmission reviewed and finding has been removed.
2	To contribute to municipal revenue generation	Contribute to revenue generation - set target R4 593 700 Management does not acknowledge the finding as the information documented is incorrect.	Management Comment noted. Adjustment noted and finding has been removed.
3	80% expenditure of Capital Budget	90% expenditure on capital budget revenue Management acknowledges the finding. Target per performance report will be adjusted	Management Comment noted. Adjustment noted and finding has been removed.



4	Reports on four community safety forum meetings	To have four Transport Forum meetings	Management Comment noted. Adjustment noted and finding has been removed.
		Management acknowledges the finding. Target per performance report will be adjusted	
5	Illegal Dumping sites GIS Map	Rehabilitation of 40 Illegal Dumping sites	Management Comment noted. Adjustment noted and finding has been removed.
		Management acknowledges the finding. Target per performance report will be adjusted	
6	Municipal Bylaws and other relevant legislation	Hold Four Special Joint operations	Management Comment noted. Adjustment noted and finding has been removed.
		Management acknowledges the finding. Target per performance report will be adjusted	

b) Measurability of objectives and indicators

The following were not considered to be measurable.

#	REPORT OBJECTIVE	REPORT INDICATOR	REPORT TARGET	WELL DEFINED	MEASURABLE	AUDITORS COMMENT
2	To provide emergency relief to distressed households due to disaster	Register of beneficiaries and relief material issued	Issue social relief of distress material when needed	Yes	No	Management comment noted. However the target fails to meet the SMART objectives. It therefore remains.
					Management does not acknowledge the finding, due to nature of this indicator.	
3	To promote and ensuring effective waste management services	Waste collection services in Mount Frere and Mount Ayliff CBD and Residential areas	Waste collection services in Mount Frere and Mount Ayliff CBD and Residential areas	Yes	No	Management comment noted. No reason provided therefore finding remains.
					Management acknowledges the finding	



4	To have quantified waste streams, and report to national database	Quantified waste streams in the landfill site	Data capturing and Reporting	Yes	No	Management Comment noted. Adjustment noted and finding has been removed.
					Management acknowledges the finding, a human error occurred and report will be adjusted	

(c) Measurability of targets

The following were not considered to be measurable.

#	REPORT	PPLAN	PLAN	PLAN	SPECIFIC	MEASURABLE	AUDITORS COMMENT
1	To provide emergency relief to distressed households due to disaster	Register of beneficiaries and relief material issued	Issue social relief of distress material when needed	6x blankets; 4x mattresses; 5 families issued with grocer, 2 day disaster management workshop	Yes	No Management does not acknowledge the finding, due to nature of this indicator.	Management comment noted. However the target fails to meet the SMART objectives. It therefore remains.
2	To promote and ensuring effective waste management services	Waste collection services in Mount Frere and Mount Ayliff CBD and Residential areas	Waste collection services in Mount Frere and Mount Ayliff CBD and Residential areas	Waste collection services in Mount Frere and Mount Ayliff CBD and Residential areas has been performed	Yes	No Management acknowledges the finding	Management Comment noted. Adjustment noted and finding has been removed.
3	To have quantified waste streams, and report to national database	Quantified waste streams in the landfill site	Data capturing and Reporting	Quantified waste streams in the landfill site	Yes	No Management acknowledges the finding, a human error occurred and report will be adjusted	Management Comment noted. Adjustment noted and finding has been removed.



(d) The following targets reported as achieved could not be agreed to supporting documentation provided:

NO	POLICE OFFICER	MONTH	PUBLIC TRNASPORT STOPPED AND SCREENED	ALL MOTOR VEHICLES STOPPED AND SCREENED	AUDITORS COUNT	AUDITORS COMMENTS
11	Ngejane	September	3	28	> 30 Management acknowledged the finding, human error occurred and performance report will be adjusted	Management Comment noted. Adjustment noted and finding has been removed.
37	Swartbooi P	February	20	45	65.00 Management acknowledged the finding, human error occurred and performance report will be adjusted	Management Comment noted. Adjustment noted and finding has been removed.
40	Gqokoma	February	44	104	140.00 Management acknowledged the finding, human error occurred and performance report will be adjusted	Management Comment noted. Adjustment noted and finding has been removed.

2. The following deviations have been noted while conducting our audit on infrastructure and planning.



MEASURABLE INDICATOR				
SDBIP OBJECTIVE	SDBIP INDICATOR	REPORT OBJECTIVE AND INDICATOR	WELL DEFINED	AUDITOR COMMENT
<p><u>Rural Development Plan</u> The need to focus on rationalising the use of land and resources in rural areas The need to focus on what is achievable in development terms and how this related to spatial and economic development proposals The need to understand the urban – rural interface in certain parts of the study area Identification and protection of prime productive land in the rural areas</p>	<p>Identification and protection of prime productive land in the rural areas Controlling the haphazard growth and development, thus promoting optimal use and management of land in the rural areas</p>	<p>Not disclosed in report Management does not acknowledge the finding. Refer to rural settlement objective</p>	<p>Management does not acknowledge the finding. Indicator measurable we have financial target of R550, 000 and spatial guideline / document annual target</p>	<p>Management comment noted. Having evaluated the information the indicator is still deemed to be inconsistent. The finding remains.</p>
<p><u>Urban Design Framework (or Implementation Plan) for Mount Ayliff and Mount Frere</u> Creating a legible structure for the town including urban design concepts Establishing a focal point of the town Establishing a formal public space system Creating a more functional and attractive town Providing the basis for a development management system. Providing a clear development plan and policy for urban decaying of both towns.</p>	<p>The proposed project would involve expects to conduct Environmental report for both towns, flood line study for both towns, a land surveyor to provide a base plan map with at least 5m contour intervals, a Town Planner/Urban Designer which would consolidate all this information to one report and different Urban Design Concepts for the towns</p>	<p>Not disclosed in report</p>	<p>Management does not acknowledge the finding. Refer to aerial mapping & photograph document.</p>	<p>Management comment noted. A sub process of the objective is being reported on and not the objective as a whole. This remains inconsistent and the finding remains.</p>



MEASURABLE INDICATOR				
<p><u>Upgrading of Land Zoning Plans for Mount Ayliff and Mount Frere More updated development changes.</u> Easy access to information for both the municipality and people it serves. The study would also be required to provide the municipality with all the latest General plans for filling at our records.</p>	<p>This project will need a big role on the stakeholders, community involvement to make sure the community is well involved in the planning process of the town.</p>	<p>Not disclosed in report</p>	<p>Management does not acknowledge the finding. Refer to aerial mapping & photograph document.</p>	<p>Management comment noted. A sub process of the objective is being reported on and not the objective as a whole. This remains inconsistent and the finding remains.</p>
<p><u>Relocation/Identification of pegs and Ownership of Mount Frere and Mount Ayliff Surveyor Registered properties.</u> This will allow the municipality to identify all the encroachments within both towns it serves,</p>	<p>This project will need community involvement. To make sure the community understands the project processes and provide the municipality with relevant information.</p>	<p>Not disclosed in report</p>	<p>Management does not acknowledge the finding. Refer to aerial mapping & photograph document.</p>	<p>Management comment noted. A sub process of the objective is being reported on and not the objective as a whole. This remains inconsistent and the finding remains.</p>
<p><u>Installation of Auto CAD and Ally-Cad for Planning Staff</u> This will allow the planning section to do minor applications in-house without out sourcing</p>	<p>Urban design concepts and Cad Designs</p>	<p>Not disclosed in report</p>	<p>Management does not acknowledge the finding. This is a software linked to the above programmes</p>	<p>Management comment noted. A sub process of the objective is being reported on and not the objective as a whole. This remains inconsistent and the finding remains.</p>
<p><u>Workshop on National Building regulations</u> To facilitate through the department of Human Resources Training on the NBR as informed by the WSP</p>	<p>Training is provided to employees as informed by the WSP</p>	<p>Not disclosed in report</p>	<p>Management does not acknowledge the finding, human error occurred and objective was incorrectly omitted, Refer to attached report</p>	<p>Management comment noted. Inspected the report and confirmed the objective has been included.</p>



MEASURABLE INDICATOR				
<u>Building Control Awareness Campaigns</u> To promote adherence to building standards	National Building Regulations and By- Law advocacy	Not disclosed in report	Management does not acknowledge the finding, human error occurred and objective was incorrectly omitted, Refer to attached report	Management comment noted. Inspected the report and confirmed the objective has been included.
<u>Building inspections</u> To promote adherence to building standards	Inspections Register	Not disclosed in report	Management does not acknowledge the finding, human error occurred and objective was incorrectly omitted, Refer to attached report	Management comment noted. Inspected the report and confirmed the objective has been included.
<u>Building Plan Approval</u> To provide for a planned and a regulated development	Regulate development	Not disclosed in report	Management does not acknowledge the finding, human error occurred and objective was incorrectly omitted, Refer to attached report	Management comment noted. Inspected the report and confirmed the objective has been included.
<u>Housing Needs Register</u> To formulate a base document for future housing development	Base line document for housing demand	Not disclosed in report	Management does not acknowledge the finding, human error occurred and objective was incorrectly omitted, Refer to attached report	Management comment noted. Inspected the report and confirmed the objective has been included.
<u>Review of Housing Sector Planning</u> Review of Housing Sector Planning To align the housing chapter with current priorities	Housing Chapter	Not disclosed in report	Management does not acknowledge the finding, human error occurred and objective was incorrectly omitted, Refer to attached report	Management comment noted. Inspected the report and confirmed the objective has been included.



MEASURABLE INDICATOR				
<u>Beneficiary Administration on BNG Project</u> To provide for necessary additional space accommodation to middle income	BNG beneficiary list	Not disclosed in report	Management does not acknowledge the finding, human error occurred and objective was incorrectly omitted, <i>Refer to attached report</i>	Management comment noted. Inspected the report and confirmed the objective has been included.
<u>Enhanced People's Housing Process</u> To provide for affordable houses	204 Approved beneficiary list using the (EHP)	Not disclosed in report	Management does not acknowledge the finding, human error occurred and objective was incorrectly omitted, <i>Refer to attached report</i>	Management comment noted. Inspected the report and confirmed the objective has been included.
<u>Facilitate Middle income Housing on Ext 3 & Ext 6</u> To provide for additional space to middle income bracket	Beneficiary list for Middle Income category	Not disclosed in report	Management does not acknowledge the finding, human error occurred and objective was incorrectly omitted, <i>Refer to attached report</i>	Management comment noted. Inspected the report and confirmed the objective has been included.
<u>Solar Heater Geyser and Electrification of Public Amenities</u> To contribute on energy serving and to Leverage on the existing opportunities for the community, and the poor in particular	Provision of affordable service to the needy	Not disclosed in report	Management does not acknowledge the finding, human error occurred and objective was incorrectly omitted, <i>Refer to attached report</i>	Management comment noted. Inspected the report and confirmed the objective has been included.



MEASURABLE INDICATOR				
<u>Building plan collection Fee Enhancement</u> To contribute towards a financially self sustainable institution	Collection of revenue	Not disclosed in report	Management does not acknowledge the finding, human error occurred and objective was incorrectly omitted, Refer to attached report	Management comment noted. Inspected the report and confirmed the objective has been included.
<u>Development of Building & Housing Manual</u> To create a base document which is going to guide council on Building process and housing allocation	Building & Housing Manual source document	Not disclosed in report	Management does not acknowledge the finding, human error occurred and objective was incorrectly omitted, Refer to attached report	Management comment noted. Inspected the report and confirmed the objective has been included.
<u>Training Development</u> Transfer of skill using the appointed SMME's contractor	number of skills transfer to employees	Not disclosed in report	Management does not acknowledge the finding, human error occurred and objective was incorrectly omitted, Refer to attached report	Management comment noted. Inspected the report and confirmed the objective has been included.
<u>Repair and Maintenance of Municipal Building</u> To Improve on turn-around time in fixing identified faults	Well maintained of municipal building, street, streetlight and plant	Repair and Maintenance of Municipal buildings	Management does not acknowledge the finding. Nature of this objective depends and occurs as and when maintenance.	Management comment noted. The indicator however does not meet the SMART goals. The finding therefore remains.
<u>Repair and Maintenance of streets</u> Make sure that every streets / road within Mt Ayliff and Mt Frere are drivable with a minimum acceptable standard	Well maintained of street Well maintained of streetlights Well maintained of plant			
<u>Repair and maintenance of Street lights</u>	Procurement of plant	Repair and Maintenance of streets	Management does not acknowledge the finding, finding is not valid as 3 different projects have been	Management comment noted. The indicator however does not meet the SMART goals. The finding therefore remains.



MEASURABLE INDICATOR				
<p>Make sure that all streetlights and High Mast are working</p> <p><u>Repair and Maintenance of Vehicle and Plant</u></p> <p>Make sure that all Municipal vehicle and plant are well maintained</p> <p>Make sure that the municipality purchase the new TLB that will assist the land fill site and construction of storm water drainages</p> <p>To provide material required for maintenance and repairs</p> <p>To Provide protective clothing and comply with OHS</p>	<p>Purchase material for stores</p> <p>Make sure employee have protective clothing</p>		included under R&M,	
		Repair and Maintenance of Street lights	Management does not acknowledge the finding, finding is not valid as 3 different projects have been included under R&M,	Management comment noted. The indicator however does not meet the SMART goals. The finding therefore remains.
		Repair and Maintenance of municipal vehicle and plant.	Management does not acknowledge the finding, finding is not valid as 3 different projects have been included under R&M,	Management comment noted. The indicator however does not meet the SMART goals. The finding therefore remains.
Measurability of targets				
SDBIP	PERFORMANCE REPORT			
Outcome	ANNUAL TARGET	SPECIFIC	MEASURABLE	AUDITOR COMMENTS
<p>Identification of existing infrastructural and social services and where there the gaps are.</p> <p>Identification and protection of prime productive land and environmental sensitive areas in the rural areas</p> <p>Identification as settlement edges as proposed in the Provincial Spatial Development Plan</p> <p>Identification of rural nodes and service centres where a higher order of services should be</p>	Objective indicator and target not disclosed in performance report	b Management does not acknowledge finding. The project is directed towards the future growth of our towns.	a Management does not acknowledge finding. the project has a framework named Urban design framework. We had r380 000 to spend.	Management comment noted. However, as the progress for this specific indicator cannot be measured by percentage of completeness or otherwise the finding remains.



MEASURABLE INDICATOR				
planned for.				
Guiding the future growth of Mount Frere and Mount Ayliff. Maintaining of the characteristics of a rural town Guiding the creation of an efficient urban development Guiding the creation of an efficient urban development	Objective indicator and target not disclosed in performance report	Kindly refer to the responses of spatial development.		Management comment noted. However, as the progress for this specific indicator cannot be measured by percentage of completeness or otherwise the finding remains.
The Planning department would also be able to update all the new changes in zonings and other land development changes	Objective indicator and target not disclosed in performance report			No management comment noted. Should it be that the indicator also relates to the urban design framework it then remains immeasurable. The finding remains.
Provide the municipality with better information on the property boundaries and will be helpful for future planning.	Objective indicator and target not disclosed in performance report			No management comment noted. Should it be that the indicator also relates to the urban design framework it then remains immeasurable. The finding remains.
The municipality will be able to provide draftspersons with digital copies of cadastral information.	Objective indicator and target not disclosed in performance report			No management comment noted. As there is no objection to the finding it remains.



MEASURABLE INDICATOR				
Adherence to National Building Regulation and the By-Law	Objective indicator and target not disclosed in performance report			No management comment noted. As there is no objection to the finding it remains.
Adherence to National Building Regulation and the By-Law	Objective indicator and target not disclosed in performance report			No management comment noted. As there is no objection to the finding it remains.
Revenue Generation	Objective indicator and target not disclosed in performance report			No management comment noted. As there is no objection to the finding it remains.
Future projects on housing demand and backlog	Objective indicator and target not disclosed in performance report			No management comment noted. As there is no objection to the finding it remains.
Proper planning	Objective indicator and target not disclosed in performance report			No management comment noted. As there is no objection to the finding it remains.
Accommodation space	Objective indicator and target not disclosed in performance report			No management comment noted. As there is no objection to the finding it remains.
Implementation of the EPHP	Objective indicator and target not disclosed in performance report			No management comment noted. As there is no objection to the finding it remains.
Communal lighting which will subsequently reduce crime	Objective indicator and target not disclosed in performance report			No management comment noted. As there is no objection to the finding it remains.
Energy efficiency	Objective indicator and target not disclosed in performance report			No management comment noted. As there is no objection to the finding it remains.
Enforcement of the National Building Regulation	Objective indicator and target not disclosed in performance report			No management comment noted. As there is no objection to the finding it remains.
Internal controls	Objective indicator and target not disclosed in performance report			No management comment noted. As there is no objection to the finding it remains.
Implementation of skills transfer.	Objective indicator and target not disclosed in performance			No management comment noted. As there is no objection to the



MEASURABLE INDICATOR				
	report			finding it remains.
Implementation of streetlight maintenance	Implementation of streetlight maintenance			No management comment noted. As there is no objection to the finding it remains.
Implementation of plant service	Repairs and maintenance of street, potholes, main holes and storm water drainages			No management comment noted. As there is no objection to the finding it remains.
Implementation of purchasing the plant equipment				
Implementation	Repairs and maintenance of street lights and High masts			No management comment noted. As there is no objection to the finding it remains.
Implementation	Repair and maintenance of vehicle, generators and plant			No management comment noted. As there is no objection to the finding it remains.

The cause may be insufficient review of the performance report by management.

The above mentioned indicators are considered not to be useful for the purposes of the report.

Internal control deficiency

Leadership

Oversight responsibility has not been exercised regarding financial and performance reporting and compliance and related internal controls.

Recommendation

Management should implement stricter review processes to mitigate error and to ensure that suitable indicators are developed.

Management response

Management comments have been included in tables



Name: M Sineke
Position: Manager: C & CS
Date: 28/10/14

Auditor's conclusion

Management comments have been noted, auditor's responses have been documented in above table.



Provisions

16. Provision: Material difference noted between landfill site provision disclosed and amount recalculated (Ex.106)

Audit Finding

Section 62 (1)(a)&(c) of the Municipal Finance Management Act No. 56 of 2003 stipulates that the accounting officer of the municipality must take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with the prescribed norms and standards. He must also ensure that the municipality has and maintains effective and efficient and transparent systems of financial and risk management and internal control.

A recalculation of both landfill site provisions (Mount Ayliff & Mount Frere) has resulted in a difference to the amounts disclosed as follows:

Landfill site	Calculation per auditee (R)	Recalculation as per auditor (R)	Total (R)
Mount Ayliff Landfill site	4 675 993,02	1 754 614,43	2 921 378,59
Mount Frere Landfill site	4 843 780,87	1 571 914,44	3 271 86,43
Total			6 193 24,02

It would appear that the calculation used for the provision was discounted over one year and not the required 12 and 16 year periods.

The cause for the finding above is a miscalculation error on the balance.

The impact is a material misstatement on the provisions of R 6 193 245,02.

Internal control deficiency

Leadership

Oversight responsibility has not been exercised regarding financial and performance reporting and compliance and related internal controls.

Recommendation

It is our recommendation that management reviews and understands the work performed by consultants.

Management response

Management partially acknowledges the finding. NPV Financial error occurred while calculating net present value of landfill site provision, as follows:

<u>Mt Ayliff:</u> AFS Calculation	R4 675 993,02
Adjusted Calculation	R2 997 074,77
Difference	<u>R1 678 918,25</u>
<u>Mt Frere:</u> Initial Calculation	R4 843 780,87
Adjusted calculation	R3 161 461,93
Difference	<u>R1 682 318,94</u>

Total difference of R3 361 337,19 will be adjusted on AFS. Refer to attached landfill sites report and calculation



Name: XN Venn
Position: CFO
Date: 28/10/2014

Auditor's conclusion

Management comments have been noted. The correcting journal has been processed and the annual financial statements updated accordingly. As the error was identified by the auditor, the finding will remain in the management report as a control weakness.



ANNEXURE B: OTHER IMPORTANT MATTERS

17. AOPO: Information not submitted relating to target. (Ex.113)

Audit finding

In accordance with section 46(1)(b) of the Municipal Systems Act No. 32 of 2000, a municipality must prepare for each financial year a performance report reflecting the performance of the municipality during that financial year and a comparison of the performances with targets set for and performances in the previous financial year.

For this reason the performance indicators and targets reported must be substantiated by a portfolio of evidence that can be verified.

During the performance of the audit the following information was not submitted to substantiate the information of the indicator as indicated below.

#	RFI #	DATE	NAME OF INDICATOR	TARGET	PROJECT	FINDING
51	6	Weekly sectional meetings with Planning Stuff and site visits.	To capacitate planning section staff. Give training on how inspections are done on site and how to undertake legal planning action using relevant planning legislation.	To capacitate planning section staff and develop working skills	sectional meetings are taking place between two or four times a month	2 sectional meetings were held in the month of June 2013 on site. However no evidence was provided on such meetings being held during any other month.

Information may have been misplaced or misfiled.

The impact is a limitation of scope.

Internal control deficiency

Leadership:

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.



Recommendation

It is our recommendation that a systematic filing system for the daily activity reports be in place to avoid data going missing.

Management response**Auditor's conclusion**

No management comment provided, per discussions with management this information could not be provided and the matter will remain in the management report



Borrowings & long-term loans

18. Long Term Liabilities: Interest incorrectly classified for short term portion of DBSA loan (Ex.103)

Audit Finding

In terms of section 62 (1) (b) and (c)(i) of the Municipal Finance Management Act, No. 56 of 2003, the accounting officer of the municipality is responsible for managing the financial administration of the municipality, and must for this purpose take reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards, and that the municipality has and maintains an effective, efficient and transparent system of the financial and risk management and internal control

It was noted that the interest amount capitalized for the period of R1 250 136,99 on the DBSA loan has been incorrectly classified under creditors and not included under the DBSA loan.

The cause of the above finding could be as a result of ineffective review controls over the annual financial statements by management.

The impact of this finding is that the creditors balance and the short term balance is misstated in the annual financial statements.

Internal control deficiency

Leadership

Oversight responsibility has not been exercised regarding financial and performance reporting and compliance and related internal controls.

Recommendation

Management should investigate the above mentioned misstatement and communicate the outcome to the auditor's.

Management response

Management does not acknowledge the finding. The municipality paid interest during the current financial year (2014/15) for DBSA loan amount up to 20 June 2014 and thus the amount should be shown as a short term liability. Seeing it has no relevance to the REDEMPTION of the loan itself it can only be acknowledged as a Payable/Creditor. The short term portion of the loan refers to the redemption of the loan, not the interest thereon.

Name: XN Venn
Position: CFO
Date: 28/10/14

Auditor's conclusion

Management comment noted. The matter will be further discussed with management as the interest relates to the loan and should be classified as part of loan short term portion which exists. The required correction has not been made and the amount will be included in the summary of uncorrected misstatements.

Long term liabilities

19. Long Term Liabilities: Finance Lease payments as per the lease register do not agree to the contract and amount disclosed in the AFS (Ex.74)

Audit Finding

In terms of section 62 (1) (b) and (c)(i) of the Municipal Finance Management Act, No. 56 of 2003, the accounting officer of the municipality is responsible for managing the financial administration of the municipality ,and must for this purpose take reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards ,and that the municipality has and maintains an effective, efficient and transparent system of the financial and risk management and internal control.

- a) During the audit of finance leases it was noted that the lease payments included in the municipality's amortization schedule provided does agree to the lease payments as per the lease contracts provided. We were unable to obtain explanations on these differences noted below:

Details of the differences between the Contract and the Amortisation.					
No	LESSOR	DETAILS OF VEHICLES	INSTALLMENT AMOUNT AS PER THE LEASE AMORTIZATION PROVIDED (R)	INTALLMENTS AS PER CONTRACT(R)	DIFFERENCE (R)
1	Fleet Africa	Isuzu KB250D LWB S/Cab FMX 914 EC	3 898,56	9 140,55	-5 241,99
2	Fleet Africa	Isuzu KB250D TEQ Fleetside S/Cab FMX 923 EC	5 508,25	7 914,57	-2 406,32
3	Fleet Africa	Isuzu KB250D TEQ LE 4X4 D/Cab FMX 927 EC	6 817,48	8 405,94	-1 588,46
4	Fleet Africa	Chevrolet Aveo 1.6 L FNH 218 EC	2 853,24	5 544,11	-2 690,87
5	Fleet Africa	Chevrolet Aveo 1.6 L FMX 935 EC	3 164,61	6 924,66	-3 760,05
6	Fleet Africa	Chevrolet Aveo 1.6 L FMX 936 EC	3 164,61	6 537,80	-3 373,19
7	Fleet Africa	Chevrolet Aveo 1.6 L FMX 937 EC	3 164,61	6 894,10	-3 729,49
8	Fleet Africa	Chevrolet Aveo 1.6 L FMX 938 EC	3 164,61	6 553,08	-3 388,47
9	Fleet Africa	Chevrolet Aveo 1.6 L FMX 940 EC	3 164,61	6 537,80	-3 373,19

- b) The differences between the annual repayments recalculated as per the lease contracts and the amortization schedule provided by the municipality is as follows:



NO	LESSOR	FINANCE LEASE LIABILITY	AUDITORS CALCULATION OF THE ANNUAL INSTALLMENTS (R)	AUDITEE'S CALCULATION OF ANNUAL INSTALLMENT(R)	DIFFERENCE
1	Fleet Africa	Isuzu KB250D LWB S/Cab FMX 914 EC	109 686,60	46 782,72	62 903,88
2	Fleet Africa	Isuzu KB250D TEQ Fleetside S/Cab FMX 923 EC	94 974,84	66 099,00	28 875,84
3	Fleet Africa	Isuzu KB250D TEQ LE 4X4 D/Cab FMX 972 EC	100 871,28	81 809,76	19 061,52
4	Fleet Africa	Chevrolet Aveo 1.6 L FNH 218 EC	66 529,32	34 238,88	32 290,44
5	Fleet Africa	Chevrolet Aveo 1.6 L FMX 935 EC	83 095,92	37 975,32	45 120,60
6	Fleet Africa	Chevrolet Aveo 1.6 L FMX 936 EC	78 453,60	37 975,32	40 478,28
7	Fleet Africa	Chevrolet Aveo 1.6 L FMX 937 EC	82 729,20	37 975,32	44 753,88
8	Fleet Africa	Chevrolet Aveo 1.6 L FMX 938 EC	78 636,96	37 975,32	40 66,64
9	Fleet Africa	Chevrolet Aveo 1.6 L FMX 940 EC	78 453,60	37 975,32	40 47,28
			773 431,32	418 806,96	354 624,36

c) The differences noted above has resulted in differences noted between the auditor's recalculation and the amounts disclosed in the annual financial statements as follows:

Total Lease Payable

Total Lease Liability as per the AFS	R588 079
Lease Liability as per recalculation	R1 086 225
Difference	(R498 146)

Current Portion

Lease liability after transfer to current liabilities as per AFS	R381 356
Lease Liability as per Recalculation	R704 251
Difference	(R322 895)
Total Interest on finance lease as per AFS	R70 157
Total Interest on finance lease as per Recalculation	R129 578
Difference	(R59 421)



d) Furthermore, it was noted that finance costs payable for 2 to 5 years were not disclosed in the annual Financial Statements.

The cause of the above finding is that supporting evidence to justify management's calculation is not available.

The impact of the above finding is that lease liability disclosed in the annual financial statements could be misstated.

Internal control deficiency

Leadership

Oversight responsibility has not been exercised regarding financial and performance reporting and compliance and related internal controls.

Recommendation

The above differences noted should be investigated by management and the outcome communicated to the auditor's.

Management response

The amount paid to the service provider of these vehicles will never be equal to the value of the finance leases calculated on it. Unless the service provider supply the vehicles at the value it is obtainable in the market at the time with no extra charges and no profit on the market value added.

Because these vehicles are being used by the municipality over its "major economic lifetime" it need to be treated as assets and the funding need to be disclosed as finance leases.

A finance lease is calculated on the Present Value of the Asset (at what price is it available in the open market at the time) plus any accessories installed on the vehicle at the interest rate applicable on the agreement (which was prime=9% at the time) over the lease period. (Which is 5 years).

The Present value of the Chevrolet Aveos was the price it was available as per the agents website at the time. An electronic brochure was obtained in respect of the Isuzu LDV's.

The Supply Manager at the time calculated what the average value was of accessories which were installed to these vehicles. (Canopies, traffic control lights etc.).

The finance lease instalment on each vehicle is thus based on the Present value at 9% over 5 years and the amortisation was calculated accordingly.

The agreement includes other charges like insurance and certain maintenance which is not specifically specified and can-not be broken down but has no relevance to the finance lease recorded and disclosed.

Name: N Zibi
Position: AM SCM
Date: 28/10/14

Auditor's conclusion

Management comments have been noted. The finance lease should be valued at the lower of present value or minimum lease payments. Minimum lease payments are agreed with the lessor as per the contract and must be adhered to accordingly. Should there be any changes on the original agreement these should be documented in an addendum to the lease.



Furthermore, management should provide their calculation with supporting documents for the amount disclosed in the annual financial statements, this calculation will be audited. No additional information was provided and the finding thus remains

The following differences will be included in the summary of uncorrected misstatements:

Lease payable - R498 146

Current Portion – R322 895

Disclosure

20. Statement of Changes in Net Assets: Incorrect recognition of amounts on the Statement of Changes in Net Assets(Ex.38)

Audit finding

In terms of Section 62(1)(b) of the Municipal Finance Management Act 56 of 2003 states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

While performing normal audit procedures as required by International Standards on Auditing (ISA) the following deficiencies were noted on Statement of Changes in Net Assets:

1. The restated accumulated surplus as per Statement of Financial Performance was not correctly transferred to the Statement of Changes in Net Assets as follows;

NO	DESCRIPTION	AUDITEE'S RECORDS (R)	RESTATED STATEMENT OF FINANCIAL PERFORMANCE (R)	OF DIFFERENCES (R)
1	Surplus/(deficit)	5 152 144		
2	Correction of error (Note 44)	8 110 749	18 132 056	4 869 163
	Total	13 262 893	18 132 056	4 869 163

2. The amount transferred to the statement of changes in net asset from statement of financial position was not transferred correctly as follows;

DESCRIPTION	STATEMENT OF CHANGES IN NET ASSET(R)	STATEMENT OF FINANCIAL POSITION(R)	DIFFERENCE(R)
Restated balance as at 30June 2013	299 739 934	299 755 373	-15 439

The cause of the above finding is incorrect transfer of balances from the Statement of Financial Performance and Position

The impact of the above finding is incorrect disclosure and an understatement of Surplus on the statement of changes in net assets by R12 979 912 and understatement of Restated Balance on 30 June 2013 by R15 439

Internal control deficiency

Leadership:

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation

Management should ensure that amounts disclosed in the AFS agree.

Management response

1. Restated Acc. surplus for 2012/13 is R18 312 056 which causes the difference to be R5 049 163. The reason for the difference is some of the Correction of Errors concerning years before the previous year were done automatically under the previous financial year. This caused the amount from the Correction of Error Note linked to the Statement of Change in Net Assets to be less than what it should be and the amount for previous years linked from the Correction of Error Note to the Statement of Changes in Net Assets more than what it should be. The difference is made up by the following transactions:

Receivables from Exchange Transactions – Unsupported Debtors W/Off	-R7365
Cash and Cash Equivalents – Unsupported Balance Written Off	-R877
PPE properties Sold Long Ago still on AR Written Off	-R2 698 400
Investment Properties Sold Long Ago still on AR Written Off	-R2 368 500 Payables
from Exchange Transactions – Unsupported Balance W/Off	R25 979
Total	-R5 049 163

The Correction of Error note was redone as well as the Statement of changes in Net Assets.

The PPE note for the previous financial year will also have to be redone as the above errors need to be included in the asset note. The three documents will be attached

2. Statement of Change in Net Assets – This amount was in respect of a transaction passed on the system after the 2012/13 AFS in respect of 2012/13 Financial Year but affected 2013/14 financial year. This will be corrected during AFS adjustment.

Name: **XN Venn**
Position: **CFO**
Date:

Auditor's conclusion

Management comments are noted, however still awaiting submission of supporting documents and until such time that the amended financial statements have been submitted to the auditors and the amendments have been verified.

Management subsequently submitted adjusted AFS and matter was correctly disclosed. Therefore finding closed.

21. . Financial Instruments: Amounts disclosed as per the annual financial statement do not agree to the final trial balance (Ex. 93)

Audit Finding

In terms of section 62 (1) (b) and (c)(i) of the Municipal Finance Management Act, No. 56 of 2003, the accounting officer of the municipality is responsible for managing the financial administration of the municipality ,and must for this purpose take reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards ,and that the municipality has and maintains an effective, efficient and transparent system of the financial and risk management and internal control.

During the audit of financial instruments, it was noted that amounts disclosed in note 53 of the annual financial statements does not agree to the final trial balance provided for audit purposes. Below are details of the differences noted.

No.	Heading as per the Annual Financial Statements	Further description	Amount as per the Financial Statements (R)	Amount as per the Final Trial Balance (R)	Difference
1	Receivables from Non-exchange Transactions	Sundry Debtors	404 472	1 040 356	-635 884

The cause of the above finding could be as a result of inappropriate review controls of the annual financial statements by management.

The impact of the above finding is that amounts disclosed could be misstated.

Internal control deficiency

Leadership

The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

Recommendation

Management should investigate the above differences and communicate the outcome to the auditor's.

Management response

Management does not acknowledge the finding. Amounts per AFS agree with amounts per Trial Balance

Sundry Debtors: The amount of R1 040 356 as documented in the finding relates to 2012/13 financial year. Refer to Note 5 of AFS. An amount of R404, 472 relates to debtors' interest charges which forms part of Sundry Debtors.

Call Deposits: Difference of R1 000,00 relates to Notice deposits as stated in note 7.1 of AFS (Current investments deposits)

Name: XN Venn
Position: CFO
Date: 28/10/14



Auditor's conclusion

Management comments have been noted and the R1 000,00 difference has been removed. We agree that the R1 040 356 has been erroneously included as this is the prior year figure. However the amount disclosed does not agree to the final trial balance as follows:

Amount per TB: R959 220,55

Amount per AFS: R404 472,00

Difference: R554 748,55

22. Financial Instruments: Numerous deviations have been noted on financial instruments disclosed (EX.109)

Audit Finding

According to GRAP 104, para .13

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial liability is any liability that is a contractual obligation to:

- (a) deliver cash or another financial asset to another entity; or
- (b) exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

A financial asset is:

- (a) cash;
- (b) a residual interest of another entity; or
- (c) a contractual right to:
 - (i) receive cash or another financial asset from another entity; or
 - (ii) exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity

Furthermore According to GRAP 104, paragraph .03 (c)

This Standard does not apply to the following instruments, except where indicated otherwise:

- (c) Rights and obligations under leases to which the Standard of GRAP on Leases applies.

In addition to the GRAP Standard, according to GRAP 104 Guideline published in January 2014 , paragraph 4.1

Non-refundable pre-paid expenses are not financial assets as they do not give rise to a contractual right to receive cash or another financial asset, but rather to receive goods or services.

An entity is encouraged to disclose:

- (a) a sensitivity analysis for each type of market risk to which the entity is exposed at the end of the reporting period, showing how surplus or deficit would have been affected by changes in the relevant risk variable that were reasonably possible at that date;
- (b) the methods and assumptions used in preparing the sensitivity analysis; and
- (c) changes from the previous period in the methods and assumptions used, and the reasons for such changes.

If the quantitative data disclosed as at the end of the reporting period is unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative.

The following deviations have been noted:

- a) During the audit of financial instruments the following which should not be disclosed as financial Instruments were disclosed as part of Note 53 for financial instruments.
 - Finance Lease Liabilities (specifically excluded from financial instruments, paragraph .03 of GRAP 104)
 - Retentions (covered under GRAP 11, Construction Contracts)
 - Payments received in advance (GRAP 104 Guideline (Jan 2014), paragraph 4.1 specifically excludes non-refundable pre-paid expenditure)
- b) Financial instruments have been incorrectly disclosed (disclosure overstatement) as follows:

Finance Lease Liabilities	206 723
Retentions	1 014 080
Payments Received In Advance	<u>1 146 512</u>
	<u>2 367 315</u>

- c) During the audit of financial instruments note 53.7 Credit Risk Management, it was noted that the Credit rate risk consists mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances. However a sensitivity analysis for the variable amounts was not included as a disclosure to the note.
- d) As per note 53.1 call deposits and bank and cash balances are accounted on amortised cost but they are included as part of the fair value hierarchy note.
- e) During the audit of financial instruments the following was noted from note 53.2 (Long Term Liabilities) :
- Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the annual financial statements to approximate their fair values on 30 June 2014, as a result of the short-term maturity of these assets and liabilities.
 - Long term liabilities are repayable in the long term (more than one year) and thus it cannot be stated their carrying amount approximate their fair value because of short term maturity.

The cause of the above finding is due to a lack of review controls over annual financial statements.

The impact of the above finding is non-compliance with GRAP and misstatement of financial instruments.

Internal control deficiency

Leadership

The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

Recommendation

Management should ensure only items which relates to Financial Instruments are disclosed as part of the note to financial instruments. Appropriate review controls should be implemented by management over the annual financial statements.

Management response

Management disagrees with the auditor's findings, explained as follows:

- 1) Finance Lease Liabilities

GRAP 104, paragraph .03 (c) was not fully quoted by the auditors. The full sub-section reads as follows, with relevant portion highlighted:

This Standard does not apply to the following instruments, except where indicated otherwise:

- (d) Rights and obligations under leases to which the Standard of GRAP on Leases applies.

However:



(i) lease receivables recognised by a lessor are subject to the impairment, derecognition, presentation and disclosure provisions of this Standard (see paragraphs .57 - .79, .84 - .132 and Appendix A paragraphs AG120. - AG143., AG151. – AG180.);

(ii) finance lease payables recognised by a lessee are subject to the derecognition, presentation and disclosure provisions of this Standard (see paragraphs .80 - .132 and Appendix A paragraphs AG144. – AG180); and

(iii) derivatives that are embedded in leases are subject to the embedded derivatives provisions of this Standard (see paragraphs .18 – .22 and Appendix A paragraphs AG58. – AG68.). Where an embedded derivative is separated from a lease, the presentation and disclosure requirements of this Standard also apply to the derivative (see paragraphs .84 - .132 and Appendix A paragraphs AG151. – AG180).

GRAP 104.80 - .132, more specifically .103-.121 read with AG 155 – 157 (which forms part of GRAP 104) makes clear the classes and categories that need to be disclosed in the AFS. GRAP 104.3(c) thus makes it clear that finance lease payables/ liabilities should be incl in the disclosures on Financial Instruments, including categories and classes disclosure.

2) Retentions

GRAP 11.5 -.6 explains the scope of GRAP 11. The municipality does not act as “contractor” as explained in GRAP 11 and wherever it builds any asset for a 3rd party it is in an agency capacity. Thus GRAP 11 does not apply to the municipality.

Furthermore, retentions for exchange transaction are not scoped out of GRAP 104 and even for non-exchange transactions GRAP 104.3 makes it clear that retentions arising from contracts are subject to the presentation and disclosure requirements of GRAP 104.

It is not clear what Implementation Guidance the auditors are referring to. Important to note is that compliance with any Implementation Guidance issued by NT is not mandatory for the municipality. In terms of the MFMA, NT prescribes the GRAP reporting framework whereas the MFMA (read with the PFMA) states that ASB prescribes the individual Standards of GRAP, iGRAPs, Official ASB Guides etc. Only the ASB has the authority to issue mandatory guides, which are listed in ASB Directive 5.

3) Payments Received In Advance.

Payments received in advance is not pre-paid expenditure. It is credit balances on Debtors Accounts and thus forms part of the municipality’s financial instruments.

Also, if services or goods are not rendered by the municipality, the payments received must be paid back to its consumers. A legal right (emanating from the service contract between the municipality and the consumer) exists at year, thus fulfilling the definition of financial instruments as it gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity (similar as consumer debtors, just mirrored example).

Auditor’s conclusion

Management comment noted. Having considered the information provided for part (a) & (b) these parts will be removed from the finding accordingly.

However, the comment provided by management fails to address part (c), (d) and (e) of the finding and these matters will thus remain in the management report.

Creditors

23. Opening balances not cleared (Ex.123)

Audit Finding

In terms of section 62 (1) (b) of the Municipal Finance Management Act (MFMA), the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards

It was noted during the performance of the audit that the opening balance on the following accounts had not been cleared and no evidence could be provided to substantiate them. Details of the balances are as follows.

ALLOCATED VOTE NUMBERS	DESCRIPTION	Adjusted Balance for 2014 GRAP AFS	Adjusted Balance for 2013 GRAP AFS	MOVEMENT
960914080	CREDITORS : SUSPENCE ACCOUNTS (PAYROLL)	47 007,78	47 007,78	0,00
960914050	CREDITORS : SUNDRY DEPOSITS (UNKNOWN DEPOSITS)	41 873,00	40 535,00	-1 338,00
Total			87 542,78	-1 338,00

The movement in the sundry deposits is for two additional unknown deposits received in the period under review. The opening balance remains unaltered at year-end.

The cause for the above mentioned finding is a possible error in the compilation of the annual financial statements.

The impact would be an overstatement of the creditors balance by R47 007,78.

Internal control deficiency

Financial and performance management:

Appropriate controls over daily and monthly processing and reconciling of transactions have not been implemented

Recommendation

Management should implement review controls over creditors at year-end, the above balances should be investigated and cleared.



Management response

Management acknowledges the finding. This was cleared before year end but AFS were not updated. AFS will be adjusted

Name: KA Sibutha
Position: AM Expenditure
Date: 11 November 2014

Auditor's conclusion

Management comments have been noted, the required adjustments have been made to the annual financial statements, as the error was noted by the auditor's the finding will remain as a control weakness.

24. AOPO: Outstanding information (Ex.107)

Audit Finding

Section 62 (1)(a)&(c) of the Municipal Finance Management Act No. 56 of 2003 stipulates that the accounting officer of the municipality must take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with the prescribed norms and standards. He must also ensure that the municipality has and maintains effective and efficient and transparent systems of financial and risk management and internal control.

During the audit of performance information it was noted that no supporting documentation could be provided for some of the information disclosed in the performance report. Details of these matters are listed below:

- a) A list of the 43 dumping sites that have been rehabilitated in the period under review.
- b) The daily activity reports disclosing the number of vehicles stopped by the relevant officers for the months specified below:

No	Police officer	Month	Public transport stopped and screened	All other motor vehicles stopped and screened
1	Cola N	July	27	85
2	Gqokoma	July	43	215
3	Lugongolo	July	38	168
4	Mabija NK	July	37	167
5	Mapasa	July	33	87
6	Ncembu V	August	47	139
7	Ndudane	August	2	40
8	Ngejane	September	3	28
9	Nyongana N	September	50	162
10	Cola N	October	12	36
11	Mzokoshe	December	0	1
12	Cola N	February	9	72
13	Gqokoma	February	44	104
14	Mabija NK	March	17	91
15	Cola N	June	0	11

The cause for the finding may be that the report for the illegal dumping had not been compiled and the files for the daily activity report were misfiled.

The impact of the above finding is a limitation on the scope of the audit.

Internal control deficiency

Leadership

The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

Recommendation

Management should implement a systematic filing system for the daily activity reports to be in place to avoid data going missing. Management should provide the outstanding information for audit purposes.

Management response

The submitted file was submitted with two separate financial year documents. It has since been sorted out and the information has been confirmed by both parties.

The additional information in relation to recycling tonnages is available for review and confirmation. Management acknowledges the finding for DLTC and further request the opportunity to adjust the annual report so that the counting error can fall off.

Name: M Sineke
Position: Manager: C & CS
Date: 28/10/14

Auditor's conclusion

Management comments do not address the finding documented. The finding will thus remain in the management report.



25. Provisions: Incomplete disclosure in AFS (Ex.119)

Audit Finding

In accordance with Generally Recognised Accounting Practice (GRAP), 2010 paragraph .92 &.98 of GRAP 19, an entity shall disclose for each class of provision; a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential, an indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph. An entity may in certain circumstances use an external valuation to measure a provision. In such cases, information relating to the valuation can usefully be disclosed.

During the performance of the audit it was noted that the following information as indicated above, was not disclosed in the annual financial statements as per the GRAP standards for the rehabilitation of land sites provision as follows:

- A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential
- An indication of the uncertainties about the amount or timing of those outflows
- Major assumptions made concerning future events
- Details on the external valuator used for the estimate

The cause of the finding may be inappropriate review of the financial statements.

The impact would be non-compliance with the GRAP standards.

Internal control deficiency

Leadership

The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

Recommendation

It is our recommendation appropriate review of the financial statements be performed to ensure that information disclosed in complete, accurate and valid.

Management response

Management does not acknowledge the finding.

Name: XN Venn
Position: CFO
Date: 28/10/2014

Auditor's conclusion

Management comment noted. However, as management has not provided a reason for why they do not acknowledge the above matter, the finding will remain in the management report.

Revenue

26. Revenue: Change in accounting policy (Ex 59)*

Audit finding

GRAP 23 requires that revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured. IGRAP 1 clarifies that an entity should recognise the full amount of revenue at the transaction date when there is uncertainty about the entity's ability to collect such revenue based on past history, as the entity has an obligation to collect all revenue due to it.

During the audit, the following were noted on revenue from traffic fines;

Extract of presentation in annual financial statements

	2014	2013
revenue from fines	7 011 338	438 192
Traffic fines debtor	6 605 724	
impairment of fines	-6 084 079	

1. Although IGRAP 1 is only effective from 1 April 2013 the disclosure of the fact that IGRAP 1 was used in the calculation, disclosure and presentation of fines was not stated.
2. Due to prior year disclosure as above extract and current year impairment of the raised revenue it shows a history of none collectability of debtors thus revenue should have been raised at the net amount of the impairment .

The cause of the above finding is non disclosure of IGRAP and its impact on current year financial statements.

The impact of the above finding is non-compliance.

Internal control deficiency

Financial and Performance Management:

Review and monitor compliance with applicable laws and regulations

Recommendation

Management should ensure the accounting policy implemented agrees to GRAP 23 and disclosed as per policy.

Management response

Auditor's conclusion

Management comments are noted, however the finding remains until such time that the amended financial statements have been submitted to the auditors and the amendments have been verified.

Subsequently the amended financial statements were submitted and the disclosure included and therefore finding closed.

27. Revenue from Government Grants and Subsidies - Grant revenue incorrectly disclosed in the AFS (Ex.48)*

Audit Finding

Section 62(1)(i) of the Municipal Finance Management Act 56 of 2003, The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

During the performance of our audit we noted that note 26 below relating to Conditional Grants was incorrectly disclosed in the financial statements .The Grant Register shows an amount transferred to revenue of R93 720 515,70 and the AFS indicates an amount of R93 755 712,00. The Provincial Corporate Governance and Traditional Affairs amount of R35 197 has been accounted for twice as it has already been included in the R6 642 949.

Conditional Grants	Amount (R)
National EPWP	2 785 247,00
National FMG	1 550 000,00
National MIG	60 372 936,00
National MSIG	890 102,00
National Energy	20 000 000,00
Provincial Cop Gov & Trad Affairs (COGTA)	6 642 949,00
Department Economic Affairs and trade (DEAT)	1 479 281,00
Provincial Cop Gov & Trad Affairs (COGTA)	35 197,00
	93 755 712,00

The cause of the above finding is inadequate reviews of the Annual financial statements

Misstatement in the annual financial statements amounting to R35 917,00

Internal control deficiency

Leadership:

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Recommendation

Management should ensure that the financial statements are updated with the correct values as per the Grant Register.

Management response

Management acknowledges the finding. COGTA grant of R35, 197.00 was erroneously duplicated on AFS. This will be corrected during AFS adjustments.

Name: N Xashimba
Position: AM Budget & Reporting
Date: 16 October 2014

Auditor's conclusion

Management comments are noted, the relevant correction has been made, as the error was detected by the auditor's the finding will remain as a control weakness.



28. Employee cost: annual remuneration offered exceeded the budgeted amount for the position.(Ex.51)*

Audit finding

In terms of section 62 (1) (b) and (c)(i) of the **Municipal Finance Management Act**, No. 56 of 2003, the accounting officer of the municipality is responsible for managing the financial administration of the municipality ,and must for this purpose take reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards ,and that the municipality has and maintains an effective, efficient and transparent system of the financial and risk management and internal control.

While performing the audit procedures as required by International Standards on Auditing (ISA), it was noted that the salary offered to the employee is more than what was budgeted for in the annual budget for 2013/14 financial year.

AMOUNT APPOINTMENT LETTER(R)	PER	BUDGTED AMOUNT FOR THE POSITION(R)	DIFFERENCE (R)
R870 793,26		R855 383	R15 410,26

The cause of the above finding is non-compliance with the annual budget.

The impact of the above finding is the overstatement of Employee cost for R15 410,26

Internal control deficiency

Leadership:

Oversight responsibility was not exercised regarding financial and performance reporting and compliance with related controls.

Recommendation

Management should review the budget for each employee and the salary offered

Management response

Total package for LED manager was budgeted at R855, 383.00 due to the fact that this position was under litigations for almost two years and there was acting LED manager for the entire period. As a result, this post was erroneously not increased to R870, 793.26 in line with other senior managers' packages.

Advert for this post stated that salary is negotiable as a result, salary negotiations were done between municipal manager & LED manager and was appointed at a total inclusive package of R870, 793.26.

It should further be noted that LED overall budget was not overspent as a result of this and therefore unauthorised expenditure was not incurred by the municipality.

Name: **KA Sibutha**
Position: **AM Expenditure**

Auditor's conclusion

Management comments are noted, however as the budget shows each position budgeted for individually and the budget was exceeded, the finding shall stand

The amount of R15 410.26 will be transferred disclosed as a non compliance.



Budgets and Procurements

29. Procurement: Bids incorrectly eliminated from the bidding during evaluation process (Ex.64)

Audit Finding

In accordance with the 2011 Regulations of the Preferential Procurement Policy Framework Act, 2000, regulation 8 (1)(b) states that if one or more of the acceptable tenders received are within the prescribed threshold of R 1 000 000, all tenders received must be evaluated on the 80/20 preference point system.

In the same respect regulation 8 (2)(b) states that if one or more of the acceptable tenders received are above the prescribed threshold of R 1 000 000, all tenders received must be evaluated on the 90/10 preference point system.

During the performance of the audit it was noted that some bids were incorrectly eliminated from the evaluation process on the basis that the amount tendered is more than the R 1m bracket for 80/20 point allocation projects or less than the R 1m bracket for 90/10 projects. Examples of these are listed below.

CONTRACT	TENDERER	BID AMOUNT (R)	REASON FOR ELIMINATION
Manyimbaneni Access Road	Lupicon	987 236,04	Is eliminated from further evaluation because the company bid's price is less than 90/10 bracket of R1m.
	Eyethu	751 386,50	Is eliminated from further evaluation because the company bid's price is less than 90/10 bracket of R1m.
Ntshongweni Access Road and Maintenance	Sivest Civils and Earthworks	995 567,34	Is eliminated from further evaluation because the company bid's price is less than 90/10 bracket of R1m.
Design of Ntsimangweni Bridge	Naidu consulting	2 119 545,00	Is eliminated from further evaluation because they are outside the 80/20 PPPFA bracket maximum of R 1m.
	Robust engineers consulting	1 104 318,00	Is eliminated from further evaluation because they are outside the 80/20 PPPFA bracket maximum of R 1m.
Design of Tyhindirha & Ntlabeni Bridge	Naidu Consulting	2 723 460,00	Is eliminated from further evaluation because they are outside the 80/20 PPPFA bracket maximum of R 1m.
	Royal Haskoning (Pty) Ltd	2 996 007,02	Is eliminated from further evaluation because they are outside the 80/20 PPPFA bracket maximum of R 1m.
Alternative Energy Distribution	Mobot	808 200,00	Is eliminated from further evaluation because the company bid price is below the 90/10 bracket.
Total		12 485 719,90	

The cause of this finding could be due to the incorrect application of the Preferential Procurement Policy Framework Act.

The impact of the finding is non-compliance with the Preferential Procurement Policy Framework Act.

Internal control deficiency

Financial and performance management:

Management did not review and monitor compliance with applicable laws and regulations.

Recommendation

Controls should be implemented which will ensure that all requirements applicable to the evaluation of proposal are adhered to and implemented.

Management response

For all the above stated projects there were compulsory briefing sessions where bidders were taken through all the requirements including the tender threshold, the CIDB requirements, the meaning of 80/20 and 90/10 point allocation systems. Fortunately all the bidders did attend these sessions and therefore there was an expectation from the Municipality that they would bid according to stated criteria.

90/ 10 projects: The reason for elimination actually was that even though the bidders attended the briefing session they showed no understanding of what was discussed and their documents were fully scrutinized to find out where they could have made the savings indicated in their prices but there was no clear indication of such and therefore by Evaluating them for price, there would be no elimination criteria after this state and should they be appointed service delivery might have been hindered. e.g. the Alternative energy distribution project for 3000 indigent beneficiaries to be distributed in 27 wards for a period of 2 years could not be done at R808 200,00 as the cost of 20l paraffin during the time of tender was R250,00 this excludes the mark-up and distribution fees. The overall intention of the elimination was to safeguard the municipality against cheap and misleading bid amounts.

80/20 projects: Suppliers quoted far more than the maximum threshold for 80/20 of R1 million and as such they were non responsive. Furthermore, the projects were budgeted for less than R1 million and these were eliminated for further evaluation due to budget constraints.

We therefore dispute the above finding and there is no possible irregular expenditure.

Name: N Zibi

Position: AM SCM

Date: 16 October 2014

Auditor's conclusion

Management comments have been noted. However the above mentioned legislation must be applied when evaluating the proposals received for a tender. Based on the above legislation all tenders received should be evaluated, and their price should only be considered once the tenders have been evaluated. This was not done for the above mentioned tenders and the finding will thus remain.

30. Annual financial statements misstatements identified (Ex.84)*

Audit finding

Section 122 of the Municipal Finance Management Act 56 of 2003 states that " Preparation of financial statements.—(1) Every municipality and every municipal entity must for each financial year prepare annual financial statements which —(a) fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business

While performing the normal audit procedures as required by International Standards on Auditing (ISA), the following was identified

1. Page 1 attorneys are not specified
2. Page 3 Councillors numbering not complete and there is a misplaced word “proportional” which should be removed.
3. Page 5 the following issues were identified
 1. Introduction – the GRAP reporting framework should be noted for the 2013/2014 financial period and not 2012/13.
 2. Financial indicators
 1. Surplus/(Deficit) before appropriation should rather be noted as Surplus/(Deficit) for the year ended
 2. Surplus/(Deficit) at the end of the year should rather be noted as Surplus/(Deficit) accumulated surplus as at
 3. Financial ratios do not add up to 100%
 4. Page 7 operating budget for current and prior year do not cast by a difference of R1
 5. Page 8 the following issues were identified:
 - a. Accumulated surplus amount of 299 755 373 for prior year does not agree to amount as per statement of changes in net assets of 299 739 934.
 - b. Employee Benefit liability –employee is misspelt.
 6. Page 11 Non- current assets do not cast by R1 that is it shows an amount of 399 018 674 instead of 399 018 373 and thus total assets does not cast by R1 shows an amount of 465 559 492 instead of 465 559 491. Similarly non- current liabilities do not cast by R1 showing an amount of 43 357 687 instead of 43 357 686 and thus total liabilities does not cast by R1 showing an amount of 79 272 620 instead of 79 272 619.
 7. Page 12 the following issues were identified:
 - a. Total revenue does not cast by R1 shows an amount of 245 913 218(187 290 055) instead of 245 913 219 (187 290 056)
 - b. Total expenditure does not cast by R2 shows an amount of 159 366 280(168 977 988) instead of 159 366 282 (168 978 000)
 - c. Note 42 does not include amount of 38 967 from prior year for loss on disposal of property plant and equipment.
 8. Page 38 net balances for past due amounts did not cast by R1
 9. Page 39 the ageing of impaired receivables from exchange transactions after the total remove (0.01)
 10. Page 40 net balances did not cast by R1
 11. Page 43 total lease arrangements did not cast by R1
 12. Page 44 notes to note 9 useful life was misspelt
 13. Page 45 the following issues were identified;
 - a. Correction of error note 44 amounts cannot be tied up to note
 - b. Carrying values at 30 June 2013 do not cast as follows;

#	DESCRIPTION	FINANCIAL STATEMENTS AMOUNT	CAST AMOUNT	DIFFERENCE
1	Buildings	31 446 236	31 442 337	3 899

#	DESCRIPTION	FINANCIAL STATEMENTS AMOUNT	CAST AMOUNT	DIFFERENCE
2	Infrastructure	156 678 877	198 363 308	41 684 431
3	Community	63 761 188	63 559 417	201 771
4	Other	7 755 087	9 182 705	(1 427 618)
5	Totals	268 159 560	308 055 754	39 896 194

14. Page 46 intangibles acquisitions work in progress under software amount of 167 305 is missing in the block but only shown a total thus does not cast. The total column for both website and computer software shows 36 000 instead of including 167 305 to show a total of 203 305.
15. Page 48 just above note 12.1 reference to appendix b is made for intangible assets instead of heritage assets.
16. Page 50 long term liabilities do not cast by R1
17. Page 52 Property rates property valuations noted as July instead of June.
18. Page 53 differences identified
19. Total licences and permits do not cast by R1
20. Total transfers for 2013 do not cast by R1
21. Page 56 total other revenue prior year does not cast by R2.
22. Page 71 summary of financial assets current year amount does not cast by 3 683 144 shows an amount of 58 693 732 instead of 55 010 588 and prior year amount does not cast by R1 shows an amount of 51 217 134 instead of 51 217 133.

The cause of the above finding is inadequate review of the annual financial statements.

The impact of the above finding non compliance with MFMA

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Recommendation

Management should adequately review annual financial statements and take steps to rectify errors as identified.

Management response

Management acknowledge finding.

Auditor's conclusion

Management comments are noted, however the finding remains until such time that the amended financial statements have been submitted to the auditors and the amendments have been verified.

Subsequently management corrected the financial statements and thus finding close.

Intangible assets

31. Intangibles-Amortisation incorrectly calculated(Ex.82)*

Audit finding

GRAP 31 paragraph 87 states: accounting for an intangible asset is based on its useful life. An intangible asset with a finite useful life is amortised (see paragraphs .95 to .104), and an intangible asset with an indefinite useful life is not (see paragraphs .105 to .108).

While performing the audit procedures as required by International Standards on Auditing (ISA), it was noted that the amortisation calculations for the auditor and the auditee differ for both additions and remaining population. Below are the differences identified:

1. Additions

#	DATE	ITEM DESCRIPTION	SUPPLIER	COST	AMORTISATIO N PER AUDITEE'S RECORDS	AMORTISATIO N PER AUDITOR'S RECORDS	DIFFERENT(AMOUN T)
1	7/26/2013	MS Office Pro 2013	CUMBRAE COMPUTERS & IT CONSUL.	5 000	(1 160)	(1 548)	(388)
2	7/16/2013	MS Office Pro 2013	Zimizam Trading Enterprise	7 500	(1 792)	(2 390)	(599)
3	10/11/2013	MS Office Pro 2013	ODIOR TRADING ENTERPRISE PTY L	4 799	(861)	(1 148)	(288)
4	2/25/2014	MS Office Pro 2013	BRAGGING RIGHT TRADING AND PRO	6 500	(556)	742	1 298
5	9/17/2013	MS Office Pro 2013	GEGANA COMPUTER ACADEMY	6 075	(1 189)	(1 587)	(397)
6	9/13/2013	MS Office Pro 2013	GEGANA COMPUTER ACADEMY	6 075	(1 206)	(1 609)	(403)
7	4/14/2014	MS Office Pro 2013	KWANTO MERCHANTILE PTY LTD	5 000	(264)	(352)	(88)
8	4/14/2014	MS Office Pro 2013	KWANTO MERCHANTILE PTY LTD	5 000	(264)	(352)	(88)
9	4/14/2014	MS Office Pro 2013	KWANTO MERCHANTILE PTY LTD	5 000	(264)	(352)	(88)
10	4/14/2014	MS Office Pro	KWANTO MERCHANTILE PTY	5 000	(264)	(352)	(88)



#	DATE	ITEM DESCRIPTION	SUPPLIER	COST	AMORTISATION PER AUDITEE'S RECORDS	AMORTISATION PER AUDITOR'S RECORDS	DIFFERENT(AMOUNT)
		2013	LTD				
11	2/10/2014	MS Office Pro 2013	GOODHOPE &TECHNOLOGY ICT	5 600	(537)	(716)	(179)
12	2/10/2014	MS Office Pro 2013	GOODHOPE &TECHNOLOGY ICT	5 600	(537)	(716)	(179)
13	2/10/2014	MS Office Pro 2013	GOODHOPE &TECHNOLOGY ICT	5 600	(537)	(716)	(179)
14	2/19/2014	MS Office Pro 2013	GOODHOPE &TECHNOLOGY ICT	7 000	(628)	(837)	(210)
15	10/16/2013	MS Office Pro 2013	GOODHOPE &TECHNOLOGY ICT	5 000	(880)	(1 174)	(294)
16	10/28/2013	MS Office Pro 2013	GOODHOPE &TECHNOLOGY ICT	5 600	(939)	(1 253)	(314)
17	9/10/2013	MS Office Pro 2013	GEGANA COMPUTER ACADEMY	5 000	(1 003)	(1 174)	(171)
18	9/20/2013	MS Office Pro 2013	AUMSOFT COMPUTER SYSTEMS	5 392	(1 044)	(1 393)	(349)
19	9/20/2013	MS Office Pro 2013	AUMSOFT COMPUTER SYSTEMS	5 392	(1 044)	(1 393)	(349)
20	9/20/2013	MS Office Pro 2013	AUMSOFT COMPUTER SYSTEMS	5 392	(1 044)	(1 393)	(349)
21	1/13/2014	MS Office Pro 2013	archbutton trading pty ltd	4 700	(540)	(721)	(181)
22	8/1/2013	MS Office Pro 2013	GOODHOPE &TECHNOLOGY ICT	6 300	(1 436)	(1 916)	(480)
23	2/19/2014	MS Office Pro 2013	PAGAMISA GLOBAL TRADING	4 995	(448)	(598)	(150)
24	2/19/2014	MS Office Pro 2013	PAGAMISA GLOBAL TRADING	4 995	(448)	(598)	(150)
25	9/20/2013	MS Office Pro 2013	AUMSOFT COMPUTER SYSTEMS	5 392	(1 044)	(1 393)	(349)
26	6/4/2014	MS Office Pro	Zimizam Trading Enterprise	4 500	(80)	(107)	(27)



#	DATE	ITEM DESCRIPTION	SUPPLIER	COST	AMORTISATION PER AUDITEE'S RECORDS	AMORTISATION PER AUDITOR'S RECORDS	DIFFERENT(AMOUNT)
		2013					
27	6/4/2014	MS Office Pro 2013	Zimizam Trading Enterprise	4 500	(80)	(107)	(27)
28	6/4/2014	MS Office Pro 2013	Zimizam Trading Enterprise	4 500	(80)	(107)	(27)
29	7/8/2013	MS Office Pro 2013	K2012006655	5 900	(1 442)	(1 924)	(482)
30		Website development	ADAPT IT SOLUTIONS	36 000	-	-	-
					(21 608)	(27 182)	(5 574)

The cause of the above finding is as a result of different useful lives used as the auditor used 3 years and the auditee used 4 years there is an inconsistency with the AFS.

The impact of the above finding may lead to an understatement of the amortization by an extrapolated amount of R94 123,73

Internal control deficiency

Financial and performance management:

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Recommendation

Management should review amortization calculations for correctness. If useful lives of an asset changes this should be adjusted accordingly.



Management response

Management acknowledges the finding, it is caused by the inconsistency between the AFS and the accounting policy and the accounting policy will be amended for reflect a useful life of 4 years.

Name: N. Zibi

Position: SCM Manager

Date:

Auditor's conclusion

Management comments are noted, however the finding remains until the accounting policy is updated to reflect 4 years instead of the 3 years currently reflected.

Management subsequently adjusted financial statements and therefore finding closed.



32. PPE: Intangible assets incorrectly included under PPE (EX.99)*

Audit finding

In terms of GRAP 102 paragraph 9, an intangible asset is an identifiable non-monetary asset without physical substance.

GRAP 17 paragraph 10 defines property plant and equipment as tangible items that are:

1. Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
2. Are expected to be used during more than one reporting period.

While performing the audit procedures as required by International Standards on Auditing (ISA), it was noted that the following softwares meet the definition of intangible assets as per GRAP 102 definition and were incorrectly included under other assets in the asset register.

#	ASSET DESCRIPTION	PURCHASE DATE	AMOUNT
1	GLOBAL DESKTOP APPLICATION	26-Mar-14	102 170
2	MIMECAST APPLICATION	11-Sep-13	100 435
3	GIS FOR ULM	14-Nov-13	84 620
4	Disaster Recovery Backup Server	2-Jul-12	80 893,90
5	Backup Server	28-Aug-12	19 604,98
6	Traffic Contravention Equipment	6/30/2013	53 196,13
			440 920,01

The cause of the above finding is that management have not taken sufficient steps in ensuring that all assets in the asset register are correctly recorded in the correct asset class.

The impact of the above finding is that property, plant and equipment is overstated and intangible assets understate R 340 421,13. Extrapolated amount R 447 248,33.

Internal control deficiency

Financial and Performance Management:

Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation

Management should review the fixed asset register and ensure that assets are accounted for properly.

Management response

Management acknowledges the finding for items highlighted in red. Asset register will be reviewed & AFS will be adjusted accordingly.

Management does not acknowledge finding for items highlighted in yellow as the assets do not meet intangible asset definition hence correctly recorded as PPE.

Name: **N Zibi**

Position: **AM SCM**

Date:



Auditor's conclusion

Management comments are noted, Finding closed for:

1. Disaster Recovery Backup Server
2. Backup Server

Finding remains for remaining items.

Subsequently management has updated and adjusted the AFS and thus finding closed.



Inventory

33. Inventory: lack of controls in inventory issues (EX.37)*

Audit finding

In terms of Umzimvubu municipality's inventory policy paragraph 8 states the official receiving the inventory must acknowledge the receipt of stock items requested, by signing on the requisition for goods received.

While performing the audit procedures as required by the municipality's inventory policy, it was noted that the storekeeper and the person receiving the goods had not signed the issue vouchers and the open lines had not been crossed out.

For example the following issue vouchers had been tested:

No.	DATE ISSUED	VOUCHER NO	DESCRIPTION	REQUESTED BY	AUTHORISED BY	SECTION
1	28/05/2014	No.209	5 stationery items	None	A Mandlana	Community services
2	18/06/2014	No.210	41 stationery items	Siphokazi	None	Community services
3	18/06/2014	No.211	20 stationery items	Siphokazi	None	Community services
4	18/06/2014	No.212	69 stationery items	Siphokazi	None	Community services
5	18/06/2014	No.214	3 stationery items	B Pama	None	Public Safety
6	11/06/2014	No.503	48 stationery items	none	None	LED
7	11/06/2014	No.504	50 stationery items	lazola	Matam	LED
8	none	no.39	16 stationery items	none	N. Kuboni	Corporate services department

The cause of the above finding is lack of proper review of inventory issue controls.

The impact of the above finding is that inventory may be misappropriated resulting in financial loss to the municipality.

Internal control deficiency

Leadership:

Oversight responsibility was not exercised regarding financial and performance reporting and compliance with related controls deficiencies.

Recommendation

Management should ensure that proper and strict controls are put into place before any inventory is issued and ensure that the correct channels are followed before issuing the inventory, for example it has been authorised by the departmental manager and the issuer has signed together with the person receiving the goods as to be able to trace them should anything occur.

Management response

Management acknowledges the finding. SCM unit was not sufficiently staffed towards year end as there was no SCM manager. As a result, some controls were not fully implemented.

Even though the books were not crossed, no theft of inventory was identified as year-end stock take was performed and results confirmed that physical stock reconcile with stock per financial system.

Furthermore, stock issue books have been amended as there were some gaps identified on books which were used during 2013/14 financial year. Full controls over inventory component have since been implemented during 2014/15 financial year.

Name: N Zibi
Position: AM SCM

Auditor's conclusion

Management comments are noted, therefore the finding remains.



34. Inventory: Reconciliations not properly prepared (Ex.104)*

Audit finding

In terms of section 62 (1) (b) and (c)(i) of the Municipal Finance Management Act, No. 56 of 2003, the accounting officer of the municipality is responsible for managing the financial administration of the municipality ,and must for this purpose take reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards ,and that the municipality has and maintains an effective, efficient and transparent system of the financial and risk management and internal control.

While performing the audit procedures as required by International Standards on Auditing (ISA), it was noted that the reconciliations submitted for audit purposes for Assets and Inventory could not be used by the auditor as these reconciliations are not in an understandable manner and lack the following characteristics of a reconciliation;

1. Amounts per Asset or inventory register
2. Amounts per general ledger
3. List of difference if any between 1 and 2 which maybe the reconciling items.

The cause of the above finding is that there is no guide put into place on how the reconciliations must be prepared.

The Impact of the above finding is that assets may not be fairly presented in the Annual Financial Statements.

Internal control deficiency

Financial and performance management:

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Recommendation

1. Management should ensure that the reconciliations prepared are in a usable manner or are in a manner that other users can be able to use and understand them, information posted should be clear with amounts stated.
2. There must be reconciliation manual to guide showing how the reconciliations must be prepared.

Management response

Asset Reconciliation: Management does not acknowledge the finding. Asset reconciliation submitted to auditors include the following headings

1. Payment voucher cost
2. GL cost
3. Asset Register cost

There were no discrepancies and reconciling items between asset register and general ledger hence a column for differences was not included

Inventory Reconciliation: Management acknowledges the finding, new controls including proper inventory reconciliation for inventory have been developed and implemented for 2014/15 financial year

Name: N Zibi
Position: AM SCM

Auditor's conclusion

Management comments are noted, however the reconciliations for assets submitted did not contain the information noted above therefore finding remains pending on receipt of monthly reconciliations between asset register and general ledger.

Inventory reconciliation: Management comments are noted therefore finding remains

Asset Reconciliation: Monthly reconciliation between payment voucher cost, general ledger and asset register were submitted to auditors, and therefore finding closed.

Subsequently inventory reconciliation submitted and therefore finding closed



35. Procurement: Companies with the same director bidding for the same tender (Ex.29)

Audit Finding

In accordance with section 65(2)(i) of the Municipal Financial Management Act, no 56 of 2003, the municipality's supply chain management policy should be implemented in a way that is fair, equitable, transparent, competitive and cost-effective.

The Supply Chain Management policy section 2(1)(a), also reiterates that all officials and other role players in the supply chain management system of the municipality must implement this policy in a way that is fair, equitable, transparent, competitive and cost effective.

During the audit possible complementary bidding (also known as "cover" or "courtesy" bidding) was identified in the projects listed below where two companies with the same director tendered for the same projects on multiple occasions.

#	Project	Bids received	Amount (R)
1	Design of Ntsimangweni Bridge	Tixispan Trading	580 792,00
		Zidiscan CC	582 887,47
2	Design of Tyhinirha & Ntlabeni Bridge	Tixispan Trading	573 170,00
		Zidiscan CC	625 814,40
3	Design of Daluhlanga Bridge	Tixispan Trading	924 200,00
		Zidiscan CC	904 992,03

This may be caused by inappropriate checks being performed by the adjudication committee to detect such matters.

Cover bidding by its very nature negates the competitive bidding process.

Internal control deficiency

Leadership:

The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

Recommendation

Management should investigate the above finding and controls should be implemented which will ensure that attention is given to possible cover bidding when evaluating proposals for the awarding of tenders.

Management response

Management does not acknowledge the finding, neither the SCM Regulations nor the municipality's SCM policy prevents or limits certain companies from bidding once an advert has been made.

An advert for a bid is always an open tender which gives everyone an opportunity to bid.

Once the bid has closed SCM processes are undertaken, part of those processes includes evaluation of the tenders in a system that is fair and transparent in terms of the SCM policy and regulations.

It should be noted that each project is evaluated separately and that the outcome of one project doesn't influence the other.

A bidder that has met all the criteria, displays adequate experience to undertake the project is awarded, it is against this basis that the projects above were awarded.

Furthermore, during evaluation stage, CIDB & CIPRO check is done by the municipality to confirm company directors and capacity of the company to perform the job.

Name: N. Zibi
Position: AM : SCM
Date: 15/10/2014

Auditor's conclusion

Management comments have been noted. Although policies and regulations implemented by an organisation can be a deterrent and a prevention mechanism for possible fraudulent activities, these regulations and policies will not in all instances prevent fraud from occurring. As stipulated in the Municipal Financial Management Act, section 112 - Supply chain management policy to comply with prescribed framework (1) The supply chain management policy of a municipality or municipal entity must be fair, equitable, transparent, competitive and cost-effective and comply with a prescribed regulatory framework for municipal supply chain management, which must cover at least the following: (m) measures for (i) combating fraud, corruption, favouritism and unfair and irregular practices in municipal supply chain management.

There are numerous types of procurement fraud schemes of which one is cover bidding (also known as complementary bidding), this is the act of tendering an artificially high price for a contract or what is known as token bids that are not serious attempts to win, on the assumption that the tender will not be accepted, thus seeking to circumvent the competitive bidding process. Our finding above does not indicate that cover bidding has taken place, as to determine this will require an investigation into the matter.

We do however indicate a possibility of cover bidding based on the information provided to us during our audit. It is thus recommended that management investigates the above matters to ensure that cover bidding has not taken place and to implement controls and measures for the adjudication committee to conduct checks for such fraud schemes when evaluating bids.

Cash and cash equivalents

36. Cash and cash equivalents: Bank reconciliation cash book balance does not agree to the balance as per the final trial balance (Ex.44)*

Audit Finding

In terms of section 62 (1) (b) of the Municipal Finance Management Act (MFMA), the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

During the performance of the audit of cash and cash equivalents it was noted that the cash book balances as per the bank reconciliation as at 30 June 2014 does not agree to that of the final trial balance for the primary bank account (FNB Account No. 6202218xxxx). Below is the detail of the unexplained difference noted:

Details	Balance as per the final trial balance	Balance as per year-end reconciliation	Difference
Cash Book Balance	R22 163 466,47	R22 661 241,22	R497 774,75

The cause of the above finding could be due to an incomplete reconciliation submitted for audit purposes.

The impact of the above finding is a possible misstatement of the bank balance at year-end.

Internal control deficiency

Leadership

Oversight responsibility has not been exercised regarding financial and performance reporting and compliance and related internal controls.

Recommendation

Management should investigate the above documented difference and communicate the outcome to the auditor's.

Management response

Management acknowledges the finding. Difference is caused by a cash book balance of R497 774,75 which was not taken into account when preparing AFS. This will be corrected during adjustment of AFS

Name: KA Sibutha
Position: AM Expenditure
Date: 16 October 2014

Auditor's conclusion

Management comments are noted, however there is no evidence of above mentioned correction being made and the finding will thus remain and be included in the summary of uncorrected misstatements.

37. Cash and cash equivalents: Non Compliance with Sec 9 of the MFMA (Ex.89)

Audit Finding

According to Section 9 of the Municipal Finance Management Act 56 of 2003, Bank account details to be submitted to provincial treasuries and Auditor-General.

The accounting officer of a municipality must submit to the relevant provincial treasury and the Auditor

General, in writing—

- (a) within 90 days after the municipality has opened a new bank account, the name of the bank where the account has been opened, and the type and number of the account; and
- (b) Annually before the start of a financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account.

Submission to the Provincial Treasury:

During the audit of cash and cash equivalents it was noted that the bank accounts submitted to the provincial treasury were submitted on the 15 July 2013, and thus was not submitted before the start of the financial year

Submission to the Auditor General:

During the audit of cash and cash equivalents, evidence of submission of bank accounts to the Auditor General was insufficient:

- The email provided as proof of submission is dated 02 September 2014 and thus relates to the incorrect period.
- No further evidence was provided to indicate that the list of bank accounts were submitted in time (before the start of the financial year) to the Auditor General.

The cause of the above finding is due to a possible oversight by management.

The impact of the finding is non-compliance with section 9 of the MFMA.

Internal control deficiency

Financial and performance management:

Management did not review and monitor compliance with applicable laws and regulations.

Recommendation

Appropriate controls should be implemented which will ensure that all bank account details are submitted to the relevant authorities as required.

Management response

Management acknowledges the finding. Full compliance will be made and bank accounts submissions will be done before year end for 2014/15 financial year

Name: N Xashimba
Position: AM Budget & Reporting
Date: 28/10/2014

Auditor's conclusion

Management comments are noted, therefore the finding remains. The finding will be followed-up during next year's audit.

38. Cash and cash equivalents: Bank confirmation balances does not agree to annual financial statements and there are no reconciliations for the accounts (Ex.46)

Audit Finding

In terms of section 62 (1) (b) of the Municipal Finance Management Act (MFMA), the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

1. The following unexplained difference has been noted between the bank confirmation received from the bank and the municipality's annual financial statements:

Type of Account	Account No	Balance per bank confirmation	Balance as per AFS (R)	Difference (R)
Money market Transactor	62164876xxx	-	(109,00)	109,00
Money market Transactor	62031898xxx	-	75 934,00	-75 934,00
				-75 825,00

2. Furthermore, there was no evidence of a year-end reconciliation performed for the above two accounts.

The cause of the above finding could be due to inappropriate review and disclosure of balances by management.

The impact of the above finding is that cash and cash equivalents could be misstated.

Internal control deficiency

Financial and performance management:

Appropriate controls over daily and monthly processing and reconciling of transactions have not been implemented.

Recommendation

It is our recommendation that management reviews bank reconciliations timeously. The bank accounts should be written off as there are currently inactive and have zero balance

Management response

Management acknowledges the finding. These accounts were closed off during the year and the system had the above balances. Amounts will be written off and AFS adjusted accordingly

Name: NP Mnini
Position: AM Revenue & Receivables
Date: 16 October 2014

Auditor's conclusion

Management comments are noted, the correction has been implemented and the annual financial statements corrected. As the error was detected by the auditor's the finding will remain as a control weakness.



39. Cash and cash equivalents: Petty cash expenditure exceeding the maximum prescribed amount (Ex.47)

Audit Finding

In accordance with the Supply Chain Management policy, section 12(1) (a) goods and services may only be procured by a way of petty cash purchases up to a transaction value of R300,00 (VAT included) at such locations as may be determined by the accounting officer.

During the performance of the audit of petty cash expenditure it was noted that the following expenditure was in excess of the prescribed maximum amount that can be disbursed from the petty cash for a single transaction:

Requisition form	Description	Amount
0013	First aid kit	R300,00
0014	First aid kit	R63,90
Total		R363,90

The cause of the above finding could be a result of inappropriate management reviews over petty cash.

The impact of the above finding would be non-compliance with section 12 of the Supply Chain Management Policy.

Internal control deficiency

Leadership

The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

Recommendation

The head of the department should ensure that goods procured do not exceed the maximum amount allowed in the policy.

Management response

Management does not acknowledge the finding. The amounts have separate invoices and separate requisition forms with different dates. *Refer to attached invoices & requisition forms*

Name: KA Sibutha
Position: AM Expenditure
Date: 16 October 2014

Auditor's conclusion

Management comment noted. However, two separate requisitions were presented for one invoice as part of managements supporting documentation. This remains as a non-compliance matter as more than R300 was spent for a single transaction.

Budgets and Procurement

40. Budget: The budget was not disclosed correctly in the AFS in accordance with GRAP 24 (Ex.49)

Audit Finding

In accordance with the Generally Accepted Accounting Principles (GRAP) paragraph 24, an entity shall explain in notes to the financial statements the reasons for material differences between the budget and the actual amounts.

This Standard requires a comparison of budget amounts and the actual amounts arising from the execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budgets and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts. Compliance with the requirements of this Standard will ensure that entities discharge their accountability obligations and enhance the transparency of their financial statements by demonstrating compliance with the approved budgets for which they are held publicly accountable and, where the budgets and the financial statements are prepared on the same basis, their financial performance in achieving the budgeted results.

It was noted that there are no explanation evident for the differences between the budgeted amounts and the actual expenditure incurred for the year that has been disclosed in the statement of comparison of budget and actual amounts for the year ended 30 June 2014.

The cause of the above finding is due to possible lack of review by management of the annual financial statements presented for auditing.

The impact of the above finding is non-compliance with GRAP 24.

Internal control deficiency

Financial and performance management:

Management did not review and monitor compliance with applicable laws and regulations.

Recommendation

Management should implement appropriate review controls that will ensure that the financial statements are disclosed in accordance with the relevant legislation.

Management response

Management acknowledges the finding. Budget explanations were erroneously not included in the financial statements and this will be corrected during AFS adjustments.

Name: XN Venn
Position: CFO
Date: 16 October 2014

Auditor's conclusion

Management comments are noted, the annual financial statements have been updated accordingly. As the error was noted by the auditor's the finding will remain as a control weakness.

Unspent conditional grant

41. Unspent conditional grants: Insufficient balance in bank account (Ex.118)

Audit Finding

In terms of section 62 (1) (b) of the Municipal Finance Management Act (MFMA), the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

It was noted there were insufficient funds in the bank account relating to the Economic Development & Environmental Affairs grant as disclosed below:

No	Grant Name	Bank account	Unused Grant Portion	Balance	Difference
1	ECONOMIC DEVELOPMENT & ENVIRONMENTAL AFFAIRS (DEAT)	62245288411	R1 150 791,24)	R476 867,25	(R673 923,99)

The cause may be that funds relating to this account were transferred to the primary account. However no information to substantiate this has been provided.

The impact would be non-compliance with the MFMA.

Internal control deficiency

Financial and performance management:

Management did not review and monitor compliance with applicable laws and regulations.

Recommendation

It is our recommendation funds that relate to grants be kept and maintained separately. Management should investigate the above difference and communicate the outcome to the auditor's.

Management response

Management does not acknowledge the finding. A transfer from DEDEA account to operational account was made at 30 June 2014, with payments being made during July 2014. Refer to attached FNB proof of transfer and Munsoft printout for payments made.



Name: N Xashimba
Position: AM Budget & Reporting
Date:

Auditor's conclusion

Management comment noted. Inspected the FNB statement provided and confirmed that a transfer of R476 867 was made on the 30th of June 2014, the only transfer out of the DEDEA account during the month of June. A balance of R146 057 is left unaccounted for. For this reason the finding will remain.



42. Unspent conditional grants: Overspending on grant received (Ex.87)

Audit Finding

In terms of section 62 (1) (b) and (c)(i) of the Municipal Finance Management Act, No. 56 of 2003, the accounting officer of the municipality is responsible for managing the financial administration of the municipality ,and must for this purpose take reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards ,and that the municipality has and maintains an effective, efficient and transparent system of the financial and risk management and internal control.

a) It has been noted that expenditure on two grants exceeded the grant amount provided to the municipality for the year being reviewed. Below are the details of the amounts overspent:

No	Grant Name	Brought Forward (R)	Amounts received per register (R)	Total Available for use (R)	Operational expenditure (R)	Capital expenditure (R)	VAT (R)	Total conditions met transferred to revenue (R)	Overspending (R)
1	EXPANDED PUBLIC WORKS (EPWP)	(64 662)	(1 220 000)	(1 284 662)	2 785 247,37	-	-	2 785 247,37	1 500 585,37
2	MUNICIPAL INFRASTRUCTURE GRANT (MIG)	(18 125 377,71)	(40 066 000)	(58 191 377,71)	882 877,97	52 160 202,22	7 329 856	60 372 936,20	2 181 558,49

b) It was furthermore noted that the municipality raised an internal debtor for the overspending noted above, which is not in compliance with Municipal Finance Act No. 56 of 2003.

The cause of the above finding is possibly due to ineffective review controls by management on grants being spent.

The impact of the above finding is as follows:

- Unauthorised expenditure to the value of R3 682 143,86 has been incurred.
- Both revenue and debtors have been overstated with an amount of R3 682 143,86

Internal control deficiency

Leadership



Oversight responsibility has not been exercised regarding financial and performance reporting and compliance and related internal controls.

Recommendation

Management should investigate the above deviations noted and update the financial statements accordingly.

Management response

Management does not acknowledge the finding. The municipality did not raise internal debtor but Government Subsidy Claims as indicated in note 5 of AFS.

Due to the fact that the municipality receives grant allocation confirmation before the beginning of each financial year, the municipality overspent the above grants and used its internal funds to finance projects that had to be done during 2013/14 financial year. As a result, government subsidy claims debtor was raised at year end.

Name: XN Venn
Position: CFO
Date: 28/10/14

Auditor's conclusion

Management comments have been noted, however National Treasury does not recognize a liability with the municipality at year-end and the amount has been overspent. The finding will thus remain in the management report. Correcting journal has been processed and AFS updated accordingly, as the error was noted by the auditor's the finding will remain as a control weakness.

43. Unspent conditional grants: Information per AFS does not agree to the grant register maintained (Ex.88)

Audit Finding

Section 62 (1)(a)&(c) of the Municipal Finance Management Act No. 56 of 2003 stipulates that the accounting officer of the municipality must take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with the prescribed norms and standards. He must also ensure that the municipality has and maintains effective and efficient and transparent systems of financial and risk management and internal control.

During the testing of unspent conditional grants it was noted that for certain grants the expenditure per the grant register did not agree to the expenditure per the financial statements of the municipality. Below are the details of the differences noted:

SUB CATEGORY	ITEM	ALLOCATED VOTE NUMBERS	DESCRIPTION	AFS (R)	As per Grants register (R)	Differences (R)
GOVERNMENT GRANTS (CONDITIONAL)	DEDEA Projects	205300075	DEDEA Projects	1 401 805,71	1 369 240,71	32 565,00
GOVERNMENT GRANTS (CONDITIONAL)	COGTA	200300232	Operation Clean Audit (Expense)	6 457 751,61	5 847 484,05	610 267,56
GOVERNMENT GRANTS (CONDITIONAL)	COGTA	208300200	Library Subsidies	35 197,31	35 197,31	-
GOVERNMENT GRANTS (CONDITIONAL)	COGTA	205300197	LED Capacity	81 297,99	81 293,99	4,00
GOVERNMENT GRANTS (CONDITIONAL)	EPWP Grant	203300084	EPWP Grant	2 785 247,19	2 785 247,37	(0,18)
GOVERNMENT GRANTS (CONDITIONAL)	Financial Management Grant (FMG)	200300119	Financial Management Grant	1 472 790,13	1 485 947,39	(13 157,26)



SUB CATEGORY	ITEM	ALLOCATED VOTE NUMBERS	DESCRIPTION	AFS (R)	As per Grants register (R)	Differences (R)
GOVERNMENT GRANTS (CONDITIONAL)	Municipal Systems Infrastructure Grant (MSIG)	200300227	Municipal Systems Infrastructure Grant (MSIG)	851 876,19	845 439,23	6 436,96
National Government:	MUNICIPAL INFRASTRUC TURE GRANT (MIG)	960915034	T/Fer To Revenue - Conditions Met: Capital	-	882 877,97	(882 877,97)
				13 085 966,13	13 332 728,02	(246 761,89)

The cause of the above finding could be due to ineffective reviews being conducted by management on the annual financial statements.

The impact of the above finding is that the financial statements could be misstated with an amount of R246 761,89.

Internal control deficiency

Leadership

Oversight responsibility has not been exercised regarding financial and performance reporting and compliance and related internal controls.

Recommendation

Management should investigate the above differences and communicate the outcome to the auditor's.

Management response

Management does not acknowledge the finding. Amounts per grants register agree with amount per note 26 of AFS

GRANT	NOTE 26 AMOUNT	GRANTS REGISTER AMOUNT
EPWP	2 785 247	2 785 247
FMG	1 550 000	1 550 000
MIG	60 372 936	60 372 936
MSIG	890 102	890 102
National Energy	20 000 000	20 000 000



COGTA GRANTS		
<ul style="list-style-type: none"> • Operation clean audit • LED capacity • Library Subsidies 		<ul style="list-style-type: none"> • 6 526 458 • 81 294 • 35 197
	Total: R6 642 949	Total: R6 642 949
DEAT GRANT	1 479 281	1 479 281

Grants register was submitted to auditor Nosi. Last MIG vote as documented in the finding is incorrect as the vote does not relate to MIG vote but Transfer to revenue vote.

Name: N Xashimba
Position: AM Budget & Reporting
Date: 28/10/14

Auditor's conclusion

Management comments have been noted, we however disagree with management as the amounts disclosed as grant expenditure in note 41 to the annual financial statements does not agree to the grant register. The grant register should be updated accordingly and the finding will be followed up during next year's audit.



44. Fruitless and Wasteful Expenditure not disclosed (Ex 92)

Audit Finding

In terms of section 62 (1) (b) and (c)(i) of the Municipal Finance Management Act, No. 56 of 2003, the accounting officer of the municipality is responsible for managing the financial administration of the municipality ,and must for this purpose take reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards ,and that the municipality has and maintains an effective, efficient and transparent system of the financial and risk management and internal control.

During our audit of expenditure it was noted that the municipality has incurred fruitless and wasteful expenditure to the amount of R9 606,91 pertaining to interest being paid on accounts. Management has indicated that the total amount has been recovered during the year, however the amount has not been disclosed in the annual financial statements.

Furthermore, due to the above no reports on fruitless and wasteful expenditure has been submitted to the office of the Auditor General, Mayor and the Provincial MEC.

The cause of the above finding could be due to management oversight.

The impact of the above finding is that fruitless and wasteful expenditure incurred during the year has not been disclosed in the annual financial statements resulting in an understatement of the amount.

Internal control deficiency

Leadership

Oversight responsibility has not been exercised regarding financial and performance reporting and compliance and related internal controls.

Recommendation

Management should disclose the fruitless and wasteful expenditure incurred for the year in the annual financial statements.

Management response

Management does not acknowledge the finding. The municipality had no fruitless and wasteful expenditure as at 30 June 2014 due to the fact that steps to recover the amounts were taken and expenditure fully recovered. *Refer to attached Munsoft printout detailing interest paid vote*

Name: KA Sibutha
Position: AM Expenditure
Date: 28/10/2014



Auditor's conclusion

Management comment noted. The fruitless and wasteful expenditure incurred during the year along with the amount recovered should be disclosed separately. The finding will thus remain.



Inventory

45. Inventory: Amounts not disclosed for some store items (Ex 126)*

Audit finding

In terms of GRAP 12 paragraph 17. Inventories shall be measured at the lower of cost and net realisable value, except where paragraph 18 applies..Paragraph 18 says Inventories shall be measured at the lower of cost and current replacement cost where they are held for:(a) distribution through a non-exchange transaction; or(b) consumption in the production process of goods to be distributed at no charge or for a nominal charge.

While performing audit procedures in terms of IAS, it was noted that the following inventory items did not have unit price or average cost.

PERIOD	STORE CODE	PART NO	DESCRIPTION	MIN QOH	MAX ORDER	Re-QOH
201407	MC1	EP-2060073	EXAM PADS	1	20	2
201407	MC1	2030086	TAPE MEASURE-50MM	1	5	1
201407	MC1	2030096	CATRIDGE-CF211A	3	10	1
201407	MC1	2030097	CATRIDGE-CF212A	3	10	1
201407	MC1	2030098	CATRIDGE-CF213A	3	10	1
201407	MC1	2040057	WHITE CARBOARDS	1	5	1
201407	MC1	2040059	LETTER DELIVERY BOOK	1	5	2
201407	MC1	2040061	FILE DIVIDERS-NUMERIC	1	50	10

The cause of the above finding is lack of review of inventory valuation report by management.

The impact of the above finding is understatement of inventory in the AFS by R1 378.00.

Internal control deficiency

Leadership:

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation



Management should perform proper reviews of inventory valuation reports

Management response

Management acknowledges the finding, inventory list will be reviewed and average price will be included for all items with no average price. AFS will be adjusted.

Auditor's conclusion

Management comment noted, therefore finding remains.

Management subsequently adjusted the inventory listing and disclosed values for all quantities on hand. Therefore finding closed.



Operating expenditure

46. Operating expenditure: Suppliers not on the municipality's database (Ex.19)

Audit Finding

In terms of section 62 (1)(b) and (c)(i) of the Municipal Finance Management Act, No. 56 of 2003, the accounting officer of the municipality is responsible for managing the financial administration of the municipality, and must for this purpose take reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards, and that the municipality has and maintains an effective, efficient and transparent system of the financial and risk management and internal control.

Furthermore, according to the Supply Chain Management (SCM) policy section 17(a) and (b) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality. In the event of it not being possible to obtain quotations from at least three different providers whose names appear on the list of accredited prospective providers of the municipality, quotations may be obtained from providers who are not so listed, provided that such providers meet the listing criteria determined by the accounting officer and, provided further, that the reasons for obtaining such quotations from the providers concerned must be recorded on the invitation to submit quotations and be approved by the chief financial officer.

Payments have been made to the following suppliers that are not listed on the municipality's supplier database:

Supplier	Amount (R)
Umhlaba Consulting	113 421,25
Pure Gift Project and Exhibition	27 547,00
Bytes	31 204,16
Kwamphithi Filling Station	31 351,19
Total	203 523,60

The cause of the above finding could be as a result of inappropriate procedures being utilised when a new supplier is appointed/used.

The impact of this finding is that trading with non-approved suppliers could result in irregular expenditure being incurred. Furthermore this practice is not in compliance with the municipality's processes.

Control deficiency

Financial and performance management:

Management did not review and monitor compliance with applicable laws and regulations.

Recommendation

Appropriate checks should be implemented that will not allow the approval of a payment to a supplier without evidence or an indication that the supplier is on the municipality's supplier database.

Management response

SCM regulation 22 requires the municipality to invite service providers to submit tenders through public invitation for competitive bids. Invitation is applicable to all service providers registered and not registered on ULM database

Items not highlighted: An advert calling suppliers (both registered and not registered on ULM supplier database) to bid for projects was made. Tender processes were followed with tender being awarded to successful bidders.

Highlighted Items: All transactions relates to legal fees. Due to nature of services rendered by attorneys, only municipal manager appoints / assign an attorney with relevant expertise to a specific case. The municipality invited all attorneys to submit company profile to be included in database. A separate attorney's database was developed by the municipality which includes all attorneys used by the municipality.

Name: N Zibi
Position: AM SCM
Date: 18/09/2014

Auditor's conclusion

Management comment noted, however, finding remains as a compliance and control weakness during the year under review and will be followed up during the next audit. We are in agreement with the legal fees comment by management, however the requirements of the supply chain management policy of the municipality has not been adhered to for the remaining findings.

47. Procurement: Persons in service of the state not disclosed on the financial statements (Ex.39)

Audit Finding

In accordance with the Supply Chain Management Regulation 48 (a), (b) & (c) with regards to awards to close family members of persons in the service of the state, the accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including the name of that person the capacity in which that person is in the service of the state and the amount of the award.

During the audit it was noted that one of the employees who has a spouse trading with the municipality through an enterprise was not disclosed in the annual financial statements as per the requirement. The total value of the transactions paid to Litto Trading Enterprise noted for the 2013/14 period was R 114 977,75.

The cause of the above finding could be due to management oversight during the preparation of the financial statements.

This would result in non-compliance with the Supply Chain Management Regulations.

Internal control deficiency

Financial and performance management:

Management did not review and monitor compliance with applicable laws and regulations.

Recommendation

Management should implement appropriate compliance review controls pertaining to Supply Chain Management Regulations. The above documented matter should be disclosed in the annual financial statements.

Management response

Management acknowledges the finding. All related party transactions will be disclosed in the adjusted financial statements.

Name: N Zibi
Position: AM SCM
Date: 16 October 2014



Auditor's conclusion

Management comments are noted, the applicable correction has been made to the annual financial statements, as the error was detected by the auditor's the finding will remain as a control weakness.



48. Contingent Liabilities: Difference between legal confirmation and note in the financial statements(EX.102)

Audit Finding

According to section 122(1) of the municipal finance management act, every municipality must for each financial prepare annual financial statements which:(a) fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year

According to section 122 (3), annual financial statements must be prepared in accordance with generally recognized accounting practice (GRAP)

GRAP 19 states that:

A contingent liability is:

15 (a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or (b) a present obligation that arises from past events but is not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.

While performing the audit procedures as required by International Standards on Auditing (ISA),

1. It was noted that the following contingent liabilities did not have the same amounts as disclosed as per legal confirmation received see below;

No:	Date	Details	Disclosure note	legal	Difference
			56	confirmation	
			Amount(R)	Amount(R)	Amount(R)
1	30-Jun-14	Non-Payment for work done - Maximum Profit Recovery (Pty) Ltd	450 000	300 000	150 000
2	30-Jun-14	Ngangelizwe Jama	700 000	560 000	140 000
3	30-Jun-14	Imbumba Mzamani	250 000	198 000	52 000
4	30-Jun-14	Jeffery Sankqela & Norman Liliza Ngetho & Ano	0.00	180 000	(180 000)
5	30-Jun-14	Millennium Development trust	200 000	0.00	200 000
6	30-Jun-14	Fondant Investment CC	200 000	0.00	200 000

2. The following legal confirmations were requested and have not yet been submitted



- Bahle and Partners
- Khayaletu Nondabula Attorneys

3. A differences exists between the contingent liability listing and the note to the Annual financial statements, refer to below,

Contingent Liabilities:			Per listing	Disclosure note 56	Difference between Listing and AFS
No:	Date	Details	Amount(R)	Amount(R)	Amount(R)
1	30-Jun-14	Dispute over Contract awarded - Phiko Security Guards Services	756 000	906 005	(150 005)
2	30-Jun-14	Invasion of land - F. Makaula, J. Sanqela, et.al	0.00	770 000	(770 000)
			756 000	1 676 005	(920 005)

The cause of the finding is an improper application of GRAP 19 (Contingent Liabilities) and possible lack of record keeping.

The impact of the finding results in

1. Misstatements of contingent liabilities disclosed in the financial statements by an amount of 922 000
2. Limitation of Scope with regard to the non submission of legal confirmations.
3. Misstatements of contingent liabilities between the note 56 and listing of 920 005

Internal control deficiency

Leadership:

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Recommendation

Management should ensure that all disclosures relating to Contingent Liabilities are properly disclosed as per GRAP 19. The information from the Municipal Attorneys which relates to estimates should be used in the Financial Statements, if not, the basis used by the Municipal Legal Advisors must be provided with proper/formal documentation.

Management response



Differences between legal confirmations & listing: Management acknowledges the finding and contingent liability disclosure note will be adjusted during AFS adjustment.

Outstanding confirmations: follow up from attorneys has made and legal confirmations were emailed to auditors. However, auditor still to further request these from attorneys as they were emailed to DCFO (Nyari to communicate with attorneys)

Name: XN Venn
Position: CFO
Date:

Auditor's conclusion

1. Management comments noted, finding remains till submission of adjusted AFS.
2. Management comments noted, would management kindly assist by communicating with attorneys to email same confirmations directly to auditors.

Managements has subsequently adjusted and submitted adjusted financial statements and thus finding closed



49. Intangibles: Assets could not be traced back to the asset register (Ex.108)*

Audit Finding

Section 64 (2) (e) of the Municipal Financial Management Act 56 of 2003 the accounting officer of a municipality is responsible for the management of the revenue of the municipality. (2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure that the municipality has and maintains a management, accounting and information system ensure that the municipality has effective revenue collection systems consistent with Section 95 of the Municipal systems act and the municipality's credit control and debt collection policy

Whilst performing the audit as required by the International standards on Auditing (ISA), it was noted that the following assets could not be traced back to the asset register.

No	Date	Description	Amount
1	30/06/2014	MS OFFICE PROFESSIONAL	4 580.00
2	30/06/2014	MS OFFICE PROFESSIONAL	4 580.00
3	30/06/2014	MS OFFICE PROFESSIONAL	4 580.00
4	30/06/2014	MS OFFICE PROFESSIONAL	4 580.00
5	30/06/2014	MS OFFICE PROFESSIONAL	4 580.00
6	30/06/2014	MS OFFICE 2010 PROFESSIONAL	4 759.00
7	30/06/2014	MS OFFICE 2010 PROFESSIONAL	4 759.00
8	30/06/2014	MS OFFICE PROFESSIONAL 2007	4 759.00
9	30/06/2014	Ms Professional 2013	4 800.00
10	30/06/2014	Nuance PDF Converter 07	1 050.74
11	30/06/2014	Nuance PDF Converter 07	1 050.74
12	30/06/2014	Ms office 2010	3 999.00
13	30/06/2014	Ms office 2010	3 999.00
14	30/06/2014	Ms office 2010	3 999.00
15	30/06/2014	Ms office 2010	3 999.00
16	30/06/2014	Ms office 2010	4 024.00
17	30/06/2014	MS OFFICE 2010 PROFESSIONAL	1 050.74
18	30/06/2014	Nuance PDF Converter 07	1 050.74
19	30/06/2014	Nuance PDF Converter 07	1 050.74
20	30/06/2014	Nuance PDF Converter 07	1 050.74
21	30/06/2014	Nuance PDF Converter 07	1 050.74
22	30/06/2014	Nuance PDF Converter 07	1 050.74

R73 989.35

The cause of the above finding is the asset register does not have unique serial numbers / barcodes for the intangibles to differentiate similar items.

The impact of the above finding is intangible assets may be understated in the financial statements by an extrapolated amount of R 133 180.83

Internal control deficiency

Financial and performance management:



Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Recommendation

Management should ensure that the asset register has all the required information and for items that are almost the same unique barcodes/ serial numbers to be written down in order to differentiate similar items.

Management response

Management does not acknowledge the finding. The above intangible assets have been included in the asset register. *Refer to asset register*

Name: N Zibi
Position: AM SCM
Date:

Auditor's conclusion

Management comment noted supporting documents as noted have been verified and agreed, except for Nuance PDF Converter 07. therefore finding is partially closed.



50. Disclosure: Additional disclosures are incomplete (Ex.90)

Audit Finding

In accordance with Section 62(1)(b) of the Municipal Finance Management Act No.56 of 2003 (MFMA), the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

It has been noted that note 51.8 - Deviation from, and ratification of minor breaches of, the Procurement Processes is not complete. On page 70, the note reads as follows: "2. Occasions occurred during the Financial Year for", the note from here onwards has not been completed.

The cause of the above finding is as a result of ineffective review process over the completion of the annual financial statements.

The impact of the above finding is incomplete note to the annual financial statements.

Internal control deficiency

Financial and performance management:

Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is not prepared.

Recommendation

Management should update and complete the above mentioned note to the annual financial statements.

Management response

Management agrees to updated the Annual Financial Statements.

Auditor's conclusion

The Annual Financial Statements has been updated accordingly.