



Umsobomvu Municipality
Continuously Rising

**OVERSIGHT REPORT
ON THE 2021/22
ANNUAL REPORT**

**REPORT OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE ON IT'S
OVERSIGHT ROLE WITH REGARD TO THE 2021/22 DRAFT ANNUAL REPORT**

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1. CHAIRPERSON'S FOREWORD

The Constitution of the Republic of South Africa, 1996 (S152) states that:

"(1) The objects of local government are –

- (a) To provide democratic and accountable government for local communities;*
- (b) To ensure the provision of services to the communities in a sustainable manner;*
- (c) To promote social and economic development*
- (d) To promote a safe and healthy environment*
- (e) To encourage the involvement of communities and community organisations in the matters of local government"*

Sub-section (2) then qualifies within which parameters a municipality must do this. It states that-

"A municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (1)".

The Annual Report gives further expression to these Constitutional provisions by:

- Providing a record of the activities of the municipality during the financial year.
- Providing a report on performance against the budget and
- Promoting accountability to the local community for the decisions made throughout the year.

Council is vested with the responsibility to oversee the performance of the municipality, as required by the Constitution, the Municipal Finance Management Act (MFMA) and Municipal Systems Act (MSA).

The Mayor therefore must submit to Council the Annual Report that provides a record of the activities of the municipality, a report on the performance against the budget of the municipality and thereby promoting accountability to the local community for the decisions made throughout the year, as envisaged by section 152(1)(d) of the Constitution.

The Municipal Public Accounts Committee therefore in its work should check whether the information contained in the Annual Report is a fair and reasonable record of the performance of the municipality and properly accounts for the actions of the municipality in the financial year reported upon.

"The MFMA now requires the municipality to report on all aspects of performance providing a true, honest and accurate account of the goals set by council and the success or otherwise in achieving these goals" (MFMA Circular 11 dd 14 January 2005)

"The functions of the MPAC are: Approval of the Annual Report means that the executive and administration have discharged in full, their accountability for

decisions and actions and that their performance meets the criteria set by performance objectives and measures and is also acceptable to the community. Council has assigned the responsibility of the Oversight Report on the Annual Report to MPAC.

The Terms of Reference, of MPAC, states:

- (a) To consider and evaluate the Annual Report as tabled to Council, and thereafter make recommendations to Council in this regard. The Committee must receive the report no more than two weeks after tabling to Council.
- (b) To compile an Oversight Report and table it in Council no later than two months from the date of which the Annual Report was tabled, in terms of Section 129 of the MFMA.
- (c) To monitor that all submissions and calls for comment have been undertaken as per Section 127(5), 130 and 132 of the MFMA.
- (d) To review whether matters raised in past Annual Reports have been attended to, as well as whether recommendations made in previous Oversight Reports in terms of Section 129 of the MFMA have been attended to.

As noted in our Oversight Report, Umsobomvu Local Municipality's 2021/22 Annual Report contains many positive elements and is a significant improvement over previous years' reports as it complies with the National Treasury guidelines in most areas. But we also note areas of deficiency indicated by the Auditor General and the challenges that are to be addressed and resolved amicably. We encourage and are ready to support the Mayor and Municipal Manager and his personnel in continuing ULM's record of continuous improvement by addressing the issues noted in our Report.

All in all, the year under review has been one of steady progress despite the many challenges encountered during the period in overview.

On behalf of the current Councillors serving on the Municipal Public Accounts Committee, I would like to congratulate the Mayor, Councillor M.S. Toto and Councillors serving on the Municipal Public Accounts Committee, Councillor S.A. Yobo and Councillor G.M.H. Douw. Please afford me also an opportunity to express my sincere appreciation to Councillor J.P. Matthee in his capacity as Chairperson of MPAC until 31 August 2022 and Councillor V.P. Harmse and Councillor A. Poyo, who served as additional members of MPAC until 31 August 2022. I would also extend a word of appreciation to the then Municipal Manager, Mr A. C. Mpela, the Acting Municipal Manager Mr S. Nkcithiso and his staff for the significant success that is demonstrated by the 2021/22 Annual Report.

On behalf of the Oversight Committee,

COUNCILLOR W. MINNIE
CHAIRPERSON: OVERSIGHT COMMITTEE

2. OVERVIEW AND PROCESS

The Constitution of the Republic of South Africa, 1996 (S152) states that:

“(1) The objects of local government are –

- a) To provide democratic and accountable government for local communities;*
- b) To ensure the provision of services to the communities in a sustainable manner;*
- c) To promote social and economic development*
- d) To promote a safe and healthy environment*
- e) To encourage the involvement of communities and community organisations in the matters of local government”*

Sub-section (2) qualifies within which parameters a municipality must carry out its mandate. It states that *“A municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (1)”*.

The Annual Report gives further expression to these Constitutional provisions by:

- ❖ Providing a record of the activities of the municipality during the financial year.
- ❖ Providing a report on performance against the budget; and
- ❖ Promoting accountability to the local community for the decisions made throughout the year.

Council is vested with the responsibility to oversee the performance of the municipality as required by the Constitution, 1996 (Act 108 of 1996), the Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA) and Municipal Systems Act, 2000 (Act 32 of 2000) (MSA).

The Mayor must submit to Council the Annual Report that provides a record of the activities of the municipality, a report on the performance against the budget of the municipality and thereby promoting accountability to the local community for the decisions made throughout the year as envisaged by Section 152(1)(d) of the Constitution.

The Municipal Public Accounts Committee therefore, in the execution of its mandate, should check whether the information contained in the Annual Report is a fair and a reasonable record of the performance of the municipality and properly accounts for the actions of the municipality in the financial year reported upon.

“The MFMA now requires the municipality to report on all aspects of performance providing a true, honest and accurate account of the goals set by council and the success or otherwise in achieving these goals” (MFMA Circular 11 dated 14 January 2005)

The approval of the Annual Report means that the executive and administration have discharged in full, their accountability for decisions and actions and that their performance meets the criteria set by performance objectives and measures and is also acceptable to the community.

In accordance with the provisions of Section 79 (1) (a) (b) and (c) of the Municipal Structures Act 1998 (Act 32 of 1998) a municipality may establish one or more committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers and appoint the members of such committee from among its members.

Furthermore Section 79(2) of the Municipal Structures Act, 1998 (Act 117 of 1998) provides the framework and guidelines within which such committees of council shall operate. During the 2009 conference of the Association of Public Accounts Committee (APAC) a resolution was taken stating that the conference supports the establishment of Municipal Public Accounts Committees (MPACs) in each municipality in the country as part of improving financial management and accountability at local level. It can be unequivocally stated that since the establishment of MPACs that the financial management of municipalities improved and that the time and monies invested in these committees are well spent.

Thus in order to enhance, promote and consolidate the oversight role of the Council over the executive, the Department of Cooperative Governance and Traditional Affairs, having consulted the National Treasury and SALGA, has instructed that all municipalities establish MPACs. The focus of the MPAC will be to assist Council to hold the executive to account and to ensure the effective and efficient use of municipal resources.

The 2021/22 Draft Annual Report was tabled to Council on the 31 January 2023. The submission of the Annual report was in compliance with Section 127 (2) of the Municipal Finance Management Act, 56 of 2003. All annexures to be included in the annual reports were included in the 2021/22 Draft Annual Report.

The Municipal Public Accounts Committee is a Section 79 Committee established by Council in terms of Section 79 of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000) and was populated same per Council Resolution 01/12/2021 dated 13 December 2021. The Committee functioned until the composition of MPAC was changed by Council on 31 August 2022.

This Oversight Report is tabled by the Umsobomvu Local Municipality's Public Accounts Committee under the Chairpersonship of Councillor W. Minnie.

The Municipal Public Accounts Committee is tasked to review all the activities of the municipality for the period 1st July 2021 to 30th June 2022 and provides guidance in financial matters and assist in maintaining oversight within the broader governance context. Every effort has been made to ensure that the facts are correct and applicable to the mandate of the Municipal Public Accounts Committee.

2.1 Legal Framework

The Municipal Public Accounts Committee is a Section 79 Committee established by Council in terms of Section 79 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended. A Municipal Public Accounts Committee was established by Council per Council Resolution 01/12/2021 dated 13 December 2021 who took responsibility for all MPAC functions.

In accordance with National Treasury's Circular 32, Committee members received the following information to guide and inform members of their roles and responsibilities in carrying out their oversight functions:

- (i) The 2021/22 Annual Report;
- (ii) The Municipal Financial Management Act (MFMA), Pocket Version;
- (iii) National Treasury's Circular 32, The Oversight Report;
- (iv) National Treasury's Circular 11, Annual Report: Guidelines;
- (v) The 2021/22 Integrated Development Plan (IDP);
- (vi) The 2021/22 Service Delivery and Budget Implementation Plan; and
- (vii) The 2021/22 ULM Budget document.

Induction training was presented by SALGA for all new Councillors after election and another session was conducted by the Municipal Manager on Policies and By-Laws. A separate training course was presented to the MPAC members on the Oversight process by the Manager Corporate Services prior to the public hearings.

2.2 Accountability Framework for Local Government

It is important to have a proper understanding of the responsibility framework for municipalities in order to correctly comprehend the purpose of the Oversight Report as it differs from that of the Annual Report and any other reports required from the municipality. The following table displays the nature of the culpability framework for local government:

Responsible body / individual	Responsible for	Oversight over	Accountable to
Council	Approving policy and budget	Mayor	Community
Mayor	Policy, budgets, outcomes, management of/oversight over Municipal Manager	Municipal Manager	Council
Municipal Manager	Outputs and implementation	Administration	Mayor (Council)
Chief Financial Officer and Senior Managers	Outputs and implementation	Financial management and operational functions	Municipal Manager

The Oversight Report is the final major step in the annual reporting process of a municipality. Section 129 of the Municipal Financial Management Act, 2003 (Act 56

of 2003) hereinafter referred to as the MFMA, requires the Council to consider the annual report of its municipality and to adopt an "Oversight Report" containing the Council's comments on the annual report. The Oversight Report must include a statement whether the Council:

- (i) Has approved the annual report, with or without reservations;
- (ii) Has rejected the annual report.

2.3 Community Participation Process

The Committee scheduled four Public Hearing meetings across all wards and communities of Umsobomvu municipality.

Community members were invited per official notice published in the local media and on the official notice boards to provide their comments, in writing, and/or by attending public meetings of the Committee.

The 2021/22 Annual Report was made available to the community and other bodies and same was open for inspection at the following places:

Colesberg: Main Office
Colesberg Library
Mongezi Juda Library
Multi-Purpose Community Centre

Noupoort: Noupoort Administrative Office
Noupoort Library

Norvalspont: Norvalspont Administrative Office

Official Website: www.umsobomvumun.co.za

Notices informing the public and interested parties that the Draft Annual Report is available for inspection have been placed in the printed media and on the various official notice boards.

3. COMPOSITION OF MPAC

In terms of Council Resolution 11/11/2021 dated 22 November 2021 and Council Resolution 01/12/2021 dated 13 December 2021, Council appointed the Chairperson of the Municipal Public Accounts Committee and Councillors to serve on the MPAC:

The composition of the Committees is as follows:

Composition of the Municipal Public Accounts Committee (MPAC)

Name	Portfolio	Political Affiliation
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Councillor J.P. Matthee	Chairperson	Democratic Alliance
Councillor V.P. Harmse	Member	African National Congress
Councillor A. Poyo	Member	Umsobomvu Resident's Association

The Oversight Committee appointed by Council functioned until 31 August 2022 when the composition was changed by Council after an investigation by an Ad Hoc Committee established by Council to look into the problems experienced within the committee during the course of February 2022. On 31 August 2022, per Council Resolution **02/08/2022 Final Investigation Report of the Ad Hoc Committee on MPAC**, Council resolved to disestablish the Oversight Committee and appointed a new Oversight Committee.

The composition of the current Committees is as follows:

Composition of the Municipal Public Accounts Committee (MPAC)

Name	Portfolio	Political Affiliation
Councillor W. Minnie	Chairperson	African National Congress
Councillor S.A. Yabo	Member	African National Congress
Councillor G.M.H. Douw	Member	Democratic Alliance

Oversight Committee Support Staff

A. Khalankomo Acting Senior Manager Corporate Services

The Committee did not co-opt any person to the Committee to assist with its work to consider the Oversight Report.

4. FUNCTIONS OF THE MPAC

The functions of the MPAC with regard to oversight are to:

- (i) Undertake a review and analysis of the Annual Report.
- (ii) Invite, receive and consider inputs from Councillors and Portfolio Committees, on the Annual Report.
- (iii) Consider written comments received on the Annual Report from the public consultation process.
- (iv) Conduct Public Hearing(s) to allow the local community or any organs of state to make representations on the Annual Report.
- (v) Preparation of the draft Oversight Report, taking into consideration the views and inputs of the public, representative(s) of the Auditor General, organs of states, Council's Audit Committee and Councillors.

- (vi) Receive and consider Council's Audit Committee views and comments on the annual financial statements and the performance report.

5. SUMMARY OF POSITIVE ASPECTS OF THE 2021/22 ANNUAL REPORT

The Committee believes the 2021/22 Annual Report reflects a substantial and positive improvement in ULM's annual planning, budgeting and reporting processes. It is a significant improvement over the previous Annual Reports adopted by Council. The 2021/22 Report complies with all of the MFMA requirements and with National Treasury's guidelines for annual reports, as contained in Circular 11 issued by National Treasury.

The Committee notes, and commends the ULM management team, for preparing a well-organized, informative and readable document, in the format suggested by National Treasury. It also needs to be mentioned that the current format has been replaced with a new standardised format introduced to Council in the 2013/14 financial year and the presentation thereof will gradually improve once all statistical information has been collected and filled out for all the reporting periods. This comparative information is useful tool in assessing improvement, stagnation or deterioration.

6. CONTENT OF THE 2021/22 ANNUAL REPORT

The document's organization is an excellent example of the template that is prescribed by National Treasury in Circular 11, including the extensive Functional Service Delivery Report as contained in Annexure A of Circular 11.

Clearly, a substantial amount of high quality work is reflected in the 2021/22 Annual Report. The Committee notes specifically that most of the information required to be included by the MFMA is included. Specifically, the 2021/22 Annual Report contains the following items:

CHAPTER 1 – MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

Component A: Mayor's Foreword

Component B: Executive Summary

- ❖ Municipal Manager's Overview
- ❖ Municipal Overview
- ❖ Municipal Functions, Population And Environmental Overview
- ❖ Service Delivery Overview
- ❖ Financial Health Overview
- ❖ Organisational Development Overview
- ❖ Auditor General Report
- ❖ 2021/22 IDP/Budget Process

CHAPTER 2 – GOVERNANCE

Component A: Political and Administrative Governance

- ❖ National Key Performance Indicators-Good Governance and Public Participation
- ❖ Introduction to Governance
- ❖ Governance Structure

Component B: Intergovernmental Relations

- ❖ Intergovernmental Relations

Component C: Public Accountability and Participation

- ❖ Public Accountability and Participation

Component D: Corporate Governance

- ❖ Risk Management
- ❖ Anti-Corruption And Fraud
- ❖ Audit Committee
- ❖ Performance Audit Committee
- ❖ Internal Auditing
- ❖ By-Laws and Policies
- ❖ Communication
- ❖ Website
- ❖ Supply Chain Management
- ❖ Disclosure of Financial Interest

CHAPTER 3

- ❖ Overview of Performance Within Organisation
- ❖ Introduction to Strategic Municipal Performance for 2021/22
- ❖ **Component A: Basic Services**
 - ❖ Water Provision
 - ❖ Waste Water (Sanitation) Provision
 - ❖ Electricity
 - ❖ Waste Management (This Section To Include: Refuse Collections, Waste Disposal, Street Cleaning and Recycling)
 - ❖ Housing
 - ❖ Free Basic Services and Indigent Support
- ❖ Component B: Road Transport
 - ❖ Roads
 - ❖ Waste Water (Storm water Drainage)
- ❖ Component C: Planning and Local Development
 - ❖ Planning
 - ❖ Local Economic Development (Including Tourism and Market Places)
- ❖ Component D: Community & Social Services
 - ❖ Libraries and Museums
 - ❖ Cemeteries

- ❖ Child Care; Aged Care; Social Programmes
- ❖ Component E: Security and Safety
- ❖ Public Safety
- ❖ Component G: Corporate Policy Offices and Other Services
- ❖ Executive and Council
- ❖ Financial Services
- ❖ Human Resource Services
- ❖ Component H: Service Delivery Priorities for 2021/22
- ❖ Development of Service Delivery Priorities for 2021/22

CHAPTER 4 – NATIONAL KEY PERFORMANCE INDICATORS – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

- ❖ Introduction to the Municipal Workforce
- ❖ Employment Equity
- ❖ Vacancy Rate
- ❖ Staff Turnover Rate
- ❖ Managing Municipal Workforce
- ❖ Injuries
- ❖ Sick Leave
- ❖ HR Policies and Plans
- ❖ Capacitating Municipal Workforce
- ❖ Skills Matrix
- ❖ Skills Development – Training Provided
- ❖ Skills development - Budget Allocation
- ❖ MFMA Competencies
- ❖ Managing the municipal Workforce Expenditure
- ❖ Personnel Expenditure

CHAPTER 5 – FINANCIAL PERFORMANCE

- ❖ Component A: Statements of Financial Performance
- ❖ Financial Summary
- ❖ Financial Performance per Municipal Function
- ❖ Grants
- ❖ Asset Management
- ❖ Financial Ratios based on Key Performance Indicators
- ❖ Component B: Spending Against Capital Budget
- ❖ Capital Expenditure: Source of Finance
- ❖ Capital Spending
- ❖ Municipal Infrastructure Grants
- ❖ Component C: Cash Flow Management and Investments

- ❖ Cash Flow
- ❖ Gross Outstanding Debtors per Service
- ❖ Total Debtors Age Analysis
- ❖ Borrowing And Investments

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDING

- ❖ Component A: Auditor-General Opinion 2021/22
- ❖ Auditor General Report 2021/22
- ❖ Component B: Auditor-General Opinion 2021/22
- ❖ Auditor General Report 2021/22
- ❖ List of Abbreviations
- ❖ Annexure A: Audited Financial Statements 2021/22
- ❖ Annexure B: Auditor General's Report 2021/22
- ❖ Annexure C: Audit Action Plan
- ❖ Annexure D: Audit Committee's Report 2021/22

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7. SUMMARY OF REPRESENTATIONS RECEIVED FROM BODIES/ INDIVIDUALS

The following table reflects the key written representations received from/made by the respective bodies/individuals relating to the contents of the Annual Report:

Representation Submitted by	Key Issues Raised	Corrective Steps to be Implemented
Councillors	None.	N/A
Auditor General	None	N/A
Audit Committee	None.	N/A
Public input	None.	N/A

Other spheres of Government	None.	N/A
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8. SUMMARY OF ISSUES AND CONCERNS WITH THE 2021/22 ANNUAL REPORT

The List of Issues and Concerns with the 2021/22 Annual Report contains the specific items noted by the Committee. The Committee had a look at the various pieces of legislation and drafted same in a table format to identify compliance and or non-compliance and recommended remedial actions.

Generally, these issues fall into the following categories:

ORIGINAL

ANNUAL REPORT CHECKLIST

Annual Financial Statements - Section 121(3) & (4) MFMA	For Consideration	Questions	Response	Recommended Corrective Action
121 (3)(a) The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General	Where the municipality has sole or effective control of a municipal entity, consolidated financial statements are required. The AFS are to be in the form as required by the applicable accounting standards. MFMA Circular 18 with annexures, 23 June 2005, provides guidelines on the new accounting standards for municipalities.	1. Have the financial statements been included?	1. The Annual Performance Report, Audited Financial Statement and Report have been included in the Annual report.	1. No action required
		2. Are the financial statements audited?	2. The Auditor-General Report on the Financial Statements for 2021/22 is qualified with matters.	2. Audit Action Report has been submitted with the Annual Report
		3. Have the financial statements been prepared in compliance with applicable accounting standards.	3. The Financial Statements are prepared in terms of GRAP compliance	3. No action required
121 (3)(a)	The above applies to the AFS of municipal entities.	N/A	N/A	
121 (3)(b) The Auditor-General's reports on the financial statements of the municipality.		1. Is the audit report included in the tabled Annual Report?	1. The Audit Report is included in the Annual Report. The Audit Report was tabled along with the Annual report. The office of the Auditor-General officially handed over the Report in November 2022 and tabled to Council on the 31 st January 2023. 2. N/A	1. No action required

		2. If not, when will the audit report be tabled?		
		3. What are causes of the delays?	3. N/A	
		4. What actions are being taken to expedite the report?	4. N/A	
121 (4)(b)	The above applies to the AFS of municipal entities.	N/A	N/A	
121 (3)(h) Any explanations be necessary to clarify issues in connection with the financial statements	The accounting standards require that notes accompany the statements to provide explanations of issues and matters reported. Refer also to points below on information in notes to AFS.	1. Taking into consideration the Audit report and the Audit Committee comments, is sufficient explanation of financial issues contained in the notes to the statements?	The Audit Committee and Performance Audit Committee has submitted their reports respectively.	1. No action required
121 (4)	The above applies also to the AFS of municipal entities.	N/A	N/A	

Annual Financial Statements - Section 121(3) & (4) MFMA continue	For Consideration	Questions	Response	Recommended Corrective Action
121 (3)(e) An assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities		1. Has an adequate assessment been included?	1. The report is included in the Annual report, Finance Department Section of the Annual Report.	1. No action required •
		2. Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation?	2. A dedicated section has been set up to deal with the collection of arrears and targets have been set. • Debtors Age Analysis is captured in the Financial Statements.	2. Remedial action already implemented • No action required
		3. Is any other action needed?	3. No	•
121 (4)(c)	The above applies also to the AFS of municipal entities.	N/A	N/A	
121 (3)(g) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports	The conclusions of the annual audit may be either – - An unqualified audit opinion with or without management issues, which means that the financial statements are acceptable; - A qualified audit opinion setting out reasons for	1. Taking into account the audit report, audit opinion and the views of the audit committee, council should consider: • To what extent does the report indicate serious or minor financial issues? • To what extent are the same issues repeated from	The Annual Audit is qualified with matters, however, minor management issues were raised and subsequently taken to management for corrective actions to be considered on issues of non-compliance. Most of the issues raised in the Management report has been attended to.	The Corrective Action Report on the matters is attached in the Audit Committee Report

	<p>qualification, which means that certain issues need to be addressed before an unqualified opinion can be achieved; or -</p> <p>The auditor will disclaim the statements and not offer an opinion. In this case there may be serious financial issues to be addressed.</p> <p>The objective of the municipality should be to achieve an unqualified audit opinion.</p>	<p>previous audits?</p> <ul style="list-style-type: none"> • Is the action proposed considered to be adequate to effectively address the issues raised in the audit report? <p>2. Has a schedule of action to be taken been included in the annual report with appropriate dates?</p> <p>3. Has the municipality taken steps to address the issues raised in the Audit Report?</p> <p>4. Has the Audit Report been forwarded to the MEC?</p>	<p>The Municipality has taken steps ensuring that managers draw up an action plan to address the issues as raised by the AG report.</p>	
121 (4)(e)	The above applies also to the AFS of municipal entities.	N/A	N/A	
121 (3)(i)&(k) Any information as determined by the municipality, entity or its parent municipality	Review all other information contained in the Annual Report.	1. Is the other information Report, relevant and accurate?	The Annual Report has been tabled in Council and has been made public for comment.	The Auditor General expressed a concern on the usefulness and reliability of information contained under basic service delivery
121 (4)(h)	The above applies also to the AFS of municipal entities.	N/A	N/A	
121 (4)(d) An assessment by the municipal entity's Accounting officer of the	Agreements between the municipality and its entities for service delivery are to include measurable	1. Has the performance met the expectations of Council and the community?	The Municipality does not have any entities, thus any Performance	

entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and the Municipality	performance objectives. This will include measures of services delivered to the community, financial targets, expenditure targets etc. The entity's annual report must include an assessment by the accounting officer, of performance against these objectives. In order to show the linkage between the entity and the municipality, the report of the municipality should also include the performance of entities. Council should comment and draw conclusions on performance and explanations provided.	2. Have the performance objectives been met?	Agreements with an entity are irrelevant.	
		3. What explanations have been provided for any non-achievement?		
		4. What was the impact on the service delivery and expenditure objectives in the budget?		
121(3)(J) and 121(4)(G) Recommendations of the audit committee in relation to the AFS and audit reports of the municipality and it's entities.	Conclusions on these recommendations and actions required should be incorporated in the oversight report.	1. Have recommendations of the audit committee in regard to the AFS been adequately addressed by the municipality and/or the entity? 2. What actions need to be taken in terms of these recommendations?	1. The Audit Committee Reports have been attached.	The Audit Committee submitted a separate report on the AFS

Disclosures – Allocations received and made - Section 123 & 125 MFMA	For Consideration	Questions	Response	Recommended Corrective Action
123(1)(a) Allocations received by the municipality from an organ of state, a municipal entity or another municipality.	The AFS must disclose: 1. Details of allocations received from another organ of state in the provincial or national sphere, municipal entity or another municipality.	1. Have allocations been received by an organ of state, a municipal entity or another municipality disclosed?	The disclosure of grants and subsidies in terms of Section 123 of the MFMA, 2003 (Act 56 of 2003) is captured in the AFS.	None
	2. Any other allocation made to the municipality under Section 214(1)(c) of the Constitution.	2. Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets?	The audit report confirmed all allocations received.	None
	Council should comment and draw conclusions on information and explanations provided.	3. Does the audit report or the committee recommend any action?	No actions were recommended.	None
123(1)(a) Allocations made by the municipality to an organ of state, a municipal entity or another municipality.	The AFS must disclose: 1. Details of allocations made to another organ of state in the provincial or national sphere, municipal entity or another municipality.	1. Have allocations been made to an organ of state, a municipal entity or another municipality disclosed?	1. No allocations have been made to an organ of state or other municipality.	No actions were recommended.
	2. Other information as may be prescribed.	2. Does the audit report confirm the correctness of the allocations made?	2. Not applicable.	None

	Council should comment and draw conclusions on information and explanations provided.	3. Does the audit report or the committee recommend any action?		None
125 Other compulsory disclosures and information in relation to outstanding debtors and creditors of the municipality and entities.	<p>Municipalities and entities are reminded of the requirement to include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities.</p> <p>Other disclosures required; Contributions to organised local labour and amount outstanding at year end.</p> <p>Total amounts paid in audit fees, taxes, levies, duties and pensions and medical aid contributions and whether there were amounts outstanding at year end</p> <p>Name of bank where accounts held and year end balances</p> <p>Summary of investments held Contingent Liabilities Material irregular, fruitless or wasteful expenditure details of unauthorised expenditure particulars of non-compliance with the MFMA</p>	<p>1. Are all the compulsory disclosures contained in the notes to the Annual Financial Statements?</p> <p>2. Does the audit report confirm that the disclosures have been made.</p>	<p>The following amounts credited to the Municipality have been disclosed:</p> <ul style="list-style-type: none"> • Grants received disclosed in the Financial Statement. • Matters of compliance on MFMA Exemptions are outlined • The following were reported: <ul style="list-style-type: none"> - Contingent Liabilities Material irregular, fruitless or wasteful expenditure - Details of irregular expenditure is attached <p>Information on the bank accounts of the municipality is captured in the notes to the AFS</p> <p>The comments of the Auditor-General are captured in the Auditor-General Report</p>	None

	<p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information</p>			
<p>123 (1)(c) - (f) Information in relation to the use of allocations received</p>	<p>Section 123 of the MFMA and MFMA guidance circular 11, require that the municipality provide information per allocation received per vote and include:</p> <ol style="list-style-type: none"> 1. The current year and details of spending on all previous conditional grants, for the previous two financial years. Information is to be provided per vote. (For example, municipalities must report on all transfers received from provincial housing departments for housing subsidy grants for three financial years, and indicate how such funds were spent, and for what projects. 	<ol style="list-style-type: none"> 1. Disclosure on how allocations received have been spent per vote 	<ol style="list-style-type: none"> 1. Allocations received per vote are captured in the Financial Statements. Expenditure has not been classified by vote. 	<p>None</p>

	<p>2. Information stating whether the municipality has complied with the conditions of the grants, allocations in terms of section 214(1)(c) of the Constitution and</p>	<p>2. Has the Municipality complied with the conditions of the grants received?</p>	<p>2. All grants conditions have been complied with.</p>	
	<p>3. Allocations received from other than another organ of state. Where there is non-compliance same are to be provided.</p>	<p>3. Has the Municipality had any allocation per DORA, delayed or withheld? 4.</p>	<p>3. R10m was withheld by Treasury due to the municipality's inability to spend the funds timeously.</p>	<p>Measures to be developed to ensure consequences in the event that grant funds not spent within the allocation period</p>

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	<p>4. Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this.</p> <p>The Auditor-General will ensure that the audit process included a proper assessment (and reconciliation) on all national grants received by a municipality. Council should consider this aspect of the audit report and comments by the audit committee on the use of allocations received. The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>	<p>5. Does the Audit report or Audit Committee recommend any action?</p>	<p>4. No action necessary</p>	<p>None</p>
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Disclosures – Councillors, Directors and Officials in the notes to the Financial Statements - Section 124 MFMA	For Consideration	Questions	Response	Recommended Corrective Action
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<p>124(1) & (2) Information relating to benefits paid by municipality and entity to councillors, directors and officials</p>	<p>Information on the following items is to be included in the notes to the annual report and AFS:</p> <ol style="list-style-type: none"> Salaries, allowances and benefits of political office bearers, councillors and boards of directors, whether financial or in kind; 	<ol style="list-style-type: none"> Have the salaries, allowances and benefits paid to Councillors and the Municipal Manager, CFO and Senior Managers been disclosed? 	<ol style="list-style-type: none"> Salaries and allowances of Councillors, Municipal Manager, CFO and other Senior are disclosed in the AFS. 	<p>None</p>
	<ol style="list-style-type: none"> Any arrears owed by individual councillors to the municipality or entity for rates and services, which at any time were outstanding for more than 90 days, including the names of councillors; 	<ol style="list-style-type: none"> Is there a statement by the Accounting Officer, stating that salaries, allowances and benefits paid to Councillors are within the upper limits of the framework envisaged in section 219 of the Constitution. 	<ol style="list-style-type: none"> All salaries and allowances of Councillors are within the upper limits as per Government Gazette applicable to the 2021/22 financial year. The concurrence of the MEC was obtained prior to the implementation of the upper limits. 	<p>None</p>
	<ol style="list-style-type: none"> Salaries allowances and benefits of the municipal manager, CEO of a municipal entity, CFO and every senior manager; <p>The comments of the Auditor-</p>	<ol style="list-style-type: none"> Have arrears for rates and services owed by Councillors, in which the arrears were for more than 90 days been disclosed including the name of the councillor? 	<ol style="list-style-type: none"> Councillors arrears for rates are captured in the Financial Statements (Councillor's arrear consumer accounts) 	

	General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information	4. Have the salaries, allowances and benefits paid to members of the board of directors, CEO and senior managers of the entity been disclosed?	4. N/A - No entities.	
Municipal Performance	For Consideration	Questions	Response	Recommended Corrective Action
The annual performance reports of the municipality and entities	Section 46, MSA requires municipalities to submit a performance report reflecting the performance of the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures taken to improve performance. The report must form part of the annual report. In terms of key functions or services, how has each performed? E.g. have backlogs for water, sanitation and electricity been reduced? What are the refuse collection volumes, library usage statistics ect? To what extent has performance achieved targets set by council? Is the council satisfied with the performance levels achieved? Is the community satisfied with performance? Has a customer satisfaction survey been	1. Has the performance report been included in the annual report?	Yes, the APR is part of the Annual Report.	None
		2. Have all the performance targets set in the budgets, SDBIP, service agreements etc, been included in the report?	Yes.	None
		3. Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIPP approved for the financial year?	Yes	None
		4. What actions have been taken and planned to improve performance?	An Audit Action Plan has been compiled and submitted with the Draft Annual Report to inform Council on the remedial actions	None

<p>undertaken and, if so, how do the results align with the annual report contents? What were the outcomes of public consultation and public hearings? To what extent have actions planned for the previous year been carried over to the financial year reported upon? Have any actions planned in the reported year been carried over to the current or future years? If so are any explanations been provided by the municipal manager and are these satisfactory?</p>		to be implemented.	
	5. Is the council satisfied with actions to improve performance?	Yes.	None
	6. Did the targets set in the budgets, SDBIP agree with the targets set in the performance contracts of the municipal manager and each senior manager?	Yes.	None
	7. Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?	Yes	None
	8. Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective	Yes	None

<p>Audit reports on performance</p>	<p>Section 45, MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes and annually.</p>	<p>1. Have the recommendations of internal audit been acted on during the financial year?</p>	<p>1. Yes, the recommendation of the Audit Committee were acted upon, for example, Council had adopted the Audit Plan and Charter. The impendence of the Auditors reporting directly to the MM has been strengthened.</p>	<p>None</p>
		<p>2. Have recommendations by the auditor-general been included in action plans to improve performance in the following year?</p>	<p>2. The Auditor-General has made reference to lack of Performance Audit during the period under review.</p>	<p>None</p>
<p>Performance of municipal entities and municipal service providers</p>	<p>The annual report of the municipality should provide an assessment of the performance of the municipal entities and all contracted service providers. This is in addition to the separate annual reports of the entities. The report should evaluate the effectiveness of these services and whether alternative mechanisms should be considered. Is the council satisfied with the evaluation and conclusions of the municipality? What other actions are considered necessary to be taken by the accounting officers?</p>	<p>1. Has an assessment been included in the Annual Report on the performance of the municipal entities?</p>	<p>N/A</p>	
		<p>2. Has an assessment been included in the Annual Report on the performance of all contracted service providers?</p>	<p>No</p>	<p>This matter will be addressed to ensure that all service providers are subjected to performance evaluations.</p>

For municipal entities – an assessment of the entity’s performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and municipality	This is the separate report of the municipal entity and should contain details of service delivery agreements with the municipality and the performance measures therein. Council should consider similar issues to that outlined above for municipal performance of municipal entities. To what extent were the objectives and performance measures of the entity aligned to the overall strategic objectives of the municipality and its IDP? Is the report of the municipal entity consistent with the conclusions on performance evaluation by the municipality? What specific actions should be taken by the entity and the municipality to improve performance?	1. Has the entity performed in line with its service delivery agreements?	N/A	
		2. Have the objectives and performance measures of the entity been aligned to the overall strategy of the municipality?	N/A	

General Information	For Consideration	Questions	Response	Recommended Corrective Action
Relevant information on municipal entities	The municipality should disclose all information relating to the municipal entities under the sole or effective control of the municipality. Information to be disclosed includes names and types of entities, members of the board, addresses and contact	1. Does the annual Report include detailed information on all municipal entities?	N/A	

	details for entities, the purpose of the entity, the functions and services provided, the type and term of service level agreements with the entities.			
The use of any donor funding support	What donor funding has the municipality received? Have the purposes and the management agreements for the funding been properly agreed upon? Have the funds been used in accordance with agreements? Has the use of funds been effective in improving services to the community? What actions need to be taken to improve utilisation of the funds?	1. Has there been disclosure of donor funding received in the Annual Report, if applicable?	No donor funding were received.	
Agreements, contract and projects under Private-Public-Partnerships	Information similar to the details of municipal entities should be provided. Council should ensure that all details have been supplied.	1. Have details of all PPP's been disclosed in the Annual Report, if applicable?	No PPP's were entered into during the financial year or are currently running as long term contracts.	
Service delivery performance on key services provided	This may be a high level summary, in addition to detailed information on performance, which sets out overall performance under the strategic objectives of the municipality. Overall results on the strategic functions and services should be summarised. This should cover all services whether provided by the municipality, entities or external mechanisms. Council may draw conclusions	1. Is there a high level summary detailing the overall performance of the municipality against its strategic objectives	The quarterly performance evaluation of the Municipal Manager and that of Managers reporting directly to the Municipal Managers has been done.	

	on the overall performance of the municipality. This information may be found in an executive summary section of the annual report or in statistical tables.			
Information on long-term contracts	Details of all long-term contracts including levels of liability to the municipality should be included, council should ensure all information is correctly supplied.	1. Have all long term contracts been disclosed?	No long term contracts	
Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations	Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services. Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained. Details of any future IT proposals should be summarised. Council should comment and draw conclusions on the information provided.	1. Have significant IT activities been disclosed?	The Municipality's IT capability and risks were assessed by the AG and findings were made. All data on the server are backed-up daily and a full version of the data and financial system is stored off-site.	
Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework	A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided. This should include details of types and scale of backlogs, projected cost implications, strategies to address the backlogs and plans proposed and/or approved. The	1. Has a summary of the long-term capital plans been disclosed?	The Long-Term Capital Plans have been disclosed, especially in the Technical Section. However, a more detailed plan would be included in future to capture backlogs in terms of (MIG) and Department of Energy (DE).	

	<p>summary here should cross reference to the performance reports in the annual report and also will be highlighted in the coming budgets. Council should consider whether the plans appropriately address the backlogs and are consistent with the strategic policy directions of council and needs of the community.</p>			
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Other considerations recommended	For Consideration	Questions	Response	Recommended Corrective Action
Supply Chain Management Regulations and Policy	Certain disclosures on Supply Chain matters are required to be included in the Annual Report.		The Supply Chain matters has been disclosed	
Timing of reports		1. Was the Annual Report tabled by 31 January, as per legislative requirements?	1. The Draft Annual Report was tabled to Council on 31 January 2023	
		2. Has a schedule for consideration of the report been adopted?	2. Council adopted the Draft Annual Report	
Oversight Committee or other mechanism		1. What mechanisms have been put in place to prepare the oversight report?	A schedule for the adoption of the Oversight Report has been adopted by the Oversight Committee	

		2. Has a schedule for its completion and tabling been adopted?		
Payment of performance bonuses to municipal officials	Refer to Section 57 MSA as amended. Bonuses based on performance may be awarded to a municipal manager of a manager directly accountable to the municipal manager after the end of the financial year and only after an evaluation of performance and approval of such evaluation by the municipal council. Preferably such evaluation should be considered along with the annual report. The basis upon which performance is evaluated for payment of bonuses should be reconciled with the municipal performance reported in the annual report. Conclusions and comments on the evaluation and payment of performance bonuses of council should be included in the oversight report.	1. Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council?	1. Performance bonuses were paid to the Municipal Manager and senior managers. 2. The payment of performance bonuses are subject to the adoption of the Annual and evaluation of managers' performance report by Council.	
		2. If so has a proper evaluation of performance been undertaken?	2. Proper evaluation has been conducted by the Performance Evaluation committee.	
		3. Was the evaluation approved by council?	3. Evaluation was submitted to Council and subsequently approved.	
		4. Does the performance evaluation align and reconcile with the performance reported in the annual report? If not, what reasons have been given for non-reporting of the basis of evaluation in the annual report?	4. Performance Report submitted to Council and approved	

		5. Are the payments justified in terms of performance reported in the annual report?	5. Payments were done in accordance with council approval and outcome of the Performance Assessment	
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9. RESERVATIONS AND COMMENTS

9.1 Format of Annual Report

A substantial amount of high quality work is reflected in the 2021/22 Annual Report and it is noted by the Committee. The Committee notes specifically that all of the information required to be included by the MFMA, is included. The Committee is further satisfied with the overall format of the Annual Report and the required Annexures thereto.

Recommendation

That (i) the annual report be noted and it be noted that the Committee is satisfied with the content of the report.

9.2 Report of the Auditor General on the Audit of the Financial Statements

A Qualified opinion was issued by the Auditor General and based its opinion on the following issues:

Audit Finding: Property, plant and equipment

“The municipality did not have adequate systems of internal control for the unbundling of completed assets. I was unable to confirm infrastructure assets by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to infrastructure assets, stated at R440 371 447 in note 9 to the financial statements”.

Management's Response

DESCRIPTION	RESPONSE
Does management agree with the finding	Yes, management agrees with the finding.
Corrective action to be taken:	<ol style="list-style-type: none">1. The VIP project are overstated with the amount of R 1 366.90 due to wrong split between Phase 1 and 2.2. The Van der Waltsfontein project is overstated with R 1 536 310.67 that was wrongly paid under this vote number in the General Ledger. <p>We proposed to correct the WIP register with the amount of R 1 536 310.67 and to adjust the FAR with this amount and to recalculate the depreciation on the completion date.</p>

What corrections will be made to the population?	The population was tested and the correction with the R 1 536 310.67.	
If no corrections will be made, the reason why such a conclusion has been reached.	N/A	
Position of official responsible to take corrective action:	Management	
Estimated completion date for corrective action:	Estimated completion is 1 day.	
Does management agree with the root cause indicated	Yes X	No
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A	

Recommendation

That (i) the WIP register be corrected with the amount of R 1 536 310.67 and to adjust the FAR with this amount and to recalculate the depreciation on the completion date.

Audit Finding: Cash and cash equivalents

"I was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I could not confirm cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to cash and cash equivalents stated at R1 966 494 (2021: R2 800 998) in note 7 of the financial statements".

Management's Response

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes
Corrective action to be taken:	The journal will be reversed on the Financial System.
What corrections will be made to the population?	
If no corrections will be made, the reason why such a conclusion has been reached.	N/A
Position of official responsible to take corrective action:	CFO

Estimated completion date for corrective action:	Awaiting approval from AG to amend	
Does management agree with the root cause indicated	No	
If management does not agree with the root cause indicated, please provide the root cause according to management.	A reclassification journal of bank balances was processed to the system trial balance, after which the system was manually balanced through bank reconciliation, thus the correction was duplicated.	

Recommendation

That (i) It is recommended that the above identified journal be reversed in the financial system.

Audit Finding: Service charges

“The municipality did not accurately recognise sale of electricity that has accrued in accordance with GRAP 9, Revenue from exchange transactions. As the municipality did not maintain accurate records of services rendered, I was unable to determine the full extent of the overstatement of sale of electricity included in service charges and electricity consumer debtors included in receivables from exchange transactions and VAT payable for the current year as it was impracticable to do so. Since revenue from sale of electricity is included in the determination of net cash flows from operating activities reported in the cash flow statements, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R 131 522 852 in the financial statements”.

Management's Response

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes
Corrective action to be taken:	Management will investigate the customers whose meters are not read, and customer accounts are not billed on a consistent bases in order to identify where incorrect billing was processed against customer accounts
What corrections will be made to the population?	The corrective actions will be done prospectively and not retrospectively. Management will ensure that customer accounts are levied correctly every month.
If no corrections will be made, the reason why such a conclusion has been reached.	Management does not have the capacity and time to investigate the incorrectly billing retrospectively
Position of official responsible to take corrective action:	CFO

Estimated completion date for corrective action:	N/A	
Does management agree with the root cause indicated	Yes	
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A	

Recommendation

That (i) consumer accounts are levied at approved tariff rates for services charged. The over/under billing of electricity charges should be determined per customer and the customer accounts should be adjusted accordingly.

Audit Finding: Interest received

"The municipality did not recognise interest received accurately, that has accrued in accordance with GRAP 9, Revenue from exchange transactions. The municipality did not bill consumers in the council approved interest rate. I was unable to determine the full extent of the understatement of interest received included in revenue from exchange transactions for the current year as it was impracticable to do so. Since revenue from interest received is included in the determination of net cash flows from operating activities reported in the cash flow statement, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R131 522 852 in the financial statements".

Management's Response

DESCRIPTION	RESPONSE	
Does management agree with the finding?	Yes	
Corrective action to be taken:	Management has changed the interest percentage to 10% which will be charged from the Month of October 2022. Going forward interest will be charged at 10% as per the credit control policy.	
What corrections will be made to the population?	Management does not have the capacity to correct the population, but going forward interest will be charged correctly.	
If no corrections will be made, the reason why such a conclusion has been reached.	See above comment.	
Position of official responsible to take corrective action:	CFO	
Estimated completion date for corrective action:	N/A	
Does management agree with the root cause indicated	Yes	

If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A
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Recommendation

That (i) the amount of interest that should have been levied against the customer accounts at the approved rate be determined. This amount should be charged against the customer accounts and can be taken to council for approval to be written off, after management has obtained approval from council to write-off the interest, interest may be written off from the consumer accounts.

Audit Finding: Receivables from exchange transactions

"I was unable to obtain sufficient appropriate audit evidence for water consumer debtors included in receivables from exchange transactions due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I was unable to confirm water consumer debtors by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to water consumer debtors, stated at R94 552 509 in note 5 of the financial statements.

I was unable to obtain sufficient appropriate audit evidence for refuse consumer debtors included in receivables from exchange transactions due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I was unable to confirm refuse consumer debtors by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to refuse consumer debtors, stated at R53 928 911 in note 5 of the financial statements".

Management's Response

DESCRIPTION	RESPONSE
Does management agree with the finding?	NO
Corrective action to be taken:	None
What corrections will be made to the population?	None
If no corrections will be made, the reason why such a conclusion has been reached.	Please refer attached schedule
Position of official responsible to take corrective action:	CFO
Estimated completion date for corrective action:	N/A

Does management agree with the root cause indicated	NO	
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A	

Recommendation

That (i) debtors reconciliations are performed on a monthly basis to ensure accuracy of balances.

Audit Finding: Other debtors from exchange transactions

"I was unable to obtain sufficient appropriate audit evidence for under (over) banking included in other debtors from exchange transactions due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I was unable to confirm under (over) banking by alternative means. consequently, I was unable to determine whether any adjustment was necessary to under (over) banking, stated at R6 380 97 4 in note 4 to the financial statements".

Management's Response

DESCRIPTION	RESPONSE	
Does management agree with the finding?		No
Corrective action to be taken:	None, management submitted support for the over/under banking amount as well as a schedule	
What corrections will be made to the population?	n/a	
If no corrections will be made, the reason why such a conclusion has been reached.	None, management submitted support for the over/under banking amount as well as a schedule	
Position of official responsible to take corrective action:	CFO	
Estimated completion date for corrective action:	N/A	
Does management agree with the root cause indicated	N/A	
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A	

Recommendation

- That (i) the nature of the balances for over/under banking and provide support for the amounts stated as over and under banking.
- (ii) Furthermore the over and under banking opening balances should be cleared by performing manual reconciliations of prior financial years bank balances.

Audit Finding: Allowance for impairment

“I was unable to obtain sufficient appropriate audit evidence for allowance for impairment included in receivables from exchange and non-exchange transactions due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I was unable to confirm allowance for impairment by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to allowance for impairment, stated at R223 632 712 in note 9 to the financial statements”.

Management’s Response

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes
Corrective action to be taken:	Adjusting journals should be processed to amend the population
What corrections will be made to the population?	Adjusting journals should be processed to amend the population
If no corrections will be made, the reason why such a conclusion has been reached.	n/a
Position of official responsible to take corrective action:	CFO
Estimated completion date for corrective action:	Awaiting AG approval to adjust
Does management agree with the root cause indicated	Yes
If management does not agree with the root cause indicated, please provide the root cause according to management.	n/a

Recommendation

- That (i) adjusting journals be processed in order to correct the population. Please refer to **ULM – Debt impairment attachment**.

Audit Finding: Debt impairment

“I was unable to obtain sufficient appropriate audit evidence for bad debts written off included in debt impairment due to the status of the accounting

records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I was unable to confirm bad debts written off by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to bad debts written off, stated at R 24 701 996 in note 35 to the financial statements”.

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes
Corrective action to be taken:	Adjusting journals should be processed to amend the population
What corrections will be made to the population?	Adjusting journals should be processed to amend the population
If no corrections will be made, the reason why such a conclusion has been reached.	n/a
Position of official responsible to take corrective action:	CFO
Estimated completion date for corrective action:	Awaiting AG approval to adjust
Does management agree with the root cause indicated	Yes
If management does not agree with the root cause indicated, please provide the root cause according to management.	n/a

Recommendation

That (i) adjusting journals be processed in order to correct the population. **Please refer to ULM – Bad debt attachment.**

Audit Finding: Payables from non-exchange transactions

The municipality did not recognise consumer debtors meeting the definition of payables from non-exchange transactions in accordance with GRAP 1, Fair presentation of financial statements. Consequently, consumer debtors with credit balances were understated by R4 927 725.

Management's Response

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes
Corrective action to be taken:	Management partially agrees with the finding Management identified that the misstatement mentioned above by the auditors includes a duplication of balances as per the age analysis. The duplications are indicated in red. Please refer to Annexure A – Auditors recalculation

	Management agrees that the reclassification journal for debtors with credit balances needs to be accounted for in the AFS and the Financial system. Please refer to Annexure B – DC calculation
What corrections will be made to the population?	Please refer to Annexure B – DC calculation
If no corrections will be made, the reason why such a conclusion has been reached.	N/A
Position of official responsible to take corrective action:	CFO
Estimated completion date for corrective action:	Awaiting for Auditors approval for correction
Does management agree with the root cause indicated	Yes
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A

Recommendation

That (i) debtors with credit balance journals be processed timeously to ensure completeness of trade payables.

Audit Finding: Prior period adjustments

“I was unable to obtain sufficient appropriate audit evidence for prior period adjustments relating to cash and cash equivalents as well as other receivables from exchange transactions included in prior period adjustments due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I was unable to confirm these prior period adjustments by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to prior period adjustments, stated at R2 371 399 and R5 135 536, respectively in note 46 to the financial statements”.

Management’s Response

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes

Corrective action to be taken:	Please refer to Annexure C: Property, plant and equipment	
What corrections will be made to the population?	Please refer to Annexure C: Property, plant and equipment	
If no corrections will be made, the reason why such a conclusion has been reached.	N/A	
Position of official responsible to take corrective action:	CFO	
Estimated completion date for corrective action:	Awaiting Auditor General Approval to amend	
Does management agree with the root cause indicated	Yes	
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A	

Recommendation

That (i) N/A

Audit Finding: Depreciation

“The municipality did not recognise depreciation in accordance to GRAP 17, Property, plant and equipment. As the the municipality did not account for all depreciation relating to other property, plant and equipment. Consequently property, plant and equipment was overstated. I was unable to determine the full extent of the understatement of depreciation included in expenditure for the current year as it was impracticable to do so”.

Management’s Response

DESCRIPTION	RESPONSE	
Does management agree with the finding?	Yes	No – Management disagrees on the finding.
Corrective action to be taken:	No action required	
What corrections will be made to the population?	N/A	
If no corrections will be made, the reason why such a conclusion has been reached.	Part A	

The asset policy is overall silent when it concerns residual values

We do however recommend that both the Asset Register and Policy is amended to the following:

The Residual Value of an asset is the estimated amount that the municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life

The residual values of most assets are however considered to be insignificant and therefore immaterial in the calculation of the depreciable amount. The reason is that the majority of assets are hardly ever recovered through sale, but rather through use of the asset until the end of its useful life, after which insignificant amounts, if any, are expected to be obtained.

We therefore propose that the residual value on all assets to be adjusted to be zero allowing the asset to be fully depreciated over its useful life cycle.

The net impact of the adjustment relates to Depreciation to the value of R 4 889 688.99

Part B

Management has recalculated the Depreciation Charge for 2022 on these assets and no differences have been identified due to the exclusion of the asset's residual value calculations. See **Sheet A** of the attached schedule.

	<p>Part C</p> <p>AGSA has not account for the leap years included in the RUL of the assets in their calculations. Management has recalculated the Depreciation Charge for 2022 on these assets and no differences have been identified. See Sheet B of the attached schedule.</p> <p>Part D</p> <p>Management has recalculated the Depreciation Charge for 2022 on these assets and no differences have been identified. See Sheet C.</p> <p>Part E</p> <p>Impairment calculation, please refer to Sheet D for the working paper extract on the Assets listed in the finding.</p> <p>(Additionally, see attached Impairment Methodology)</p>		
Position of official responsible to take corrective action:	N/A		
Estimated completion date for corrective action:	The estimated correction on the residual values can be done within 2 days		
Does management agree with the root cause indicated	<table border="1"> <tr> <td>Yes</td> <td>No x</td> </tr> </table>	Yes	No x
Yes	No x		
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A		

Recommendation

That (i) N/A

9.2 MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

Audit Finding:

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

I draw attention to note 55 to the financial statements, which indicates that as at 30 June 2022 the municipality experienced a deficit of R 14 948 743. Furthermore, in note 55, the municipality struggled to pay its creditors within 30 days, which indicates that the municipality does not have sufficient cash flow to pay for their debts as and when they become due. These events or conditions, along with the other matters indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern”.

Management's Response

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes
Corrective action to be taken:	Management has undertaken payment arrangements with suppliers to settle invoices and outstanding amounts owed to suppliers based on the cashflow projections.
What corrections will be made to the population?	None
If no corrections will be made, the reason why such a conclusion has been reached.	This issue can not be corrected retrospectively.
Position of official responsible to take corrective action:	CFO
Estimated completion date for corrective action:	N/A
Does management agree with the root cause indicated	No
If management does not agree with the root cause indicated, please provide the root cause according to management.	Due to cashflow constraints management has not been in a financial position to make a surplus for the year.

Recommendation

That (i) stricter credit control be implemented on debtors to pay outstanding arrear amounts in order for the municipality to be in a financial position to pay accounts within 30 days.

9.3 Emphasis of Matters Raise by the Auditor General on the Annual Financial Statements as well as the Annual Report

Audit Finding: An uncertainty relating to the future outcome of exceptional litigation

“With reference to note 43 to the financial statements, the municipality is the defendant in a number of claims against them. The municipality is opposing the claims, as it is believed that the claims are unjustified. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes
Corrective action to be taken:	Management will reassess the claims towards the municipality against the definition of a provision at date to ensure all claims that should be provided for are included in the annual financial statements.
What corrections will be made to the population?	Corrections will be made prospectively.
If no corrections will be made, the reason why such a conclusion has been reached.	N/A
Position of official responsible to take corrective action:	CFO
Estimated completion date for corrective action:	N/A
Does management agree with the root cause indicated	Yes
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A

Recommendation

That (i) a provision be raised if there is liability of uncertain timing or amount but it is probable that an outflow of cash or other economic resources will be required.

Audit Finding: Material losses - Electricity

“As disclosed in note 51 to the financial statements, material electricity losses of R9 023 538 (2021: R8 907 499) were incurred, which represent 24.45% (2021: 28.02%) of total electricity purchased. These losses were due to dissipation when electricity flows through the conductors, illegal connections, meter tampering and under-charging”.

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes
Corrective action to be taken:	Management will reduce material electricity losses by tracing illegal electricity connections and fine these individuals.
What corrections will be made to the population?	Corrections will be made prospectively.
If no corrections will be made, the reason why such a conclusion has been reached.	N/A
Position of official responsible to take corrective action:	CFO
Estimated completion date for corrective action:	N/A
Does management agree with the root cause indicated	Yes
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A

Recommendation

- That (i) material losses be kept as low as possible;
- (ii) individuals who are either tampering with meters or are illegally connected should be disconnected and fined.

Audit Finding: Material losses - Water

“As disclosed in note 51 to the financial statements, material water losses of R9 723 521 (2021: R9 489 410) were incurred, which represent 42.52% (2021: 59.23%) of total water purchased. These losses occur due to, inter alia, leakages, the tampering of meters and illegal water connections.

Management's Response

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes

Corrective action to be taken:	Management will reduce material water losses by tracing illegal water connections and fine these individuals. Management will repair leakages.
What corrections will be made to the population?	Corrections will be made prospectively.
If no corrections will be made, the reason why such a conclusion has been reached.	N/A
Position of official responsible to take corrective action:	CFO
Estimated completion date for corrective action:	N/A
Does management agree with the root cause indicated	Yes
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A

Recommendation

- That (i) material losses be kept as low as possible;
- (ii) leakages be repaired;
- (ii) individuals who are either tampering with meters or are illegally connected be disconnected and be fined.

Audit Finding: Depreciation

“The municipality did not recognise depreciation in accordance to GRAP 17, Property, plant and equipment. As the municipality did not account for all depreciation relating to other property, plant and equipment. Consequently property, plant and equipment was overstated. I was unable to determine the full extent of the understatement of depreciation included in expenditure for the current year as it was impracticable to do so”.

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes
Corrective action to be taken:	No action required
What corrections will be made to the population?	N/A
If no corrections will be made, the reason why such a conclusion has been reached.	Part A The asset policy is overall silent when it

	<p>concerns residual values</p> <p>We do however recommend that both the Asset Register and Policy is amended to the following:</p> <p>The Residual Value of an asset is the estimated amount that the municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.</p> <p>The residual values of most assets are however considered to be insignificant and therefore immaterial in the calculation of the depreciable amount. The reason is that the majority of assets are hardly ever recovered through sale, but rather through use of the asset until the end of its useful life, after which insignificant amounts, if any, are expected to be obtained.</p> <p>We therefore propose that the residual value on all assets to be adjusted to be zero allowing the asset to be fully depreciated over its useful life cycle.</p> <p>The net impact of the adjustment relates to Depreciation to the value of R 4 889 688.99.</p>
Position of official responsible to take corrective action:	N/A
Estimated completion date for corrective action:	The estimated correction on the residual values can be done within 2 days
Does management agree with the root cause indicated	Yes
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A

Recommendation

That (i) all assets be included in the calculation of depreciation.

Audit Finding: Report on the audit of the annual performance report

Objective 6 -Provide appropriate services to all households.

TL60: Provide free basic energy to indigent households as at 30 June 2022

“I was unable to obtain sufficient appropriate audit evidence for the achievement of 461 reported against target: Provide free basic energy to indigent households as at 30 June 2022 in the annual performance report, due to the lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement”.

Management’s Response

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes
Corrective action to be taken:	Management will ensure that accurate and complete records are kept ensuring reconciliation of reports to the annual performance report.
What corrections will be made to the population?	Corrections will be made prospectively.
If no corrections will be made, the reason why such a conclusion has been reached.	N/A
Position of official responsible to take corrective action:	CFO
Estimated completion date for corrective action:	N/A
Does management agree with the root cause indicated	Yes
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A

Recommendation

That (i) all reports be kept to confirm achievements against the annual performance report for audit and reporting purposes.

Audit Finding: Achievement of planned targets

“Refer to the annual performance report on pages x to x for information on the achievement of planned targets for the year of targets. This information should be considered in the context of the material findings on the usefulness and

reliability of the reported performance information in paragraph(s) x to x of this report”.

Management’s Response

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes
Corrective action to be taken:	Management will ensure that reasonable targets are set.
What corrections will be made to the population?	Corrections will be made prospectively.
If no corrections will be made, the reason why such a conclusion has been reached.	N/A
Position of official responsible to take corrective action:	CFO
Estimated completion date for corrective action:	N/A
Does management agree with the root cause indicated	Yes
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A

Recommendation

- That (i) all planned targets set in the annual performance report be set at a reasonable level to achieve.
- (ii) the targets set in the annual performance report takes into consideration the material findings raised.

Adjustment of material misstatements

“We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Objective 5 -Ongoing maintenance of municipal infrastructure, Objective 6 -Provide appropriate services to all households and Objective 7 -Provide quality and sustainable municipal infrastructure within available resources. As management subsequently corrected only some of the misstatements, we raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in the basis for qualified opinion paragraphs”.

Management’s Response

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes
Corrective action to be taken:	Management will ensure that all reports reconcile to the annual performance report to ensure usefulness and reliability.
What corrections will be made to the population?	Corrections will be made prospectively.
If no corrections will be made, the reason why such a conclusion has been reached.	N/A
Position of official responsible to take corrective action:	CFO
Estimated completion date for corrective action:	N/A
Does management agree with the root cause indicated	Yes
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A

Recommendation

That (i) all reports be reconciled to the annual performance report and test for accuracy before the annual performance report are submitted to the auditors.

Report on the audit of compliance with legislation

Audit Finding: Annual financial statements and annual reports

“The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current liabilities and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion”.

Management’s Response

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes
Corrective action to be taken:	All current liability documentation will be reconciled to the submitted annual financial statements and we

	will ensure that all support required are included in the audit file.
What corrections will be made to the population?	Corrections will be made prospectively.
If no corrections will be made, the reason why such a conclusion has been reached.	N/A
Position of official responsible to take corrective action:	CFO
Estimated completion date for corrective action:	N/A
Does management agree with the root cause indicated	Yes
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A

Recommendation

- That (i) all current liabilities documents be included in the audit file.
- (ii) all current liabilities documentation be reconcile to the contracts and the amounts included in the Annual Financial Statements.

Audit Finding: Expenditure management

“Reasonable steps were not taken to prevent irregular expenditure amounting to R 16 943 097 as disclosed in note 50 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management regulations.

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

Management’s Response

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes
Corrective action to be taken:	Management has undertaken payment arrangements with suppliers to settle invoices and outstanding amounts owed to suppliers based on the cashflow projections.
What corrections will be made to the population?	None
If no corrections will be	Since this relates to a communication of audit finding on non-

made, the reason why such a conclusion has been reached.	compliance with legislation that was omitted in the prior year, it can only be corrected prospectively.	
Position of official responsible to take corrective action:	CFO	
Estimated completion date for corrective action:	N/A	
Does management agree with the root cause indicated		No
If management does not agree with the root cause indicated, please provide the root cause according to management.	Due to cashflow constraints management has not been in a financial position to pay suppliers within 30 days of receipt of invoice as required by the legislation.	

Recommendation

That (i) stricter credit control measures be implemented on debtors on outstanding arrear amounts in order for the municipality to be in a financial position to pay accounts within 30 days.

Audit Finding: Strategic planning and performance management

“Amendments to the IDP were made without consultation with the district municipality, as required by municipal planning and performance management regulation 3(6)(a)”.

Management’s Response

An advertisement was placed in the newspaper, website and on the official notice boards advertising the Revised IDP. The AG is not satisfied with the process and requires physical meetings with the district municipality.

Recommendation

That (i) apart from advertising the IDP, physical meetings with the district municipality be conducted.

Audit Finding: Procurement and contract management

“Sufficient appropriate audit evidence could not be obtained that some goods and services with a transaction value of below R200 000 were procured using price quotations as required by SCM Regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.

Sufficient appropriate audit evidence could not be obtained that contracts were awarded only to bidders who submitted a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c). Similar non-compliance was also reported in the prior year.

Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM Regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM Regulation 36(1).

Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM Regulation 22(1) and 22(2). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the Supply and delivery of water waste.

Sufficient appropriate audit evidence could not be obtained that contracts were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of section 2(1)(a) Preferential Procurement Policy Framework Act and its regulations.

Some of the invitation to tender for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2). Similar non-compliance was also reported in the prior year.

The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.

Management's Response

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes
Corrective action to be taken:	Procurement processes will be revised to ensure compliance with legislation.
What corrections will be made to the population?	Corrections will be made prospectively.
If no corrections will be made, the reason why such a conclusion has been reached.	N/A
Position of official responsible to take corrective action:	CFO
Estimated completion date for corrective action:	N/A

Does management agree with the root cause indicated	Yes	
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A	

Recommendation

- That
- (i) management ensure that all goods and services with a transaction value above R200 000 have a competitive bidding process if practical.
 - (ii) all goods and services with a transaction value below R200 000 should be using a price quotation.
 - (iii) all bidders submit a declaration that declares if the bidder is employed by the state or connected to a person connected to the state.
 - (iv) all bids should be advertised for not less than 30 days in case of transactions over R10 million (VAT included) or which are of a long term nature, for any other case a bid should be advertised for 14 days.
 - (v) a bid evaluation process includes a preference point scored for every bid.
 - (vi) a contract is not be awarded to a bidder if the minimum preference points are not scored.
 - (vii) management ensure that all invitations to tender for the procurement of commodities for local content and production should stipulate the minimum threshold for local production and content.
 - (viii) the performance of a contractor or provider should be monitored monthly.

Audit Finding: Consequence management

“Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Unauthorized expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA”.

Management’s Response

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes
Corrective action to be taken:	Irregular expenditure and unauthorised expenditure incurred by the municipality will be investigated to determine if any person is liable for the expenditure.
What corrections will be made to the population?	Corrections will be made prospectively.
If no corrections will be made, the reason why such a conclusion has been reached.	N/A
Position of official responsible to take corrective action:	CFO
Estimated completion date for corrective action:	N/A
Does management agree with the root cause indicated	Yes
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A

Recommendation

That (i) Irregular expenditure and unauthorised expenditure incurred by the municipality be investigated to determine if any person is liable for the expenditure

Audit Finding: Internal control deficiencies

"I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

The municipality did not effectively exercise their oversight responsibility in respect of financial, performance reporting and compliance with applicable legislation by ensuring that daily and monthly reports are prepared and adequately reviewed to ensure credibility of financial statements and the annual performance report".

Management's Response

DESCRIPTION	RESPONSE
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Does management agree with the finding?	Yes
Corrective action to be taken:	Daily and monthly controls will be put in place to prevent, detect, and correct misstatements of the financial statements and the annual performance report.
What corrections will be made to the population?	Corrections will be made prospectively.
If no corrections will be made, the reason why such a conclusion has been reached.	N/A
Position of official responsible to take corrective action:	CFO
Estimated completion date for corrective action:	N/A
Does management agree with the root cause indicated	Yes
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A

Recommendation

That (i) management reconcile the Financial Statements with the support provided for the auditors for the financial statements and reconcile the annual performance report with the achievements reported in the annual performance report.

Audit Finding

“The municipality developed an audit plan to address issues that were raised by the internal and external auditors in the prior financial year, however, management did not adequately address prior year issues. This is evident from repeat findings identified in the current year in the financial statements as well as compliance with legislation”.

Management’s Response

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes
Corrective action to be taken:	Audit action plan will address all findings raised and each department would be responsible to report on findings. This reporting will include findings that are raised again and findings that are resolved.
What corrections will be made to the population?	Corrections will be made prospectively.

If no corrections will be made, the reason why such a conclusion has been reached.	N/A	
Position of official responsible to take corrective action:	CFO	
Estimated completion date for corrective action:	N/A	
Does management agree with the root cause indicated	Yes	
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A	

Recommendation

- That (i) management to compile an audit plan with recommendations that are reasonable and possible for the municipality to reach.
- (ii) each department to have access to their findings on the audit plan with their recommendations;
- (iii) each department be responsible to resolve the findings in their department and to prevent these findings from occurring again.
- (vi) follow-ups on the audit plan from each department be sent regularly to the CFO for consideration and review.

Audit Finding

“Management has not effectively implemented daily and monthly controls to prevent, detect and correct misstatements before financial statements and annual performance report are submitted for audit. As a result, numerous material misstatements were identified between the financial statements, annual performance report and schedules in support of financial statements and achievements reported in the annual performance report”.

Management’s Response

DESCRIPTION	RESPONSE
Does management agree with the finding?	Yes
Corrective action to be taken:	Daily and monthly controls will be put in place to prevent, detect, and correct misstatements of the financial statements and the annual performance report.
What corrections will be made to the population?	Corrections will be made prospectively.

If no corrections will be made, the reason why such a conclusion has been reached.	N/A	
Position of official responsible to take corrective action:	CFO	
Estimated completion date for corrective action:	N/A	
Does management agree with the root cause indicated	Yes	
If management does not agree with the root cause indicated, please provide the root cause according to management.	N/A	

Recommendation

- That (i) management implement controls to ensure reconciliation are done on a timely basis for all departments and that reconciling items are resolved.
- (ii) management reconcile the Financial Statements with the support provided for the auditors for the financial statements and reconcile the annual performance report with the achievements reported in the annual performance report.

Material irregularities identified during the audit

Audit Finding: Internal capacity not developed to prepare annual financial statements resulting in over reliance on consultants.

"I identified a material irregularity during the audit and notified the accounting officer, as required by material irregularity regulation 3(2). By the date of this auditor's report, the response of the accounting officer was not yet due. This material irregularity will be included in the next year's auditor's report.

The municipality appointed consultants for preparation of financial statements and asset management due lack of capacity and skills of municipal officials. However, the municipality did not develop, implement and monitor consultancy reduction plan to capacitate municipal officials and therefore reduce reliance on consultants as required by municipal cost containment regulation 5(5)".

Management's Response

DESCRIPTION	RESPONSE
We could not obtain any evidence that the municipality has performed a needs	Management partially agrees with the finding.

assessment as required in terms of the municipal cost containment regulation 5(1) before appointing Market Demand (R2 002 504) and Duchare Consulting (R1,614 576).

The municipality has a qualified CFO & ACFO, however if one takes into account the size & structure of a rural municipality the difficulty stems from recruiting the high skills needed to support the CFO & ACFO.

ASSETS:

When council finalised the support structure it should be noted that just one senior clerk at a level of T7 supports the asset management function and it was envisaged during this process that expert support be brought in in the form of technology and technical expertise. The asset management system is on an electronic platform and linked to GIS. Part of the cost of R718 617,07 relates to license and maintenance costs. This being a full time departmental function, the route taken by council is in support of the regulations from a strategic point and it also frees up the time of senior management to focus on strategic matters, management issues, the control environment and not stuck on daily technical matters. This also reduced the overall employment cost of the department. This is further enhanced annually by the CFO of the need, hence the scope of work defined in a SLA.

AFS:

The strategy followed by council on this area is similar to the one explained in assets above.

OVERALL:

Looking at the BTO function and the structure the following areas are also managed by the CFO:

- Annual Financial Statements
- Asset Management

	<ul style="list-style-type: none"> • In Year & Quarterly Reporting • Annual Report • Accounting (policies & procedures) • Investment Property & Inventory • Financial Management Systems • Financial analysis & Statistics • Financial Management Compliance • Reporting and attending to Council, committee & IGR related meetings <p>This also demonstrates that although a small municipality, the requirement based on the powers & function are vast, therefore in order to maintain strong control measures it is necessary to insource external specialist resources for good PFM.</p>
Corrective action to be taken:	Council reviews the structure annually and this review was done with a realignment approved to strengthen the asset management & internal audit function.
What corrections will be made to the population?	None
If no corrections will be made, the reason why such a conclusion has been reached.	Committed expenditure
Position of official responsible to take corrective action:	ACFO
Estimated completion date for corrective action:	Review completed and implementable in 2022-23 FY
Does management agree with the root cause indicated	No
If management does not agree with the root cause indicated, please provide the root cause according to management.	This is already a strategic decision of council to contain costs & phase in capacity

Recommendation

- That (i) management assess the need for consultants in every department of the municipality, to identify areas that need assistance and reduce the use of consultants in departments that do not require assistance.
- (ii) management sets targets for skills development that are discussed with each department that require this assistance and the consultant before the project starts.
- (iii) after completion of the project it is recommended that management assess if skills were transferred to the specific department and what section can be excluded from the scope of appointment for next year's project with the consultants.
- (iv) management identifies departments where consultants' professional services are necessary and give provide current employees with training on subjects to reduce the reliance on consultants.

10. Conclusion

The Committee would like to express its dissatisfaction with management with the qualified audit report, which is not an improvement on the previous years' audit report received from the Auditor General. The Committee concludes that improvement is still needed in critical areas such as the issues raised by the Auditor General under the heading "Emphasis of Matters". The Committee is of the view that the Management Team should place a high priority on producing an Annual Report and Annual Financial Statements in accordance with the MFMA and National Treasury guidelines, and strive to eliminate the emphasis of matters expressed by the Auditor General.

In an effort to adequately address the findings of the AG and Audit Action Plan was developed by management and this plan is attached as an Annexure to the Oversight report to enable Council and role players to have a comprehensive insight in all the issues raised by the AG during the audit and remedial actions to be instituted by the Accounting Officer. Seeing that the Audit Action plan was part of the submission of the draft Annual report the Committee will not elaborate on the document's content.

The Committee would like to express a word of thanks to the Mayor, the Speaker, Councillors and the entire management team of Umsobomvu municipality, the Auditor General, Audit and Performance Committee and the Internal Audit Section for their support and co-operation in completing the annual report oversight process. The Committee strongly believes that ULM and its citizens will realize substantial and tangible benefits if a similar process is consistently followed in the following years. The Committee is grateful for the opportunity to be of service to municipality and its citizens.

11. Recommended resolution to be adopted by Council, in accordance with MFMA Section 129 (1):

Having performed the following tasks:

- Reviewed and analysed the Draft 2021/22 Annual Report;
- Considered comments and representations received;
- Received and considered Council's Audit Committee's views and comments on the annual financial statements and the performance report; and
- Prepared the draft 2021/22 Oversight Report, taking into consideration the views and inputs from the public, representatives of the Auditor-General, organs of state, Council's Audit Committee, Councillors and the Accounting Officer

The MPAC has pleasure in presenting the Oversight Report to Council to consider the following resolution:

- (i) Council having fully considered the 2021/22 Annual Report of the Umsobomvu Local Municipality for the 2021/22 financial year, adopts the Oversight Report for the 2021/22 financial year;
- (ii) approves the 2021/22 Annual Report without reservations;
- (iii) the rectification of deviations listed in the Annual Report Checklist be included in the performance plans of the Municipal Manager and Managers directly accountable to the Municipal Manager;
- (iv) the oversight process be continued on an on-going basis by means of the Municipal Public Accounts Committee (MPAC), and that the MPAC perform a quarterly review of progress towards meeting ULM's IDP and budget commitments, preparation of the following year's annual report, implementation of commitments made in response to the prior year's annual report issues, and any other issues as directed by the Council;
- (v) the Oversight Report be made public as provided for in terms of Section 129(3) of the Municipal Finance Management Act, 2003 (Act 56 of 2003);
- (vi) the Oversight Report and the final 2021/22 Annual Report be submitted to the Provincial Legislature in accordance with Section 132(2) of the Municipal Finance Management Act, 2003 (Act 56 of 2003);
- (v) sufficient budgetary provision is made by Council to address the capacity issues raised in the MPAC Report and those raised by the Auditor General;
- (vi) the "Recommended Corrective Actions" contained in the Checklist and Reservations And Comments be adopted and same be included in the Audit Action Plan.

Umsobomvu Municipal Oversight Committee

By _____
Councillor W. Minnie (Chairperson

By _____
Councillor S.A. Yabo

By _____
Councillor G.M.H. Douw

29 March 2023

ORIGINAL

ANNEXURE A

PUBLIC NOTICE: INVITATION TO SUBMIT COMMENTS ON THE 2021/22 DRAFT ANNUAL REPORT

Notice is hereby given to the general public, interest groups and role players in terms of Section 21A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) and Section 127 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) that the municipality has prepared a Draft Annual Report for the financial year 2021/22 and that same has been tabled at a Council meeting dated 31 January 2023. The Draft Annual Report lies open for inspection at the various municipal offices and public Libraries for public input. The report consists of: (i) the 2021/22 Draft Annual Report; (ii) the Audited Annual Financial Statements for the period 1 July 2021 to 30 June 2022; (iii) Report of the Auditor General on the 2021/22 Financial Statements; (iv) the Audit Action Plan; and (v) the 2021/22 Report of the Audit Committee. The public and interest groups are requested to submit written comments on the Draft Annual Report to the Acting Municipal Manager on or before 15 March 2023 at 16:30. Persons who cannot read or write are requested to visit the offices where they will be assisted to make submissions.

S. NKCITHISO

ACTING MUNICIPAL MANAGER

Notice No. /2023

Date: 06 February 2023

ANNEXURE B

PUBLIC HEARINGS ON THE 2021/22 DRAFT ANNUAL REPORT

The Oversight Committee planned to visit the various communities depicted in the table to do public hearings across all wards in Umsobomvu municipal jurisdiction.

Proper minutes were kept of the meetings that were held and are available from the Record Office upon written request. No matters which have a bearing on the 2021/22 Annual report have been raised at any for the Public Hearings.

DATE	WARD	TIME	VENUE
20 FEBRUARY 2023	1	14: 00	KWAZAMUXOLO COMMUNITY HALL
20 FEBRUARY 2023	2	10:00	JJ CLAASES COMMUNITY HALL
21 FEBRUARY 2023	7	16:00	NORVALSPONT COMMUNITY HALL
22 FEBRUARY 2022	3, 4 AND 6	17:00	KUYASA COMMUNITY HALL
23 FEBRUARY 2023	7	10:00	LOWRYVILLE COMMUNITY HALL
23 FEBRUARY 2023	5	16:00	COLEBERG CIVIC CENTRE