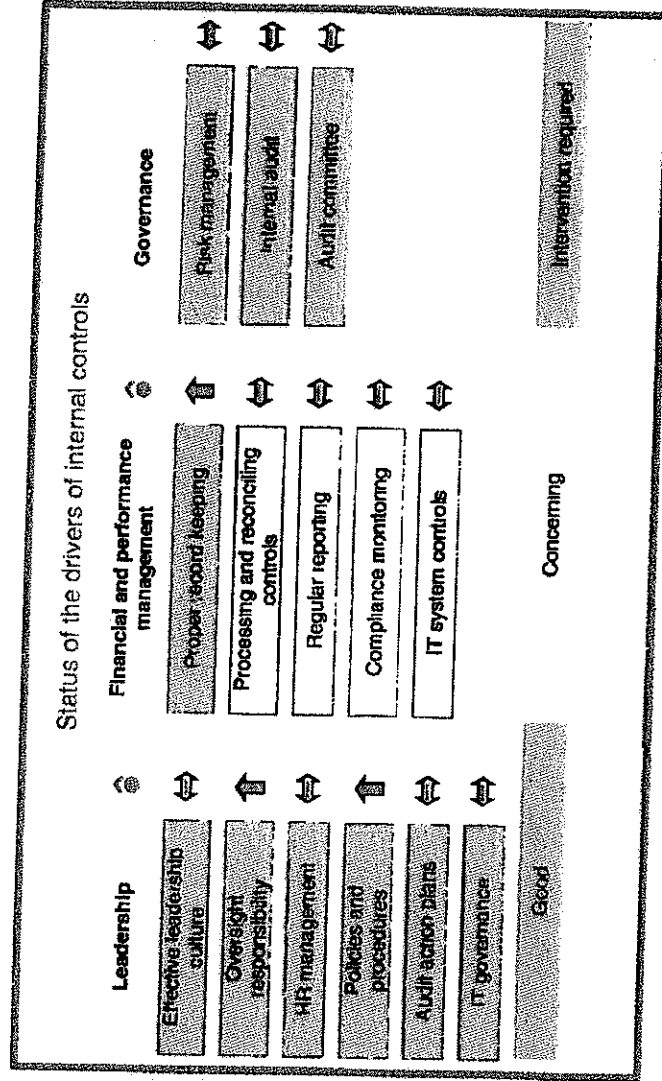
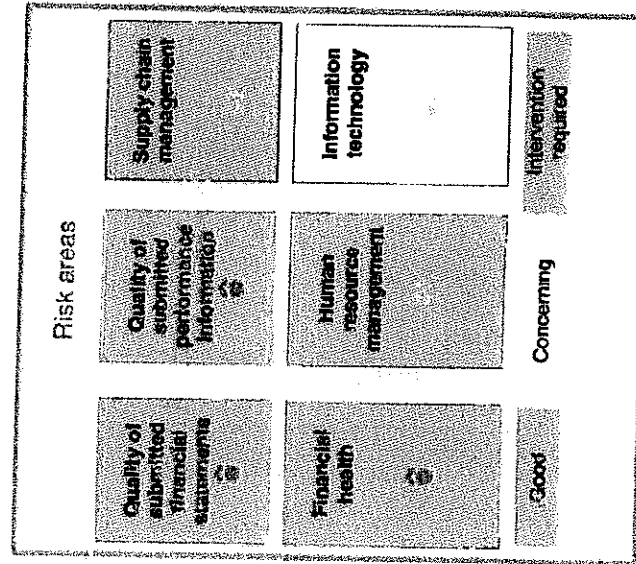
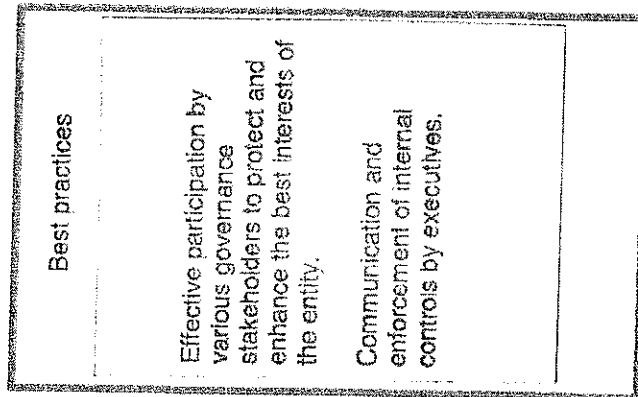


1 To improve/maintain the audit outcomes ...
 2 ... the key role players need to assure that...
 3 ... attention is given to the key controls, and ...
 4 ... the risk areas, and ...
 5 ... the root causes are addressed...
 6 ... the best practices are maintained.



83. There has been a noted improvement in the quality of submitted financial statements and performance information leading to the municipality receiving an unqualified report in the current year.
84. Our staff remains committed to assisting in identifying and communicating good practices to improve governance and accountability and to build public confidence in government's ability to account for public resources in a transparent manner.

Yours faithfully



Vanuja Maharaj
Business Executive: KZN

30 November 2016

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Email: Rashika@agsa.co.za

Distribution:
Accounting officer
CFO
Audit committee
Head of internal audit unit

SECTION 7: Summary of detailed audit findings

Page no.	Finding	Classification	Missstatements in financial statements	Missstatement in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters	Number of issues reported in previous (three years)	State of implementation of previous year(s) recommendation
27	ANNEXURE A: MATTERS AFFECTING THE AUDITOR'S REPORT											
	There are no matters to report.											
27	ANNEXURE B: OTHER IMPORTANT MATTERS											
	Audit of Predetermined Objectives											
27	Performance indicators not well defined				✓				✓		-	Not applicable
29	Performance targets do not meet the SMART criteria				✓				✓		-	Not applicable
31	Inconsistency of information contained within the IDP				✓				✓		-	Not applicable
32	Planned and reported performance indicator/targets were not consistent.				✓				✓		-	Not applicable
	Procurement and contract management											
33	Supply chain management policy not aligned to the supply chain management regulations.				✓				✓		-	Not applicable
35	Suppliers in service of the state											
	Annual financial statement disclosures				✓				✓		-	Not applicable
37	Councillors remunerated above the limit		✓						✓		-	Not applicable
	Expenditure											



Page no	Finding	Classification							Number of times reported in previous three years	Status of implementation of service request recommendation
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters	
38	Incorrect classification of expenditure	✓						✓		Not applicable
39	Payments not made within 30 days			✓				✓		In progress
41	Fruitless and wasteful expenditure during training of ward committee members	✓						✓		Not applicable
	Asset management									
42	Assets - Square metre on the register does not agree to the Deed information	✓						✓		Not applicable
44	Heritage asset not presented for verification	✓						✓		Not applicable
45	Land on the fixed asset register is not owned by the municipality	✓						✓		In progress
	Internal control									
46	Contract register incomplete				✓			✓		Not applicable
	Information technology									
48	Trafman reviews could not be obtained				✓			✓		Not applicable
	SECURITY MANAGEMENT									
50	Inadequate password configurations on Trafman				✓			✓		Not applicable
	IT SERVICE CONTINUITY									
51	Disaster Recovery Plan / Business Continuity Plan not tested				✓			✓		Intervention required
52	Inadequate backup procedure/ process				✓			✓		
	FIREWALL ASSESSMENT									



Page no	Findings	Classification							Rating	Number of issues reported in previous three years		Status of implementation of previous year(s) recommendation
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
53	Firewall configurations informally reviewed DATA ANALYTICS REVIEW				✓			✓				Not applicable
54	Incorrect standby pay amount reimbursed to employee	✓						✓				Not applicable
55	Municipal owned property allocated to an individual and found on the valuation roll	✓						✓				Not applicable
	ANNEXURE C: ADMINISTRATIVE MATTERS Inventory											
54	Requisition form is not approved by head of department				✓			✓				Not applicable



Detailed audit findings**ANNEXURE A: MATTERS AFFECTING THE AUDITOR'S REPORT**

There are no matters to report.



ANNEXURE B: OTHER IMPORTANT MATTERS

Audit of Predetermined Objectives

1. Performance indicators not well defined

Audit finding

In terms section 41(1) of the Municipal Systems Act 32 of 2000:

The municipality must in terms of its performance management system and in accordance with any regulation and guidance that may be prescribed -

- a) set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its integrated development plan;
- b) set measurable performance targets with regard to each of those development priorities and objectives;

Furthermore this is supported by paragraph 3.2 of Chapter 3 of the National Treasury Framework for Managing Programme Performance Information, which provides that:

A good performance indicator should be:

- (a) **Reliable:** the indicator should be accurate enough for its intended use and respond to changes in the level of performance.
- (b) **Well-defined:** the indicator needs to have a clear, unambiguous definition so that data will be collected consistently, and be easy to understand and use

During the audit of predetermined objectives, it was identified that the municipality did not develop well defined performance indicators to ensure that information is collected consistently. The following performance indicators, as extracted from the municipality's IDP/SDBIP/APR, were not well defined:

Development Priority/ Objective	Performance Indicators/ (extract from IDP/SDBIP/APR)	Auditors Comment
Basic Service delivery and Infrastructure development	Procurement of 11 redundant municipal vehicles by 30 June 2016	The indicator worded incorrectly as confirmed with Manager: Public Safety. It was meant to be procurement of 11 vehicles for the municipality by 30 June 2016 Management comment It should be "Procurement of 11 vehicles for the municipality by 30 June 2016"
Basic Service delivery and Infrastructure development	Completion of Helpmekaar Intersection- Ward 22 by 30 June 2016	The indicator does not specify what work will be done and where on Helpmekaar Intersection Management comment Planning Study of the possible future development in the intersection (N11 and Helpmekaar).
Basic Service delivery and Infrastructure development	Installation of traffic robots in two intersections (Murchison Street) in Ward 12 by 30 June 2016	The indicator did not specify the location of intersection in Murchison street Management comment The indicator is very clear that robots to be installed at the intersection in Murchison street, Ward 12 and in future we will include the coordinate on the SDBIP and APR so as to avoid any confusion.

Development Priority/ Objective	Performance Indicators (extract from IDP/SDIP/APP)	Auditors Comment
		(Referred to Robots are for Murchison & Princess Streets Intersection and the Murchison & Short Streets Intersection

Internal control deficiency

LEADERSHIP

Oversight responsibility

Assistant Manager: Performance Management System did not adequately review the indicators to ensure that performance indicators developed are well defined for measuring performance.

Recommendation

- The criteria for establishing whether performance indicators are well defined should be considered when developing a performance indicator.
- The performance management section should perform an assessment of all performance indicators, developed by the municipality, against the criteria to establish if these performance indicators are well defined.

Management response

The performance management section agrees with the finding and we will add a column to be specific with the indicator and will perform an assessment of all performance indicators, developed by the municipality, against the criteria to establish if these performance indicators are well defined.

Name: Mrs ND Mwamba

Position: Assistant Manager: Performance Management Systems

Date: 21 October 2016

Auditor's conclusion

Management comments are noted and will be followed up during our quarterly interactions.



2. Performance targets do not meet the SMART criteria

Audit finding

In terms section 41(1) of the Municipal Systems Act 32 of 2000:

The municipality must in terms of its performance management system and in accordance with any regulation and guidance that may be prescribed -

- a) set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its integrated development plan;
- b) set measurable performance targets with regard to each of those development priorities and objectives;

Furthermore this is supported by paragraph 3.2 of Chapter 3 of the National Treasury Framework for Managing Programme Performance Information, which provides that:

A good performance indicator should be:

- (a) **Reliable:** the indicator should be accurate enough for its intended use and respond to changes in the level of performance.
- (b) **Well-defined:** the indicator needs to have a clear, unambiguous definition so that data will be collected consistently, and be easy to understand and use.

The following performance targets, in the basic service delivery and infrastructure development KPA, were not specific, measurable and did not specify a timeframe/ deadline for achievement of the performance target and therefore not in line with the SMART principles set out in para 3.3 of Chapter 3 of the National Treasury Framework for Managing Programme Performance Information states that "A useful set of criteria for selecting performance targets is the "SMART" criteria:

- **Specific:** the nature and the required level of performance can be clearly identified
- **Measurable:** the required performance can be measured
- **Achievable:** the target is realistic given existing capacity
- **Relevant:** the required performance is linked to the achievement of a goal

Development Priority/ Objective	Performance Target	Auditors Comment
Basic Service delivery and Infrastructure development	Traffic robots Installed in two intersections in the CBD in Ward 12 by 30 June 2016	The target did not specify which intersection in Murchison street Management Comment The target is clear that robots to be installed at the intersection in Murchison street, Ward 12 and in future we will include the coordinate on the SDBIP and APR so as to avoid any confusion. Referred to Robots are for Murchison & Princess Streets Intersection and the Murchison & Short Streets intersection
Basic Service delivery and Infrastructure development	Planning Study for future development- Helpmekaar Intersection- Ward 22 to be completed by the 30 June 2016	Target did not specify the future development and measurability of the work at the intersection Management Comment What is measured by this target is the Planning Study of the possible future development in the intersection (N11 and Helpmekaar).
Basic Service delivery and Infrastructure development	11 Vehicles procured to replenish redundant vehicles	Target not time bound

Development Priority/ Objective	Performance Target	Auditors Comment
		Management Comment It should be "11 Vehicles procured to replace redundant vehicles by 30 June 2016"

Internal control deficiency

LEADERSHIP

Oversight responsibility

Sufficient monitoring controls were not in place to ensure that performance targets developed are in line with the SMART principles.

Recommendation

- The SMART principles should be considered when developing a performance target.
- The performance management section should perform an assessment of all performance targets developed by the municipality to ensure that these targets are in line with the SMART principles.

Management response

The SMART principles will be considered when developing a performance target.

The performance management section will perform an assessment of all performance targets developed by the municipality to ensure that these targets are in line with the SMART principles.

Name: Mrs ND Mwamba

Position: Assistant Manager: Performance Management Systems

Date: 21 October 2016

Auditor's conclusion

Management comments are noted and will be followed up during our quarterly interactions.



3. Inconsistency of information contained within the IDP

Audit finding

In terms of section 62(1)(c)(i) of the MFMA, an Accounting Officer (AO) for a municipality "must ensure that the municipality has and maintains effective efficient and transparent systems of financial and risk management and internal control." Section 62(1)(a) states that the Accounting Officer "is responsible for the effective, efficient, economical and transparent use of resources of the municipality."

The audit of the municipality's IDP revealed discrepancies in predetermined objectives/indicators recorded under the Municipal strategic objectives/goals which were not consistent with the predetermined objectives/indicators recorded under National and provincial goals within the same IDP. The following tables depict the inconsistencies identified.

As stated on page 403 and 407 on the IDP the following indicator and target were identified under Municipal Strategic Goals heading.

Development Priority/ Objective (Pages 403 & 407 under the heading of Municipal Strategic Goals)	Performance Indicators	Discrepancy compared to National and provincial goals in Pages 557 & 559
Basic Service delivery and Infrastructure development	Maintenance of Community Thusing Facilities (St Chads, Roosboom, Driefontein and Watersmeet) by 30 June 2016	This indicator is stated under the Development Priority/Objective of 'Good Governance, Public Participation & Ward Committee'
Basic Service delivery and Infrastructure development	The percentage of households earning less than R2840 per month with access to free basic services by 30 June 2016	The threshold is stated at R1100 per month
Basic Service delivery and Infrastructure development	Total number of households earning less than R2840 per month with access to free basic services by 30 June 2016 Management Comment The report on pages 403-407 is the correct and it agreed back to the SDBIP. The report on pages 557-559 were in error not updated. In future PMS will ensure that adequate review of the IDP to the national indicators to ensure that the information contained within the IDP is consistent.	The threshold is stated at R1100 per month

Inconsistencies of the IDP would mislead the readers of the document of the indicators and targets intended.

Internal control deficiency

LEADERSHIP

Oversight responsibility

Inadequate review by management of the IDP to ensure that the information contained within the IDP is consistent and is providing useful information to the users.

Recommendation

The performance management section should perform an adequate review of the IDP to the national indicators to ensure that the information contained within the IDP is consistent.

Management response

In future performance management section will perform an adequate review of the IDP to the national indicators to ensure that the information contained within the IDP is consistent.

Name: Ms Z Xaba

Position: Manager: IDP

Date: 21 October 2016

Auditor's conclusion

Management response noted and will be followed up during our quarterly interactions

4. Planned and reported performance indicator/targets were not consistent

Audit finding

In terms section 41(1) of the Municipal Systems Act 32 of 2000:

The municipality must in terms of its performance management system and in accordance with any regulation and guidance that may be prescribed -

- a) set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its integrated development plan;
- b) set measurable performance targets with regard to each of those development priorities and objectives".

The municipality's planned performance indicator in the Service Delivery Budget Implementation Plan (SDBIP), the related planned performance target in the SDBIP and the reported performance targets in the Annual Performance Report (APR), were not aligned. The details of the discrepancy was as follows

Planned performance indicators in the SDBIP	Planned performance targets/indicator in the SDBIP	Reported Performance targets in the APR
Completion of Ezakheni- Ward 1, Indoor Sports Hall (Phase 3) by 30 June 2016	Completion of Ezakheni- Ward 1, Indoor Sports Hall (Phase 2) by the 30th of June 2016 Management comment There was a typing error in Phases, it is Phase 3 as specified on the Performance Indicator that was done in 2015/2016 financial year.	Achieved: Ezakheni Indoor Sports Hall Ward 1 (Phase 2) completed by 30 June 2016 Management comment There was a typing error in Phases, it is Phase 3 as specified on the Performance Indicator that was done in 2015/2016 financial year.



Internal control deficiency

LEADERSHIP

Oversight responsibility

- Review by management of the planned and reported performance indicators and targets were not adequate to ensure alignment of the indicator and the target.

Recommendation

It is recommended that the annual performance report be adjusted to ensure that the planned and reported performance indicators and targets are aligned

Management response

The annual performance report will be amended to ensure that the planned and reported performance indicators and targets are aligned

Name: Mrs ND Mwamba

Position: Assistant Manager: Performance Management Systems

Date: 21 October 2016

Auditor's conclusion

Management response noted and will be followed up during quarterly interactions.

Procurement and contract management

5. Supply chain management policy not aligned to the supply chain management regulations.

Audit Finding

In terms of regulation 15 of the Municipal Supply Chain Management Regulations (GNR 868 dated 30 May 2005), " Petty cash purchases – A supply chain management policy must stipulate the conditions for the procurement of goods by means of petty cash purchases referred to in regulation 12(1)(a), which must include conditions- (a) Determining the terms on which a manager may delegate responsibility for the petty cash to an official reporting to the manager; (c) excluding any types of expenditure from petty cash purchases, where this is considered necessary";

In terms of regulation 16 of the Municipal Supply Chain Management Regulations (GNR 868 dated 30 May 2005), " Written or verbal quotations – A supply chain management policy must stipulate the conditions for the procurement of goods or services through written or verbal quotations, which must include conditions stating – (e) that if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider."

In terms of regulation 18 of the Municipal Supply Chain Management Regulations (GNR 868 dated 30 May 2005), "Procedures for procuring goods or services through written or verbal quotations and formal written price quotations. – A supply chain management policy must determine the procedure for the procurement of goods or services through written or verbal quotations or formal written quotations, and must stipulate - (b) that when using the list of accredited prospective providers the accounting officer must promote on-going competition amongst providers, including by inviting providers to submit quotations on a rotation basis; (e) requirements for proper record keeping."

In terms of regulation 21 of the Municipal Supply Chain Management Regulations (GNR 868 dated 30 May 2005), " Bid documentation for competitive bids, - A supply chain management policy must determine the criteria to which bid documentation for a competitive bidding process must comply, and state that in addition to regulation 13 the bid documentation must - (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of the payment from the municipality or municipal entity is expected to be transferred out of the Republic;"

During the audit of the supply chain management policy, it was established that the supply chain management policy does not provide for the requirements of the following supply chain management regulations:

- section 15 (a) and (c);
- section 16 (e);
- section 18 (b) and (c); and
- section 21 (iv).

This results in non-compliance with the laws and regulations governing the supply chain management process.

Internal control deficiency

The chief financial officer implemented inadequate processes and procedures to ensure that the municipal supply chain management policy is aligned with the Municipal Supply Chain Management Regulations

Recommendation

The chief financial officer should review the supply chain management policy to ensure that the policy is aligned to the supply chain management regulations. Furthermore, the supply chain management policy should be reviewed on an annual basis.

The supply chain management policy should be amended to include the abovementioned regulation in terms of the municipal supply chain regulations.

Management response

The municipality has noted your findings and recommendations that you have made, and the municipality is considering amending its Supply Chain Management policy to incorporate the gaps that has been identified by the A-G.

The A-G must note that the municipality has a Petty Cash Management Policy, which will be aligned to the Supply Chain Management Policy.

Name: M Hloba

Position: Executive Director Finance

Date: 07/11/2016



Auditor's conclusion

Management's response is noted, follow ups will be conducted during the quarterly interactions relating to the 2016/2017 audit.

6. Suppliers in service of the state

Audit finding

In terms of section 112 of the MFMA, the supply chain management policy of a municipality or municipal entity must be fair, equitable, transparent, competitive and cost-effective and comply with a prescribed regulatory framework for municipal supply chain management, which must cover at least the following:

(j) compulsory disclosure of any conflicts of interests prospective contractors may have in specific tenders and the exclusion of such prospective contractors from those tenders or bids

Further the Municipal Supply Chain Management Regulation 44 states that "the supply chain management policy of a municipality or municipal entity must, irrespective of the procurement process followed, state that the municipality or municipal entity may not make any award to a person –

(a) who is in service of the state;

(b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or

(c) who is an advisor or consultant contracted with the municipality or municipal entity

While performing the audit of SCM the following suppliers were identified as suppliers in service of the state :

No	Name of person	State institution where employed	Supplier name	Payments - current year	Supplier submitted declaration of interest?	The connection was declared?
1	C N Bapela	Nat: basic education	Bapela cave klapwijk cc	23 828.49	Yes	No
2	Wiseman Emmanue	Ekurhuleni metro	Bhelekazi building works cc	581 887.40	Yes	No
3	Mbuyisa Hlengiwe	South african post office li	Hsm 321 trading	1 850.00	Yes	No
4	Makhosazana Mpu	Uthukela district municipal	Noduma ehlezi trading enterprises & projects	187 000.00	Yes	No
5	No Information	Department of Defence	Nomagugu contractors and management	7 942.00	Yes	No
6	V A Mkhize	Kzn: education	Gcwabe's upholstery and motor trimmers	16 580.00	Yes	No
7	T V Mahlaba	Kzn: education	Akubekuhle catering and other services	5 400.00	Yes	No
8	A G Ndaba	Kzn: transport	Afikile amathemba primary co-op ltd	4 000.00	Yes	No
9	S Mvelase	South african police service	Thabenhle trading	8 500.00	Yes	No

10	Dubazana Ban	South african social securit	Sandle bantwini shakers (pty) ltd	2 000.00	Yes	No
11	E X Ngwenya	Kzn: education	Jbv trading enterprise	52 614.50	Yes	No
12	Z Ebrahim	Social housing regulatory authority	Aurecon south africa (pty) ltd	490 065.93	Yes	No
13	Madikane	Mhlathuze water board	Igoda projects (pty) ltd	375 179.31	Yes	No
14	Sowazi	Housing development agency	Actom electrical products (pty) ltd	141 816.00	Yes	No

1 898 663.63

Internal Control deficiency

The SCM manager has failed to ensure that adequate processes to identify suppliers in the service of the state were implemented.

Recommendation

The SCM manager must create a data base of suppliers in the service of the state. Suppliers must be assessed against the data base of suppliers prior to awarding contracts. Where interests are identified, suppliers must be excluded from the SCM processes.

Management response

We agree with the finding but disagree with the internal control deficiency. The actual root cause of the finding is the failure of the suppliers to honestly complete the Declaration of Interest Forms.

The municipality's internal control procedure is a completed declaration of interest form from the prospective suppliers to determine if suppliers are in the service of the state or not. In terms of the findings we have submitted Declaration of Interest forms from these suppliers. None of the suppliers indicated that they are in the service of the state. It is out of the municipality's control to determine or verify if such forms have been completed honestly. Going forward the municipality will create a database starting with the suppliers you raised in your findings to ensure the municipality does not do business with them to prevent such from occurring in future. However we need the AG to also consider that it's not always permanent for anyone to be in the service of the state that's why suppliers usually declares annually so the database may also somehow be misleading when the status changes.

Further we can confirm that out of the supplies you have identified there is no supplier that was previously identified in the previous years.

The municipality will issue letters to these service providers informing them that the municipality will no longer conduct any further business with them.

Name: Mr M Hloba

Position: Executive Director: Finance (CFO)

Date: 17/11/2016

Auditor's conclusion

Management's comment is noted, this will be followed up during quarterly interactions with the Alfred Duma municipality.

Annual financial statement disclosures

7. Councillor's remunerated above the limit

Audit Finding

According Section 7 Remuneration of Public Office Bearers Act 20 of 1998

The upper limit of salaries and allowances of the different members of Municipal Councils shall from time to time be determined by the Minister, after consultation with the member of the Executive Council responsible for local government in each province, by notice in the Gazette after taking into consideration

- the recommendations of the Commission;
- the respective role, status, duties, functions and responsibilities of the different members of councillors
- the different categories or types of municipalities, having regard to their respective powers, duties and functions;
- the gross income, the area of jurisdiction and the nature of settlement of each municipality;
- the affordability of different levels of remuneration of public office bearers;
- the current principles and levels of remuneration in society generally;
- the need for the promotion of equality and uniformity of salaries, allowances and benefits for equal work performed;
- the provision of uniform norms and standards nationally to address disparities; and
- Inflationary increases.

In terms of Government Gazette No.39548, fulltime councillors must be remunerated in line with paragraph 5 and for part time councillors must be remunerated in terms of paragraph 8.

During the audit of the remuneration of councillors it was noted that the following councillors were remunerated above the upper limit as determined in the Government Gazette No.39548

Par. No	Surname & Initials	Position	Total Remuneration	Upper limit as per the Government Gazette	Amount exceeding the upper limit
100070	RASSOOL	Speaker	630 262.48	629 647.00	615.48
100104	MADLALA	Mayor	787 832.90	787 061.00	771.90
100106	MADONSELA	Councillor	237 487.73	237 236.00	251.73
100110	SOKHELA	Councillor	237 498.73	237 236.00	262.73
100116	MKHIZE	Councillor	237 487.73	237 236.00	251.73
100118	THABETHE	Councillor	237 487.73	237 236.00	251.73
100120	MAZIBUKO	Councillor	237 487.72	237 236.00	251.73
100124	NKOMONDE	Councillor	237 487.73	237 236.00	251.72
100148	MSIBI	Exco	326 547.62	326 201.00	346.62
					<u>3 255.37</u>

Internal control deficiency

The accountant: salaries incorrectly calculated the councillor's total package resulting in the remuneration above the applicable upper limit.

The assistant manager: Financial Accounting did not implement adequate controls over daily and monthly processing and reconciling of remuneration paid to councillors.

Recommendation

The municipality should implement steps to recover the over payment made to councillors.

The assistant manager: financial accounting should ensure that the calculations is properly reviewed prior to councillors being remunerated.

Management response

The municipality will disclose the above amount as Fruitless and Wasteful Expenditure. The municipality will endeavour to recover this amount in terms of Council's Credit Control and Debt Management Policy. This will be disclosed to Council.

Name: Mr M Hloba

Position: Executive Director: Finance (CFO)

Date: 16/11/2016

Auditor's conclusion

Management's comments are noted, amended financial statements have been reviewed and the matter will be followed up during our quarterly interactions.

Expenditure

8. Incorrect classification of expenditure

Audit finding

Section 62(1) (b) states the following: "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards."

GRAP 17.77 states the following: "If, under the recognition principle in paragraph .07, an entity recognises in the carrying amount of an item of property, plant and equipment the cost of a replacement for part of the item, then it derecognises the carrying amount of the replaced part regardless of whether the replaced part had been depreciated separately. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed."

Para 74 and 78 require the gain or loss arising from derecognition of an item of property, plant and equipment to be determined and included in surplus or deficit.

During the audit of general expenditure it was noted that the following payment is incorrectly classified as general expenditure instead of being capitalised to assets.

No	Post Date	Reference	Creditor Name	Description as per supporting document	Amount (R)
1	2016/06/30	28450	HARKOO BRIJLAL & REDDY TR	Purchase of land	207 017.54
TOTAL					207 017.54

Internal control deficiency

The expenditure accountant did not ensure that payment is appropriately accounted for in accordance with the nature of work performed. Inadequate reviews are performed by budget to ensure expenditure is classified in the correct account.

Recommendation

The entire population of general expenditure should be reviewed to identify further misclassifications. The Manager: Financial Statements should reclassify the identified transactions into their correct votes and provide supporting documents for all correction to the auditors.

The accounting officer should strengthen internal controls over the review of captured information to enable the detection and correction of errors.

Management response

The purchase of land (reference 28450), the municipality agrees with the A-G finding. The Fixed Assets register and Annual Financial Statements will be amended accordingly.

Name: M Hloba
Position: Chief Financial Officer
Date: 30/09/2016

Auditor's conclusion

Management's response is noted however on further discussion the municipality will provide

9. Payments not made within 30 days

Audit finding

In terms of section 65(2) (e) of the MFMA: "The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure."

During the audit of expenditure management it was noted that for the following transactions payments to the suppliers were not made within 30 days:

N o	Referenc e	Creditor Name	Date Invoice received	Payment Date	Time lapsed over 30 days	Amount (R)
1	22794	Salga	2015/06/02	2015/07/27	25	2 214 546.00
2	25600	Desmond equipment sa	2015/11/25	2016/01/13	19	434 948.03
3	23496	Siveza concept advertisin	2015/08/06	2015/09/07	2	49 800.00
4	25914	N N alarm systems cc	2015/12/09	2016/01/31	23	8 640.35
5	26235	Nela kahle 1 cc	2015/12/14	2016/02/25	43	173 998.20
6	28325	Ladysmith trading company	2016/05/16	2016/06/30	15	1 572.20
7	28570	Njengamanje trading	2016/06/15	2016/07/20	5	166 877.19
8	27180	Afrisam (South Africa)	2016/02/25	2016/04/28	33	111 413.32
9	25436	Fourmac building supplies	2015/11/05	2015/12/24	19	1 960.00
10	28492	Brandfin trade 110 cc	2016/05/05	2016/07/14	40	45 888.39

Based on a sample of 104 items, the abovementioned 10 items were not paid within 30 days thus representing a deviation rate of 9.62%.

Internal control deficiency

Adequate monitoring and reviews of the creditor payment register are not performed by the accountant expenditure to ensure that payment terms as prescribed in the MFMA are adhered to.

Recommendation

The chief financial officer must ensure that creditors register is followed up on a timely basis to facilitate payment of invoices within 30 days of receipt.

Appropriate action must be taken against all non-complying staff.

Management response

Please see the attached spreadsheet (Annexure "A") which provides additional information per service provider.

Name: M Hloba

Position: Chief Financial Officer

Date: 30/09/2016

Auditor's conclusion

Management's response stated that transaction 1, the invoice's due date was 31 July 2015 and transactions 2 to 10 were paid within 30 days of receipt of statement.

This remains a non-compliance with the MFMA as the requirement state that money owing by the municipality be paid with 30 days of receipt of invoice or statement, and does not make provision for awaiting for a statement after receipt of invoice thus the finding remains.

10. Fruitless and wasteful expenditure during training of ward committee members

Audit finding

Section 62(1)(b) of the MFMA states, "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards"

Section 62(1)(d) of the MFMA states, "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented"

During the audit of expenditure it was noted that the following payment was for 135 ward committee members attending training when only 119 attended based on the registers, this result in fruitless and wasteful expenditure.

Post date	Reference	Creditor name and description	Amount as per invoice (R)	Recalculated amount (R)	Difference (R)
2016/04/29	27195	Osolwazi consulting and dev cc - ward committee training	750 600.00	661 640.00	88 960.00

Internal control deficiency

The chief financial officer did not adequately review the annual financial statements to ensure that all fruitless and wasteful expenditure incurred is disclosed in the annual financial statement.

Recommendation

The amount should be disclosed as fruitless and wasteful expenditure and the municipality should take steps to recover the amount.

Management response

The expenditure in the amount of R88 960 will be disclosed as Fruitless and Wasteful Expenditure in the amended Annual Financial Statements. The municipality will endeavor to recover this amount in terms of Council's Credit Control and Debt Management Policy. This will also be disclosed to Council.

Name: Mr M Hloba

Position: Executive Director: Finance (CFO)

Date: 16/11/2016



Auditor's conclusion

Management's comments are noted, amended financial statements have been reviewed. Recovery of expenditure will be followed up during quarterly interactions.

Asset management

11. Assets - Square metre on the register does not agree to the Deed information

Audit Finding

Section 63 (2) (a) Municipal Finance Management Act No. 56 of 2003 states: "The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality."

The following investment property asset has been noted to have differences in dimensions when compared to the deed information resulting in an overstatement of the value of the assets:

SG number	ERF	Suburb	Fair value 2016	SG M per the register	SG M per Deed details	Difference	Rand Value
NOGS0065000074000000	740	COLENZO EXT 15	117000	29370	20016	9354	37 263.13

The following heritage assets have been noted to have differences in dimensions when compared to the deed information resulting in an overstatement of the value of the assets:

SG Number	ERF	Suburb	CV 2016	SG M per the register	SG M per Deed details	Difference	Rand Value of misstatement
NOGS00650000002000000	20	COLENZO	34 000.00	4047	2252	1795	15 080.31
NOGS00650000002100000	21	COLENZO	16 000.00	4047	2252	1795	7 096.61
Total							22 176.92

Furthermore, the following land asset has been noted to have differences in dimensions when compared to the deed information resulting in an overstatement of the value of the assets

SG number	ERF	Suburb	CV 2016	SG M per the register	SG M per Deed details	Difference	Rand Value of misstatement
NOGS01770000000100081	1	EGERTON	20 000.00	21	0	21	20 000.00

Internal control deficiency

No reconciliation performed by the municipal evaluator to ensure information on valuation roll is accurate.

Adequate reviews and reconciliations are not performed by asset management on the asset register to ensure details on the register reconcile to information on register deeds.

Recommendation

Management should review the entire population of investment property to identify additional properties that may have been incorrectly measured and adjust the financial statements accordingly. All changes should be provided for audit purposes together with supporting documents

Management should review the valuation roll and asset register regularly to ensure that details captured are accurate.

Management response

We take note of the finding and comment that most of the properties in the sample have their extents registered in the Deeds Office as "800 dum". It seems that when the size of a property is unknown, the Deeds Office use "800 dum" to indicate a "dummy property" which equates to a size that is unknown.

Therefore, in order to value these properties, the municipality makes use of the GIS to estimate the extent which might not be the same but should be closer to the actual size. We have tabulated the properties below and also attached the Deeds Office enquiry to prove that the extents are not available except for one property.

The municipality agrees with the A-G finding in respect of Erf 740, and the necessary adjustment has been made. Please find Annexure "A" (Journal and Supporting Documentation).

SG Number	ERF	Suburb	CV 2016	SG M per the Fixed Asset Register	SG M per A-G	Extent per Deeds Office details	Comments
NOGS00650000074000000	740	COLENZO EXT 15	117000	29370	20016	25321	Difference of 4049m2
NOGS00650000002000000	20	COLENZO	34 000.00	4047	2252	800 dum	Deeds extent unknown
NOGS00650000002100000	21	COLENZO	16 000.00	4047	2252	800 dum	Deeds extent unknown

The following property below is on remainder of Erf 1 which is the remaining extent of the whole of Ladysmith Town. However, in order to identify such properties in the different suburbs, the municipality assigns a unique identifier so that the property can be uniquely identified on the Valuation Roll and the Fixed Asset Register. This is done for Control purposes.

<i>SG number</i>	<i>ERF</i>	<i>Suburb</i>	<i>CV 2016</i>	<i>SG M per the register</i>	<i>SG M per Deed details</i>	<i>Difference</i>	<i>Rand Value of misstatement</i>
NOGS01770000000100081	1	EGERTON	20 000.00	21	0	21	20 000.00

Consequently, the extent of the property is also estimated hence the 21m2 as reflected above as per the Asset Register. Such properties cannot be traced to through the Deeds Office until such a time when they are subdivided.

Name: Mr M Hloba

Position: Executive Director: Finance (CFO)

Date: 10/11/2016

Auditor's conclusion

Management's comments are noted, this will be followed up during quarterly interactions.

12. Heritage asset not presented for verification

Audit Finding

Section 63 (1) (a) Municipal Finance Management Act No. 56 of 2003 section 63(1) states: "The accounting officer of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets."

The following Heritage asset was requested for physical verification and was not verified:

<i>SG Number</i>	<i>ERF</i>	<i>Suburb</i>	<i>Owner - Description</i>	<i>CV 2016</i>
NOGS01770000000100073	1	EGERTON	MUN - PRET DORP HOUSES	160 000.00
NOGS01770000110200500	1102	CEMETERY RD (OFF)	MUN - LYNCHGATE ENTRANCE	200 000.00
Total				360 000.00

Internal control deficiency

Physical verification of assets was not adequately performed and reviewed by the asset manager.

Recommendation

Management should perform thorough and regular physical verification of assets.

Results of physical verifications should be reviewed and discrepancies should be followed up timeously.

Management response

We disagree with the A-G in respect of the first property being Ptn 73 of Erf 1. This property was verified with the A-G and is in existence.

SG Number	ERF	Suburb	Description	CV 2016
N0GS01770000000100073	1	EGERTON	MUN – PRET DORP HOUSES	160 000.00
N0GS01770000110200500	1102	CEMETERY RD (OFF)	MUN - LYNCHGATE ENTRANCE	200 000.00
Total				360 000.00

The second property being the Lynch gate was vandalized and this was reported to Management during the verification process and will be reported to Council for write off in order to be removed from the Fixed Asset Register.

Name: Mr M Hloba

Position: Executive Director: Finance (CFO)

Date: 10/11/2016

Auditor's conclusion

Management's comments are noted, this will be followed up during quarterly interactions.

13. Land on the fixed asset register is not owned by the municipality

Audit Finding

Section 63 (2) (a) Municipal Finance Management Act No. 56 of 2003 section 63(2) states: "The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure that the municipality has and maintains a management accounting and information system that accounts for the assets and liabilities of the municipality."

During the physical verification of vacant land, the under mentioned land was found to have a residential building thereon, on further inquiry of the resident produced title deeds to the property. Therefore the property should not be classified as vacant municipal land.

SG number	ERF	Street Name	Suburb	Primary Use	Secondary Use	CV 2016
N0GS0065000001 5900000	159	SILVER ST	COLENZO	VACANT LAND	RESIDENTIAL	510 000.00

Internal control deficiency

Management has not implemented adequate systems over the management of land assets, including periodic reconciliations between the asset register and the physical assets to ensure all land assets recognised exist and is owned by the municipality.

Recommendation

Management should review the entire population of land assets to identify additional properties that may have been sold and adjust the financial statements accordingly. All changes should be provided for audit purposes together with supporting documents.

Management should further ensure that there is a system in place to ensure that investment property is recorded correctly and that all movement in properties is correctly documented and supported.

Regular reconciliations should be performed by the asset staff to ensure that the investment property register is updated regularly so that all properties are recorded.

Management response

We disagree with the finding. According to the Deeds Office, ownership and registration refers to the former Colenso Local Council which was later incorporated to the former Emnambithi/Ladysmith Local Council which is currently referred to as being the Alfred Duma Local Council.

Attached, as shown as Annexure "B", is the current ownership status as the supporting document from the Deeds Office. We agree that there is a permanent structure but it is an illegal occupation of Municipal property.

Name: Mr M Hloba
Position: Executive Director: Finance (CFO)
Date: 10/11/2016

Auditor's conclusion

Management's comments are noted, this will be followed up as the owner did produce title deeds to the property.

Internal control

14. Contract register incomplete

Audit Finding

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

During the audit of the completeness of the contracts register, it was noted that the following sample of awarded bids did not appear on the contracts register:

No	Contract Number	Description
1	Df 03/2015	Provision of asset management
2	Es 22/2013	Upgrade of stormwater
3	Df 01/2015	Wise training centre
4	Es 01/2014	Provision of infrastructure
5	Ees 12/2015	Solethu energy (Pty) Ltd
6	Ees 12/2015	Veez micro enterprises (Pty) Ltd
7	Ees04/2015	B & s electrical
8	Df02/2013	Provision of assets management
9	Dp & hs 13/2016	Request for development proposals for the sale of erf 648 & 649
10	Es 13/2016	Rehabilitation of Marula drive

Internal control deficiency

Reconciliations and reviews of the contracts register to the bids awarded were not adequately performed by the municipality. Moreover, monthly monitoring and updates were not in place to ensure discrepancies were timeously identified and addressed.

Recommendation

Management must ensure that regular reconciliations are conducted between bids awarded and bids appearing in the contracts register.

Management should ensure that an accurate and complete contracts register is maintained to support the commitments balance as disclosed in the annual financial statements.

Management should revisit the total number of bids awarded and update the contracts register to reflect a complete contracts register.

Management response

The municipality has noted the findings and recommendations made.

See the table below which shows the comments from the municipality. An updated Contract Register is hereby included in this response.

No	Contract Number	Description	Comments from Management
1	Df 03/2015	Provision of asset management	Incorrectly reflected as DF 03/2016 instead of DF03/2015.
2	Es 22/2013	Upgrade of stormwater	This was for a minifacility in Drongvaal
3	Df 01/2015	Wise training centre	It is on the contract register
4	Es 01/2014	Provision of infrastructure	Should be DF01/2014 which is on the Contract register



5	Ees 12/2015	Solethu energy (Pty) ltd	Incorrectly reflected. Should read as ES10/2015
6	Ees 12/2015	Veez micro enterprises (Pty) ltd	It is on the Contract Register
7	Ees04/2015	B & s electrical	It is not on the Contract Register
8	Df02/2013	Provision of assets management	Refer to DF03/2015 above
9	Dp & hs 13/2016	Request for development proposals for the sale of erf 648 & 649	This award was cancelled. See letters attached.
10	Es 13/2016	Rehabilitation of Marula drive	Awarded in August 2016

It must be noted that there is no prescribed template in terms of how a Contracts register must be maintained. Provincial Treasury is currently on site unrolling the contract register program for the municipality.

Name: M Hloba
Position: Executive Director Finance
Date: 07/11/2016

Auditor's conclusion

Management's comment is noted, the updated contract register has been reviewed. The follow ups will be conducted during the quarterly interactions relating to the 2016/17 audit to ensure that contracts are effectively managed by the municipality.

Information technology

15. Trafman reviews could not be obtained

Audit finding

The following signed and approved reviews could not be obtained for Trafman:

- User access reviews
- Administrator activity reviews
- Audit trail reviews
- Invalid logon attempt reviews

Management may be unaware of the accuracy of access granted on Trafman. Access granted may not be in line with user responsibilities.

Management may also not be aware of the adequacy of activities performed on the system by powerful and normal users as well as the frequency/ volume of invalid logon attempts made to the system. These activities could go by unnoticed for extended periods of time without further investigation and resolution and may ultimately impact the integrity of the data at the municipality.

The risk materialisation associated with the finding could not be determined as no relevant user access or security management related reviews had taken place on the system which would have identified materialisations.

Internal control deficiency**Financial and Performance Management: IT Systems**

The Trafman system does not allow the extraction of such reports, as such, reviews had not taken place by management.

Recommendation

Management should contact the service provider to enable the extraction of such reports on Trafman. These reports should be extracted, reviewed and signed off as approved by appropriate levels of management on a periodic basis. Management should also follow up on exceptions noted through to resolution.

Management comments

The finding is valid due to the System Limitations on the Trafman system. Management will engage the Service Provider to implement these control mechanisms..

Name and surname: Mr. PB Simelane

Position: Executive Director: Community Services

Date: 31 December 2016

Auditor's conclusion

Management responses are noted and the corrective actions agreed upon by management will be assessed in the next audit cycle.

SECURITY MANAGEMENT

16. Inadequate password configurations on Trafman

Audit finding

It was noted that the following has not been configured for passwords on Trafman due to system limitations:

- Invalid logon attempt limits
- Password history
- Password expiry

Inadequate password configurations increase the risk of unauthorised users gaining access to the system. Such access could be used to perform sensitive or harmful activities which may affect business operations.

The risk materialisation associated with the finding could not be determined as no reviews had taken place on the system which would have identified materialisations.

Internal control deficiency

Financial and Performance Management: IT Systems

The Trafman system does not provide the functionality for configuring an invalid logon attempt limit, password history and password expiry.

Recommendation

Management should contact the service provider to determine options for implementing the additional password configurations on Trafman. The configurations should reflect the following in line with leading practice:

- Invalid logon attempt limit – 3
- Password history – 12 passwords
- Password expiry – 30 days

Management comments

The finding is valid due to the System Limitations on the Trafman system. Management will engage the Service Provider to implement these control mechanisms.

Name and surname: Mr. PB Simelane

Position: Executive Director: Community Services

Date: 31 December 2016

Auditor's conclusion

Management responses are noted and the corrective actions agreed upon by management will be assessed in the next audit cycle.

IT SERVICE CONTINUITY

17. Disaster Recovery Plan / Business Continuity Plan not tested

Audit finding

Cognisance has been taken that the Disaster Recovery Plan/ Business Continuity Plan ("DRP/ BCP") document has now been approved and implemented however it was noted that the DRP/ BCP has had not been tested during the period under review. It was further noted that the DRP/ BCP document does not detail the requirement, process and frequency for testing.

Municipal management may be unaware of the adequacy of the approved DRP/ BCP and whether they would be able to recover in a timely manner in the event of a disaster. Timely testing ensures that the DRP/ BCP can be updated to work more efficiently in the future.

The risk associated with this finding has not materialised as no disasters had occurred at the municipality during the financial period where management had advised that they invoked the DRP/ BCP with management involvement.

Internal control deficiency

Financial and Performance Management: IT Systems

Management did not implement an action plan to resolve the prior year finding. The service provider engaged to develop and test the DRP/ BCP pulled out of the service contract prior to performing the tests.

Recommendation

Management should ensure that a new service provider is engaged to test the DRP/ BCP. Lessons learnt should be incorporated into the DRP/ BCP document and results should be signed off and maintained. The detail of the lessons learnt should include detailed testing steps, time taken to complete each of the steps, relevant screenshots and feedback from the DRP/ BCP team on activities performed.

Management comments

The BCP/DRP was approved and the implementation scheduled over a period of 3 financial years. The initial process "staff engagement" was completed during the 2015/2016 financial year and the attendance registers were submitted. As discussed with the Auditor-General, a new service provider could not be appointed due to the merger between Emnambithi/Ladysmith Municipality and Indaka Municipality as the BCP/DRP documents must be reviewed once the merger is finalised and the new systems implemented. Therefore, the BCP/DRP process will restart during the 2016/2017 financial year.

Name and surname: Mrs. PS Mntaka

Position: Acting Executive Director: Corporate Services

Date: 30 June 2017



Auditor's conclusion

Management responses are noted and the corrective actions agreed upon by management will be assessed in the next audit cycle.

18. Inadequate backup procedure/ process

Audit finding

It was noted that backup processes and procedures have been included in the DRP/ BCP document however, the following processes and procedures have not been specified:

- Backup strategy
- Backup roles and responsibilities
- Backup retention/ archival requirements
- Backup schedule
- Backup on-site and off-site location and requirements
- Backup media replacements and considerations

Staff responsible for backups may not be fully aware of the correct backup processes and procedures to be followed or may not be adequately performing, testing and maintaining backups. This may impact the municipality's ability to recover in the event of a disaster.

The risks associated with this finding may not have materialised as management have performed the appropriate control testing to identify failed/ unsuccessful backups and restorations as evident in the sample of backups selected.

Internal control deficiency

Financial and Performance Management: IT Systems

The municipality was under the impression that the service provider would include all required backup related processes and procedures in the DRP/ BCP document as per leading practice.

Recommendation

Management should ensure that the DRP/ BCP document has been updated to include the omitted backup processes and procedures. The DRP/BCP document should then be reviewed, approved and communicated to staff members tasked with the activities included in the document.

Management comments

The finding is valid. Management will ensure the backup policy requirements are updated and included in the new BCP/DRP for 2016/2017

Name and surname: Mrs. PS Mntaka

Position: Acting Executive Director: Corporate Services

Date: 30 June 2017



Auditor's conclusion

Management responses are noted and the corrective actions agreed upon by management will be assessed in the next audit cycle.

FIREWALL ASSESSMENT**19. Firewall configurations informally reviewed****Audit finding**

It was noted that the firewall configurations at the municipality are informally reviewed on a periodic basis however evidence could not be obtained to show that they have been reviewed for inconsistencies and weaknesses during the financial period.

The firewall configurations at the municipality may no longer be adequate. This may leave the municipality open to threats and attacks to the network.

The risk associated with the finding could not be determined due to the lack of formalised firewall reviews at the municipality.

Internal control deficiency**Financial and Performance Management: IT Systems**

A formalised process has not been implemented to review firewall configurations and document the results and updates made.

Recommendation

Management should ensure that formally documented firewall configuration reviews are performed on a periodic basis. Evidence of the reviews performed should be documented along with updates made in the event that configurations were inadequate.

Management comments

The firewall configurations and functionality are informally reviewed on a daily basis by means of automated emails received from the firewall system – this ensures that the firewall is functioning adequately. A new hardware firewall system was procured and implemented for the 2016/2017 financial in conjunction with the new Domain and Financial Systems. A formal review process will be implemented upon completion of the Alfred Duma Local municipality systems.

Name and surname: Mrs. PS Mntaka

Position: Acting Executive Director Corporate Services

Date: 31 December 2016

Auditor's conclusion

Management responses are noted and the corrective actions agreed upon by management will be assessed in the next audit cycle.

DATA ANALYTICS REVIEW

20. Incorrect standby pay amount reimbursed to employee

Audit finding

An instance was noted where an employee was reimbursed standby pay for 12 Sundays instead of four Sundays.

Municipal management may be unaware of employees who are being overcompensated. These activities may go by unnoticed for extended period of time and could be used to perform fraudulent activities. This may impact the financial reporting at Emnambithi Ladysmith Municipality.

Internal control deficiency

Financial and Performance Management: IT Systems

This resulted due to human error during the capturing process on SAMRAS.

Recommendation

Management should ensure that standby pay records are reviewed prior to being paid out to employees. Errors identified after employees are paid out should be reflected in standby pay of that employee in the following month.

Management comments

We agree with the finding. Pay number 1771 was erroneously paid standby for 12 Sundays instead of 4 Sundays in the salary month of December 2015. The municipality will recover this amount from the employee in the November 2016 salary month.

Name and surname: Mr M Hloba

Position: Executive Director Finance (CFO)

Date: 30 November 2016

Auditor's conclusion

Management responses are noted and the corrective actions agreed upon by management will be assessed in the next audit cycle.



21. Municipal owned property allocated to an individual and found on the valuation roll

Audit finding

It was noted that ERF no 937 Ezakheni C belongs to the municipality however it was allocated to an individual owner on the valuation roll.

The valuation roll and fixed assets register may be inaccurate and may overstate private ownership. This may impact the financial reporting at Emnambithi municipalities.

Internal control deficiency

Financial and Performance Management: IT Systems

This was incorrectly captured on SAMRAS as an individual property.

Recommendation

Management should that properties are captured correctly on their respective fixed assets register, valuation roll, deeds register or investment properties register.

Management comments

We agree with the finding. The Valuation roll has been corrected from a tariff 16 to tariff 29 which is municipal vacant property and ownership has been changed. However, the supplementary Valuation roll still needs to be imported into the MunSoft Financial system.

Name and surname: Mr M Hloba

Position: Executive Director Finance (CFO)

Date: 31 March 2017

Auditor's conclusion

Management responses are noted and the corrective actions agreed upon by management will be assessed in the next audit cycle.



ANNEXURE C: ADMINISTRATIVE MATTERS

Inventory

22. Requisition form is not approved by head of department

Audit finding

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

On review of the inventory business process it was noted that store requisition forms (document number 48855 & 48856) from the department of engineering, that the head of department is not approving/signing the requisition of inventory where the form is designed to be signed by the head of department. Employees may request inventory for their own/private use or purposes that could result to misuse of the municipality's assets/Inventory.

Internal Control deficiency

The relevant head of department, who is responsible for approving inventory requisitions, is not approving the inventory requisitions.

The inventory department is issuing inventory based on requisition forms not appropriately approved.

Recommendation

The relevant head of department should approve requisitions, by signing these forms for inventory needed by the respective departments.

The Inventory department should issue inventory on receipt of approved requisition forms.

Management response

We agree with the finding and the municipality's Store's section will ensure that requisitions that are not signed by the relevant Head of Department will not be considered for issuing of stock items.

Name: Mr Z Majola

Position: Manager Assets and Inventory

Date: 19 April 2016

Auditor's conclusion

Management's comments are noted, However this will be followed up during quarterly interactions with the Alfred Duma Municipality.

