

SCOPA BRIEFING NOTE



MFMA audit outcomes of the 2017-18 financial year

Lekwa Teemane Local Municipality

TABLE OF CONTENTS

1.	Introduction	1
2.	Overall audit outcome graphic	2
3.	Overall message	3
4.	Audit opinion history	4
5.	Summary of qualification areas, root cause and recommendations	5
6.	Key focus areas	18
7.	Summary of root causes	20
8.	Conclusion	21

Introduction

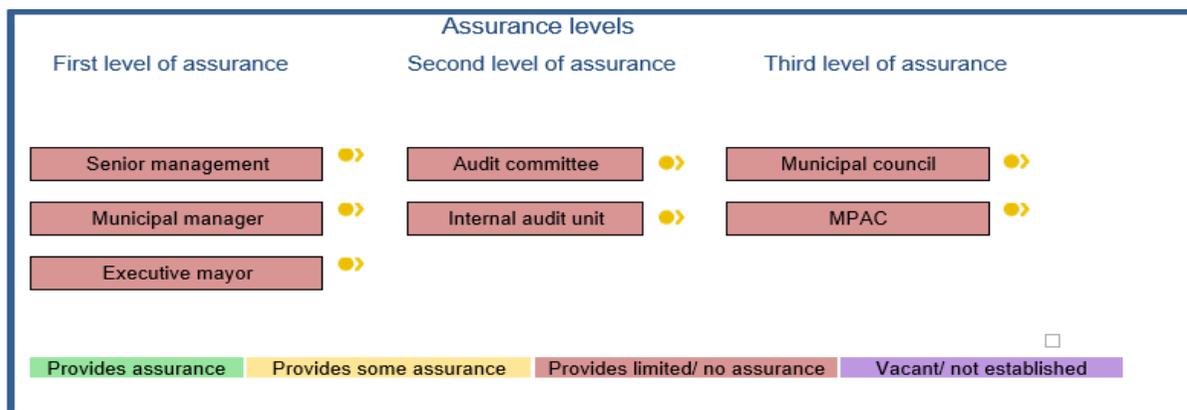
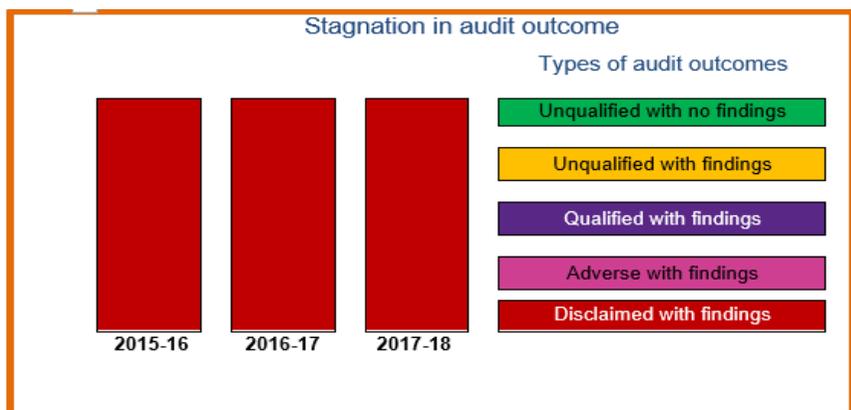
The purpose of this report is to provide the political leadership with an overview of the audit outcomes and internal control deficiencies that may prevent the local municipality from attaining the desired audit outcome, i.e. financially unqualified with no material findings on legislation and predetermined objectives (also known as a 'clean audit outcome'). Below are the summary of the 2017-18 audit outcomes and the status of material findings reported under predetermined objectives and compliance with legislations.

The figure that follows provides a pictorial summary of the audit results and our key messages on how to improve the audit outcomes with the focus on the following:

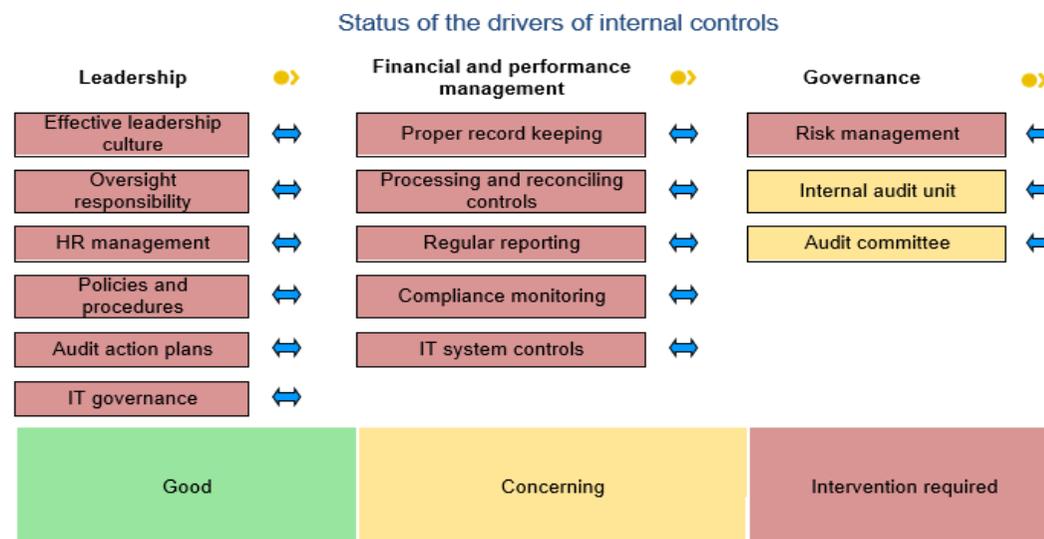
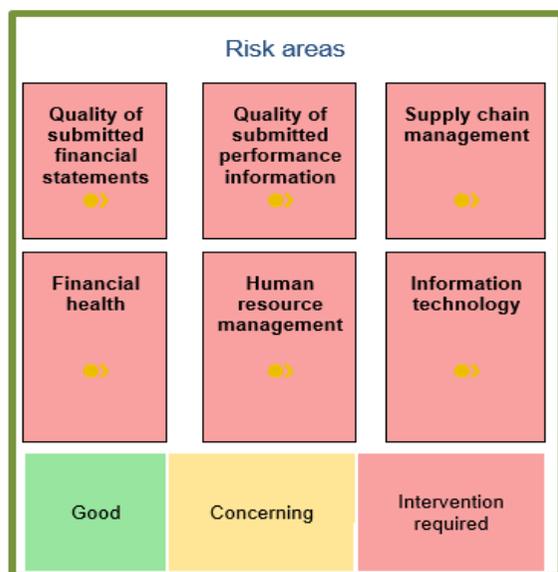
- Status of the audit outcomes
- Status of the level of assurance provided by key role players
- Status of the drivers of internal controls
- Status of risk areas
- Root causes to be addressed



Overall audit outcome graphic



- Root causes should be addressed**
- Inadequate oversight regarding the compilation and review of the financial statements and Annual Performance Report, which resulted in material misstatements.
 - Inadequate controls implemented for SCM compliance, resulting in irregular expenditure.
 - Inadequate consequences for poor performance and SCM transgressions.
 - Inadequate skills and competence in key positions especially in finance resulting in over reliance on consultants during the audit process
 - Action plans are not adequately monitored to ensure implementation.
 - No proper record keeping system



Overall Message

1. The audit opinion relating to the annual financial statements has been a disclaimer of opinion for the past three years. The disclaimer of opinion was due to a significant number of areas identified across financial statements where information was not submitted for audit. It is a combination of lack of supporting documentation, lack of review by management of the municipality and incorrect application of accounting standards. There is also an over reliance on consultants to compile credible financial statements although the reliability and integrity of the underlying financial records was not valid, accurate and complete. Vacancies in senior management positions such as the chief financial officer, late appointment of consultants and lack of proper monthly and day to day controls contributed to the poor audit outcome.
2. The overall outcomes for predetermined objectives and the quality of the annual report submitted has also regressed in the current year. As reported in the prior year, the significant root cause emanating from the basis of conclusion reached are due to inadequate controls relating to the collating and recording of information. The audit action plan was not adequate as it did not address the root cause of the findings on performance information.
3. Non-compliance with legislation remains a major concern and the municipality is unlikely to improve the audit outcomes if the root causes for material non-compliance findings is not addressed. Various repeat findings were identified relating to poor quality of financial statements submitted, lack of systems for revenue management, expenditure management, asset management, liability management, human resource management and, procurement and contract management. In addition, the audit identified that there was lack of actions taken and no consequence management was implemented relating to unauthorised, irregular and fruitless and wasteful expenditure which was incurred in the prior years. The municipal infrastructure grant was not spent for its intended purposes. The assessment of the root cause for non-compliance with laws and regulations further indicates that there is lack of review and monitoring by senior management, a lack of oversight from leadership and no regards for compliance with laws by officials of the municipality.
4. The assurance provided by internal audit and audit committee depicts a picture that indicates that the combined assurance model is not effective. Although the municipality 's governance committees had suitably skilled role players with an understanding of the improvements required to achieve a clean administration. However, the effectiveness of the audit committee as an assurance provider was compromised by the municipality's inability to act on the recommendations made by the audit committ



Audit opinion history

	Clean audit opinion: Financially unqualified opinion with no findings on PDO and compliance
	Financially unqualified opinion with findings on PDO and compliance
	Qualified audit opinion (with findings)
	Disclaimed/adverse audit opinion

DESCRIPTION	Movement	17-18	16-17	15-16
Audit opinions				
Disclaimer audit opinion	●➤			
Predetermined objectives(PDO's)				
Key Performance Area 1 – Basic Services and Infrastructure Development	●➤			



Summary of qualification areas, root causes and recommendations

Financial Statement qualification areas

1) Receivable from non-exchange

Finding	Root cause	Recommendation
<ul style="list-style-type: none"> • During 2017 adjustments to impairment of debtors was not allowed due to inadequate supporting evidence submitted to the auditors for the proposed adjustments. • The adjustments disallowed was however processed on the receivables and consumer debtors and the municipality still failed to provide audit evidence for these adjustments. • Due to the limitations placed on the work of the auditors the balance for receivables from non-exchange and the consumer debtors could not be audited. 	<ul style="list-style-type: none"> • There is a lack of understanding of what is required in terms of the accounting standards. • In addition controls in place to manage the debtor’s book are inadequate and there is no evidence that debt collection action has been put in place or implemented to try and recover debtors. • Impairment: there is a lack of understanding of what is required in terms of the accounting standards. • There is also a lack of understanding of the debtors of the municipality and their risk profile. • The risk of debtors must be assessed throughout the year to assist the municipality in determining recoverability and to determine ways in which to improve recoverability. It must not only be an accounting exercise but also provides information on recoverability which affects cash flow management. 	<ul style="list-style-type: none"> • The municipality must develop and adopt a proper debt impairment methodology and policy and strictly implement this policy. • Adequate supporting evidence must be provided to the auditors for any adjustments made to receivables and consumer debtors. • Steps must be taken against the debtors who do not qualify for indigent subsidies and that do not pay. • Debtors must sign acknowledgement of debt during the year and their details updated to ensure the correct details are captured. • The risk of each debtor must be taken into account when assessing the debtors for impairment. The municipality does have adequate information at its disposal such as the payment behaviour of each debtor. Taking legal action against non-paying debtors will gather further information to be used in the assessment of debtors for impairment.



2) Property plant and equipment

Finding	Root cause	Recommendation
<p>The amount included for the landfill site did not agree with the external valuer report.</p> <p>No depreciation was calculated for the current year for the landfill site.</p>	<p>Lack of understanding accounting treatment for landfill sites.</p>	<p>Training must be provided to officials to gain a better understanding the accounting treatment for landfill sites.</p>

3) Long term debtors

Finding	Root cause	Recommendation
<p>Material differences between the submitted AFS and the Trial balance to the amount of R6 872 594 could not be supported by adequate supporting documentation</p>	<p>Daily and monthly controls in a form of monthly reconciliations between the AFS and TB were not performed.</p> <p>There is a lack of review of the work done by the consultants who compile the AFS.</p>	<p>Monthly reconciliations must be performed between the subsidiary ledgers and control accounts</p> <p>Reconciliations should be signed as prepared by revenue manager and reviewed by the CFO.</p> <p>Differences must be immediately followed up and resolved.</p>



4) *Traffic fines receivables*

Finding	Root cause	Recommendation
<ul style="list-style-type: none"> • Traffic fines listed on the traffic fines schedule could not be traced to the traffic ticket books. • Furthermore, the traffic book fines submitted for audit were incomplete as there were books missing from sequentially numbered stacks submitted for audit. • Absence of standard operating procedures (SOP) for the calculation of impairment for traffic fine receivables. 	<ul style="list-style-type: none"> • This is caused by inadequate record keeping that results in the Traffic books not being furnished for audit purposes. • There is also inadequate review, by senior officials, of the traffic register against the fines recognised as revenue in the AFS. 	<ul style="list-style-type: none"> • Stationary controls should be implemented to monitor the issuing and receipt of traffic books in a form of a register.. • The register must be reviewed regularly against the amounts recognised as revenue in the accounting records. • Furthermore, each fine issued on the traffic fines schedule should be traced to the traffic books. • SOP's should be developed to outline the impairment process iro traffic fines. and should be approved by council. Implementation of the policy should be monitored by the revenue manager accordingly.



5) *Consumer debtors*

Finding	Root cause	Recommendation
<ul style="list-style-type: none"> The municipality levy 11% interest on arrear consumer accounts. Evidence could not be furnished that council approved the interest rate applied. The basis for calculating impairment is not included in the approved policies. 	<p>The information compiled for council approval was not verified for accuracy and completeness.</p> <p>There is also no or inadequate controls in place to ensure that the interest rate is assessed each year.</p>	<ul style="list-style-type: none"> Council must ensure that approval of rates is done individually and not in bulk. Council should also have a checklist for completeness to ensure that all rates which should have been included was in fact included. Finance unit must be capacitated with skilled resources to ensure debt impairment methodology are developed, included in the debt collection policy, approved by council and implemented accordingly.

6) *Provisions*

Finding	Root cause	Recommendation
<p>The municipality did not correctly recognise and disclose provisions in the prior year as the external valuation report was not used for the disclosure. No correction has been made to the comparative in the current year.</p>	<p>The corresponding figures were not corrected based on the prior years audit finding by the municipality. This is indicative of a lack of understanding of accounting framework and interpretation thereof</p> <p>No review of the AFS by various levels of assurance providers prior to submission for audit.</p> <p>There is a lack of review of the work done by the consultants who compile the AFS.</p>	<p>The accounting officer and CFO should ensure that disclosures made in AFS is supported by credible supporting documentation.</p> <p>Finance unit must be capacitated with skilled resources to ensure statements are compiled in accordance with the required accounting framework and properly reviewed.</p>



7) Payables from exchange transactions

Finding	Root cause	Recommendation
<ul style="list-style-type: none"> • The auditor identified that for a specific supplier the balance outstanding at year end differ with the municipality creditors listing • The municipality argued the interest was disputed with the supplier and therefore did not include the interest as part of the balance. • The auditor could not obtain supporting evidence for the dispute and obtained an external confirmation from the supplier that the interest on the statement was correct. 	<p>The municipality did not maintain adequate accounting records and/or monthly creditor reconciliations.</p>	<p>Daily and monthly controls must be enhanced for expenditure and creditor records management and reconciliations.</p>

8) Unspent conditional grants and receipts

Finding	Root cause	Recommendation
<ul style="list-style-type: none"> • The unspent conditional grants and receipts could not be audited due to the grants register not tying up with the general ledger. • In addition, the municipality did not correctly account for conditional grants as grant income was immediately recognised as revenue when received • Grant income can only be recognised as revenue when the condition has been met 	<ul style="list-style-type: none"> • No review of AFS and audit file before submission for audit • Post audit action plan not adequate to address prior year issues/ prevent prior year issues from reoccurring 	<p>Management, internal audit and the audit committee must review the AFS and audit file in detail before submitting for audit.</p>



Finding	Root cause	Recommendation
<p>and expenditure incurred in terms of the condition</p> <ul style="list-style-type: none"> The incorrect accounting for conditional grants also resulted in the balance for unspent grants being misstated in the financial statements. 		

9) Revenue from exchange transactions

Finding	Root cause	Recommendation
<ul style="list-style-type: none"> During the audit of interest on debtors, it was noted that although debtors in arrears are charged an interest of 11%, there is no approved policy/ council resolution for the % charged. The municipality incorrectly included a fair value adjustment of investment property as revenue from exchange transactions instead of including the gain in the surplus for the period as required by GRAP 16, Investment property. In addition, the amount was incorrectly included as a correction of a prior period error to investment property and the movement in the environmental rehabilitation provision. 	<ul style="list-style-type: none"> The information compiled for council approval was not verified for accuracy and completeness. There is also no or inadequate controls in place to ensure that the interest rate is assessed each year. No review of the AFS by various levels of assurance providers prior to submission for audit. There is a lack of review of the work done by the consultants who compile the AFS 	<ul style="list-style-type: none"> Council must approve the % charge on arrears debt Finance unit must be capacitated with skilled resources to ensure statements are compiled in accordance with the required accounting framework and properly reviewed.



10) Expenditure

Finding	Root cause	Recommendation
<ul style="list-style-type: none"> • A sample was selected from the general ledger for interest expense • The supporting evidence for two interest transactions on the general ledger was not available. 	<p>This is caused by inadequate record keeping that results in the supporting evidence for transactions captured were not available.</p>	<ul style="list-style-type: none"> • Daily and monthly controls must be enhanced for expenditure and creditor records management and reconciliations. • A proper filing system must be implemented after transactions have been captured on the financial system.

11) Commitments

Finding	Root cause	Recommendation
<p>We were unable to obtain sufficient audit evidence to ensure that misstatements from prior year relating to disclosure notes were corrected, as this information was not included under note 46 be obtained (we have also noted that Prior year amount in the 2017/08 AFS agree to amount in the prior year AFS (201617).</p>	<ul style="list-style-type: none"> • Lack of proper internal controls, monitoring and adequate record keeping. • Post audit action plan not adequate to adress prior year issues/ prevent prior year issues from reoccurring 	<p>Commitments register must be updated on a monthly basis and agreed with IFS and AFS.</p>



12) Cash flow statement

Finding	Root cause	Recommendation
<p>The municipality did not correctly calculate items included in net cash flows from operating activities in the cash flow statement in accordance with GRAP 2, Cash flow statements.</p>	<ul style="list-style-type: none"> • No review of the AFS by various levels of assurance providers prior to submission for audit. • There is a lack of review of the work done by the consultants who compiles the AFS. 	<ul style="list-style-type: none"> • The financial statements must be reviewed before submission for audit • Reconciliations must be done for each cashflow line items and calculations must be included in the audit file.

13) Irregular expenditure

Finding	Root cause	Recommendation
<ul style="list-style-type: none"> • The municipality did not follow all the prescripts when procuring goods and services. • For seven bids, supporting evidence was not provided that the bids were advertised for the minimum period as required by the SCM regulation. • For twelve quotations tested, the minimum number of quotations were not sourced as required by the SCM regulation. • For one quotation the provider was not selected from the list of prospective suppliers as required by SCM regulation. • The non-compliance above resulted in irregular expenditure that was not included in the municipality irregular expenditure register 	<ul style="list-style-type: none"> • Instability in top management and a lack of consequence management for transgressions. • Furthermore, the recording keeping process and facilities are not adequate to ensure the documents are safely stored and can be easily retrieved. 	<ul style="list-style-type: none"> • Training must be provided to ensure officials understand the SCM prescripts • Proper checklists should be developed and regularly updated with change in legislation to ensure all procurement processes are compliant with regulations. • Investigation into all irregular expenditure by the accounting officer and consequence management by council and accounting officer for transgressors. • Internal controls must be enhanced over procurement and contract management processes and the record management system.



and also not included in the AFS.		
-----------------------------------	--	--

14) Fruitless and wasteful expenditure

Finding	Root cause	Recommendation
Fruitless and wasteful expenditure was overstated by R5 224 160 due to interest that was reversed during the year not removed from the balance of fruitless and wasteful expenditure disclosed.	The fruitless and wasteful register is not updated timeously to ensure all interest are included or removed as and when invoices and statements are received from supplier.	<ul style="list-style-type: none"> Daily and monthly controls must be implemented over invoices and statements received and regular update of the fruitless and wasteful register. Debt agreements must be considered where significant creditors (AGSA, Eskom, DWA etc.) cannot be paid on time.

15) Going concern

Finding	Root cause	Recommendation
The municipality's current liabilities exceed its current assets by R249 106 077 as at 30 June 2018. In addition cash reserves amount to R2 299 919, some significant creditors were not paid for more than 120 days and the unspent conditional grants also exceed the cash reserves. These conditions cast significant doubt on the municipality's ability to continue as a going concern. These events or conditions, along with other matters was not adequately disclosed.	<ul style="list-style-type: none"> The municipality has not done adequate going concern reviews before preparation of the financial statements. As a result, it has not identified these material uncertainties that should have been disclosed. There is a lack of review of the work done by the consultants who compiles the AFS. 	<ul style="list-style-type: none"> A detailed going concern assessment must be prepared by the CFO and Accounting Officer and the audit committee must also review this assessment. Financial statements must be reviewed by the CFO and the Accounting Officer as well as the audit committee.



16) Related parties

Finding	Root cause	Recommendation
<ul style="list-style-type: none"> The municipality failed to disclose in-kind benefits paid on behalf of the Lekwa Teemane Development Agency. No supporting documentations to substantiate the amount payable to the Lekwa Teemane Development Agency as disclosed in the AFS. 	<p>Lack of proper internal controls, monitoring and adequate record keeping for transactions between the agency and the municipality.</p>	<ul style="list-style-type: none"> Vacancies in the agency must be filled Detailed service level agreement between the municipality and agency must be signed which include details of in-kind benefits and yearly contributions.

17) Contingent liabilities

Finding	Root cause	Recommendation
<ul style="list-style-type: none"> The amount disclosed in note 38 to the AFS for contingent liabilities did not agree with the amount per the litigation register. Furthermore, the disclosure for contingent liabilities of R90 487 266 did not agree with the amount of R172 920 685 as per the external legal confirmations 	<ul style="list-style-type: none"> There is a lack of review of the work done by the consultants who compiles the AFS. The municipality did not obtain external legal confirmations for contingent liabilities disclosed. 	<ul style="list-style-type: none"> The financial statements must be properly reviewed by the CFO and the accounting officer as well as the audit committee. Litigation register must be updated on a monthly basis and external confirmations must be obtained.



18) Prior period errors

Finding	Root cause	Recommendation
<ul style="list-style-type: none"> • Restatements were made without disclosing this as required by the accounting standards. • Furthermore, some of those disclosed does not agree to the restatement on the AFS. • Some of the restatements made are not adequately supported by audit evidence and explanations as to the reason for the restatement 	<ul style="list-style-type: none"> • This is due to a lack of review by senior officials and the internal audit and audit committee. • Reliance is placed on the work of consultants without proper reviews being done. 	<ul style="list-style-type: none"> • The CFO must review the AFS against the previous year’s AFS to identify any differences. • These differences must be traced to the prior period error note to ensure the note includes adequate information. • The differences must be traced to adequately documented explanations to determine whether it was necessary. • The differences must be traced to adequate audit evidence to ensure the adjustments are correct. • Internal audit and the audit committee must perform the same reviews

19) Statement of comparison of budget and actual amounts

Finding	Root cause	Recommendation
<ul style="list-style-type: none"> • The municipality did not accurately prepare the statement of comparison of budget and actual amounts. • The approved budgeted amounts some instances did not agree with the final approved budget. 	<p>This is due to a lack of review by senior officials and the internal audit and audit committee.</p>	<p>The CFO, internal audit and the audit committee must review the budget statement in the AFS to ensure it has been accurately prepared.</p>



Finding	Root cause	Recommendation
<ul style="list-style-type: none"> Consequently, differences between budgeted and actual revenue and expenditure and the related explanations of these differences are not correct. 		

Predetermined objectives qualification areas

Development priority 1 –Basic service Delivery and Infrastructure Development

Finding	Root cause	Recommendation
<p>I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the indicators listed below. This was due to the achievements reported being inconsistent with planned targets as they were not aligning to the targets approved. In addition the supporting documentation provided by management compared to the quarterly performance reports resulted in the following differences:</p> <p>Number of new households with access to electricity</p> <p>KM of municipal roads maintained by June 2018</p> <p>KMs of storm water drainage maintained by June 2018</p> <p>KMs of municipal internal roads paved.</p> <p>Number of households with basic waste collection.</p>	<p>Lack of proper understanding of the performance management framework.</p>	<p>Training must be provided to gain a better understanding of the reporting requirements for performance information.</p>
<p>I was unable to obtain sufficient appropriate audit evidence to support the measures taken to improve performance against targets as reported in the annual performance report for the following indicators:</p> <p>Number of approved water master plan</p>	<p>Lack of proper internal controls, monitoring and adequate record keeping for performance reporting.</p>	<p>Quarterly performance must be validated against supporting evidence</p>



Finding	Root cause	Recommendation
<p>Approved sanitation master plan</p> <p>Hectares of municipal land released for human settlements development</p> <p>Review of electrification master plan.</p> <p>Approved Integrated Waste Management Plan</p> <p>No of operational landfill sites maintained</p> <p>Number of sports facilities maintained</p> <p>Number of municipal parks maintained</p> <p>Number of signboards of illegal dumping erected</p> <p>Number of Road signs erected</p> <p>Number of cemeteries fenced.</p> <p>Approved road master plan.</p>	<p>Lack of proper internal controls, monitoring and adequate record keeping for performance reporting.</p>	<p>Quarterly performance must be validated against supporting evidence</p>



Key focus areas

The table below provides an extract of the local municipality’s performance broken down into specific key areas. The colour attached to each area represents the severity of the concerns noted within the key area.

■	Good – minor issues noted and reported
■	In progress – resolution of concerning issues raised is in progress
■	Intervention required – matters raised require urgent attention

<i>Quality of submitted financial statements</i>	<ul style="list-style-type: none"> The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer of opinion
<i>Quality of submitted annual performance reports</i>	<ul style="list-style-type: none"> The performance management system and related controls were inadequate as it did not describe how the performance planning, monitoring, measurement, review, reporting and improvement processes should be managed. Annual performance objectives and indicators were not established for the Lekwa Teemane Development Agency and included in its multi-year business plan.
<i>Supply chain management, and unauthorised, irregular as well as fruitless and wasteful expenditure</i>	<ul style="list-style-type: none"> Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(a) and (c). Similar non-compliance was also reported in the prior year. Some of the quotations were accepted from prospective providers who were not on the list of accredited prospective providers and did not meet the listing requirements prescribed by the SCM policy, in contravention of SCM regulations 16(b) and 17(b). Some of the quotations were accepted from bidders who did not submit a declaration on whether they are 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.



	<ul style="list-style-type: none"> • Some of the quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43. • 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. • The preference point system was not applied for some of the procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act. • Some of the contracts were awarded to bidders based on preference points that were not calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations. • Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and Preferential Procurement Regulations. • Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by regulation 8(2) of the 2017 Preferential Procurement Regulations. • Some of the commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by the 2017 Preferential Procurement Regulations. • Some of the commodities designated for local content and production, were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by regulation 8(5) of the 2017 Preferential Procurement Regulations. • Unauthorised expenditure of R 60 992 619 in respect of prior year has not yet been dealt with in accordance with section 32 of the MFMA. • Fruitless and wasteful expenditure was incurred during the year however the municipality did not completely disclose all the fruitless and wasteful expenditure in note 47 of the financial statements.
<p><i>Financial health</i></p>	<ul style="list-style-type: none"> • The municipality's current liabilities exceed its current assets by R249 106 077 as at 30 June 2018. • Cash reserves only amounts to R2 299 919, with some significant creditors that were not paid for more than 120 days. • The unspent conditional grants also exceed the cash reserves which is indicative that grant funds are used for operational



		<p>needs.</p> <ul style="list-style-type: none"> • These conditions cast significant doubt on the municipality’s ability to continue as a going concern. These events or conditions, along with other matters was not adequately disclosed in note 44 to the financial statements.
<p><i>Vacancies and stability, competencies, management of consultants and consequence management</i></p>		<ul style="list-style-type: none"> • There’s a 40% vacancy rate within senior management and 75% in the supply chain management department, with inadequate skills • There is an over-reliance on the use of consultants without the necessary management reviews • Irregular, fruitless and wasteful expenditure incurred in current and prior years has not been investigated

Summary of common root causes to be addressed

1. Lack of adequate oversight responsibility by the Accounting Officer over the preparation of the financial statements, the report on predetermined objectives, compliance with laws and regulations, and internal controls. The accounting officer did not implement adequate processes to ensure that reviews took place before information was submitted. This was evidenced by the material misstatements identified in the financial statements, audit of performance information and instances of non-compliance with laws and regulations
2. Vacancies and lack of competencies and skills in the finance and performance management units contribute to the poor quality of financial statements and performance report submitted for audit.
3. Lack of internal controls over daily and monthly recording and reconciliation processes and record management systems resulted in material misstatements in the financial statements.
4. The supply chain management unit of the municipality did not prevent non-compliance with procurement processes as incidences of irregular and fruitless and wasteful expenditure were identified. The necessary procurement procedures were not always followed.
5. The post audit action plan from the prior year audit was not adequate or monitored to address prior year issues/ prevent prior year issues from reoccurring.



Conclusion

The overall audit outcome remained stagnant. Leadership has to ensure that an action plan is developed to address the above root caused in order to address the current year audit findings and prevent re-occurrence of these findings in the next financial year.

