

Reputation promise

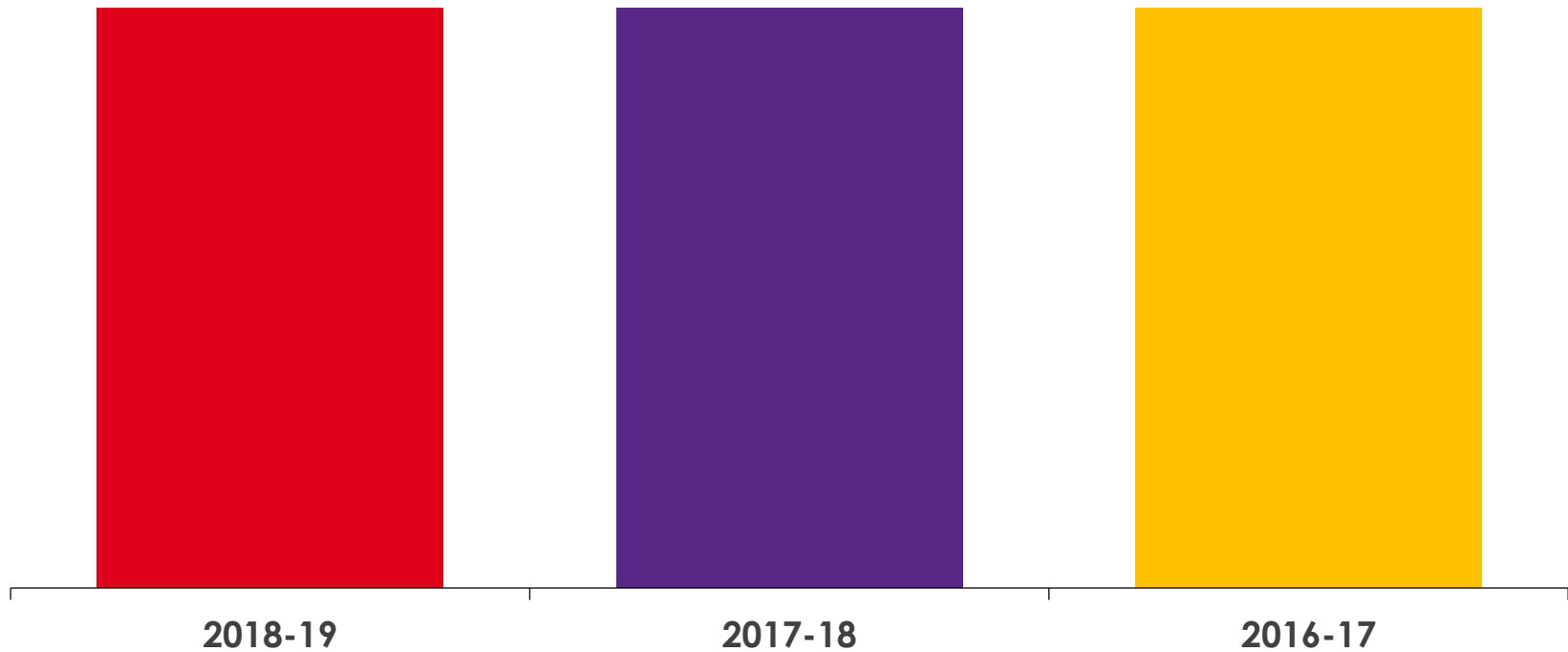
The Auditor-General of South Africa (AGSA) has a constitutional mandate and, as the supreme audit institution (SAI) of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.



The 2018-19 audit outcomes



Audit outcomes over three years



The audit outcomes of the municipality regressed over the past three years. Financial statement preparation remains a concern. The following material misstatements identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently:

- non-current assets
- current assets
- current liabilities
- revenue
- expenditure
- disclosure items



Qualification areas

Property, plant and equipment:

- Sufficient appropriate audit evidence could not be obtained that the municipality had recognised all property, plant and equipment as the asset register submitted for audit did not contain information on the location (GPS co-ordinates) of the assets and due to the lack of sufficient reconciliations between the asset register and the title deeds of its properties.
- The municipality did not ensure that properties controlled by it were recognised as property, plant and equipment.

Payables from exchange transactions – Sufficient appropriate audit evidence could not be obtained for the classification of investment property as the municipality did not have appropriate evidence of the purpose that the property is held for.

Service charges – Services were levied at the incorrect tariffs, and there was an unexplained difference in unmetered consumption.

Provisions – The rehabilitation provision was based on the entire landfill site surface area and not only the contaminated areas as at the reporting date.

Receivables from exchange transactions – The municipality incorrectly included a provision for impairment on national and provisional government entities, while differences were identified between the debtors' age analysis, financial statements, unmetered consumption schedule and other receivables in the financial statements

Contracted services – sufficient appropriate audit evidence could not be obtained that goods were received for all contracted services recognised as well as transactions processed due to the status of the accounting records.



Qualification areas *(continued)*

General expenditure – sufficient controls were not implemented to ensure that general expenses were recorded and accounted for in the correct financial year.

Accumulated surplus – the total assets did not agree to total liabilities and accumulated reserves..

Statement of comparison of budget and actual amounts – material misstatements were identified between the final budget amounts disclosed and the final approved budget.

Cash flow statement – The calculation of net cash flows from operating activities were materially misstated due to unexplained differences in the cash flow calculations.





Performance reporting

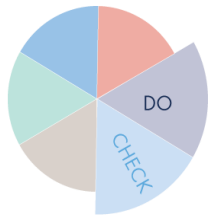
The usefulness and reliability of the reported performance information for the following programmes as presented in the annual performance report were evaluated:

- Basic service delivery

Material findings were raised in respect of the usefulness and reliability on the selected KPA as follows:

- Sufficient appropriate audit evidence could not be obtained to support the measures taken to improve performance as reported in the annual performance report.
- Targets differed approved in the SDBIP differed from those approved in the annual report
- The method of calculation for achieving the planned indicator was not always clearly defined.
- The reported achievement in the annual performance report did not always agree to the supporting evidence provided.

Material misstatements were identified on the selected KPA and were subsequently corrected by management.



Disregard for compliance with legislation

Non-compliance areas

Findings on compliance with key legislation

Expenditure management:

- Money owed by the municipality was not always paid within 30 days.
- Reasonable steps were not taken to prevent irregular as well as fruitless and wasteful expenditure.

Revenue management:

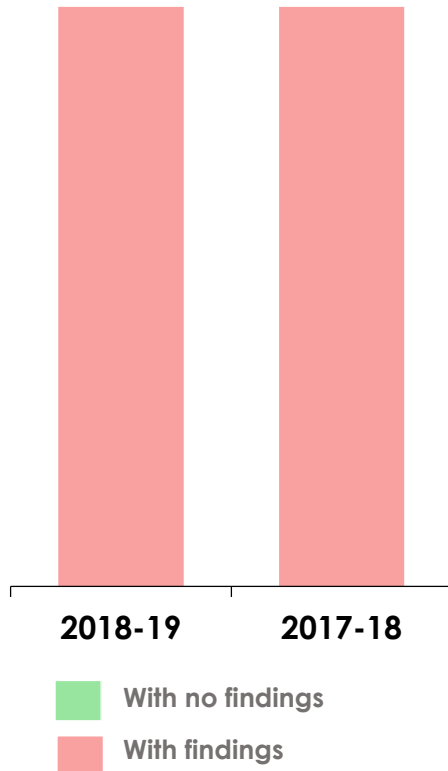
- An adequate management, accounting and information system was not in place to account for debtors and revenue.
- An effective system of internal control for debtors and revenue was not in place.

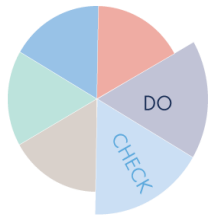
Asset management:

- An adequate management, accounting and information system which accounts for assets was not in place.
- An effective system of internal control for assets (including an asset register) was not in place.

Quality of annual financial statements:

- The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of the MFMA.
- Sufficient appropriate audit evidence could not be obtained:
 - That the 2017-18 annual report had been made public after being tabled in the council.
 - That the local community had been invited to submit representations in connection with the 2017-18 annual report.
 - That the council adopted an oversight report containing the council's comments on the annual report no later than nine months after the end of the financial year.
 - That the oversight report adopted by the council on the 2017-18 annual report had been made public.

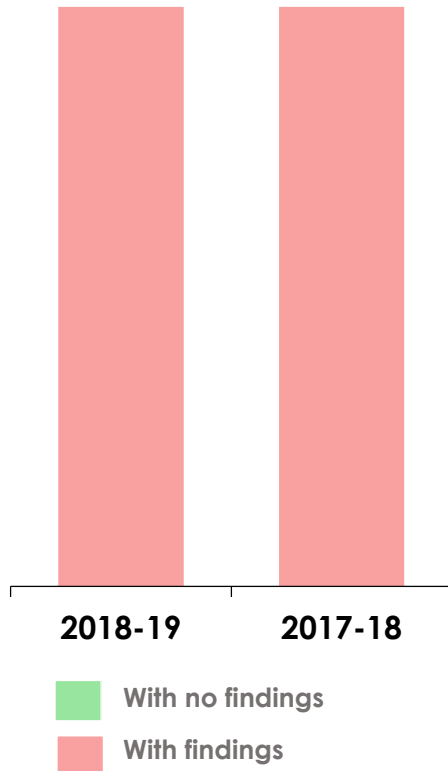




Disregard for compliance with legislation (continued)

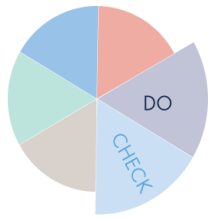
Non-compliance areas

Findings on compliance with key legislation



Procurement and contract management:

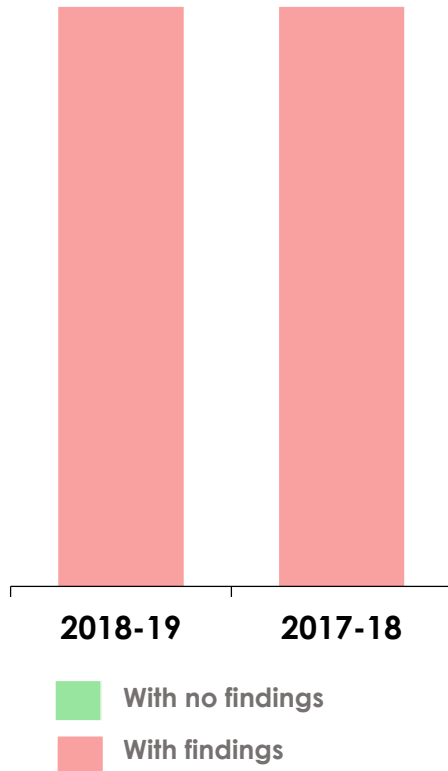
- Some goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations.
- Quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state.
- Some of the goods and services with a transaction value above R200 000 were procured without inviting competitive bids.
- Bid specifications for some of the tenders were drafted in a biased manner and did not allow all potential suppliers to offer their goods or services.
- Some quotations were accepted from, and contracts awarded to, bidders whose tax matters had not been declared by SARS to be in order.
- Some of the contracts and quotations were awarded to bidders based on pre-qualification criteria that were not stipulated and/or differed from those stipulated in the original invitation for bidding and quotations.
- Contracts were extended or modified without the approval of a properly delegated official.
- Awards were made to providers who were in the service of other state institutions.
- Some of the contracts were awarded through a competitive bidding processes that were not adjudicated by the bid adjudication committee.
- The preference point system was not applied for some of the procurement of goods and services above R30 000.



Disregard for compliance with legislation (continued)

Non-compliance areas

Findings on compliance with key legislation



Strategic planning and monitoring:

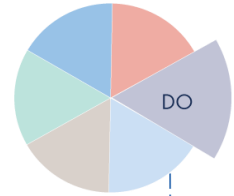
- Performance targets were not set for each of the KPAs for the financial year.
- A mid-year performance assessment was not performed.
- Amendments to the Integrated Development Plan (IDP) were made without making the proposed amendments available for public comment.
- Amendments to the IDP were made without consultation with the district municipality.
- A performance management system was not adopted.
- The performance management system and related controls were inadequate as it did not describe how the performance reporting and improvement processes should be conducted.

Human resource management:

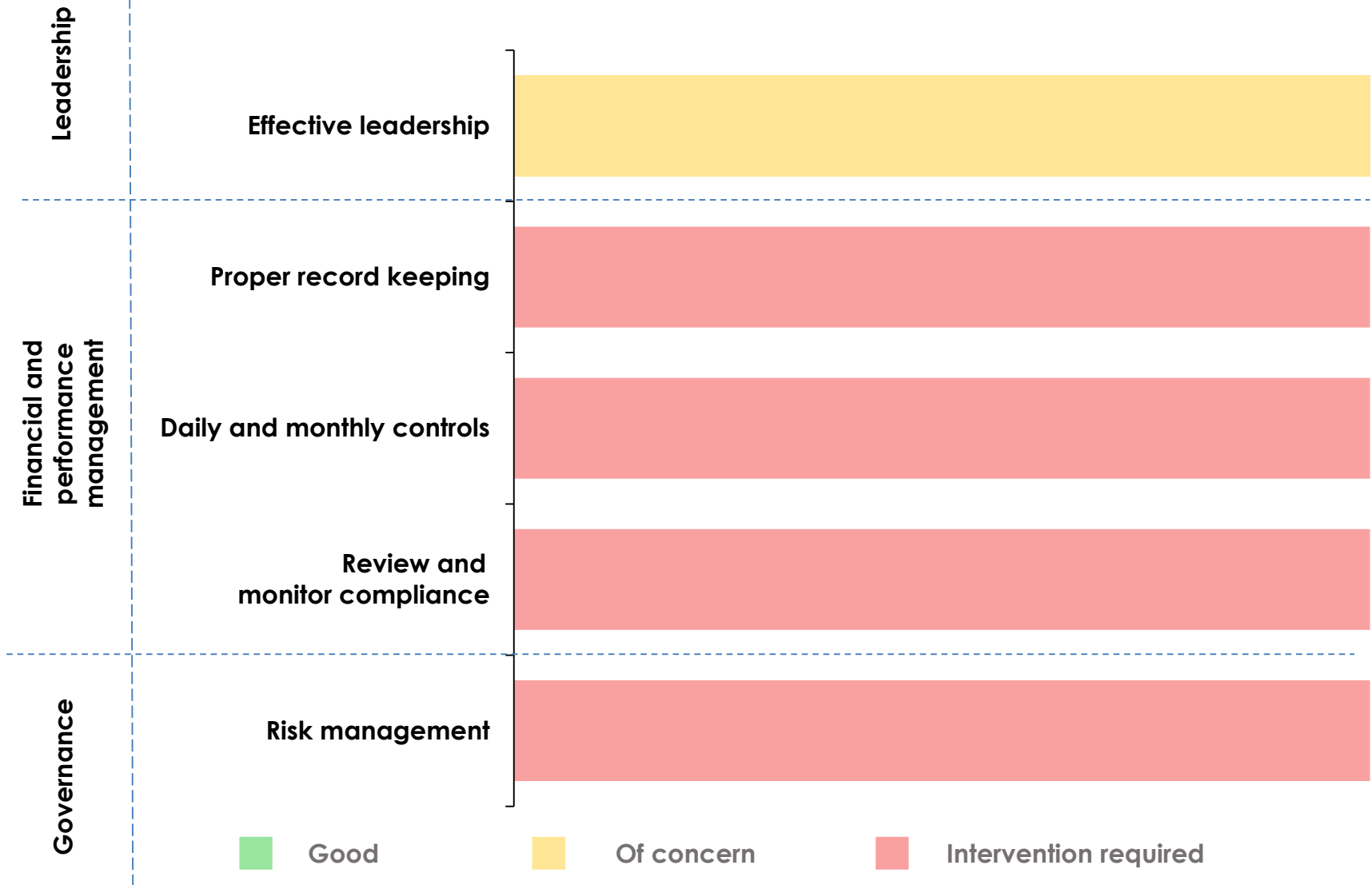
- Sufficient appropriate audit evidence could not be obtained that appropriate systems and procedures to monitor, measure and evaluate performance of staff had been developed and adopted.
- Sufficient appropriate audit evidence could not be obtained that the municipal manager and senior managers had signed performance agreements within the prescribed period.

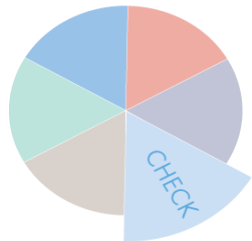
Consequence management:

- Previous year unauthorised, irregular as well as fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure

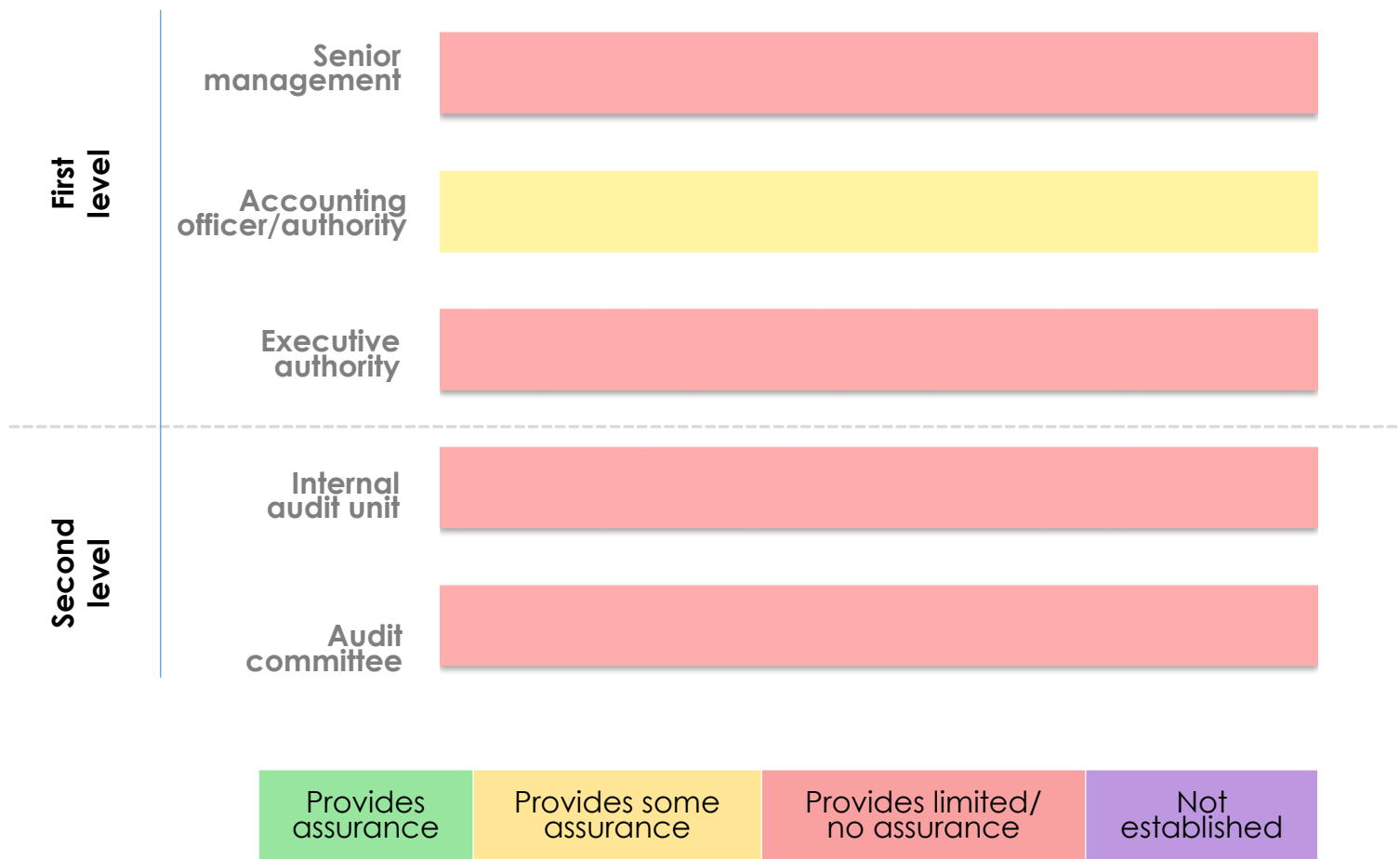


Status of internal control





Assurance provided



Financial health and financial management



Financial health

- The municipality incurred a net loss of R120 014 938 during the year ended 30 June 2019 and, as of that date, the municipality's current liabilities exceed its current assets.
- The municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result was made in the financial statements.
- Material water losses of R18 124 682 (2018: R16 084 525) were incurred, which represents 38,29% (2018: 36,85%) of the total water purchased and this was mainly due to leakages.

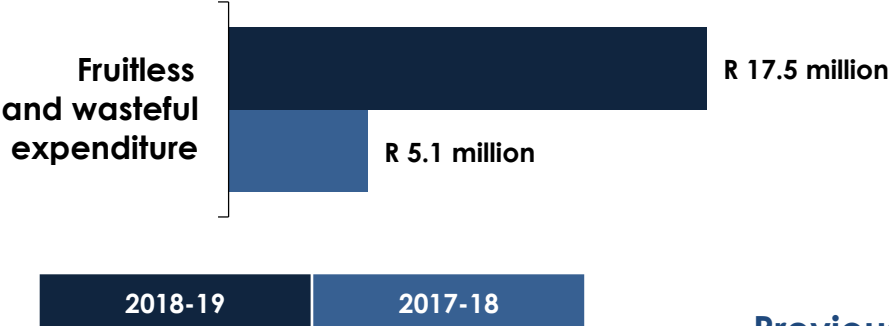


Fruitless and wasteful expenditure increased over two years

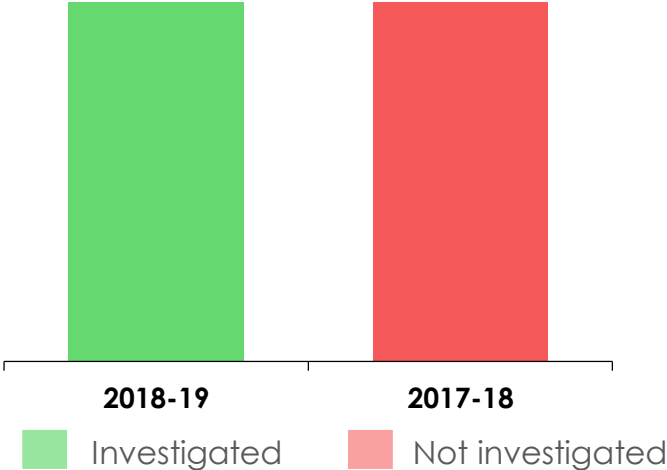
Definition

Expenditure incurred in vain and could have been avoided if reasonable steps had been taken – no value for money

Fruitless and wasteful expenditure incurred by entities in portfolio



Previous year fruitless and wasteful expenditure reported for investigation



Nature of fruitless and wasteful expenditure

Fruitless and wasteful expenditure relates to interest and penalties.



Irregular expenditure decreased over two years

Definition

Expenditure incurred in contravention of key legislation; goods delivered but prescribed processes not followed

Irregular expenditure incurred by entities in portfolio



2018-19

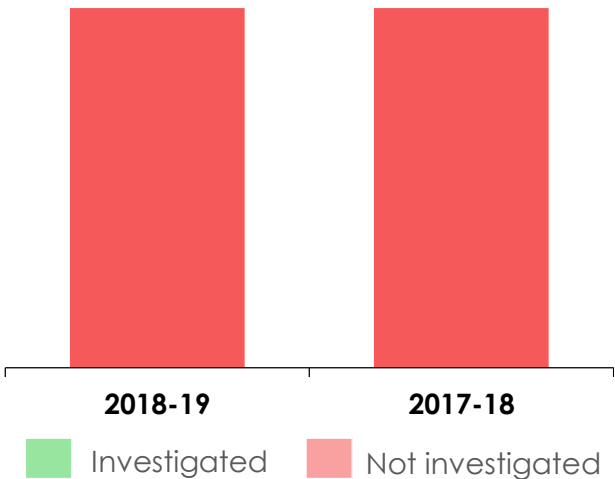
2017-18

Nature of irregular expenditure

The municipality incurred irregular expenditure of R55.7 million, which relates to SCM as follows:

- Procurement without competitive bidding or quotation process – R2.9 million
- Non-compliance with procurement process requirements – R13.7 million
- Non-compliance with legislation on contracts – R12.1 million

Previous year irregular expenditure reported for investigation



2018-19

2017-18



Investigated



Not investigated



Root causes

