

**DANNHAUSER LOCAL MUNICIPALITY**

**2021/2022**



**OVERSIGHT COMMITTEE  
REPORT**

# OVERSIGHT COMMITTEE REPORT – 2021/2022

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## 1. INTRODUCTION

The Municipal Finance Management Act (MFMA) assigns specific oversight responsibilities to Council regarding the Annual Report and the preparation of an Oversight Report.

Given the processes required by Council to effectively undertake its oversight role, the Dannhauser Council resolved that the Municipal Public Accounts Committee was the appropriate mechanism in which Council could fulfil its oversight responsibilities.

The Council referred the Annual Report 2021/2022 to its Municipal Public Accounts Committee for consideration, to receive input from the various role players and to prepare a final Oversight Report for consideration by Council, in terms of sections 127, 128, 129 and 130 of the (Municipal Finance Management Act, 2003 (Act No 56 of 2003 – MFMA). This to be read with the following MFMA Circulars; MFMA Circular.63 – Annual Report Format & Contents – 26 September 2012; MFMA Circular.32 – Oversight Report Guidelines - 15 March 2006; MFMA Circular 11 - Annual Reporting Guidelines - 14 January 2005; MFMA Circular 18 - New Accounting Standards - 23 June 2005; and MFMA Circular 28 - Budget Content and Format - 12 December 2005.

## 2. BACKGROUND

The oversight role of Council is an important component of the financial reforms and it is achieved through the separation of roles and responsibilities between Council, the Executive Committee and Administration. Good governance, effective accountability, and oversight can only be achieved if there is a clear distinction between the functions performed by the different role players.

Non-executive Councillors are required to maintain oversight on the performance of specific responsibilities and delegated powers that they have given to the Executive Committee. In other words, in exchange for the powers in which Council have delegated to the Executive, Council retains a monitoring and oversight role ensuring that there is accountability for the performance or non-performance of the municipality.

The Municipal Finance Management Act, No.56 of 2003 (MFMA) vests in Council specific powers of approval and oversight:-

- ✓ Approval of budgets;
- ✓ Approval of Budget related Policies; and
- ✓ Review of the Annual Report and adoption of the Oversight Report.

### 2.1 LEGAL REQUIREMENTS:

Section 121 (1), (2) and (3) of the MFMA determines as follows:

According to 121 (1) of the MFMA, every Municipality must prepare an annual report each financial year. The council must within nine (9) months after the end of a financial year deal with the annual report of a municipality in accordance with section 129.

### 2.2 PURPOSE OF THE REPORT:

The purpose of an annual report is:

- i) To provide a record of the activities of the municipality during the financial term to which the report relates;
- ii) To provide report on performance against the budget of the municipality for the financial year; and
- iii) To promote accountability to the local community for the decisions made throughout the year by the municipality.

### 2.3 ANNUAL REPORT REQUIREMENTS:

The annual report of a municipality must include:

- i) The annual financial statements of the municipality;
- ii) The Auditor General audit report in terms of section 126) (3) on those financial statements;
- iii) The annual performance report of the municipality prepared by the municipality in terms of the section 46 of the Municipal Systems Act;
- iv) The auditor general's audit report in terms of section 45 (b) of the Municipal Systems Act; An assessment by the municipality's accounting officer of any arrears on municipal taxes and services charges;
- v) An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives referred to in section 17 (3) (b) for revenue from each source and for each vote in the municipality's approved budget for the relevant financial year;
- vi) Particulars of any corrective action taken or to be taken in response to issues raised in the audit report referred to in paragraphs (b) and (d);
- vii) Any explanations that may be necessary to clarify issues in connection with the financial statements;
- viii) Any information as determined by the municipality;
- ix) Any recommendations as determined by the municipality; and
- x) Any other information as may be prescribed

In terms of section 127 (5) of the MFMA, the accounting officer must immediately after the annual report is tabled, make public the annual report invite the local community to submit representations in connection with the annual report and submit the report to the auditor general, the relevant Provincial Treasury and the Provincial Departments responsible for Local Government in the Province.

According to section 129 (10) of the MFMA, the Council must consider the Annual Report by no later than two months from the date on which the annual report was tabled, adopted and oversight report containing the Council's comments on the annual report which must include a statement whether:

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- ✓ The council has approved the annual report with or without reservations;
- ✓ Has rejected the Annual Report;
- ✓ Has referred the Annual Report back for revision of those components that can be revised.

### 3. ANNUAL REPORT OVERSIGHT FUNCTIONS OF THE COMMITTEE

The oversight functions undertaken by the Municipal Public Accounts Committee in relation to the Annual Report are to:-

- ✓ Undertake a review and analysis of the Annual Report.
- ✓ Invite, receive, and consider inputs from Councillors and Support Committees, on the Annual Report.
- ✓ Consider written comments received on the Annual Report from the public consultation process.
- ✓ Conduct Public Hearings to allow the local community or any organs of state to make representations on the Annual Report.
- ✓ Receive and consider Council's Audit Committee views and comments on the annual financial statements and the performance report.
- ✓ Preparation of the draft Oversight Report, taking into consideration, the views and inputs of the public, representatives of the Auditor-General, organs of state, Council's Audit Committee and Councillors.

### 4. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

Having considered the new guidelines issued by National Treasury on the establishment of Municipal Public Accounts Committee (MPAC) and the nature of Dannhauser Municipality, the committee consists of the following members;

COMMITTEE NAME	MEMBER'S NAME	NUMBER OF PLANNED MEETINGS (2021/22)	NUMBER OF ACTUAL MEETINGS HELD (2021/22)	REASON'S FOR DEVIATION
Municipal Public Accounts Committee	<ul style="list-style-type: none"><li>➤ Ndaba VM (Chairperson)</li><li>➤ Mkhumane MS</li><li>➤ Kumalo NP</li><li>➤ Radebe AN</li><li>➤ Nair PG</li></ul>	7	3	<ul style="list-style-type: none"><li>• No quorum formed</li><li>• The effect of level 5 lockdown contributed to the prevention of fulfilling the planned meetings</li></ul>

COMMITTEE NAME	MEMBER'S NAME	NUMBER OF PLANNED MEETINGS (2021/22)	NUMBER OF ACTUAL MEETINGS HELD (2021/22)	REASON'S FOR DEVIATION
Municipal Public Accounts Committee	<ul style="list-style-type: none"> <li>➤ ES Kunene: Chairperson</li> <li>➤ MS Mkhumane</li> <li>➤ EN Buthelezi</li> <li>➤ RS Langa</li> <li>➤ MS Dlamini</li> <li>➤ SE Myaka</li> <li>➤ MT Mabaso</li> </ul>	5	5	

One of the key responsibilities of the MPAC is to analyze and review annual reports in detail following their tabling in Council and then drafting an oversight report that may be taken to Council for consideration. The committee adopted circular 32 of the National Treasury as the guiding document for its oversight process. The following documents relevant to the committee's responsibilities should be distributed to each committee member and should be in their possession.

- ✓ The 2021/22 Annual Report;
- ✓ National Treasury’s Circular 11 – Annual Report;
- ✓ National Treasury’s Circular 18 – New Accounting Standards
- ✓ National Treasury’s Circular 28 – Budget Content and Format;
- ✓ National Treasury Circular 32 – Oversight Report;
- ✓ National Treasury’ Circular 63 – New Annual Report Guidelines; and
- ✓ Report of the Auditor General as contained in the Annual Report.

In compliance with what MPAC requested dated, the committee places a high priority on community participation in the oversight process and is going to take the following actions to gain the community’s participation:

The community will be advised through the print media of the availability of the 2021/2022 Annual Report, as per the municipal notice, and will be invited to submit representation on the report by a certain date;

- ✓ The Annual Report will be available at all municipal library;
- ✓ The Annual Report will be available in the Ward Committee War Rooms;
- ✓ The Annual Report will be placed on the municipal website at [www.dannhauser.gov.za](http://www.dannhauser.gov.za);
- ✓ The Annual Report will also be submitted to the Auditor General, Provincial Treasury, National Treasury and the relevant local government departments.

## 5. COMPOSITION OF THE COMMITTEE

### 5.1. Membership

The Municipal Public Accounts Committee is a committee of Council established under Section 79 of the Municipal Structures Act, 1998. Section 79 allows for the co-option of advisory members to a Committee of Council, who are not members of the Council. Due to the separation of roles and responsibilities, between Council and the Executive Committee members of the Executive Committee a/re not members of the Municipal Public Accounts Committee.

### 5.2. Authority & Power

The Committee is delegated the responsibility to conduct meetings and to hold public hearings to receive and hear public submissions on the Annual Report, on behalf of Council.

### 5.3. Meeting Schedule

The Annual Report submitted to Council, was referred to the Municipal Public Accounts Committee. The community was advised through the print media of the availability of the Annual Report and was invited to submit representations on the report.

The Annual Report was made available at the Municipal Library, Council War Rooms and Municipal website. Copies were circulated to all Councillors and distributed electronically to interested parties on

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request. The Annual Report was submitted to the Auditor-General, Provincial Treasury and the Department of Local Government and Traditional Affairs.

We have received and considered input from the Auditor General and noted the minor amendment of the Mayor's address. At the closing date for public comment submissions for the draft Annual Report published, no comments had been received. All comments received from the Audit Committee were taken into consideration and inputs made by the committee were incorporated.

### 6. PROCESS FOLLOWED BY COUNCIL

#### 6.1 SUBMISSION AND TABLING OF THE ANNUAL REPORT 2021/22

The Executive Mayor has deemed to inform council of unforeseeable reasons which eventually leads to the failure of council to adhere to abovementioned statutory compliance. Section 127 (3) requires that if the mayor for whatever reason, is unable to table in the council the annual report of the municipality, or the annual report of any municipal entity under the municipality's sole or shared control, within seven months after the end of the financial year to which the report relates, the mayor must:

- a) promptly submit to the council a written explanation referred to in section 133 (1) (a) setting out reasons for the delay, together with any components of the annual report listed in section 121 (3) or (4) that are ready; and
- b) submit to the council the outstanding annual report or outstanding components of the annual report as soon as may be possible.

As per legislation requires, the Annual report must be tabled to council seven months after the beginning of the financial year under review and nine months the Oversight be tabled to Council. From the 24th January 2023 to the 21 February 2023, the draft 2021/2022 Annual Report was open for discussion and recommendation as required by MPAC and Council. On the 30<sup>th</sup> of March 2022, the mayor informed Council that the report is in line with legislation as the Audit report was issued on the 13<sup>th</sup> of December 2022, the Annual report will be tabled by the mayor/MPAC chair as the final for approval.

### 7. THE OVERSIGHT REPORT

This Oversight Report is for the financial year ended 30 June 2022. The Annual Report was presented to Council on 30 March 2022 the Annual Report did not contain any reports of municipal owned entities as there are none in existence.

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#### 7.1 THE OVERSIGHT REPORT: KEY COMMENTS

The comments from the MPAC are in three sections, reflected below:

- ✓ Section. A : Annual Report Checklist;
- ✓ Section. B : Annual Report Compliance, MFMA Requirements & Audit Report – AG 2021/2022; and
- ✓ Section. C : Annual Report & Audit Action Plan 2021/2022 A.G Findings



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### SECTION.A

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/COMMENTS
<b>1. Financial Matters – Annual Financial Statements - Section 121 (3) MFMA</b>		<b>Financial reporting matters to be considered</b>
121 (3)(a) The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General.	The AFS are to be in the form as required by the applicable accounting standards. MFMA Circular 18 with annexures, 23 June 2005, provides guidelines on the accounting standards for municipalities. <b><i>Have the required standards been met?</i></b>	<b>Yes (No Municipal Entities)</b>  Refer to Appendix “Volume II” page.215 AR
121 (3)(a) 121 (4) 121 (4)(b)	The above applies to the AFS of the municipality.	<b>Yes</b>
121 (3) (e) An assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities.	Has an adequate assessment been included? Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation? Is any other action required to be taken?	<b>Yes</b> Pages 48-49 of the AFS
121 (3)(g) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports.	The conclusions of the annual audit are:- ✓ an unqualified audit opinion with or without management issues, which means that the financial statements are acceptable; ✓ The objective of the municipality should be to achieve an unqualified audit opinion.  Taking into account the audit report, audit opinion and the views of the audit committee, council considered:- ✓ To what extent does the report indicate serious or minor financial issues? ✓ To what extent are the same issues repeated from previous audits?	Yes.  Refer to Addressed (Included in AG Management Comments) attached – Annexures 6 & 9 of Annual Report and AG Management Comments & Responses 2021/22 attached  The report indicates issues of concern regarding compliance with laws and regulations as it relates to:-  preparation of financial statements in accordance with section 122 of the MFMA; contravention of Sections 44 and 35 of the Supply Chain Management Regulations and expenditure management in terms

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	<ul style="list-style-type: none"> <li>✓ Is the action proposed considered to be adequate to effectively address the issues raised in the audit report?</li> <li>✓ Has a schedule of action to be taken been included in the annual report, with appropriate</li> </ul>	<p>of section 62 of the MFMA. In addition internal control weaknesses were also evident in relation to financial management as it relates to management of conflicts of interest and commitments and contingent liabilities.</p> <p>Some of the issues are repeat findings from previous years and will be corrected as per Internal Audit Action plan 2021/2022.</p>
	<p>Note that actions taken on audit issues are to be reported to the provincial legislature, the MEC for Cooperative Government &amp; Traditional Affairs to report on any omissions by municipalities in addressing issues. Council should confirm that the audit report has been forwarded to the MEC.</p>	<p><b>The audit report was submitted to the MEC for COGTA</b></p>
<p>121 (3)(f) An assessment by the municipality’s accounting officer of the municipality’s performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget.</p>	<p>The budget of the municipality must contain measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the IDP (MFMA s17 (3) (b)). The accounting officer must include these objectives in the annual report and report on performance accordingly.</p> <ul style="list-style-type: none"> <li>✓ Has the performance met the expectations of council and the community?</li> <li>✓ Have the objectives been met?</li> <li>✓ What explanations have been provided for any non-achievement?</li> <li>✓ What was the impact on the service delivery and expenditure objectives in the budget?</li> </ul>	<p>Refer to page.169 to 170 of the Annual Report.</p> <p><b>Yes.</b></p> <p><b>Yes.</b></p> <p>None.</p> <p>The Municipality has collected sufficient revenue to meet all its expenses including depreciation and the surplus is considered to be reasonable.</p>
<p>121 (3)(i)(k) Any information as determined by the municipality, the entity or its parent municipality.</p>	<p>Review any other information that has been included in regard to the AFS.</p>	<p><b>Not applicable</b></p>

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INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/COMMENTS
<b>1. Financial Matters – Annual Financial Statements - Section 121 (3) MFMA</b>		<b>Financial reporting matters to be considered</b>
121 (3)(j) and 121 (4)(g) Recommendations of the audit committee in relation to the AFS and audit reports of the municipality.	Have the recommendations of the audit committee in regard to the AFS and audit reports been adequately addressed by the municipality and/or the entity? What actions need to be taken in terms of these recommendations?	The Audit Committee was of the view that the AFS comply in all respects with the requirements of the MFMA, Treasury Regulations & GRAAP. None. Page 131 of AR
<b>2. Disclosures - Allocations received and made - Section 123-125 MFMA</b>		<b>Considerations</b>
123 (1)(a) Allocations received by and made to the municipality.	<p>The report should disclose:</p> <ul style="list-style-type: none"> <li>✓ Details of allocations received from another organ of state in the national or provincial sphere.</li> <li>✓ Details of allocations received from a municipal, entity or another municipality.</li> <li>✓ Details of allocations made to any other organ of state, another municipality, or a municipal entity.</li> <li>✓ Any other allocation made to the municipality under Section 214(1) (c) of the Constitution.</li> </ul> <p>Have these allocations been received and made? Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets? Does the audit report or the audit committee recommend any action?</p>	<p><b>Yes.</b> Refer to Note .27 Pages 57 to 58 of the AFS annexed to AR</p> <p><b>None</b> None None <b>None</b></p>

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/COMMENTS
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<p>125 (1) Information in relation to outstanding debtors and creditors of the municipality and entities.</p>	<p>Municipalities and entities are reminded of the requirement to include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities.</p> <p>It is also a requirement to report on whether the municipality or entity has met its statutory commitments, including the payment of taxes, audit fees, and contributions for pension and medical aid funds.</p> <p>Council should be satisfied that –</p> <ul style="list-style-type: none"> <li>✓ The information has been properly disclosed;</li> <li>✓ Conditions of allocations have been met; and</li> <li>✓ That any explanations provided are acceptable.</li> </ul>	<p><b>Yes.</b> Refer to Note.10, Page.50 of the AFS, annexed to AR</p> <p>National and provincial debtors are up to date as Provincial Treasury was assisting with regards to this, while others which had been challenging have been resolved.</p> <p><b>Yes.</b> Refer to Notes 10, Pages.50 of the AFS.</p>
<p><b>2. Disclosures - Allocations received and made - Section 123-125 MFMA</b></p>		<p><b>Considerations</b></p>
<p>123 (1)(c) Information in relation to the use of allocations received.</p>	<p>Section 123 of the MFMA and MFMA guidance circular 11, require that the municipality provide information per allocation received per vote and include:-</p> <ul style="list-style-type: none"> <li>✓ The current year and details of spending on all previous conditional grants, for the previous two financial years. Information is to be provided per vote. (For example, municipalities must report on all transfers received from provincial government i.e. small town rehabilitation, electrification, etc) were spent, and for what projects.</li> <li>✓ Information stating whether the municipality has complied with the conditions of the grants, allocations in terms of section 214(1)(c) of the</li> </ul>	<p>Refer to Note .13, Pages 53 of the AFS annexed to AR.</p> <p>Also refer to Conditional Grants Received and used on page.171 in AR.</p> <p><b>Yes</b></p>

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	<p>Constitution and allocations received from other than another organ of state. Where there is non-compliance, details of the reasons for non-compliance are to be provided.</p> <p>✓ Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this.</p>	<p><b>Yes</b></p> <p><b>The Municipal Infrastructure Grant of R6 000 000.00 was withheld due to the delay in appointing service provider for the MIG project as per business plan.</b></p>
<p><b>3. Disclosures in notes to AFS</b></p>	<p><b>Considerations relating to section 124</b></p>	
<p>Information relating to benefits paid by municipality and entity to Councillors, directors and officials.</p>	<p>Information on the following items is to be included in the notes to the annual report and AFS:-</p> <ul style="list-style-type: none"> <li>✓ salaries, allowances and benefits of political office bearers, Councillors and boards of directors, whether financial or in kind;</li> <li>✓ any arrears owed by individual Councillors to the municipality or entity for rates and services, which at any time were outstanding for more than 90 days, including the names of Councillors;</li> <li>✓ salaries allowances and benefits of the municipal manager, CEO of a municipal entity, CFO and every senior manager;</li> <li>✓ contributions for pension funds and medical aid;</li> <li>✓ travel, motor car, accommodation, subsistence and other allowances;</li> <li>✓ Housing benefits and allowances;</li> <li>✓ Overtime payments;</li> <li>✓ Loans and advances, and;</li> </ul>	<p>Yes.</p> <p>Refer to Note.28 and 29 of the AFS annexed to AR</p> <p>Refer to Note .29 of the AFS.</p> <p>No Councillors’ arrear consumer accounts.</p> <p>There were no loans or advances to Councillors/Directors/Staff.</p>

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	<ul style="list-style-type: none"> <li>✓ Any other type of benefit or allowance related to staff.</li> </ul> <p>Council should be satisfied that:</p> <ul style="list-style-type: none"> <li>✓ The information has been properly disclosed;</li> <li>✓ Conditions of allocations have been met; and</li> <li>✓ That any explanations provided are acceptable</li> </ul>	
<p><b>4. Municipal Performance</b></p>	<p><b>Considerations</b></p>	
<p>The annual performance reports of the municipality and entities.</p>	<p>Section 46, MSA requires municipalities to submit a performance report reflecting the performance of the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures taken to improve performance. The report must form part of the annual report. Questions that may be considered are –</p> <ul style="list-style-type: none"> <li>✓ Has the performance report been included in the annual report;</li> <li>✓ Have all the performance targets set in the budgets, SDBIP, service agreements etc, been included in the report?;</li> <li>✓ Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year?</li> </ul> <p>In terms of key functions or services, how has each performed? E.g. have backlogs for water, sanitation, and electricity been reduced? What are the refuse collection volumes, library usage statistics etc?</p> <ul style="list-style-type: none"> <li>✓ To what extent has performance achieved targets set by council?</li> <li>✓ Is the council satisfied with the performance levels achieved?</li> </ul>	<p>Yes.</p> <p>Refer to Annexure.1 pages.47 to 167 SDBIP 2021/22 the Annual Report.</p> <p>Yes</p> <p>The scorecard by municipal department is included in the Annual Report and is accepted by the Auditor General as adequate reporting. There is no specific legislation that prescribes the inclusion of the budgets, SDBIP and service agreements etc in the Annual Report. Page.47 to 167 in the Annual Report</p> <p>The scorecard that is incorporated in the Annual Report is audited by the Auditor General to ensure it is the finalised Performance Scorecard as part of the AG’s year-end audit.</p> <p>Backlogs are reported on in the Annual Report.</p> <p>Pages.47 to 167 of AR (Achieved and Not Achieved).</p>

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	<ul style="list-style-type: none"> <li>✓ Is the community satisfied with performance? Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents? What were the outcomes of public consultation and public hearings?</li> <li>✓ What actions have been taken and planned to improve performance?</li> <li>✓ Is the council satisfied with actions to improve performance?</li> <li>✓ Did the targets set in the budgets, SDBIP agree with the targets set in the performance contracts of the municipal manager and each senior manager?</li> <li>✓ Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?</li> <li>✓ Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective?</li> <li>✓ To what extent have actions planned for the previous year been carried over to the financial year reported upon?</li> <li>✓ Have any actions planned in the reported year been carried over to the current or future years? If</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>96 KPIs</b> were achieved which is 53% of the indicators;</li> <li>✓ <b>84KPIs</b> were not achieved, which is 47% of the indicators.</li> </ul> <p>Yes. Pages 47 of the AR</p> <p>A Municipal Customer Satisfaction Survey was not conducted for the 2021/2022 financial year. Pages. 48</p> <p>The performance contracts of the Municipal Manager and each senior manager are aligned to the Organisational Performance Scorecard. Page. 47 to 167 of AR</p> <p><b>Yes</b></p> <p><b>Yes</b></p>
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	so are any explanations been provided by the municipal manager and are these satisfactory?	The Performance Scorecard reflects a 5-year rolling plan, which provides for carryovers  The underachievement would be reported with reasons and targets not met would automatically be carried over. This is done in-year when the reports are submitted to the Audit Committee and Council.
Audit reports on performance.	Section 45, MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes and annually. Have the recommendations of internal audit been acted on during the financial year? Have recommendations by internal audit and/or the auditor-general been included in action plans to improve performance in the following year?	Yes Yes
Performance of municipal entities and municipal service providers.	The annual report of the municipality should provide an assessment of the performance of the municipal entities and all contracted service providers. This is in addition to the separate annual reports of the entities. The report should evaluate the effectiveness of these services and whether alternative mechanisms should be considered. ✓ Is the council satisfied with the evaluation and conclusions of the municipality? ✓ What other actions are considered necessary to be taken by the accounting officer?	No municipal entities  Performance of Service providers on page. 202 to 213 of the Annual Report
<b>5. General information</b>	<b>The following general information is required to be disclosed in the annual report.</b>	
Relevant information on municipal entities	The municipality should disclose all information relating to the municipal entities under the sole or effective control of the municipality. Information to be disclosed includes names and types of entities, members of the board, addresses, and contact details	None Applicable



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	for entities, the purpose of the entity, the functions, and services provided the type and term of service level agreements with the entities.	
The use of any donor funding support.	<p>What donor funding has the municipality received?</p> <ul style="list-style-type: none"> <li>✓ Have the purposes and the management agreements for the funding been properly agreed upon?</li> <li>✓ Has the use of funds been effective in improving services to the community?</li> <li>✓ What actions need to be taken to improve utilisation of the funds?</li> </ul>	None Applicable
Agreements, contracts and projects under Private Public – Partnerships	<p>Information similar to the details of municipal entities should be provided.</p> <p>Council should ensure that all details have been supplied</p>	Yes
Service delivery performance on key services provided	<p>This may be a high-level summary, in addition to detailed information on performance, which sets out overall performance under the strategic objectives of the municipality. Overall results on the strategic functions and services should be summarised. This should cover all services whether provided by the municipality, entities or external mechanisms</p>	<p>Yes</p> <p>Pages. 47 to 164 (SDBIP 2021/22 Actuals) of Annual Report</p>
Information on long-term contracts.	<p>Details of all long-term contracts including levels of liability to the municipality should be included.</p>	<p>Yes</p> <p>Page.99 of the Annual Report</p>
Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations.	<p>Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services.</p> <p>Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained.</p> <p>Details of any future IT proposals should be summarised. Council should comment and draw</p>	<p>We have noted that the Municipality’s IT systems still reveal several control deficiencies including the inadequate implementation of certain IT policies and procedures. Deficiencies were also noted in security management and user access controls. The IT governance framework is still in the process of being developed and implemented.</p>

## OVERSIGHT COMMITTEE REPORT – 2021/2022

	<p>conclusions on the information provided. Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services.</p> <p>Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained.</p> <p>Details of any future IT proposals should be summarised. Council should comment and draw conclusions on the information provided.</p>	
Capital plan for addressing infrastructure backlogs	<p>A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided.</p> <p>This should include details of types and scale of backlogs, projected cost implications, strategies to address the backlogs and plans proposed and/or approved. The summary here should cross reference to the performance reports in the annual report and also will be highlighted in the coming budgets.</p> <p>Council should consider whether the plans appropriately address the backlogs and are consistent with the strategic policy directions of council and needs of the community.</p>	<p>Yes</p> <p>Page.96 of the AR.</p>
6. Other considerations recommended		
Timing of reports.	Was the report tabled in the time prescribed?	Yes
Oversight committee or other mechanism.	What mechanisms have been put in place to prepare the oversight report?	The Municipal Public Accounts Committee was delegated the responsibility of preparing the oversight report.
Payment of performance bonuses to municipal officials.	Refer to Section 57 MSA as amended. Bonuses based on performance may be awarded to a municipal manager or a manager directly accountable to the municipal manager after the end of the financial year	Performance bonuses for the year under review have not yet been paid to any Section 57 Managers. Performance will be assessed based on achievements of agreed outputs and will only be

## OVERSIGHT COMMITTEE REPORT – 2021/2022

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	<p>and only after an evaluation of performance and approval of such evaluation by the municipal council. Preferably such evaluation should be considered along with the annual report. The basis upon which performance is evaluated for payment of bonuses should be reconciled with the municipal performance reported in the annual report.</p> <p>Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council?</p>	<p>paid after the adoption of the Oversight Report where applicable</p>
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## SECTION.B

### 7.3 ANNUAL REPORT COMPLIANCE ISSUES

This section contains the Committee’s comments on whether the 2021/22 Annual Report included the items required by the MFMA and followed the guidelines provided by Circular 32 and Circular 64 of the National Treasury.

As reported below, the Annual Report complied with the great majority of the MFMA requirements and the National Treasury guidance in the content of the Annual report. The following MFMA requirements have been included in the tabled Annual Report:

- ✓ Headings and Content Recommended by Circular 11 and Circular 63;
- ✓ MFMA Circular’s 11, 15, 28, 32 and 63 have been complied with;
- ✓ Annual Report 2021/22;
- ✓ Audited Annual Financial Statements – 2021/22;
- ✓ Auditor Generals’ Report – 2021/22;
- ✓ Auditor General Management Comments – 2021/22;
- ✓ Audited Annual Performance Report – 2021/22;
- ✓ Conditional Grants and Assessment of Compliance;
- ✓ Annual Report Appendix – Circular 63 Compliance 2021/22;
- ✓ Total payments for audit fees, taxes, levies, duties, pension and medical aid contributions, and if any amounts outstanding at year end;
- ✓ Summary of all Investments;
- ✓ Particulars of material irregular, fruitless or wasteful expenditures and whether recoverable;

Furthermore, matters raised by the Auditor General for the 2021/22 financial year have been concluded in the Annual Report for the year under review.

#### 7.3.1 MFMA REQUIREMENTS NOT SUFFICIENTLY ADDRESSED OR NOT INCLUDED IN TABLED ANNUAL REPORT

The Oversight Committee noted the MFMA requirements were all met.

#### 7.3.2 THE AUDIT REPORT - 2021 / 2022

The audit action plan submitted to the MPAC was adequate and addresses all the issues raised by the Auditor General. MPAC will agree with management with any additional steps that management may deem appropriate to address the numerous shortcomings.

## SECTION.C

### 8. GENERAL COMMENTS AND RESERVATIONS ON THE CONTENTS OF THE ANNUAL REPORT:

⇒ The Oversight committee notes that the Annual Report complies with Circular.63.

### 9. ANALAYSIS OF THE 2021/22 ANNUAL REPORT ACCORDING TO CIRCULAR 63 & 11

- ✓ The Annual Financial Statements – Complied with;
- ✓ The Auditor General’s Report on the Financial Statements – Complied with;
- ✓ The final Audit report was issued on 13 December 2021;
- ✓ No explanations that may be necessary to clarify issues in connection with the financial statement – Summary by Accounting Officer or CFO;
- ✓ An assessment by the Accounting Officer on any arrears on municipal taxes and services charges – Summary by Accounting Officer;
- ✓ Particulars of any corrective actions taken or to be taken in response to issues raised in the Audit Report – Summary by Accounting Officer;
- ✓ No information determined by the municipality or entity. According to circular 11 & 63;
- ✓ Any recommendations of the audit and performance audit committee – Addressed in an annexure;
- ✓ Any other information as may be prescribed – Addressed;
- ✓ The use of conditional grants, per grant to include in the current year and details of spending on all previous conditional grants, for the two previous financial years. For example, municipalities must report on all transfers received from provincial departments for three financial years, and indicate how such funds were spent, and for what projects – Included in document through discussions and tables (i.e. Electrification);
- ✓ The extent to which a municipality met the conditions of such grants – Addressed;
- ✓ Agreements, contracts as projects under private public partnerships – Addressed;
- ✓ Service delivery performance on key services provided – Addressed;
- ✓ Corrective measures or action plans to be taken on targets of the key performance indicators as in the Service delivery Budget Implementation Plan (SDBIP) – Addressed;
- ✓ Information on long term contracts – addressed;
- ✓ Information technology and systems and purchased and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations – Addressed; and
- ✓ Performance of the municipality and municipal service providers – addressed.

### 10. RESPONSES TO ISSUES RAISED BY AUDITOR GENERAL IN AUDIT REPORT FOR THE 2021/22 FINANCIAL YEAR AND ACTION PLAN

The action plan is referenced “Annexure.9” on page.180 to 191 of the Annual Report and clearly indicates what the measures are to be taken to prevent any shortfalls in future audit processes.

## OVERSIGHT COMMITTEE REPORT – 2021/2022

### DANNHAUSER MUNICIPALITY 2021/ 2022 ACTION PLAN

#### AUDIT REPORT

No	FINDING	ASSERTION AFFECTED	IMPACT	ROOT CAUSE	ACTION	DUE DATE	RESPONSIBLE EXECUTIVE	PROGRESS
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FINDING NO	FINDING NO AS PER MR	Component	AUDIT FINDING	FINDING DETAILS	Component	INTERNAL CONTROL DEFICIENCY	Action Plan	Progress	ACTION DATE/S	RESPONSIBLE PERSON
ISS.1	FINDING NIO:11	AFS - Accounting Policies	Accounting Policies: Investment Property, Heritage Assets and Employee Related Cost	Contrary to the above-mentioned requirement, accounting policies disclosed do not have sufficient principles, bases, rules, and practices applied by the municipality in preparing and presenting financial statements. Please see below for details: 1. The initial and subsequent measurement accounting principle	<ul style="list-style-type: none"> <li>• Accuracy and Valuation of the Heritage asset balance amounting to R 119 350 cannot be confirmed</li> <li>• Accuracy and Valuation of Investment Assets balance of R 8 349 000 cannot be confirmed</li> <li>• Non-compliance with GRAP 1, 103 and 16.</li> </ul>	Leadership Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls. • The accounting officer did not put adequate internal control	Policies will be updated and aligned to the accounting policies in the Financial Statement. The Financial Statement will be prepared in time to give enough time for reviews.	This will be reviewed during the Interim Financial Statements	31-Mar-23	acting CFO

				<p>applied on heritage assets has not been included on the heritage assets accounting policy as required by GRAP;</p> <p>2. The subsequent measurement accounting principle applied investment property has not been included on the investment asset accounting policy as required by GRAP.</p> <p>3. Employee benefits accounting policy has not been disclosed.</p>		<p>processes to ensure that the AFS are adequately reviewed to ensure compliance with the GRAP reporting requirements.</p>				
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ISS.2	FINDING NO: 2	AFS - Property Plant and Equipment	Differences between progress report and fixed asset register	During the audit of long standing projects, variances were identified between the carrying amount of work in progress (WIP) per the fixed asset register (FAR) and the project payments made as at year end. In addition, the progress reports, contracts and appointment letters for the previous contractors working on the construction of the testing ground, were requested in Request for information 61 dated 08 November 2022 and has to date not been submitted for audit.	Consequently, the construction of the new offices has been understated by R6 359 032,87	Management did not perform adequate reviews to ensure that the total payments made to suppliers agree to the amount captured in the fixed assets register.	To appoint a service provider to update the FAR and reconcile to the Ledgr. The reconciliation of Work-in- Progress assets will be performed on the monthly basis and clear all differences between progress reports from Technical Services to the reports from Finance	The service provider has been appointed to update the FAR reconciliation monthly	31/03/ 2023	acting CFO
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ISS.3	FINDING NO: 3		Property, Plant and Equipment- Differences between the FAR & AFS on the carrying balances	<p>Contrary to the above, the following misstatements were noted under Property, plant and equipment:</p> <ul style="list-style-type: none"> <li>• The Carrying Value of the Property, Plant and Equipment as per the financial statement does not agree with the Carrying Value disclosed as per the fixed assets register. The details are as follows: please refer to MR</li> </ul>	PPE balance disclosed on the annual financial statement is overstated by R 2 099 120,38	Financial and Performance Management Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	To appoint a service provider to update the FAR and reconcile to the Ledgr. The reconciliation of Work-in-Progress assets will be performed on the monthly basis and clear all differences between progress reports from Technical Services to the reports from Finance	The service provider has been appointed to update the FAR reconciliation monthly	31/03/2023	acting CFO
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						before the AFS are finalised.				
COM M 12 OF 2021 /22	FINDING NO : 4		Variance between reported PPE values and underlying schedules	The variances in table below has been identified between the reported PPE reported values and the general ledger:	The property plant and equipment overstated by at least R6 700 790.54	Management did not perform adequate reviews of the PPE amount disclosed in the financial statements against the underlying schedules , which is the general ledger and the fixed asset register.	To appoint a service provider to update the FAR and reconcile to the Ledgr. The reconcillation of Work-in-Progress assets will be performed on the monthly basis and clear all differences between progress reports	The service provider has been appointed to update the FAR reconsillation monthly	31/03/2023	acting CFO

							from Technical Services to the reports from Finance			
COM M 11 OF 2021 /22	FINDIN G NO: 1		<i>Revaluati on disclosed not consistent with subseque nt measure ment policy</i>	Upon inspection of the current year's financial statements, it was confirmed that the accounting policy for Property plant and equipment (PPE) states that the PPE is subsequently measured at cost less accumulated impairment and depreciation. In contrary to this accounting policy, it was noted that the landfill site has been revalued by R3 333 763. Consequently, the carrying amount of the property plant and equipment	Consequen tly, the carrying amount of the property plant and equipment and the revaluation reserve is overstated by R3 333 763.	Manage ment, internal audit and the audit committe e did not perform adequat e reviews of the financial statemen ts to ensure that PPE is measured in accordan ce with the accounti ng policy.	Policies will be updated and alined to the accounti ng policies in the Financial Statemne nt. The Financial Statemen t will be prepared in time to give enough time for reviews.	This will be reviewe d during the Interim Financial Stateme nts	31/03/ 2023	acting CFO

				and the revaluation reserve is overstated by R3 333 763.						
COM M 04 OF 2021 /22	FINDING NO: 9		<i>Inventory-Differences between the financial statements and the inventory reconciliation</i>	<p>During the audit of inventory, the following was noted:</p> <p>a) As tabulated below, variances were identified between the inventory reconciliation and note 7.1 to the financial statements.</p> <p>b) Furthermore, the following variance was also noted between the balance of inventory in</p>	<ul style="list-style-type: none"> <li>·The Electrification expenditure capitalised on inventory been understated by R1 207 098,56</li> <li>·The Electrification infill expense disclosed in the financial statements is understated by R1 093</li> </ul>	Management did not perform adequate reviews of the inventory balances disclosed in the financial statements so as to ensure that they agree to the reconciliation.	Inventory reconciliations will be prepared with the movement of inventory (Electricity infills)	This will be reviewed during the Interim Financial Statements	31/03/2023	acting CFO

			<p>note 7 and the balance on note 7.1 non-Financial information.</p> <p>The above findings result in:</p> <ul style="list-style-type: none"> <li>• The Electrification expenditure capitalised on inventory been understated by R1 207 098,56</li> <li>• The Electrification infill expense disclosed in the financial statements is understated by R1 093 680,24</li> <li>• The inventory closing balance disclosed in the financial statements is understated by R113 419,64</li> </ul>	<p>680,24</p> <ul style="list-style-type: none"> <li>• The inventory closing balance disclosed in the financial statements is understated by R113 419,64</li> </ul>					
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COM M 08 OF 2021 /22	FINDING NO: 7		<i>Inconsistency between disclosure of receivables from non-exchange transactions and statutory receivables disclosures</i>	As detailed below, the carrying amount and allowance for impairment of property rates are not consistent between note 12 and note 10 of the financial statements.  This has results in a misstatement of the carrying amount and allowance for impairment for impairment by R2 733 226 and R4 098 862 respectively.	This has results in a misstatement of the carrying amount and allowance for impairment for impairment by R2 733 226 and R4 098 862 respectively .	The financial statements are not adequately reviewed for consistency to ensure the accuracy of the amounts disclosed in the financial statements	The interim financial statements will be prepared and be reviewed to eliminate errors	This will be reviewed during the Interim Financial Statements	31/03/2023	acting CFO
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COM M 8 OF 2021 /22	FINDING NO: 8		Receivables from refuse disclosed as receivables from non-exchange transactions	<p>Contrary to the above, receivables from refuse removal which arises from exchange with customers is disclosed as receivables from non-exchange transactions as per the extract below:</p> <p>Furthermore, the gross balance of receivables from refuse as per note 10 is equal to the carrying amount of receivables from exchange transactions of R4 696 354 and thus receivables from refuse is duplicated as both receivables from exchange transactions and receivables from non-</p>	Consequently, note 10 for receivables from non-exchange transactions is misstated by the gross receivables amount of R4 696 354 and allowance for impairment amount by R4 098 862.	The financial statements are not adequately reviewed for accuracy of the amounts disclosed in the annual financial statements.	The interim financial statements will be prepared and be reviewed to eliminate errors	This will be reviewed during the Interim Financial Statements	31/03/2023	acting CFO
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				<p>exchange transactions.</p> <p>Consequently, note 10 for receivables from non-exchange transactions is misstated by the gross receivables amount of R4 696 354 and allowance for impairment amount by R4 098 862.</p>						
COM M 11 OF 2021 /22	FINDING NO: 6		<i>Incorrect classification of debtors with credit balances on the AFS</i>	During the audit of trade and other receivables, it was noted that debtors with credit balances were incorrectly netted of against the trade and other receivables balance at year end. Refer to the below table:	Consequently, the receivables from non-exchange transactions and receivables from exchange transactions has been understated by R2 381189,58 and 6005,05	Management did not perform adequate reviews of the receivable balances and payables to ensure that these balances are fairly presented	The interim financial statements will be prepared and be reviewed to eliminate errors	This will be reviewed during the Interim Financial Statements	31/03/2023	acting CFO



				Consequently, the receivables from non-exchange transactions and receivables from exchange transactions has been understated by R2 381 189,58 and 6005, 05 respectively. Payables understated by R2 387 194,63.	respectively . Payables understated by R2 387 194,63.	d in the terms of the GRAP requirement				
COM M 08 OF 2021 /22	FINDING NO: 17		<i>Statutory receivables incorrectly disclosed as financial instruments</i>	Contrary to the above, note 38 to financial instruments disclosure note, receivables from non-exchange transactions which include property rates and traffic fines (which are statutory receivables), are incorrectly disclosed as financial assets.  This result in an overstatement of financial	This result in an overstatement of financial assets and financial instruments by R13 229 585	The financial statements are not adequately reviewed against the GRAP checklist to ensure that GRAP compliance requirements are adhered to.	Policies will be updated and aligned to the accounting policies in the Financial Statement. The Financial Statement will be prepared in time to give enough time for reviews.	This will be reviewed during the Interim Financial Statements	31/03/2023	acting CFO

				assets and financial instruments by R13 229 585.						
ISS.1 1	FINDING NO :13		Past due disclosures not made	Upon inspection of the current year's financial statements, it was confirmed that the above disclosures relating to financial assets were not included in the notes to the financial statements.		Management did not adequately review the financial statements to ensure the required GRAP disclosures are made for financial assets.	Policies will be updated and aligned to the accounting policies in the Financial Statement. The Financial Statement will be prepared in time to give enough time for reviews.	This will be reviewed during the Interim Financial Statements	31/03/2023	acting CFO

COM M 11 OF 2021 /22	FINDING NO : 10		<i>Incorrect and inadequate accounting policy notes and disclosures</i>	During the high-level review of the annual financial statement, the following errors on the accounting policy notes and disclosures were identified:  Consequently, the accounting policies are incomplete and inadequate.	Consequently, the accounting policies are incomplete and inadequate.	Management did not perform adequate reviews of the financial statements to ensure that all relevant accounting policies are included and are in line with the relevant GRAP requirements.	Policies will be updated and aligned to the accounting policies in the Financial Statement. The Financial Statement will be prepared in time to give enough time for reviews.	This will be reviewed during the Interim Financial Statements	31/03/2023	acting CFO
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COM M 11 OF 2021 /22	FINDING NO 16		No disclosure on segment reporting	GRAP 18 came into effect for reporting periods beginning on or after 01 April 2020. The financial statements were inspected, and it was noted that: a) There was no accounting policy note related to segment reporting. There is therefore no indication in the notes to the AFS as to whether the definition of segments as per the GRAP 18, paragraph 05 was considered. b) There is no disclosure per the notes to the AFS which provides further details to cater for the provisions of GRAP 18. This results in non-	This results in non-compliance with the presentation and disclosure requirements of GRAP 18 on segment reporting.	Management, internal audit and the audit committee did not perform adequate reviews of the financial statements to ensure that standards that are effective in the current year were adopted and financial statements prepared accordingly.	The interim financial statements will be prepared and be reviewed to eliminate errors	This will be reviewed during the Interim Financial Statements	31/03/2023	acting CFO
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				compliance with the presentation and disclosure requirements of GRAP 18 on segment reporting.						
COM M 11 OF 2021 /22	FINDING NO: 12		GRAP 104 (Paragraph 129) disclosures not made	Upon inspection of the current year's financial statements, it was noted that paragraph 129 of GRAP 104 disclosures relating to financial assets were not included in the notes to the financial statements.	GRAP 104 disclosures relating to financial assets were not included in the notes to the financial statements.	Management did not adequately review the financial statements to ensure the required GRAP disclosures are made for financial assets.	The interim financial statements will be prepared and be reviewed to eliminate errors	This will be reviewed during the Interim Financial Statements	31/03/2023	acting CFO

COM M 22 OF 2021 /22	FINDING NO: 18		<i>Operational commitments disclosed as capital commitments</i>	<p>During the audit, we identified that the following operational commitments were incorrectly disclosed as “authorised capital expenditure” commitments in note 39 to the financial statements.</p> <p>Consequently, there is an overstatement of capital commitments and understatement of operational commitments.</p>	Consequently, there is an overstatement of capital commitments and understatement of operational commitments.	Management did not perform adequate reviews of the financial statements to ensure that there is a split between operational and capital commitments.	The interim financial statements will be prepared and be reviewed to eliminate errors	This will be reviewed during the Interim Financial Statements	31/03/2023	acting CFO
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COM M 08 OF 2021 /22	FINDING NO:19		<i>Accounting Estimate: Nature of significant judgments and sources of estimation uncertainty not disclosed</i>	Contrary to the above, note 1.3 on "significant judgements and uncertainty" is not complete as it does not disclose key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date regarding the following financial statement items: i) Provisions-landfill site ii) Useful lives and residual values of property, plant, and equipment. iii) Post-employment benefits obligation. iv) Allowance for impairment of receivables from exchange and non-	This results in non-compliance with the GRAP standards.	The financial statements are not adequately reviewed against the GRAP checklist to ensure that GRAP compliance requirements are adhered to.	Policies will be updated and aligned to the accounting policies in the Financial Statement. The Financial Statement will be prepared in time to give enough time for reviews.	This will be reviewed during the Interim Financial Statements	31/03/2023	acting CFO
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				exchange transactions v) Fair value of investment property vi) Contingencies						
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This results in non-compliance with the GRAP standards.



COM M 23 OF 2021 /22	FINDING NO:14		<i>Irregular expenditure not appropriately disclosed</i>	<p>a) During the audit, we identified that irregular expenditure relating to Veez Construction was not split between irregular expenditure incurred in the prior years and that incurred in the current year.</p> <p>The audit split for irregular expenditure incurred in the current year is as follows:</p> <p>Consequently, current year irregular expenditure is overstated by R74 662 486.</p> <p>b) Furthermore, the explanation included in note 50 to the financial statements for the non-compliance</p>	Consequently, current year irregular expenditure is overstated by R74 662 486.	Management did not perform adequate reviews of the financial statements to ensure the accuracy of the split between the prior and current year irregular expenditure as well as the reasons for the non-compliance.	The interim financial statements will be prepared and be reviewed to eliminate errors	This will be reviewed during the Interim Financial Statements	31/03/2023	acting CFO
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				that gave rise to irregular expenditure is incorrect. It reads as follows:						
COM M 23 OF 2021 /22	FINDIN G NO:15		<i>Differences identified on the cash flow statement</i>	<p>a) The following errors were identified in the recalculation of the cash flow statement:</p> <p>c) In addition, the net increase/decrease in cash and cash equivalents is R5 219 038, while the change in cash and cash equivalent as per the</p>	<p>The net increase/decrease in cash and cash equivalents is R5 219 038, while the change in cash and cash equivalent as per the balance sheet is R2 325 711. Therefore, the cash flow</p>	<p>Management did not perform adequate reviews of the financial statements to ensure that the cash flow statement is accurate</p>	<p>The interim financial statements will be prepared and be reviewed to eliminate errors</p>	<p>This will be reviewed during the Interim Financial Statements</p>	31/03/2023	acting CFO

				balance sheet is R2 325 711. Therefore, the cash flow statement does not balance by R2 893 327.	statement does not balance by R2 893 327.					
COM M 03 OF 2021 /22	FINDING NO: 26		AOPO-Target does not link to indicator	<p>During the audit of predetermined objectives, the following matters were noted:</p> <p>a) The following planned and reported target does not relate to the planned and reported indicator relating to free basic services of electricity, while the targets relates to access to refuse removal.</p> <p>b) The following indicator has been duplicated in</p>	Consequently, the indicator and target are not consistent	Inadequate reviews by management to ensure that the targets do relate to the indicators .	Management should ensure that the planning documents are thoroughly reviewed to identify inconsistencies between the indicators and targets as well as duplicated indicators .			PJ Ndlovu

				<p>the annual performance report submitted for audit:</p> <p>Consequently, the indicator and target are not consistent.</p>						
COM M 16 OF 2021 /22	FINDING NIO: 27		<p><i>Inconsistencies between the reported performance achievements and planned performance targets</i></p>	<p>The following inconsistencies in reporting between the planned target per SDBIP and the reported actual achievement as per the APR were noted:</p> <p>This has resulted in reported performance achievements that are not useful to the users of the performance report.</p>	<p>This has resulted in reported performance achievements that are not useful to the users of the performance report. Furthermore, the reported performance achievements are not measurable and</p>	<p>Management did not design and implement systems and processes to ensure actual performance achievements that are inline with planned performance targets.</p>	<p>Management should ensure that they report on planned targets. In addition, quarterly and annual performance reports should be reviewed by internal audit and</p>	<p>We agree that the reported achievements were not very specific but we believe the KPIs were correctly reported as unachieved.</p>	<p>As soon as the proposed changes are authorized by Auditors</p>	PJ Ndlovu

				Furthermore, the reported performance achievements are not measurable and verifiable.	verifiable.		senior management for consistency between planned performance targets and reported performance achievements.			
COM M 10 OF 2021 /22	FINDING NO:20		<i>Payment of supplier invoice not made within 30 days</i>	<p>During the audit of expenditure, the actual date of receipt of invoice by the municipality was not indicated. Based on the invoice date, it was identified that the following payments were paid in excess of 30 days:</p> <p>Consequently, this results in a material noncompliance with the MFMA 65(1) and</p>	Consequently, this results in a material noncompliance with the MFMA 65(1) and 65(2)(e), and the matter will be included in the audit report.	Inadequate processes to ensure that suppliers are paid within 30 days of receipt of invoice.	more necessary controls will be implemented to ensure that suppliers are paid within 30 days of receipt of invoice. All invoices received are recorded by date.	all invoices are recorded and paid within 30 days	ongoing	Acting CFO

				65(2)(e), and the matter will be included in the audit report.						
COM M 10 OF 2021 /22	FINDING NO:55		<i>Failure to implement credit control and debt collection</i>	<p>a) During the audit of revenue and debt management, the following issues were identified evidencing that the municipality did not implement the approved customer care debt and collection policy.</p> <p>a) The following table shows an analysis of debts that are long overdue, majority being debt whose ageing is over 365 days.</p>	<p>As result of the above, management did not comply with section 62(1)(f)(iii) of the MFMA. Because of the non-compliance, the municipality is likely to have a likely financial loss amounting to R47 011 865 in future.</p>	<ul style="list-style-type: none"> <li>• Management did not implement its debt and collection policy to ensure that revenue due to the municipality is collected .</li> <li>• Lack of adequate review and monitoring of compliance with applicabl</li> </ul>	<p>Monthly reconciliations will be performed the age analysis to the ledger. The policy will be updated to include incentives to the public. Monthly reports from the service provider will monitored. Indigent register moveme</p>	<p>This will be reviewed during the Interim Financial Statements</p>	<p>Ongoing</p>	<p>Acting CFO</p>

b) In addition, for the following selected debtors, it has been identified that these are long outstanding and yet there has not been implementation of credit collection measures such as handover processes as required by the Customer care debt and collection policy:

As result of the above, management did not comply with section 62(1)(f)(iii) of the MFMA. Because of the non-compliance, the municipality is likely to have a likely financial loss amounting to R47 011 865 in future.

e laws and regulations relating to revenue management.

nt will be reported monthly

COM M 10 OF 2021 /22	FINDIN G:56		<i>Unfunded budget</i>	<p>During the year under review, it was noted that the municipality had adopted an unfunded budget.</p> <p>From an inspection of the current and prior year annual financial statements, the municipality had insufficient revenue collection to support its expenditure. The following was noted:</p>	<p>Adopting an unfunded budget is indicative that the municipality is experiencing cash flow challenges during the year which ultimately contributes to a transgression of the legal prescript, which requires for payments to creditors within 30 days as per section 65(2)(e) of the MFMA."</p>	<p>The municipality has not implemented adequate collection mechanisms to ensure financial viability and adequate cash management. Furthermore, the budgeting process is not realistic to ensure budgets are set in accordance with realistically collectable revenue.</p>	<p>To ensure that all budget approved are funded. Adjustme nt budget and final</p>	Adjustm ent budget	28/02/ 2023	Acting CFO
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<p>COM M 13 OF 2021 /22</p>	<p>FINDING NO: 5</p>		<p><i>Inadequate design and implementation of the system of internal control for recording of fixed assets</i></p>	<p>National Treasury has in terms of Final Asset Management guide 2008, provided that the following information to be included in an asset register:</p> <p>This results in a material non-compliance with the MFMA</p>	<p>This results in a material non-compliance with the MFMA</p>	<p>Inadequate design and implementation of the system of internal control to ensure that the fixed asset register is GRAP compliance and assets are not duplicated.</p>	<p>To appoint a service provider to update the FAR and reconcile to the Ledgr. The reconciliation of Work-in-Progress assets will be performed on the monthly basis and clear all differences between progress reports from Technical Services to the reports from Finance</p>	<p>The service provider has been appointed to update the FAR reconciliation monthly</p>	<p>30-Jun-24</p>	<p>Acting CFO</p>
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COM M 18 OF 2021 /22	FINDING NO: 21		<i>Irregular expenditure investigation has not been properly conducted</i>	During the 2021-2022 audit of consequence management, the following non-compliance issues were identified with regards to investigation of the prior year irregular expenditure amounting to R21 639 030:	Consequently, the writing off of irregular expenditure of R21 639 030 is not appropriately supported and therefore invalid  The irregular expenditure is therefore understated by R21 639 030	There is no documented approved process designed to ensure that irregular expenditure is properly investigated as required by legislation .	the Irregular expenditure register will be updated monthly. The current irregular expenditure will be tabled at MPAC for them to start the investigations	MPAC to seat in March	ongoing	Acting CFO
COM M 05 OF 2021 /22	FINDING NO: 29		<i>Procurement: Deviations not duly approved</i>	During the testing of procurement and contract management, it was noted that the following deviations were not approved by the accounting officer or delegated official as required by the regulations 17 and 36 of the Municipal	This results in non-compliance with the Municipal supply chain management regulations and the expenditure is therefore deemed as irregular.	Inadequate processes to ensure that all deviations are approved by the delegated official.	SOP for the SCM processes have been updated and documented. They will be followed for all procurement processes , documentation	SOPs in place and monthly reports	ongoing	acting CFO

				<p>Supply Chain Management Regulations (MSCM).</p> <p>This results in non-compliance with the Municipal supply chain management regulations and the expenditure is therefore deemed as irregular.</p>			<p>and authorisation. Monthly reports for the implementation of SCM policy</p>			
COM M 05 OF 2021 /22	FINDING NO: 30		<p><i>Procurement: Award made to supplier who did not score highest points</i></p>	<p>During the audit of the supply chain management, it was noted that the award for the 'Supply and delivery of 2000 square meters instant lawn for Durnacol', RFQ/1008, was not awarded to the supplier who has scored the highest evaluation points. Instead, the 5th ranking supplier was awarded. The</p>	<p>This results in non-compliance with the Municipal Supply Chain Management Regulations (MSCM) as well deemed as irregular expenditure .</p>	<p>Inadequate processes to ensure that awards are assessed and evaluated correctly.</p>	<p>SOP for the SCM processes have been updated and documented. They will be followed for all procurement processes , documentation and authorisation.</p>	<p>SOPs in place and monthly reports</p>	<p>ongoing</p>	<p>Acting CFO</p>

				<p>table below lists the suppliers and ranking details from whom responses were received.</p> <p>This results in non-compliance with the Municipal Supply Chain Management Regulations (MSCM) as well deemed as irregular expenditure.</p>			Monthly reports for the implementation of SCM policy			
COM M 06 OF 2021 /22	FINDING NO: 24		<i>Procurement: Declaration of interest not submitted</i>	<p>While performing the audit procedures to determine whether service providers submitted their declaration of interest forms i.e., MBD4, we identified that the following service providers did not submit signed MBD4 forms.</p>	<p>This results in non-compliance with the Municipal Supply Chain Management Regulations (MSCM) and the expenditure is therefore deemed to be irregular.</p>	<p>Inadequate processes to ensure that suppliers have submitted the declarations prior to making an award.</p>	<p>SOP for the SCM processes have been updated and documented. They will be followed for all procurement processes , documentation</p>	<p>SOPs in place and monthly reports</p>	<p>ongoing</p>	<p>Acting CFO</p>

				<p>This results in non-compliance with the Municipal Supply Chain Management Regulations (MSCM) and the expenditure is therefore deemed to be irregular.</p>			<p>and authorisation. Monthly reports for the implementation of SCM policy</p>			
ISS.3 3	FINDING NO: 22		<p><i>Projections of revenue &amp; expenditure for each month not included in SDBIP</i></p>	<p>The Service Delivery and Budget Implementation Plan for 2021/2022 financial year did not include monthly projections of revenue and expenditure.</p>	<p>This results to non-compliance with section 53(3)(a) of the MFMA</p>	<p>Management did not implement adequate controls to ensure that revenue and expenditure projections for each month and the service delivery targets and performance indicators for each quarter are conducted</p>				

ISS.3 4	FINDING NO: 23		No performance agreements and performance evaluation system	<p>During the audit of human resource management the following was identified:</p> <p>a) I was unable to obtain sufficient appropriate audit evidence that appropriate systems and procedures to monitor, measure and evaluate performance of staff were developed and adopted, as required by section 67(1)(d) of the MSA.</p> <p>b) The municipal manager and senior managers did not sign performance agreements within the prescribed period, as required by</p>	Consequently, management has not complied with the MSA.	Management did not perform adequate monitoring in ensuring compliance with the MSA on performance management.				
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				section 57(2)(a) of the MSA						
COM M 06 OF 2021 /22	FINDING NO: 31		<i>Procurement: Awards to service providers with tax non-compliance status</i>	<p>During the audit of competitive bids, it was noted that the following two winning providers were reflected as not compliant on the CSD Compliance history report as at the date of award. Refer to table below for details of the award.</p> <p>This results in non-compliance</p>	This results in non-compliance with the Municipal Supply Chain Management Regulations (MSCM) and the expenditure is therefore deemed to be irregular.	Inadequate processes to ensure that awards are only made to suppliers whose tax matters are in order.	SOP for the SCM processes have been updated and documented. They will be followed for all procurement processes, documentation and authorisation	SOPs in place and monthly reports	ongoing	Acting CFO

				with the Municipal Supply Chain Management Regulations (MSCM) and the expenditure is therefore deemed to be irregular.			ion. Monthly reports for the implementation of SCM policy			
COM M 09 OF 2021 /22	FINDING NO: 32		<u>Inconsistencies between the predetermined requirements as per the bid invite and the evaluation criterion</u>	During the audit of the competitive bids, it was noted that the following bid was evaluation based on the additional criteria that was not included as part of the predetermined requirements as per the bid invite.	This results in non-compliance with MFMA and the expenditure made to date on this tender is therefore deemed to be irregular.	Inadequate processes to ensure that the predetermined requirements stipulated in the bid invitation is consistent with the evaluation criterion used when evaluating responses from bid invites.	SOP for the SCM processes have been updated and documented. They will be followed for all procurement processes, documentation and authorisation. Monthly reports for the	SOPs in place and monthly reports	ongoing	Acting CFO



							implemen tation of SCM policy			
COM M 09 OF 2021 /22	FINDIN G NO: 28		<i>Procurement: Conflict of interest identified</i>	<p>During the audit of competitive bids, it was noted that the submitted MBD 4, by Perfolence (Pty) Ltd was completed by the director (Silindile Masondo) as follows:</p> <p>However, through inspection of Computer Assisted Audit Techniques (CAAT'S), it was identified that the director for Perfolence (Pty) Ltd, Silindile Masondo was an employee of the state, employed at Amajuba FET college, from 16 February 2021 to 31</p>	<p>This results in non-compliance with the Municipal Supply Chain Management Regulations (MSCM) and the payments made during the year to Perfolence (Pty) Ltd are deemed to be irregular.</p>	<p>Inadequate processes to ensure that awards are only made to suppliers who have correctly declared the status with regard to their service in the state</p>	<p>SOP for the SCM processes have been updated and documented. They will be followed for all procurement processes , documentation and authorisation. Monthly reports for the implementation of SCM policy</p>	<p>SOPs in place and monthly reports</p>	<p>ongoing</p>	<p>Acting CFO</p>

December 2022, employee number 0201217C.

The above information confirms that the director for Preference was employed by the state in less than 12 months at the date of award which was on 31 August 2021. Refer to table below for details of the award.

This results in non-compliance with the Municipal Supply Chain Management Regulations (MSCM) and the payments made during the year to Perfotence (Pty) Ltd are deemed to be irregular.

COM M 15 OF 2021 /22	FINDIN G NO: 33		<i>Duplicate d scope on procurem ent of finance consultan ts</i>	During the audit of competitive bids, it was identified that an award was made to NRB Accounting for tender number: 08/07/2021 - Compilation of GRAP Compliant Infrastructure/I mmovable Fixed Asset Register.	This results in non- complianc e with the MFMA and the expenditure made to NRB Accounting is deemed fruitless and wasteful expenditure .	Inadequa te review of the procurem ent process to ensure that there are no duplicate awards.	SOP for the SCM processe have been updated and documen ted. They will be followed for all procurem ent processes , documen tation and authorisat ion. Monthly reports for the implemen tation of SCM policy	SOPs in place and monthly reports	ongoi ng	Acting CFO
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COM M 15 OF 2021 /22	FINDING NO: 34		Possible splitting of order	<p>During the testing of quotations, it was noted that two quotations, with subsequent requisition numbers, were requested and awarded around the same time and also the scope of works is similar. The award was made to the same service provider. If the scope was sourced in one procurement process, the competitive bidding process would have applied instead of the quotation process. The details are as follows:</p> <p>This results in non-compliance with the Municipal</p>	<p>This results in non-compliance with the Municipal Supply Chain Management Regulations (MSCM) and the total amount paid for both the quotations is deemed as irregular expenditure .</p>	<p>Inadequate processes to ensure that quotations are not deliberately split to avoid complying with competitive bidding process.</p>	<p>SOP for the SCM processes have been updated and documented. They will be followed for all procurement processes , documentation and authorisation. Monthly reports for the implementation of SCM policy</p>	<p>SOPs in place and monthly reports</p>	<p>ongoing</p>	<p>Acting CFO</p>
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				Supply Chain Management Regulations (MSCM) and the total amount paid for both the quotations is deemed as irregular expenditure.						
COM M 5 OF 2021 /22	FINDING NO 58		<i>Procurement: Supply chain management documents not provided for audit</i>	<p>The following information relating to procurement and contract management testing was requested from the municipality and to date remains outstanding:</p> <p>Non submission of the above information results in a limitation of scope on the audit of procurement</p>	Non submission of the above information results in a limitation of scope on the audit of procurement and contract management.	Lack of proper record keeping to ensure that complete, relevant, and accurate information is readily accessible and available to support supply chain processes	SOP for the SCM processes have been updated and documented. They will be followed for all procurement processes, documentation and authorisation	SOPs in place and monthly reports	ongoing	acting CFO

				and contract management.		.	ion. Monthly reports for the implementation of SCM policy			
COM M 20 OF 2021 /22	FINDING NO: 42		<i>Differences between invoice amount and fixed asset register</i>	<p>a) During the audit of long standing projects, variances were identified between the carrying amount of work in progress (WIP) per the fixed asset register (FAR) and the project payments made as at year end. The details of the variance are as follow:</p> <p>b) In addition, the progress reports, contracts and appointment letters for the previous</p>	Due to the limitation placed on the supporting document for the old contractors who worked on the testing ground, the overall misstatement on the capital work in progress is unknown.	Management did not perform adequate reviews to ensure that the total payments made to suppliers agree to the amount captured in the fixed assets register.	To appoint a service provider to update the FAR and reconcile to the Ledgr. The reconcillation of Work-in-Progress assets will be performed on the monthly basis and clear all differences between progress reports from	The service provider has been appointed to update the FAR reconsillation monthly	31/03/2023	acting CFO

contractors working on the construction of the testing ground, were requested in Request for information 61 dated 08 November 2022 and has to date not been submitted for audit.

Consequently, the construction of the new offices has been understated by R6 359 032,87

Due to the limitation placed on the supporting document for the old contractors who worked on the testing ground, the overall misstatement on the capital work in progress is unknown.

Technical Services to the reports from Finance

COM M 24 OF 2021 /22	FINDIN G NO: 49		<i>Condition al grant for prior and current year recorded in the incorrect year period</i>	During the audit of the conditional grants, the following was noted:  a) The following transaction relating to the 2020/21 financial year has been incorrectly recorded in 2021/22 financial year.  b) The following transactions relating to 2021/22 financial year has been incorrectly recorded in 2022/23 financial year:  Consequently, the revenue from exchange transaction is misstated.	Consequen tly, the revenue from exchange transaction is misstated	Manage ment did not perform adequat e reviews to ensure that revenue transactio ns are recorded at the correct financial period.	Grants register will be updated monthly with the revenue received and payments made. Evenue will be recognise d monthly	Grants register is up to date	ongoi ng	acting CFO
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COM M 14 OF 2021 /22			<i>Assets that could not be verified</i>	The following assets selected for the physical verification exercise could not be verified as the fixed assets register did not include sufficient information such as the asset number, location/GPS or detailed description:	Consequently, the construction of the new offices has been understated by R6 359 032,87	Inadequate design and implementation of the system of internal control to ensure that the fixed asset register is GRAP compliant to enable the ease of physical verification of assets.	To appoint a service provider to update the FAR and reconcile to the Ledgr. The reconciliation of Work-in-Progress assets will be performed on the monthly basis and clear all differences between progress reports from Technical Services to the reports from Finance	The service provider has been appointed to update the FAR reconciliation monthly	31/03/2023	Acting CFO
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COM M 10 OF 2021 /22	FINDING NO: 35		<i>Reasonable steps not taken to prevent irregular expenditure</i>	During the audit of the procurement and contract management, it was identified that reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) the MFMA as a number of findings on non-compliance with supply chain management regulations have been identified in the current year and they constitute irregular expenditure. Among the findings identified are repeat findings that relates to awards to service providers with non-compliant tax status at	This results in a material non-compliance with the MFMA 62(1)(d), and an audit report finding.	Inadequate processes to ensure that irregular expenditure is prevented.	SOP for the SCM processes have been updated and documented. They will be followed for all procurement processes , documentation and authorisation. Monthly reports for the implementation of SCM policy	SCM SOPs and SCM policy are in place	ongoing	Acting CFO
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				<p>date of award that has resulted in irregular expenditure of R6 937 938,89 (R21 639 030, at 30 June 2021). In addition, note 50 to the financial statements reflects current year expenditure of R75 052 171. This results in a material non-compliance with the MFMA 62(1)(d), and an audit report finding.</p>					
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ISS.4 8	FINDING NO:52		<p><i>Financial Instruments: Measurement basis for financial instruments not disclosed</i></p>	<p>Contrary to the above, the measurement basis in preparing financial statements for the following financial instruments are not disclosed in the summary of significant accounting policies:</p> <ul style="list-style-type: none"> <li>i) Receivables from exchange transactions</li> <li>ii) Cash and cash equivalents</li> <li>iii) Employee benefits obligations</li> <li>iv) Other financial liabilities.</li> <li>v) Employee benefits obligation.</li> <li>vi) Trade and other payables from non-exchange transactions.</li> </ul> <p>This results in non-compliance</p>	<p>This results in non-compliance with the GRAP standards.</p>	<p>The financial statements are not adequately reviewed against the GRAP checklist to ensure that GRAP compliance requirements are adhered to.</p>	<p>The interim financial statements will be prepared and be reviewed to eliminate errors</p>	<p>This will be reviewed during the Interim Financial Statements</p>		<p>Acting CFO</p>
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				with the GRAP standards.						
COM M 17 OF 2021 /22	FINDING NO: 45		Balances per annual financial statement differs to the bank confirmations	<p>(i) During the audit of Cash and cash equivalents the following variances were noted between the financial statement (note 11) and the bank confirmations:</p> <p>(ii) In addition, it was identified that the amount for the following reported bank call account was different to</p>	Consequently, the cash and cash equivalents reported on the annual financial statement is understated by R1 952 011.	Management did not perform adequate reviews to ensure that amount reported for each bank account in the financial statements is accurate agrees with the investme	The interim financial statement s will be prepared and be reviewed to eliminate errors	This will be reviewed during the Interim Financial Statements	31/03/2023	Acting CFO

the amount on  
the investment  
register:

Consequently,  
the cash and  
cash  
equivalents  
reported on the  
annual financial  
statement is  
understated by  
R1 952 011.

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ons.

COM M 17 OF 2021 /22	FINDING NO:46		<i>Bank account inappropriately presented and disclosed</i>	<p>During the audit of Cash and cash equivalents, the following was noted:</p> <p>c) The Standard Bank account number 060032073 is incorrectly presented as the primary account in note 11 to the financial statements. Upon further enquiry, it was noted that this account is not a primary account, but was solely opened to accommodate the community of the Dannhauser for making deposits since there is no First National bank in the town of Dannhauser.</p> <p>d) Furthermore, the following</p>	The above findings result in misstatement of cash and cash equivalents.	Management did not perform adequate reviews of the cash and cash equivalent accounts and balances disclosed in the financial statements to ensure that they are appropriately presented.	The interim financial statements will be prepared and be reviewed to eliminate errors	This will be reviewed during the Interim Financial Statements	31/03/2023	Acting CFO
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variance was also noted between the balance on the face of the financial statements and the balance as per the note 11 for cash and cash equivalents.

e) The Standard Bank – Notice deposit 068483295002 account disclosed on the financial statements with a balance of R20 590 has been incorrectly included on the note as this account does not belong to the municipality. The above findings result in misstatement of cash and cash equivalents.



COM M 17 OF 2021 /22	FINDING NO: 47		<i>Bank accounts disclosed are not complete</i>	During the audit of Cash and cash equivalent, the following was noted:a) The Standard Bank account number 068480520-003 was not disclosed in note 11, however, it was disclosed in the prior year's financial statements and it is currently active.b) Furthermore, the following Standard Bank account number 068480520-003 was not disclosed in note 11, but the account was confirmed by the bank for the current year:Consequently, the cash and cash equivalent is understated by R20 589,92	Consequently, the cash and cash equivalent is understated by R20 589,92	Management did not perform adequate reviews of the cash and cash equivalent accounts and balances disclosed in the financial statements to ensure that there are complete .	The interim financial statements will be prepared and be reviewed to eliminate errors	This will be reviewed during the Interim Financial Statements	31/03/2023	Acting CFO
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ISS.5 5	FINDING NO: 28		Conflict of interest identified	<p>During the audit of competitive bids, it was noted that the submitted MBD 4, by Perfolence (Pty) Ltd was completed by the director (Silindile Masondo) as follows:</p> <ol style="list-style-type: none"> <li>1. Perfolence has declared that they were not in the service of state in the last 12 months</li> <li>2. Perfolence has declared that their directors were not in the service of state in the last 12 months</li> <li>3. Perfolence has declared that neither of provider or a director, manager's spouse, child or parent were in the service of the state in the</li> </ol>	This results in non-compliance with the Municipal Supply Chain Management Regulations (MSCM) and the payments made during the year to Perfolence (Pty) Ltd are deemed to be irregular	Inadequate processes to ensure that awards are only made to suppliers who have correctly declared the status with regard to their service in the state	SOP for the SCM processes have been updated and documented. They will be followed for all procurement processes, documentation and authorisation. Monthly reports for the implementation of SCM policy	SCM SOPs and SCM policy are in place		Acting CFO
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				last 12 months						
ISS.5 9	FINDIN G NO:29		Deviations not duly approved	During the testing of procurement and contract management, it was noted that the following deviations were not approved by the accounting officer or delegated official as required by the regulations 17 and 36 of the Municipal Supply Chain	Deviations not duly approved	Inadequate processes to ensure that all deviations are approved by the delegated official	SOP for the SCM processes have been updated and documented. They will be followed for all procurement processes, documentation and	SCM SOPs and SCM policy are in place		Acting CFO

				Management Regulations (MSCM).			authorisation. Monthly reports for the implementation of SCM policy			
ISS.60	FINDING NO: 31		. Awards to service providers with tax non-compliance status	During the audit of competitive bids, it was noted that the following two winning providers were reflected as not compliant on the CSD Compliance history report as at the date of award. Refer to table below for details of the award	This results in non-compliance with the Municipal Supply Chain Management Regulations (MSCM) and the expenditure is therefore deemed to be irregular.	Inadequate processes to ensure that awards are only made to suppliers whose tax matters are in order.	SOP for the SCM processes have been updated and documented. They will be followed for all procurement processes, documentation and authorisation. Monthly reports for the implementation of SCM policy	SCM SOPs and SCM policy are in place		Acting CFO

ISS.6 1	FINDING NO: 35		Reasonable steps not taken to prevent irregular expenditure	During the audit of the procurement and contract management, it was identified that reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) the MFMA as a number of findings on non-compliance with supply chain management regulations have been identified in the current year and they constitute irregular expenditure. Among the findings identified are repeat findings that relates to awards to service providers with non-compliant tax status at	This results in a material non-compliance with the MFMA 62(1)(d), and an audit report finding	This results in a material non-compliance with the MFMA 62(1)(d), and an audit report finding.	SOP for the SCM processes have been updated and documented. They will be followed for all procurement processes , documentation and authorisation. Monthly reports for the implementation of SCM policy	SCM SOPs and SCM policy are in place		Acting CFO
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				date of award that has resulted in irregular expenditure of R6 937 938,89 (R21 639 030, at 30 June 2021).						
ISS.6 2	FINDING NO: 37		Risk Assessment not performed	<p>1. The municipality has no risk assessment processes in place and no strategic and operational risk registers was kept.</p> <p>2. No quarterly performance evaluations for all senior managers were performed</p>	<p>Non-compliance with MFMA</p> <p>Poor financial performance and management of the municipality due to performance of management not being monitored and evaluated.</p>	<p>Management did not adequately exercise oversight responsibility over risk management and internal controls.</p> <p>Management did not monitor compliance with MFMA.</p>	<p>Management should:</p> <ul style="list-style-type: none"> <li>· Establish and maintain effective, efficient and transparent risk management strategies and methodology</li> <li>· Perform risk management</li> </ul>			MM

							process and maintain a risk register · Perform performance evaluation for senior management on a quarterly basis.			
ISS.6 4	FINDING NO 38		. No financial delegation of authority	Contrary to the abovementioned it was noted that the municipality has no established financial delegation of authority.	· There are no clear guide of authorisation powers · Possible occurrence of unauthorised expenditure	Management did not adequately exercise oversight responsibility over internal controls.	Management should establish and maintain a delegation of authority which clearly defines who will be responsible to authority which transaction and hierarchy of	MM		

							powers.			
ISS.6 5	FINDING NO : 43		. Incomplete information in the fixed asset register	Consequently, this results in an overstatement of the property plant and equipment. Non-compliant asset register	Consequently, this results in an overstatement of the property plant and equipment.	Inadequate design and implementation of the system of internal control to ensure that the fixed asset register is GRAP compliant to enable the ease of physical verification of assets.	To appoint a service provider to update the FAR and reconcile to the Ledgr. The reconciliation of Work-in-Progress assets will be performed on the monthly basis and clear all differences between progress reports from Technical Services to the reports from Finance	The service provider has been appointed to update the FAR reconciliation monthly		



COM M 07 OF 2021 /22	FINDIN G NO: 50		Expenditu re classified incorrectly	During the audit of operational expenditure, it was noted that the ward committee stipend was incorrectly classified under mayoral expenses vote instead of being disclosed under the ward committee general ledger vote/account.	Consequently , ward council committee expenditure is understated by R172 650 and mayoral expenditure is overstated by the same amount.	Manageme nt did not perform adequate reviews of the posting of transaction s to ensure that they are captured in the correct general ledger account.	The interim financial ststement s will be prepared and be reviewed to eliminate errors	This will be reviewe d during the Interim Financial Stateme nts		acting CFO
COM M 17 OF 2021 /22	FINDIN G NO: 51		Expenditu re from contracte d services understat ed by VAT amount	During the audit of the expenditure, it was noted that the following supplier is not a VAT vendor and no VAT amount or VAT number was reflected on the supplier invoice. However, it was confirmed through the vendor search on the SARS website that this supplier was not registered for vat, but the payment has	Consequently , the contracted service expenditure is understated by a projected amount of R78 880.	Manageme nt did not perform adequate reviews of the posting of the expenditur e payments and invoices to ensure that the transaction s are captured at the correct amount, and that all VAT transaction s are	The interim financial ststement s will be prepared and be reviewed to eliminate errors	This will be reviewe d during the Interim Financial Stateme nts		

				been captured in contracted expenditure account net of the VAT amount.		supported by valid tax invoices.				
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## OVERSIGHT COMMITTEE REPORT – 2021/2022

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### 11. CONCLUSION

The Municipal Oversight Committee (Municipal Public Accounts Committee) commends Council, the Municipal Manager, the Senior Management Team and all staff at Dannhauser Municipality on the strides made towards good governance. However, much needs to be done to strengthen internal controls relative to procurement processes and contract management. The 2021/2022 financial year must target focus attention in this area. In this regard, the Municipal Public Accounts Committee will be monitoring the implementation of the Action Plan developed by the Management Team in response to the Auditor-General's findings including commitments made by the Mayor and the Municipal Manager to address audit outcomes in the prior and current years

Having performed the following tasks:-

- ✓ Reviewed and analysed the Annual Report;
- ✓ Considered that no written comments were received on the Annual Report from the public consultation process;
- ✓ Received and considered Council's Audit Committee views and comments on the annual financial statements and the performance report; and
- ✓ Prepared the draft Oversight Report, taking into consideration, the views and inputs of representatives of the Auditor-General, and Council's Audit Committee;

The Municipal Public Accounts Committee has pleasure in presenting the Oversight Report to Council for consideration;

### COMMITTEE RECOMMENDS:

1. That Council having fully considered the Annual Report of Dannhauser Municipality for the 2021/2022 Financial Year, adopts the Oversight Report for the 2021/2022 Financial Year.

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**OVERSIGHT COMMITTEE (MPAC) CHAIRPERSON**  
CLLR ES KUNENE