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OFFICE OF THE MUNICIPAL MANAGER

REPORT ON ACTION PLAN TO ADDRESS AUDIT QUERIES / MATTERS ARISING FROM THE AUDIT REPORT AND MANAGEMENT REPORT OF THE AUDITOR-GENERAL FOR THE YEAR ENDED 30 JUNE 2021-PROGRESS REPORT AS AT 30 JUNE 2022

Comm. of Audit Finding	FOCUS AREA / MATTERS RAISED	ACTION PLAN AND RESPONSE BY MANAGEMENT	RESPONSIBLE BY OFFICIAL(S)	TARGET DATE FOR IMPLEMEN TATION	STATUS OF THE PROGRESS BY MANAGEMENT	% ACHIEVED	VERIFICATIO N BY INTERNAL AUDIT
MATTERS/ S RAISED BY AUDITOR GENERAL ON MANAGEMENT REPORT FOR THE YEAR 30 JUNE 2021							
Contingent liabilities							
ISS.118	CAF 108: Contingent liability: Completeness issue part 2 CAF 146: Contingent liabilities: Valuation and accuracy issues	Management agrees with audit finding, the confirmation from attorneys was inspected and there is Civil Claim for unpaid salaries amounting to R5 497 849.50, this contingent liability has been updated on the adjusted Annual Financial Statement set.	Director: Corporate Services	30 June 2022	Management submitted adjusted AFS set on 30 November 2021 the raised exception was correctly adjusted by management	100%	Confirmed with the adjusted AFS indicating the correction of contingent liability in question. Civil claim against maluti a phofung councillors amounted to R5 497 849.50 was included in

							adjusted AFS NOTE 25.
ISS.103	CAF 83: Contingent liabilities - Accuracy and valuation issues	Confirmation letters were sent out to legal attorneys used by the municipality. Confirmation letters received from the Malebogo Maeyane and Sibeko Attorneys confirmed	Director: Corporate Services Director: Chief Financial Officer	30 June 2022	Management submitted adjusted AFS set on 30 November 2021 the raised exception was correctly	100%	Confirmed with the adjusted AFS related to Sibeko attorney that was noted confirmed R36 423 638 and DW Vessels and

Comm. of Audit Finding	FOCUS AREA / MATTERS RAISED	ACTION PLAN AND RESPONSE BY MANAGEMENT	RESPONSIBLE OFFICIAL(S)	TARGET DATE FOR IMPLEMENTATION	STATUS OF THE PROGRESS BY MANAGEMENT	% ACHIEVED	VERIFICATION BY INTERNAL AUDIT
		claim balance was not disclosed in the AFS in full.			adjusted by management		6 others v/s TMDM the amount was adjusted from R3 500 000 to R4 432 501.

ISS.106	CAF 90: Contingent liability - Completeness issues	Management agrees with audit finding, municipality prepared confirmation letters earlier however lawyers did not confirm the above-mentioned case, the contingent liability disclosure will be adjusted with this amount on confirmed by Sibeko Attorneys.	Director: Corporate Services Director: Chief Financial Officer	30 June 2022	Management submitted adjusted AFS set on 30 November 2021 the raised exception was correctly adjusted by management	100%	Confirmed with the adjusted AFS that the civil claim amounting to R150 000 was adjusted.
ISS.105	CAF 98: Contingent liability - Incorrect classification of payable as contingent liability	A provision is defined as a liability of uncertain timing or amount. In this case uncertainty as to when the amount will be paid exists, but sufficient certainty should exist about the fact that there is a liability as well as the approximate amount that would have to be paid. Municipality should disclose provision of the R921 481,40 as at, 30 June 2021 if the legal advisers of the municipality are of the opinion that the claim will be successful and the amount of R921 481,40 (or any other amount estimated as reasonable by the legal advisers) represents a reasonable estimate of the amount to be paid, the municipality should recognize a	Director: Corporate Services Director: Chief Financial Officer	30 June 2022	Management submitted adjusted AFS set on 30 November 2021 the raised exception was correctly adjusted by management	100%	Confirmed with the adjusted AFS case of Sibeko Attorney and LQ Technology adjusted R200 000 and was removed.

Comm. of Audit Finding	FOCUS AREA / MATTERS RAISED	ACTION PLAN AND RESPONSE BY MANAGEMENT	RESPONSIBLE OFFICIAL(S)	TARGET DATE FOR IMPLEMENTATION	STATUS OF THE PROGRESS BY MANAGEMENT	% ACHIEVED	VERIFICATION BY INTERNAL AUDIT
		provision for the reasonably estimated amount. The settlement agreement dated 6 September 2021 made in the High Court of South Africa Free State division Bloemfontein was made after the annual financial statement were submitted for audit. Municipality's legal advisers on 30 June 2021 were of the opinion that it is merely possible that the claim may be successful, but not probable, the matter was treated and disclosed as a contingent liability in terms of the definition of a contingent liability, the possible obligation arises from past events (alleged breach of contract) and the existence of an obligation will only be confirmed by the occurrence or nonoccurrence of uncertain future events (outcome of claim).					

ISS.135	CAF 125: Employee related cost - acting allowance limitation	Management has secondment letter of the above mentioned official, letter covers the financial period under review.	Chief Financial Officer Director Corporate services	30 November 2021	Management subsequently submitted the requested secondment letter	100%	Confirmed with approved acting allowance letter of employee no. 47127 that was request during the audit that could not submitted.
ISS.35	CAF 30: Employee related cost: Difference between final prior year amount and corresponding amount as per current financial statements.	Prior year AFS incorrectly disclosed sitting allowance of councillors' that qualify for sitting allowance in terms of determination of upper limits of salaries, allowances and benefits of different members of councils under basic salary. These amounts should appear under remuneration of councillors, therefore sitting allowance was incorrectly mapped to basic salary line in the prior year AFS these has been correctly disclosed in the current year AFS in the period under review, management will update prior year note with this correction on the adjusted set.	Chief Financial Officer Director Corporate services	30 November 2021	Management submitted adjusted AFS set on 30 November 2021 the raised exception was correctly adjusted by management	100%	Confirmed with restatement figure of employee related costs amounting to R102 940 note 41.2 on adjusted AFS. AG only concentrated on figures face of AFS than on note.

General IT controls

ISS.31	CAF 39: ISA: Internal control deficiencies identified	Management to ensure that the IT control deficiencies are addressed to ensure that they do not recur	ICT Manager Financial Accounting Manager Municipal Manager Director Corporate Services	30 June 2022	Management has implemented ICT Strategy for monitoring ICT projects. Skills Development plans were submitted for trainings identified as key for upskilling the ICT staff. Budget provision has been made to fill the vacant vacancies during 2022/2023 financial year.	90%	Confirmed with approved municipal structure and budgeted figures in the approved budget for financial year 2022-2023.
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ISS.64	CAF 54: ISA: Internal control deficiencies identified with IT environment	Management to implements effective processes over the implementation of the action plan to ensure that all prior year matters are adequately addressed.	ICT Manager	30 June 2022	Management is implementing processes over the action plan thus ensuring that all prior year matters are adequately addressed. The systems have been modified to generate required user access	90%	Confirmed with progress on actions related to internal controls affecting ICT
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					The Disaster Recovery site has been sourced and the systems are replicating daily.		
Finance							

ISS.112	CAF 101: Disclosure - Events after reporting date disclosure (outdated).	Management have updated the disclosure as follows, The impact of the 2021 Local Government Elections (LGE2021) is currently nonadjusting but will have an impact in future Annual Financial Statement in that there will possibly be changes in Leadership and Leadership Structure, inevitably to affect the enabling legislations and related regulations Donated assets, both moveable and immovable, at Kgotsatsana Manapo Mopeli Water Laboratory, in Kestell) A pending disposal of equipment and other assets in the near future.	Chief Financial Officer Financial Accounting Manager	30 November 2021	Management submitted adjusted AFS set on 30 November 2021 the raised exception was correctly adjusted by management	100%	Confirmed with the adjusted AFS that events after reporting dates (from Covid 19 events to laboratory, election events) Note 29 on adjusted AFS
ISS.114	CAF 102: Non-compliance - Unauthorised, irregular and fruitless and wasteful expenditure write-offs	Municipal Council did not approve write-off as per MPAC recommendations without considering evidence of cost measures and cost-benefit analysis to recover expenditure. There was no instance where MPAC concluded on recovery of unauthorized expenditure.	Chief Financial Officer Financial Accounting Manager SCM Manager	31 May 2022	MPAC oversight report will serve before newly appointed MPAC and thereafter will be tabled to council. This is	95%	Confirmed with the MPAC report that the investigation for UIF&W opening balance for financial year 2020/2021 that were served

		Further-more in considering the authorization of unauthorized expenditure, council must consider the following factors: (i) Has the matter been referred to Council for a determination and decision? (ii) Has the nature, extent, grounds and value of the unauthorized expenditure been submitted to Council? (iii) Has the incident been referred to a council committee for investigation and recommendations? (iv) Has it been established whether the accounting officer or official or public office bearer that made, permitted or authorized the unauthorized expenditure acted deliberately or in a negligent or grossly negligent manner? (v) Has the accounting officer informed Council, the mayor or the executive committee that a particular decision would result in an unauthorized expenditure as per section 32(3) of the MFMA?			UIF Report for 2019/2020 that was an agenda item for council meeting that was scheduled to seat in October 2021	before Council however UIF&W 2020/2021 were prepared by MPAC however the Council did not sit in October 2021, but it served before special council held in February 2022. (Awaiting Council resolution to be 100%)
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					- the mayor, accounting officer or official was acting in good faith when making and permitting unauthorized expenditure; and - the municipality has not suffered any material loss as a result of the action. In these instances, the council should authorize the unauthorized expenditure. Depending on the responses received in relation to each question, municipal councils are advised to also include the element of consequence management as part of the above consideration. In this regard, municipalities are referred to the Municipal Regulations on Financial Misconduct Procedures and Criminal				
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ISS.110	CAF 105: Procurement and contract management: Tax non-compliance bid - TMDM/MMM/INTERNET/01/0 8/2020	Management will provide evidence from tax history report extracted from CSD that will indicate the winning bidder was tax compliant status at the time of awarding the bid.	Chief Financial Officer SCM Manager	30 June 2022	Management will provide evidence from tax history report extracted from CSD that will indicate the winning bidder was tax compliant status at the time of awarding the bid.	65%	(Awaiting for tax compliant proof from CSD to move it to 100%)
ISS.116	CAF 113: Budget statement - Financial statement and	Management implemented effective review process for the	Chief Financial Officer	30 November 2021	Management submitted	100%	Confirmed with the adjusted

budget statement differences	audit adjustments of the financial statements to ensure that errors are corrected	Financial Accounting Manager		adjusted AFS set on 30 November 2021 the raised exception was correctly adjusted by management	AFS the correction of differences between budget statement and actual statement.
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ISS.134	CAF 124: Segment Reporting - Presentation and disclosure omissions	Management agrees with audit finding, segment reporting disclosure of the geographical areas in which it operates that are relevant for decision-making purposes, have been updated on the adjusted annual financial statement	Chief Financial Officer Financial Accounting Manager	30 November 2021	Management submitted adjusted AFS set on 30 November 2021 the raised exception was correctly adjusted by management	100%	Confirmed with the adjusted AFS, segment reporting was included in accounting policy however standalone note 43 was included with detailed information.
ISS.137	CAF 126: Risk management disclosure - Disclosure inconsistencies	Management made necessary adjustments and provided the proposed adjustments to the audit team for consideration on the adjusted AFS set.	Chief Financial Officer Financial Accounting Manager	30 November 2021	Management submitted adjusted AFS set on 30 November 2021 the raised exception was correctly adjusted by management	100%	Confirmed with the adjusted AFS note 27 was adjusted with additional required information.
ISS.138	CAF 127: Programmes funded by the grant not evaluated with two months after year end	Management to implement effective controls over the monitoring and evaluation of the performance of all contractors as required by the MFMA.	Chief Financial Officer Financial Accounting Manager	30 June 2022	Management to implement effective controls over the monitoring and evaluation of the performance of all	75%	The new program will be evaluated before or 31 August 2022 as it is the matter of compliance.

ISS.136	CAF 128: Remuneration of Councillors - Overpayment of councillors	Management partially agrees with audit finding, the remuneration of councillors for the period under had difference due to a resolution that was taken by the council during the pandemic when it was resolved that council would be held virtually going forward and that 3gs be given to councillors and R300 Data amount was then deducted from councillors. Other minor differences are caused by changes in medical aid scheme options, when members add members on their options.	Chief Financial Officer Financial Accounting Manager Director Corporate Services	30 November 2021		contractors as required by the MFMA within two months after the end of the financial period.	100%	Confirmed with management that R300 of data was replaced with 3G provided to councillors that cause the difference, however current upper limit the full package is provided including R300, No more 3G. (Awaiting for Council resolution of 3G)	Quarter 3 completed.
Audit Committee									

ISS.2	CAF 12: EV - Planning: Deficiencies identified with the review of the functioning of the audit committee	No evidence was obtained that the committee members had been appointed by the council because this information was not requested however Council minutes of July 2021 and October 2021. Alternatively, the Council resolutions can be requested from Corporate Service by Internal Audit and	Internal Audit/Audit Committee	31 March 2022	The Audit Committee members were appointed by Council, this information was not requested however Council	100%	Confirmed with Council resolution and Appointment letters
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		submitted to you before Wednesday. All Audit Committee members has been appointed by Council.			minutes of July 2021 and October 2021 and the Council resolutions are available on appointment made by Council.	
		Performance information is a standing item of every ordinary audit and performance committee meeting therefore key performance indicators are part of performance information (Quarterly AOPOs) discussed during the meetings. Please refer to all submitted Audit and Performance Committee minutes submitted. Audit Committee reports to Council includes performance information and is also submitted to Accounting Officer.			Performance information is a standing item of every ordinary audit and performance committee meeting therefore key performance indicators are part of performance information (Quarterly AOPOs) discussed during the meetings. Please refer to all submitted Audit and	Confirmed with Audit Committee Agenda
					100%	

[illegible]

		internal audit plan approved by Audit Committee. Please refer to submitted Approved detailed internal audit plans (Three year and annual coverage).				security and control, because the ICT General Controls for financial year 2020/2021 was not part of the approved annual		financial year end.
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discharged as per Audit and Performance Committee Charter including governance structures and processes.

ISS.141	CAF 130: Other MFMA disclosure - Inaccurate disclosure of PAYE, UIF & SDL	Management made the necessary adjustments and provided the proposed adjustments to the audit team for consideration on the adjusted AFS set.	Chief Financial Officer Financial Accounting Manager	30 November 2021	The Risk management, IDP & PMS together with ICT are standing invitees and part of governance structure. Please refer to all agenda on submitted Audit Committee meeting for 2020-2021	100%	Confirmed with the adjusted AFS that PAYE, SDL and UIF which were adjusted from R 16 848 621 TO R18 511 746 . Note 33.
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CAF 133: Irregular expenditure: VAT disclosed as irregular expenditure	Disagree with the finding. MPAC investigated unauthorized. Irregular, and fruitless & wasteful expenditure in order to determine if any person was liable for the expenditure.	Chief Financial Officer Financial Accounting Manager SCM Manager	31 March 2022	MPAC investigated unauthorized. Irregular, and fruitless & wasteful expenditure in order to determine if any person was liable for the expenditure.	100%	Confirmed with the MPAC report that the investigation for UIF&W opening balance for financial year 2020/2021 that were served before Council however UIF&W
CAF 137: Consequence management- Investigation for UIF reported in the prior year not conducted.						
CAF 138: Irregular Expenditure arising from multi- year contract not complete						

	Unfortunately, the Council did not take place because it did not form quorum.			After the investigation done, they prepared an item to Council of 28/10/2021 on the agenda as item 12.2 as MPAC Chairperson Reports under Annexure C. Unfortunately, the Council did not take place because it did		2020/2021 were prepared by MPAC however the Council did not sit in October 2021, but it served before special council held in February 2022. (Awaiting Council resolution to be 100%)
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						not form quorum.			
ISS.32	CAF 21: EV - Asset management; VAT; Consequence management: Limitation of Scope on requested information	Management agrees with audit finding, information has been submitted to auditors	Chief Financial Officer Financial Accounting Manager	30 June 2022	Information was submitted to auditors later then the agreed upon time, this was due high volumes of requests issued at the same time	100%	Confirmed with the AG that register request was resolved however the requested information were submitted late hence turned into exception.		
ISS.34	CAF 28: Limitation of Scope on requested information not submitted	Management agrees with audit finding, information has been submitted to auditors	Chief Financial Officer Financial Accounting Manager	30 June 2022	Information was submitted to auditors later then the agreed upon time, this was due high	100%	Confirmed with the AG that register request was resolved however the requested		

									information were submitted late
									volumes of requests issued at the same time

							hence turned into exception.
CAF 35: Limitation of scope on requested information	Management agrees with audit finding, information has been submitted to auditors	Chief Financial Officer Financial Accounting Manager	30 June 2022	Information was submitted to auditors later then the agreed upon time, this was due high volumes of requests issued at the same time	100%	Confirmed with the AG register that request was resolved however the requested information were submitted late hence turned into exception.	

CAF 37: Consequence management: No evidence obtained that the Council approved the write off of unauthorised expenditure	Management agrees with audit finding, information has been submitted to auditors Subsequently.	Chief Financial Officer Financial Accounting Manager	30 November 2021	MPAC oversight report will serve before newly appointed MPAC and thereafter will be tabled to council. This is UIF Report for 2019/2020 that was an agenda item for council meeting that was scheduled to seat in October 2021	95%	Confirmed with the MPAC report that the investigation for UIF&W opening balance for financial year 2020/2021 that were served before Council however UIF&W 2020/2021 were prepared by MPAC however the Council did not sit in October 2021, but it served before special council held in February 2022. Consequence management depend on Council.
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					(Awaiting Council resolution to be 100%)
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CAF 40: Planning: No evidence that quarterly performance evaluations were done.	Management to ensure that quarterly performance evaluations are done in accordance with the set timelines as agreed upon in the signed performance agreements	Chief Financial Officer Financial Accounting Manager	30 June 2022	Management to ensure that quarterly performance evaluations are done in accordance with the set timelines as agreed upon in the signed performance agreements, currently key management personnel have been attending workshops in order to ensure performance cascaded down.	50%	Confirmed that evaluations are performed once a year after adoption of Annual Report
ISS.5	CAF 41: Planning: Issues identified with performance management	PMS IDP Manager	30 June 2022	Management is to implement adequate processes over the review of the performance management	80%	Confirmed with Manager IDP & PMS that challenges still prevails however matter elevated to Accounting Officer.