

					agreement or not management provided, auditors with adjusted and complete debtors age analysis as specified by GRAP 104.		
ISS.92-	CAF 114: Receivables from exchange transactions - Overstatement of opening balance (CETA Receivables)	Management agrees with audit finding, accrued income was incorrectly raised in 2019/2020 financial period amounting to R698 779.01, this amount is reversed in the year under review following previous audit communications regarding receivable treatment. However, R450 206 of the previous accrued amount was received in the 2020/2021 financial period, stipends have been paid therefore our revenue will be adjusted with the above mentioned amount.	Chief Financial Officer Financial Accounting Manager	30 November 2021	Management agrees with audit finding, accrued income was incorrectly raised in 2019/2020 financial period amounting to R698 779.01, this amount is reversed in the year under review following previous audit communications regarding receivable treatment.	100%	Confirmed with adjustment of AFS GRAP 109, Note 24, in terms of classification, disclosure (opening balances)



<b>ISS.131</b>	CAF 115: Receivables from exchange - Misclassification of debtors	Management Partially agrees with audit finding, the annual financial statement will be updated with the whole deviation population that were recorded for 2020/2021 financial period. Please refer to the quarter deviation register electronic copies.	Chief Financial Officer Financial Accounting Manager	30 November 2021	Management Partially agrees with audit finding, the annual financial statement will be updated with the whole deviation population that were recorded for 2020/2021 financial period. Please refer to the quarter deviation register electronic copies.	100%	Confirmed with AFS, Note 5 the correction of classification.
<b>ISS.18</b>	CAF 16: Receivable from exchange: Difference between AFS and TB	Management agrees with audit finding, at the time management submitted Annual Financial Statements the financial system general ledger and trial balance were not updated with caseware Journals.  Management will include posting of caseware journals on their AFS process plan and the AFS business process will also be	Chief Financial Officer Financial Accounting Manager	30 November 2021	Annual Financial Statements the financial system general ledger and trial balance were not updated with caseware Journals. Management	100%	Confirmed with demonstration made to AG by management comparison of AFS vote and Votes from SAGE system. (Awaiting Schedule)

		<p>updated accordingly, kindly trial balance extract together with management comparison on the previously raised difference.</p> <p>All caseware journals have been updated on Sage system</p>			<p>will include posting of caseware journals on their AFS process plan and the AFS business process will also be updated accordingly, kindly trial balance extract together with management comparison on the previously raised difference. All caseware journals have been updated on Sage system</p>		
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<b>ISS.51</b>	CAF 44: Receivables: No policy for impairment of debtors	Management partially agrees with audit finding, Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see GRAP 104 paragraph .58).	Chief Financial Officer Financial Accounting Manager	30 June 2022	Management partially agrees with audit finding, Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and	95%	Confirmed that GRAP 104 in line with impairment however draft impairment is in place to be approved with finance related policies in May 2022. (Awaiting draft policy)
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		<ul style="list-style-type: none"><li>• Significant financial difficulty experienced by the borrower/debtor;</li><li>• Delays in payments (including interest payments) or failure to pay/defaults;</li><li>• For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can.</li></ul>			
		<p>If municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.</p>			



					who are experiencing financial difficulties to pay as and when they can.		
					If municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are		



				collective assessment of impairment.			
CAF 48	CAF 48: Receivables from non-exchange transactions: Issues identified with the completeness of the impairment amount	Management disagrees with audit finding, management first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see GRAP 104 paragraph .58).  Objective evidence that a financial asset or group of assets is impaired can be as a result of the occurrence of one or more of the following events:  <input type="checkbox"/> Significant financial difficulty experienced by the borrower/debtor;  <input type="checkbox"/> Delays in payments (including interest payments) or failure to pay/defaults;  <input type="checkbox"/> For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can.	Chief Financial Officer Financial Accounting Manager	30 November 2021	Management disagrees with audit finding, management first assesses whether objective evidence of impairment exists individually for financial assets that are individually or collectively for financial assets that are not individually significant (see GRAP 104 paragraph .58).  Objective evidence that a financial asset or group of assets is	100%	Confirmed with adjusted AFS completeness of Impairment Note 5, that the amount was not fully impaired because monthly payment was still being received.

		<p>The above mentioned are overpaid officials of the municipality and employees are still working for the municipality the debts will be recovered after due processes.</p>			<p>impaired can be as a result of the occurrence of one or more of the following events:</p> <ul style="list-style-type: none"> <li>• Significant</li> </ul>		
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					<p>financial difficulty experienced by the borrower/debt or;</p> <ul style="list-style-type: none"> <li>• Delays in payments (including interest payments) or failure to pay/defaults;</li> <li>• For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can.</li> </ul> <p>The above mentioned are overpaid officials of the municipality and employees</p>		
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[illegible]

ISS.79	CAF 58: Receivables from Non-exchange transactions: (Impairment not correctly calculated)	Receivable balance raised before payment arrangement where reformed. System extracted employee 12month reports are attached to assist auditors reperform calculations considering information of the last three years.	Chief Financial Officer Financial Accounting Manager	30 November 2021	Receivable balance raised before payment arrangement where reformed. System extracted employee 12month reports are attached to assist auditors reperform calculations considering information of the last three years.	100%	Confirmed with adjusted AFS Impairment Note 5, that the amount was not fully impaired because monthly payment was still being received.
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ISS.71	CAF 60: Receivables: Interest not charged on outstanding debtors	Management partially agrees with audit finding, credit policy adopted by council states that "Interest at rate determined by council from time to time in terms of relevant legislation will be charged on all arrears debtors accounts", the policy interest rate was approved at zero% in the prior period and the policy does not require council to do this on an annual basis. TMDM districts' majority of its debtors balance is consists of overpaid councilors, municipal council recommended that municipality hire attorney's and try to collect these arrears debtors amounts as they are and at the time it was decided that interest will not be charged.	Chief Financial Officer Financial Accounting Manager	30 June 2022	Management partially agrees with audit finding, credit policy adopted by council states that "Interest at rate determined by council from time to time in terms of relevant legislation will be charged on all arrears debtors accounts", the policy interest rate was approved at	95%	Confirmed with Schedule of Over payment made to Councilors indicating 0% in terms of Council resolution made from time to time. (Awaiting Council resolution)
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					zero% in the prior period and the policy does not require council to do this on an annual basis.		
					TMDM districts' majority of its debtors balance is consists of overpaid councilors, municipal council recommended that municipality hire attorney's and try to collect these arrears debtors amounts as they are and at the time it was decided that interest will not be charged.		

ISS.93	CAF 82: Receivables from exchange transactions - receivables overstated with CETA commission	Municipality has inspected the CETA contracts and agree that stipends have to be paid to learners before commission can be recognized therefore no receivables should be raised. The journal passed to recognize receivable will be corrected on the adjusted Annual Financial Statements.	Chief Financial Officer Financial Accounting Manager	30 November 2021	Municipality has inspected the CETA contracts and agree that stipends have to be paid to learners before commission can be	100%	Confirmed with adjustment of AFS GRAP 109, Note 24, in terms of classification and disclosure
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					recognized therefore no receivables should be raised. The journal passed to recognize receivable will be corrected on the adjusted Annual Financial Statements.		
Revenue							

ISS.111	CAF 100: Revenue from exchange transactions - Incompleteness of CETA commission	Management partially agrees with audit finding, accrued income was incorrectly raised in 2019/2020 financial period amounting to R698 779.01, this amount is reversed in the year under review following previous audit communications regarding receivable treatment. However, R450 206 of the previous accrued amount was received in the 2020/2021 financial period, stipends have been paid therefore our revenue will be adjusted with the above mentioned amount.	Chief Financial Officer Financial Accounting Manager	30 November 2021	Management partially agrees with audit finding, accrued income was incorrectly raised in 2019/2020 financial period amounting to R698 779.01, this amount is reversed in the year under review following previous audit communication regarding receivable treatment. However, R450 206 of the previous accrued	100%	Confirmed with adjustment of AFS GRAP 109, Note 24, in terms of classification and disclosure
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				amount was received in the 2020/2021 financial period, stipends have been paid therefore our revenue will be adjusted with the above mentioned amount.			
ISS.104	CAF 104: Revenue from exchange transactions - 2021/22 Commission incorrectly accounted for in 2020/21 Financial year	Management agrees with audit finding, there was CETA commission that was recognized by municipality for period 2020/21 and this where invoices were treated as revenue from exchange transaction this was incorrect treatment since stipends were not paid in the current period.  The whole population has been re-visited and where stipends where not paid the revenue initially recognized is removed and furthermore no receivable will be raised.  The 12month ABSA bank statements were used to trace all payments included on the external CETA remittance	Chief Financial Officer Financial Accounting Manager	30 November 2021	Management agrees with audit finding, there was CETA commission that was recognized by municipality for period 2020/21 and this where invoices were treated as revenue from exchange transaction this was incorrect treatment since stipends were not paid	100%	Confirmed with adjustment of AFS GRAP 109, Note 24, in terms of classification and disclosure

		obtained from CETA construction. Bank statement payments were traced to sage financial system. Kindly find attached supporting documents.				in the current period. Bank statement payments were traced to sage financial system.		
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					Kindly find attached supporting documents. The whole population has been re-visited and where stipends where not paid the revenue initially recognized is removed and furthermore no receivable will be raised. The 12month ABSA bank statements were used to trace all payments included on the external CETA remittance obtained from CETA construction.		
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ISS.109	CAF 109: Revenue from exchange transactions - Incomplete disclosure of CETA agency fees	TMDM received a grant from CETA amounting to R21 423 514.23 on behalf of learners in the current financial period, the money was paid to learners and TMDM has recognised administration portion as agency fees	Chief Financial Officer Financial Accounting Manager	30 November 2021	TMDM received a grant from CETA amounting to R21 423 514.23 on behalf of learners in the current financial period, the	100%	Confirmed with adjustment of AFS GRAP 109, Note 24, in terms of classification and disclosure
		TMDM received an aggregate amount of R23 449 110.42, TMDM paid due stipends to the					




					reimbursement for year under review.		
					TMDM received a grant from CETA amounting to R21 423 514,23 on behalf of learners in the current financial period, the money was paid to learners and TMDM has recognised administration portion as agency fees		

ISS.45	CAF 49: Revenue: CETA contract not being applied correctly	Management partially agrees with auditors, when the municipality is the agent it will recognise any fees received as municipality revenue in the statement of financial performance.	Chief Financial Officer Financial Accounting Manager	30 November 2021	Management partially agrees with auditors, when the municipality is the agent, it will recognise any fees received as municipality revenue in the statement of financial performance. The municipality accounts for	100%	Confirmed with adjustment of AFS GRAP 109, Note 24, in terms of classification and disclosure
		<p>The municipality accounts for the funds provided by the principal to execute the agreed tasks as an advance in the statement of financial position.</p> <p>The expenditure incurred will initially be treated as any other expenditure of the municipality</p>					

		<p>immediately afterwards the expenditure directly related to the principal's transactions will be offset against the advance.</p> <p>According to GRAP where the municipality has not received an advance it will raise a receivable for expenditure spent on behalf of the principal and therefore due by the principal. Municipality does not pay stipends to learners where funds have not been transferred to the municipality.</p> <p>The municipality should also consider whether any asset or liability associated with the activity undertaken by them should be included in the statement of financial position (primary financial information) or in the notes to the financial statements (secondary financial information).</p> <p>Management disagrees with audit finding, all the contracts have been provided to the auditors now and the 7.5% commission is stipulated on the contracts between the training</p>			<p>the funds provided by the principal to execute the agreed tasks as an advance in the statement of financial position. The expenditure incurred will initially be treated as any other expenditure of the municipality immediately afterwards the expenditure directly related to the principal's transactions will be offset against the advance. According to GRAP where the municipality has not received an</p>		
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		institution, municipality and CETA.				advance it will raise a receivable for expenditure spent on behalf of the principal and therefore due		





					to the auditors now and the 7.5% commission is stipulated on the contracts between the training institution, municipality and CETA.		
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SUBMITTED BY

\_\_\_\_\_  
M S T P M LEBENYA  
MUNICIPAL MANAGER

DATE: \_\_\_\_\_

## AUDITOR GENERAL AUDIT FINDINGS OF THE PRESENT YEAR

Report of the auditor-general to the Free State Provincial Legislature and council on the Thabo Mofutsanyana District Municipality

Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Thabo Mofutsanyana District Municipality set out on pages 248 to 255 which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Thabo Mofutsanyana District Municipality as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 9 of 2021 (Dora).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### Material uncertainty relating to claims against the municipality

7. With reference to note 23 of the financial statements, the municipality is the defendant in various claims against it. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the financial statements.

### Material impairment

8. As disclosed in note 4 to the financial statements, receivables from exchange and receivable from non-exchange transactions were impaired by R3 526 919 (2021: R3 526 919).

### Irregular expenditure

9. As disclosed in note 29 to the financial statements, irregular expenditure of R9 791 475 (2021: R16 920 949) was incurred due to non-compliance with supply chain management (SCM) requirements. In addition, the full extent of irregular expenditure is still in the process of being investigated.

### Other matters

10. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### Unaudited disclosure notes

1. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

### Responsibilities of the accounting officer for the financial statements

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and DORA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

13. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

14. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a predetermined responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected key performance areas (KPAs) presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
17. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected KPA presented in the municipality's annual performance report for the year ended 30 June 2022:

KPA	
KPA 1 - basic service delivery	
Pages in the annual performance report	

20. The material findings on the usefulness and reliability of the performance information of the selected KPA are as follows:

whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

#### KPA 1 — basic service delivery

Assisting youth SMEs with start-up capacity on 30 June 2022

21. The planned target of financial assistance for youth SMEs on 30 June 2022 for this indicator was not specific in clearly identifying the nature and required level of performance and it was also not measurable.

#### Other matters

22. I draw attention to the matters below.

#### Achievement of planned targets

23. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year. This information should be considered in the context of the material finding on the usefulness and reliability of the reported performance information in paragraph 21 of this report.

#### Adjustment of material misstatements

24. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of KPA 1 — basic service delivery. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

### Report on the audit of compliance with legislation

#### Introduction and scope

25. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

26. The material findings on compliance with specific matters in key legislation are as follows:

35. Sufficient appropriate audit evidence could not be obtained that the preferential procurement policy framework act 5 of 2000.

36. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored monthly, as required by section 116(2)(b) of the MFMA.

37. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management, as required by section 116(2)(c)(iii) of the MFMA.

## Other information

38. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected KPAs presented in the annual performance report that have been specifically reported in this auditor's report.

39. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and do not express an audit opinion or any form of assurance conclusion on it.

40. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected KPA presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

41. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Internal control deficiencies

42. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

27. The financial statements submitted for auditing were not fully prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, revenue, and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

## Expenditure management

28. I was unable to obtain sufficient appropriate audit evidence that money owed by the municipality had always been paid-within 30 days, as required by section 65(2)(e) of the MFMA.

29. Reasonable steps were not taken to prevent irregular expenditure amounting to R9 791 475 as disclosed in note 29 to the financial statements, as required by section 62(1)(d) of the MFMA. The value of R9 791 475 is not complete as management was still in the process of quantifying the full extent of the irregular expenditure. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM regulations.

## Consequence management

30. Irregular expenditure incurred by the municipality were not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

## Human resource management

31. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the municipal systems act 32 of 2000.

## Procurement and contract management

32. Some goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.

33. Some quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43. Similar non-compliance was also reported in the prior year.

34. Quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.

43. Leadership and management did not implement preventive controls to ensure that they effectively oversee compliance with legislation, as instances of non-compliance with applicable legislation reported in the previous year were also identified in the current year. This was due to lack of consequence management being implemented.

44. The municipality did not have a proper records management system in place to maintain information that supported the reported performance information and the financial statements, resulting in significant delays in the audit of performance information and financial statements.

*Auditor-General*

Bloemfontein

30 November 2022



AUDITOR-GENERAL  
SOUTH AFRICA

Auditing to build public confidence

## Annexure — Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected KPAs and on the municipality's compliance with respect to the selected subject matters.

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
  - conclude on the appropriateness of the accounting officer use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Thabo Mofutsanyana District Municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communication with those charged with governance
  3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
  4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## ACTION PLAN FOR THE YEAR 01 JULY 2021 AS AT 31 JUNE 2022



# 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 2022

Comm. of Audit Finding	FOCUS AREA / MATTERS RAISED	ACTION PLAN AND RESPONSE BY MANAGEMENT	RESPONSIBLE OFFICIAL(S)	TARGET DATE FOR IMPLEMENTATION
<b>MATTERS/ISSUES RAISED BY AUDITOR GENERAL ON MANAGEMENT REPORT FOR THE YEAR 30 JUNE 2022</b> <b>General</b>				
CoAF 48	CoAF 48: Actuarial gain/loss	Management agrees with audit finding, the actuarial gain/loss will be correctly adjusted to disclose an amount of R692 000,00 as per the GRAP 25 valuation reports instead of R788 000 this will correct the factual overstatement of R96 000 as raised by auditors.	Chief Financial Officer Financial Accounting Manager	28 February 2023
CoAF 109	CoAF 109: Employee related cost - terminations and appointments(accuracy) (EV)	Management disagrees with audit findings; auditors were submitted with 12month report and appointment letter they however multiplied the monthly salary by 12 months instead of inspecting previous employees' appointments.	Director: Corporate Services HR Manager	30 November 2022
CoAF 116	CoAF 116: Non-compliance - HR management	Management don't agree with the finding, as council sitting of the 31st May 2022 has approved implementation of Municipal Staff Regulations published on the 21st September 2021. Subsequent to council approval COGTA issued Circular 12 of 2022 indicating postponement of implementation of Chapter 2 (Staff establishment, Job description and job evaluation ) and Chapter 4 ( Performance Management and development System ).	Director: Corporate Services HR Manager	30 June 2023

Comm. of Audit Finding	FOCUS AREA / MATTERS RAISED	ACTION PLAN AND RESPONSE BY MANAGEMENT	RESPONSIBLE OFFICIAL(S)	TARGET DATE FOR IMPLEMENTATION
CoAF 36	CoAF 36: Depreciation issues : Kestell Lab	<p>Management agrees with audit finding, municipality was donated a Lab in Kestell which was fully furnished, and building was constructed and ready for use, the talks regarding transfer of rewards started in March 2021 however the transfer initially took place in September 2021.</p> <p>The Depreciation amount of R163 894,88 will be correctly adjusted on the final adjusted AFS set that will be submitted before end of audit.</p> <p>Management agrees with audit finding, we will ensure that population of depreciation is visited and AFS will be correctly adjusted.</p>	Chief Financial Officer Financial Accounting Manager	30 November 2022
CoAF 41	CoAF 41: Employee benefit obligation (Prior year issue)	<p>Management disagrees with audit finding management takes note of comments by Auditors in conclusion of the prior year finding. However subsequent year end in terms of the collective agreement municipality paid long term service awards to all those qualifying officials that were on fixed term 5-year contract as correctly provided by the municipality.</p> <p>Furthermore, in terms of GRAP 25</p> <p>Other long-term employee benefits are employee benefits (other than post-retirement benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.</p>	Chief Financial Officer Financial Accounting manager	30 November 2022

Cash flow statements				
CoAF 107	CoAF 107: Cash flow statement differences	Management agreed with the finding the cash flow statement differences were corrected on the final Annual Financial Statement set.	Chief Financial Officer Financial Accounting Manager	30 November 2022
Contingent liabilities				
CoAF 68	CoAF 68: Contingent Liabilities not appropriately disclosed	Management partially agrees with audit finding indication of the uncertainties relating to the amount of timing of any outflow on contingent liabilities note will be included.	Chief Financial Officer Financial Accounting Manager	28 February 2023
Employee costs				
CoAF 10	CoAF 10: Annual Financial Statement (AFS) High level checklist	Management partially agrees with audit finding, General Ledger and Trial Balance from Sage evolution system agree with each other, the differences noted above initially were due to fact the GL submitted on audit file was extracted a few days before the import TB on the file. However, the latest GL agrees with the TB imported.	Chief Financial Officer Financial Accounting Manager	30 November 2022
CoAF 13	CoAF 13: Employee related cost: differences between payroll report and GL	Management disagrees with audit with audit finding, management is aware that payroll running on VIP 300 PEOPLE software differs sometime after integration on to the SAGE Evolution system the two systems are agreed by the Finance Manager. Management performs salary payroll reconciliations on monthly basis and reconciling items are investigated and reconciliation is approved afterwards Kindly find the 12 monthly reconciliations and the year-end reconciliation by management.	Chief Financial Officer Financial Accounting Manager	30 November 2022
CoAF 15	CoAF 15: Limitation of Scope : Payroll compensation of employees and employee benefit BP(RFI 20)	Management agrees with audit, RFI 20 information has been submitted now.	Chief Financial Officer Financial Accounting Manager	30 November 2022
CoAF 27	CoAF 27: Allowances: accuracy	Management disagrees with audit finding, please see each comment below from management, Basis of disagreement by management, the auditors used the incorrect	Chief Financial Officer Financial Accounting Manager	28 February 2023

		<p>policies to calculate cellphone allowance of the above-mentioned employee.</p> <p>Management comment on acting allowance, Basis of disagreement by management, the auditors used the only one acting allowance letter and the other instance when the above employee acted as Covid19 Coordinator was no considered</p>		
CoAF 35	CoAF 35: Remuneration of councillors - Overpayment of councillors(Prior year)	<p>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. Management council is the highest authority in local government and the resolution by previous council to not include data due to covid 19 and instead arranged that municipality provide them with data 3gs in order to ensure council forms a quorum during the national disaster was not rescinded by council furthermore, management ensured that the new councillors are paid in accordance with the upper limits gazette.</p>	Chief Financial Officer Financial Accounting Manager	30 November 2022
CoAF 42	CoAF 42: Employee related cost (Allowances) - Prior year issue	<p>Management disagrees with audit finding, on RFI 52 auditors requested for the acting letter and this was submitted to auditors already.</p> <p>The finding is not correct, the follow up was based on limitation of scope where management could not provide audit team with acting letter in the prior year for the above-mentioned employee, in the 2021/2022 FY management provided auditors with a secondment letter regarding the employee and not the appointment letter.</p>	Chief Financial Officer Financial Accounting Manager	30 November 2022

CoAF 44	CoAF 44: Remuneration of senior managers and councillors(accuracy)	Total A is in line with the Remuneration of Public Beeres Act (PBA), 1998 (Act No.2 of 1998), Government Gazette No. 46470 of 2 June 2022 " Determination of Upper Limitsof the salaries, allowances & benefits of different members of municipal councils. different members of municipal councils. Paragraph 9 (1) @ of PBA states "A councillor who uses a privately-owned vehicle for execution of official duties on behalf of the municipality, may be reimbursed for official kilometres travelled, in addit in addition to the total remuneratopackage of a councillor as determined in terms of items 5 and 8 of the Notice, not exceeding the applicable tariffs as prescribed by the national department responsible for transport and in terms of the municipal council's policy" thus why we pay subsistence and travelling allowance. SDL: This is a compulsory levy that you have to pay for all your employees.	Chief Financial Officer Financial Accounting Manager	30 November 2022
CoAF 52	CoAF 52: Employee benefit obligation(accuracy)	Management agrees with audit finding, the actuary assumed pay-outs will be adjusted with actual figures paid during the year under review. Contributions by the employer or employees are the actual payments made into the fund.	Chief Financial Officer Financial Accounting Manager	30 November 2022
<b>Heading 1</b>				
CoAF 01	CoAF 01:Internal control deficiency: External quality review not conducted	Agree with the finding, this exercise is not budgeted for, for financial year 2022/2023 because of financial constraints however reliance will be on relevant provincial departments to assist the municipality on intergovernmental relations.	Internal Audit Manager Municipal Manager	31 August 2023
Coaf 02	CoAF 02: Internal control deficiencies: Planning	1. (a) Agree with the finding, the Audit Committee did not meet separately with Internal audit because of financial constraint	Internal Audit Manager	30 June 2023

		and the Audit and Committee Charter did not include such meetings. 2. (b) Disagree with the finding that Audit and Performance Committee did not submit reports twice to Council and Municipal Manager. Performance reports are standing item on the agenda of Audit Committee with also serves as Performance Committee, therefore every report submitted to Council includes reports on performance results served before the Audit and Performance Committee. These reports were submitted during the process of requesting information in May/June 2022. (c) Partially agree, the Audit and Performance Committee report submitted to Municipal Manager and Council includes performance information of the municipality. Both the reports were submitted to Auditor General during the request of information in May/June 2022.		
Coaf 05	CoAF 05: Internal control deficiencies: ISA Audit	<p>1. The management has committed to properly staffing the ICT unit and budget provision has been made to fill the vacancies during the current financial year (2022/2023). Furthermore, a Disaster Recovery system was developed to ensure that the backups are stored offsite, currently backups are replicating daily to a cloud-based storage facility. Password policies have been implemented across the systems.</p> <p>2. Windows Server Update Services has been installed to manage the deployment of the latest system updates.</p> <p>3. The IT Support, PeopleSupport and Admin are service accounts used for system maintenance, thus they cannot be assigned to a specific user. It is a standard system administration practice. The other accounts are for the users as indicated.</p> <p>4. The finding is not specific on which part of the control is inadequate.</p>	ICT Manager	30 June 2023

		<p>5. The finding is not specific on which part of the control is inadequate.</p> <p>6. The finding is not specific on which part of the control is inadequate.</p> <p>7. No maintenance was carried out on the environmental equipment during the year under review.</p> <p>8. Procedures for monitoring SLAs are outlined in the Vendor Management Policy</p> <p>9. Change request evidence for 300 People was provided for audit. There were no change request made for AMS 360 during the year under review.</p>	
Coaf 09	CoAF 09: Planning: Issues identified with performance management.	<p>Management agrees with audit finding, the creditors age listing will be correctly adjusted to disclose the above-mentioned creditors aging.</p>	<p>Chief Financial Officer Financial Accounting Manager</p> <p>30 June 2023</p>
Coaf 108	CoAF 108: Risk Management – Disclosure	<p>Management disagrees with audit finding, the Frequently Asked Questions on the Standards of GRAP updated on 7 July 2021, states that VAT is an indirect tax based on consumption of goods and services in the economy. Revenue is raised for the government by requiring certain traders or vendors to register and to charge VAT on taxable supplies of goods and services. The essential characteristics of VAT are:</p> <ul style="list-style-type: none"> <li>• It is charged at each stage of the production and distribution and distribution process;</li> <li>• The taxable person (vendor) may deduct the tax paid during the preceding stages; and</li> <li>• The burden of the tax is on the final consumer</li> </ul> <p>The non-exchange transaction is the transaction concluded between the person or entity imposing the tax (national government) and the consumer of goods and services in the South African economy. Where an entity sells final goods and services to consumerism it is</p>	<p>Chief Financial Officer Financial Accounting Manager</p> <p>30 June 2023</p>

		responsible to collect taxes from its consumers for the goods and services provided. In collecting and remitting VAT to the national government, and entity acts as an agent. Consequently, VAT receivable or payable is deemed to be an exchange rather than a non-exchange transaction.		
Coaf 111	CoAF 111: Irregular expenditure - Follow up of prior year: CAF 1	Management agrees with audit finding, RF103 submitted investigation report indicates the MPAC UIF expenditure oversight report that was tabled to council, irregular expenditure of R15 614 239,98 was recommended to be written off. The difference noted was due to fact that the signed resolution submitted to finance did not address all issues written off refer to RF123 MPAC council resolution. The financial statement statements will be adjusted to decrease to raised irregular expenditure by increasing the written off amount to R15 614 239,98 in accordance with investigation report tabled.	Chief Financial Officer Financial Accounting Manager	30 November 2022
Coaf 121	CoAF 121: Consequence Management: issue with investigation of UIFW and Financial Misconduct (EV)	1.Unauthorised Expenditure and Fruitless Expenditure Management disagrees with audit finding, the MPAC unauthorized expenditure, wasteful and fruitless expenditure reports that were investigated had terms of reference. The item taken to council did not include the entire report that served, MPAC investigation report dated 28 October 2021 and identified that the terms and reference of the MPAC report on page 2 did not indicate that the terms of refer covered unauthorised and Fruitless expenditures, they only referred to irregular expenditure. Management has now provided auditors with the full investigation reports and items that served. 2.Irregular Expenditure	Chief Financial Officer Financial Accounting Manager	30 November 2022

		<p>Management disagrees with audit finding, MPAC report dated 28 October 2021 confirmed that the irregular expenditure that occurred in 2019/20 financial year was investigated to determine the persons liable for the instances of irregular expenditure. Special council held on 17 November 2022 council resolved on instances that occurred in the 2020/21 financial year.</p> <p>3. Financial Misconduct: Claim for work done by another company:</p> <p>Management disagrees with audit finding. Management had indicated in the fraud register that the status of the case is partially resolved.</p>		
Coaf 56	CoAF 56: Limitation of Scope RFI 71	Management agrees with audit finding, the creditors age listing will be correctly adjusted to disclose the above-mentioned creditors aging.	Chief Financial Officer Financial Accounting Manager	30 November 2022
Coaf 64	CoAF 64: Compliance: 30-day payment	<p>Management partially disagree with audit, received date stamp was not used therefore auditors used the invoice date to calculate the number of days.</p> <p>the accounting officer took all reasonable steps to ensure that all money owing by the municipality is paid within 30 days of receiving the relevant invoice or statement.</p>	Chief Financial Officer Financial Accounting Manager	30 June 2023
<b>Immovable assets</b>				
CoAF 55	CoAF 55: Transfer of building: Accuracy issues	<p>Management partially agrees with audit finding, the tax invoices have been submitted to the audit team, COGTA delayed submissions of the requested information.</p> <p>VAT portion will be included on the PPE disclosure note on building acquired from COGTA, the same amount will be used to adjust the revenue from non-exchange</p>	Chief Financial Officer Financial Accounting Manager	30 November 2022

		Donations amount on Statement of Financial Performance on the adjusted AFS set		
CoAF 40	CoAF 40: Land not Disclosed	<p>Management partially agrees with audit finding if the land in question satisfies the clarification provided under paragraph 4(a)&amp;(b), then the following is recommended (in line with the auditors' recommendations):</p> <p>(.1) The assumption is that the land was donated to the municipality, however the is a deed of sale that is signed by both accounting offices that has a purchase price section that states, "the purchase price will be sum of R1 VAT included which total purchase price is payable by the purchase to the seller in cash or as agreed on intend to purchase site agreement. The transfer of property will only happen once any outstanding amount is paid in full"</p>	Chief Financial Officer Financial Accounting Manager	30 June 2023
<b>Intangible assets</b>				
Coaf 97	CoAF 97: Intangible assest - Difference between the prior year's final GL and corresponding amount.	<p>Management agrees with audit finding, at the time management submitted Annual Financial Statements the financial system general ledger and trial balance were not updated with caseware Journals.</p> <p>Management will include posting of caseware journals on their AFS process plan and the AFS business process will also be updated accordingly, kindly trial balance extract together with management comparison on the previously raised difference.</p> <p>All caseware journals have been updated on Sage system</p>	Chief Financial Officer Financial Accounting Manager	30 November 2023
<b>Movable assets</b>				
Coaf 23	CoAF 23: Movable assets : Completeness issues	Management partially agrees with audit finding, please find the management comment on the raised completeness assets.	Chief Financial Officer Financial Accounting Manager	30 June 2023
Coaf 29	CoAF 29: Property, plant and equipment - Opening balance	Management partially agrees with audit finding, the review of remaining useful life	Chief Financial Officer Financial Accounting Manager	30 June 2023

		<p>methodology considers impairment testing of the assets with a poor and very poor rating.</p> <p>The asset with barcode 03211 was taken to IT Department where they assess whether the Laptop can be fixed and normally when the IT fix Laptop its returned to the user and when IT cannot repair the laptop they submit a technical report indicating whether diagnosing what happened to the laptop as at 30 June 2022 the report had not been finalized.</p> <p>Testing for impairment methodology</p> <p>The AM/S360 software reviews tests for impairment of movable assets, based on the methodology below.</p> <p>Impairment is a loss in future economic benefits or service potential of an asset, over and above the normal wear and tear of everyday use and the recognition thereof in depreciation.</p> <p>Firstly it is determined if an asset is a cash generating asset or a non-cash generating assets.</p> <p>Cash generating assets (GRAP26): Is an asset held primarily for the purpose of generating a direct commercial return from the asset.</p> <p>Non-Cash generating assets (GRAP21): Is an asset that is not a cash generating asset.</p> <p>Secondly assets are tested for impairment by considering the following indicators;</p> <p>External Sources</p> <p>Is the demand or need for the service of the asset nearing its end (Ceasing)?</p>		
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		Have Significant technological or legal changes have taken place or will take place in the near future that adversely affects the entity and its use of the asset		
Coaf 37	CoAF 37: PPE Additions : Existence Issues	<p>Management partially agrees with audit finding, the asset in question has been reported stolen and at the time of the asset count management requested for case number so that due processes can be followed, the asset count started around 7 July 2022 therefore management needed to determine whether laptop was still in working condition as 30 June 2022.</p> <p>Similarly, if a fixed asset has been lost, stolen or damaged beyond repair, it shall be fully depreciated in the financial year in which such event occurs, and if the fixed asset has physically ceased to exist, it shall be written off the fixed asset register.</p> <p>Asset was reported stolen on 18 June 2022, therefore this laptop will be adjusted and disposed off the fixed asset register. The case number submitted by the councilor was submitted to auditors.</p>	Chief Financial Officer Financial Accounting Manager	30 June 2023
Coaf 69	CoAF 69: Follow-up of prior year issue (PPE) - Prior year CAF 118	<p>Management agrees with audit finding, the assets were counted during the asset count however the assets currently do not have acquisition cost, deemed fair marked value will be applied going forward.</p>	Chief Financial Officer Financial Accounting Manager	30 June 2023
CoAF 71	CoAF 71: Follow-up of prior year issue (PPE) - Prior year CAF 84	<p>1.Management agrees with audit finding, assets that was acquired in the prior year year did not function as initially intended.</p> <p>2.Management partially agrees with finding, the asset mentioned below currently has a barcode in the current fixed asset register</p> <p>3.Management agrees with audit finding, the asset was vandalised and some of the units</p>	Chief Financial Officer Financial Accounting Manager	30 June 2023

		<p>were stolen, the payment voucher is available indicating that all goods were received and the water supply unit was installed and in good condition before the verification, management will update the fixed asset register to indicate parts that are in poor condition and those that were stolen.</p>		
CoAF 72	CoAF 72: Follow-up of prior year issue (PPE) - Prior year CAF 145	<p>1. Management partially agrees with audit finding, management included the assets below on the disposal list, during the asset count assets could still not be verified by management, only 03303 barcode still need to be disposed</p> <p>2. Management agrees with audit finding, the conditions of the below mentioned asset will be corrected, conditions will be updated in order to correct the valuation balance'</p>	Chief Financial Officer Financial Accounting Manager	30 June 2023
CoAF 94	CoAF 94: Property, plant and equipment (Impairment issue)	<p>Management disagrees with audit finding testing for impairment methodology for all asset was considered during the asset count.</p> <p>The AMS360 software reviews tests for impairment of movable assets, based on the methodology below. Impairment is a loss in future economic benefits or service potential of an asset, over and above the normal wear and tear of everyday use and the recognition thereof in depreciation.</p> <p>Firstly it is determined if an asset is a cash generating asset or a non-cash generating assets.</p> <p>Cash generating assets (GRAP26): Is an asset held primarily for the purpose of generating a direct commercial return from the asset.</p>	Chief Financial Officer Financial Accounting Manager	30 June 2023

		<p>Non-Cash generating assets (GRAP21): Is an asset that is not a cash generating asset. Secondly assets are tested for impairment by considering the following indicators.</p> <p>External Sources</p> <p>Is the demand or need for the service of the asset nearing its end (Ceasing)?</p> <p>Have Significant technological or legal changes have taken place or will take place in the near future that adversely affects the entity and its use of the asset?</p> <p>Internal Sources</p> <p>Is there evidence available that indicates physical damage of the asset?</p> <p>Have Significant changes and taken place in the entity or is going to take place in the near future that will adversely affect the use of the asset by the entity;</p> <p>Plans to discontinue the department to which the asset belongs</p> <p>Plans to dispose of the asset earlier than expected</p> <p>Plans that will render the asset idle</p> <p>A decision is taken to halt construction of the asset before it is completed</p> <p>Reports that indicate service performance of the asset, that is significantly worse than expected.</p>		
	CoAF 08: Business Process: Purchases, payables and payments (EV)	<p><b>Operating expenditure</b></p> <p>Management disagrees with audit finding, Section 62(1)(b) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in</p>	Chief Financial Officer Financial Accounting Manager	30 April 2023

		<p>accordance with any prescribed norms and standards.</p> <p>The Municipal Manager has controls in place that adequately cover the receipt of goods and services by the Municipality. The duties are segregated throughout the payables process, end user department writes a requisition memo to the Municipal Manager, the request goes to the Chief Financial Officer who then verifies availability of funds against the approved budget.</p> <p>The procurement request is then approved by the Municipal Manager. Subsequent receipt of goods and services supply chain through SCM checklist and the end user department acknowledge receipt of goods and that service rendered was satisfactory and request that Municipal Manager approve that payment be made by Finance Department</p>		
Coaf 114	CoAF 114: Operational expenses: Motor vehicle expenses	<p>Management agrees with the audit finding, ABSA fleet Motor vehicles expenses invoices from ABSA whole population will be visited and repairs and maintenance will be adjusted with the amounts spent on repairs and maintenance of the municipality fleet.</p>	Chief Financial Officer Financial Accounting Manager	30 June 2023
Coaf 115	CoAF 115: Operational expenses - Telephone and fax (Classification and cut-off)	<p>Management agrees with audit finding, GL extract of the telephone extract is attached indicating under reference column that the two above raised incidents were the only ones that needed to be corrected.</p>	Chief Financial Officer Financial Accounting Manager	30 June 2023
Coaf 117	CoAF 117: Operational expenses - Travel and subsistence - Occurrence and cut-off	<p>Management disagrees with the finding,</p> <p>1. Occurrence: a memo is submitted for request to travel with the attachments as proof that an employee/councillor asking to attend (e.g. meeting/conference/training, etc.) to the head of department for approval; then it is submitted to the CFO for budget verification</p>	Chief Financial Officer Financial Accounting Manager	30 June 2023

		and to the Municipal Manager for final approval. Proof of all sampled approval were submitted.		
Coaf 125	CoAF 125: Operational expenses - Journals - Classification	<p>Agrees with the finding: D Maduna checked in 07/07/2022 and checked out on 08/07/2022</p> <p>1. Telephone and fax Management agrees with audit finding, the telephone expense transactions was incorrectly taken to the advertising GL Account, this will be corrected on the final adjusted AFS set.</p> <p>2. Cut-off: M Tshabalala checked in 27/06/2022 and checked out 29/06/2022; this relates to the 2021/2022 financial year.</p>	Chief Financial Officer Financial Accounting Manager	31 March 2023
		Management partially agrees, management will inspect the repairs and maintenance schedule listing on ADJ 33, and items that meet GRAP 17 Asset definition will be reversed from this correcting on the adjusted AFS set.		
Coaf 126	CoAF 126: Operational expenses - Installation of energy efficient lights - Classification	Management agrees with audit finding, the contracted services working paper was visited auditors requested for the whole population, management revisited the operating expenses recognized from the energy efficiency grant expenditures and have proposed the following correcting journal.	Chief Financial Officer Financial Accounting Manager	31 March 2023
Coaf 24	CoAF 24: Limitation of scope: Contracted services (RFI 37)	Management agrees with audit finding, kindly note that supporting documentation has been submitted for the below payment vouchers and the remain.	Chief Financial Officer Financial Accounting Manager	30 November 2023
Coaf 63	CoAF 63: Operational expenses: Auditors remuneration - Accuracy and cut-off	Management agrees with audit finding, management notified auditor general that a duplicate payment was made on the January 2022 billing. The amount has since been	Chief Financial Officer Financial Accounting Manager	30 November 2023

		adjusted by Auditor General on their 31st August 2022 billing. Please refer to statement where these was corrected by Auditor General, furthermore the amount of R56,232.06 will be raised as a receivable as at 30 June 2022  Management agrees with audit finding, these will be corrected on the Input Vat general ledger amount and the VAT201 submission will also be adjusted to claim the additional R82,06 based on the invoice vat amount.  Management agrees with audit finding, this amount will be corrected on the final AFS and a prior period Disclosure note will be updated to correct the understated prior period Payables from exchange balance with an amount of R238 699, 89.		
Coaf 65	CoAF 65: Expenditure: Completeness	Management partially agrees with audit finding, kindly refer below for the payment vouchers picked by auditors. The whole population was visited there are no other vouchers found not captured on the Sage Evolution system	Chief Financial Officer Financial Accounting Manager	31 March 2023
Coaf 78	CoAF 78: Follow-up of prior year issue (Expenditure) - Prior ISS 140 CoAF 129	Management agrees with audit finding, the whole legal expense population has been revisited and the amounts raised above were the only amounts misallocated. The amounts will be correctly adjusted on the AFS	Chief Financial Officer Financial Accounting Manager	31 March 2023
Coaf 79	CoAF 79: Follow-up of prior year issue (Expenditure) - Prior ISS 143 CoAF 135	Management agrees with audit finding, the POVERTY ALLEVIATION -EVENT PROMOTERS was incorrectly debited with an amount of R171 400, this amount will be debited to POVERTY ALLEVIATION TRANSPORT. Management revisited the entire Poverty Alleviation population to investigate that no other instance of misallocation occurred. Refer to attached working paper	Chief Financial Officer Financial Accounting Manager	31 March 2023

Coaf 80	CoAF 80: Follow-up of prior year issue (Expenditure) - Prior ISS 148 CoAF 142	Management disagrees with audit finding, according to municipality GL accounts the maintenance has been split into three classifications namely maintenance building, maintenance vehicles and general maintenance and auditors have raised findings on our general maintenance. GRAP 1 states that comparative information must be presented in respect of the preceding period for all amounts reported in the financial statements, unless another Standard of GRAP requires or permits otherwise. Comparative information should also be included for narrative and descriptive information when it is relevant to understand the current period's financial statements. GRAP 17 repairs and maintenance have been correctly disclosed in the annual financial statement under PPE disclosure note	Chief Financial Officer Financial Accounting Manager	30 November 2023
Coaf 80	CoAF 83: Operational expenses: Advertising - Occurrence and limitation of scope	Management disagrees with audit finding, kindly refer to supporting advertisement documentation. All requested expenditure payment vouchers were submitted evidence. Refer to the below table were management responded to each finding.  Through inspection of the supporting documents attached with the creditor expenditure voucher it was noted that the invoice from the supplier was not attached.	Chief Financial Officer Financial Accounting Manager	30 November 2023
Coaf 93	CoAF 93 of 2022 - Operational expenses- Remaining population (Occurrence and Classification)	Management disagrees with audit finding, the district development supporting documentation is available and has been submitted to audit team, through discussions management indicated to auditors the relevant official that could assist with the required occurrence information.  Management partially agrees with audit finding, kindly find the comments from management on the raised classification issues.	Chief Financial Officer Financial Accounting Manager	31 March 2023

Coaf 96	CoAF 96: Operational expenses - Repairs and maintenance (Classification and Cut-off)	<p>Management disagrees with audit finding, according to municipality GL accounts the maintenance has been split into three classifications namely maintenance building, maintenance vehicles and general maintenance and auditors have raised findings on our general maintenance.</p> <p>GRAP 1 states that comparative information must be presented in respect of the preceding period for all amounts reported in the financial statements, unless another Standard of GRAP requires or permits otherwise. Comparative information should also be included for narrative and descriptive information when it is relevant to understand the current period's financial statements.</p> <p>GRAP 17 repairs and maintenance have been correctly disclosed in the annual financial statement under PPE disclosure note</p> <p>When reading the requirements of GRAP 1.102(c) and GRAP 17.88 and .89 together, an entity that incurs material expenditure to repair and maintain assets, and concludes it is inappropriate to present a separate line item in the statement of financial performance, will disclose the information in the notes.</p> <p>An entity that concludes it is appropriate to include a "repairs and maintenance" line item in the statement of financial performance, will present a "repairs and maintenance" line item according to nature or function for all repairs and maintenance incurred. The entity will present the information required by GRAP 17.88 and .89 in the notes, for property, plant and equipment only, and including the specific costs the entity determines to be appropriate.</p>	Chief Financial Officer Financial Accounting Manager	31 March 2023
<b>Payable</b>				
Coaf 46	CoAF 46: Accrued leave: Incorrectly calculated.	<p>Management partially agrees with auditors, corporate services is going to do a detailed audit of days for each employee.</p>	Director Corporate Services HR Manager	30 April 2023

Coaf 47	CoAF 47: Leave Provision: Completeness Issues	Management partially agrees with auditors, corporate services is going to do a detailed audit of days for each employee.	Director Corporate Services HR Manager	30 April 2023
Coaf 76	CoAF 76: Prior year follow up (Payables)	Management partially agrees with auditors, corporate services is going to do a detailed audit of days for each employee.	Director Corporate Services HR Manager	30 April 2023
Coaf 86	CoAF 86: Limitation of Scope: Payables (Long outstanding)	Management partially agrees with auditors, the municipality has written creditor confirmation letters to all long outstanding creditors.	Director Corporate Services HR Manager	30 June 2023
<b>Predetermined objectives</b>				
	AOP : Issues Identified on Measurability and Consistency	Management response: I agree with the Finding subsequent to that necessary corrections will be done on the APR. And a copy of APR encapsulating adjustments will be submitted to Auditor General within five days from the date of this communication	IDP/PMS Manager	30 June 2023
Coaf 123	CoAF 123: AOP: Consistency, measurability and reliability issues identified	Management response: I agree with the Finding subsequent to that necessary corrections will be done on the APR. And a copy of APR encapsulating adjustments will be submitted to Auditor General within five days from the date of this communication.	IDP/PMS Manager	30 June 2023
<b>Procurement and Contract Management (to confirm for removal)</b>				
Coaf 119	CoAF 119: Procurement - Contract management (EV)	Management disagrees with audit finding, contract register is updated and where there are differences variation orders are attached.	Chief Financial Officer SCM Manager	30 June 2023
Coaf 84	CoAF 84: Procurement: Issues on the minimum quotations (EV)	Management disagrees with audit finding, SCM Reg 19 processes were followed and a panel of two service providers where appointed, and other instances raised where the was one quotation SCM Reg 36 was followed auditors considered SCM Reg 17(c) and terms of references where panel is appointed where not considered.	Chief Financial Officer SCM Manager	30 June 2023

Coaf 87	CoAF 87: Procurement : Issues regarding CSD registration of suppliers (EV)	Management disagrees with audit finding, scm confirmed business process indicates that only winning bidder CSD is attached on the payment voucher.	Chief Financial Officer SCM Manager	30 June 2023
Coaf 90	CoAF 90: Procurement: final decision on which quotation to accept not included	Management disagrees with audit finding, SCM Reg 19 processes were followed and a panel of two service providers where appointed, and other instances raised where the was one quotation SCM Reg 36 was followed auditors considered SCM Reg 17(c) and terms of references where panel is appointed where not considered.	Chief Financial Officer SCM Manager	30 June 2023
Coaf 91	CoAF 91: Procurement: Tax matter issues (EV)	Management disagrees with audit finding instances where SCM Reg 19 competitive bidding was followed when a service is rendered municipality considers whether the tax matters were complaint at the time of the appointment.	Chief Financial Officer SCM Manager	30 June 2023
Coaf 92	CoAF 92: Procurement: Issues with the Declaration of Interest	Management disagrees with audit finding, during planning SCM business process confirmed that declaration of interest are filed separate and usually municipality requests suppliers to send declarations as soon as the ones kept expire.	Chief Financial Officer SCM Manager	30 June 2023
	Procurement: Incorrect application of SCM regulation 32	Management partially agrees with audit finding, a transversal contract SCM Reg 32 was followed, municipality received a cost benefit.	Chief Financial Officer SCM Manager	30 June 2023
	Procurement: Issues with Deviations processed (EV)	Management disagrees with audit finding, SCM Reg 36 was followed, and council deliberated over instances where a deviation approach was followed.	Chief Financial Officer SCM Manager	30 June 2023
<b>Provisions</b>				
Coaf 77	CoAF 77: Bonus Provision: Incorrect calculation	Management partially agrees with audit finding, management visited Employee12month report to agree annual bonus months, due to fact that engagement	Chief Financial Officer Financial Accounting Manager	30 June 2023

		date and annual bonus 12month cycle differ depending on when employee became eligible for annual bonus. The engagement date initially considered is important when dealing with long service awards. Moving forward management will ensure that the latest annual bonus amount for the period under review.		
<b>Receivables</b>				
Coaf 20	CoAF 20: Follow-up of prior year issue (Receivables from exchange transactions) - Prior year issue 18 (EV)	Management agrees with audit finding, at the time management submitted Annual Financial Statements the financial system general ledger and trial balance were not updated with caseware Journals.  Management will include posting of caseware journals on their AFS process plan and the AFS business process will also be updated accordingly, kindly trial balance extract together with management comparison on the previously raised difference.	Chief Financial Officer Financial Accounting Manager	30 April 2023
Coaf 21	CoAF 21: Follow-up of prior year issue (Receivables from non-exchange transactions) - Prior year Issue 79 (CAF 58) (EV)	Management through discussion with auditors it was subsequently agreed that when contracts end of the above-mentioned officials and councillors that the total would not be settled therefore impairment will be adjusted to disclose as initially raised by auditors, management will adjust the initial balance.	Chief Financial Officer Financial Accounting Manager	30 April 2023
Coaf 28	CoAF 28: Limitation of scope: Receivables from exchange transactions (RFI 22)	Management partially agrees with audit finding, executive report for write-off served before council debt is on final stage of being written-off.	Chief Financial Officer Financial Accounting Manager	30 April 2023
Coaf 32	CoAF 32: Follow-up of prior year issue (Receivables from exchange transactions) - Prior year issue 131	Management agrees with audit finding, the disclosed Receivable from non-exchange amount R70,371.65 of Cllr P.Sibeko, will be correctly adjusted in the final AFS set. The amount was incorrectly recognized as receivable from exchange transaction.	Chief Financial Officer Financial Accounting Manager	30 April 2023

Coaf 33	CoAF 33: Follow up on prior year issue (Receivables from non-exchange transactions) - Issue 52 Coaf 48 (EV)	<p>Management disagrees with audit finding, management first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see GRAP 104 paragraph .58). Objective evidence that a financial asset or group of assets is impaired can be as a result of the occurrence of one or more of the following events:</p> <ul style="list-style-type: none"> <li>• Significant financial difficulty experienced by the borrower/debtor;</li> <li>• Delays in payments (including interest payments) or failure to pay/defaults;</li> <li>• For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can.</li> </ul> <p>The below mentioned are overpaid officials of the municipality and employees are still working for the municipality the debts will be recovered after due processes.</p>	Chief Financial Officer Financial Accounting Manager	30 April 2023
Coaf 34	CoAF 34: Follow-up of prior year issue (Receivables from non-exchange transactions) - Prior year issue 75 CoAF 55	Management agrees with audit finding, the councilor should have been included on the impairment provision balance for the period under review. The balance will be updated on the adjusted AFS	Chief Financial Officer Financial Accounting Manager	30 April 2023
Coaf 62	CoAF 62: Receivable from exchange transactions: Completeness Impairment provision	Management agrees with audit finding, the above raised receivables from exchange transactions will be included in the impairment provision.	Chief Financial Officer Financial Accounting Manager	30 April 2023
Coaf 85	CoAF 85: Misstatement: Receivables from exchange transactions	Management disagrees with audit finding, the above-mentioned receivables served in all Committees from management meetings, Section 80 Finance Portfolio committee and Mayoral Committee meeting where all this committees recommended that based on the previous audit findings and fact that some of these debts come from over 10 years ago.	Chief Financial Officer Financial Accounting Manager	30 April 2023

		<p>There was no way that support can be recovered.</p> <p>Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see GRAP 104 paragraph .58).</p> <p>Objective evidence that a financial asset or group of assets is impaired can be as a result of the occurrence of one or more of the following events:</p> <ul style="list-style-type: none"> <li>• Significant financial difficulty experienced by the borrower/debtor;</li> <li>• Delays in payments (including interest payments) or failure to pay/defaults;</li> <li>• For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can.</li> </ul>		
<b>Related Parties</b>				
Coaf 04	CoAF 04: Limitation of scope: Financial disclosure forms (limitation of scope) - RF1 14	Management agrees with audit finding, kindly find the attached response to RF14, and scanned supporting financial declaration forms.	Chief Financial Officer Financial Accounting Manager	31 March 2023
<b>Reserves</b>				
Coaf 67	AFS : CoAF 67: Statement of changes in Net Assets: Incorrect Disclosure	<p>Management partially with audit finding, the difference raised by auditors was a result of the PPE prior year incorrect disclosure of Change in Accounting Estimates. COAF 30 was raised and management have agreed with finding raised on the PPE prior period error that was incorrectly disclosed on the AFS, this will be adjusted on the final AFS set.</p> <p>Management have reperformed the Statement of changes in Net Assets, kindly refer below where management demonstrated that the</p>	Chief Financial Officer Financial Accounting Manager	31 March 2023

		difference noted is the PPE movement processed.		
<b>Revenue</b>				
Coaf 43	AFS : CoAF 43: Commission income incorrectly recognised	Management agrees with audit finding, the entire population was visited, and the invoices stated above are the only instances where management were only able to release stipends in early July 2022, therefore management will prepare an adjusting journal, and this will be updated on the final AFS set.	Chief Financial Officer Financial Accounting Manager	31 March 2023
Coaf 61	CoAF 61: Government grants and subsidies	Management partially agrees with audit finding, disclosure Note 12 will be corrected to disclose the unconditional transfer from COGTA on the final adjusted AFS	Chief Financial Officer Financial Accounting Manager	30 November 2023
Coaf 81	CoAF 81: Journal commission income	Management disagrees with audit finding, GRAP 109 Accounting by Principal or an agent states the following.  Paragraph 45  An entity determines, in accordance with this Standard, whether it is a principal or agent and, in doing so, determines the revenue and expenses that qualify for recognition in its financial statements in accordance with the applicable Standards of GRAP. When an entity determines that it is a principal in accordance with this Standard, it accounts for revenue and expenses arising from the transactions with third parties in its statement of financial performance. This is because the transactions with third parties are concluded for the benefit of the principal. Conversely, when an entity is an agent, it would not recognise revenue and expenses resulting from those transactions with third parties. It only recognises the revenue and expenses associated with undertaking the transactions on behalf of the principal	Chief Financial Officer Financial Accounting Manager	30 November 2023

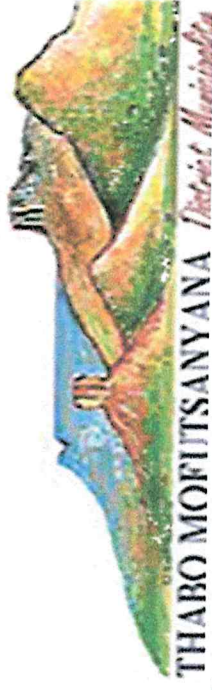
**SUBMITTED BY**

**MR MS LENGOABALA**  
**ACTING MUNICIPAL MANAGER**

**DATE: \_\_\_\_\_**

Appendix A: Councillors; Committee Allocation and Council Attendance

1 Mampoi Street, Private Bag x810. Witsieshoek. 9870. Tel: (058) 718 1028 Fax: (058) 7132408. [speakertmdm@gmail.com](mailto:speakertmdm@gmail.com)



OFFICE OF THE SPEAKER

COUNCILLORS ATTENDANCE REGISTER COUNCIL MEETING 01 JULY 2021 TO 28 OCTOBER 2021

Name of Councillor	29/07/2021	End of Term 29/10/2021	Beginning of New Term 07/12/2021	27/01/2022	31/03/2022	28/04/2022	Tabling of Budget 26/05/2022	Total No.
Speaker MS Maduna	✓	✓	N/A	N/A	N/A	N/A	N/A	02
Executive Mayor MJ Vilakazi	✓	X	N/A	N/A	N/A	N/A	N/A	01
Chief Whip S. Mbiwe	✓	X	N/A	N/A	N/A	N/A	N/A	01
MMC. G Bengell	✓	✓	N/A	N/A	N/A	N/A	N/A	02
MMC J.M Radebe	✓	X	N/A	N/A	N/A	N/A	N/A	01
MMC. K.J Tsoene	✓	X	N/A	N/A	N/A	N/A	N/A	01
MMC S.M Visagie	✓	X	N/A	N/A	N/A	N/A	N/A	01
MMC T.J Tshabalala	✓	X	N/A	N/A	N/A	N/A	N/A	01
MMC N. Mofokeng	✓	✓	N/A	N/A	N/A	N/A	N/A	02
MMC I.T Mkhwanazi	✓	✓	N/A	N/A	N/A	N/A	N/A	02
Cllr M.B Mamba	✓	X	N/A	N/A	N/A	N/A	N/A	01
Cllr M.C Ndlebe	✓	X	N/A	N/A	N/A	N/A	N/A	01

Cllr V.R Mohala	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr M. Marius	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr M.B Hlatwayo	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr D.L Taetsang	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr S. Mkhwanazi	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr P.P Khanye	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr M.E Sempe	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr M.A Maleka	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr M.J Mokoena	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr M.M Twala	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr H. Dlamini	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr M.W Dlamini	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr B.E Meya	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr B.N Sani	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr M. Motshweneng	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr P. Makae	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr E.N Gamede	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr T.P Motlokoa	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr M. Mosia	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr M.S Mkhwanazi	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr A. Oates	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr L.G Nhlapo	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr M.C Botha	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr S.E Tshabalala	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr M.M. Hlakane	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	N/A	01

Cllr M.M Mokhele	✓	X	N/A	N/A	N/A	N/A	N/A	01
Cllr T.B Jakabo	✓	X	N/A	N/A	N/A	N/A	N/A	01
Dates	29/07/2021	End of Term 28/10/2021	Beginning of New Term 07/12/2021	27/01/2022	31/03/2022	28/04/2022	Tabling of Budget 26/05/2022	Total No of Council Sitting 02
Total No. Apology	0	0	N/A	N/A	N/A	N/A	N/A	
Total No. of no apology submitted	0	21	N/A	N/A	N/A	N/A	N/A	
Total No. Councillors Attendance	41	20	N/A	N/A	N/A	N/A	N/A	
Total Number of Councillor	41							

BELOW ARE THE SYMBOLS USED IN THE REPORT AND THE MEANING THEREOF:

- ✓ = SIGNIFY MEETING ATTENDED  
 A = SIGNIFY APPLICATION FOR LEAVE OF ABSENCE  
 X = SIGNIFY MEETING NOT ATTENDED  
 D = SIGNIFY DECEASED  
 R = SIGNIFY REPLACE

# OFFICE OF THE SPEAKER

## COUNCILLORS ATTENDANCE TO COUNCIL MEETINGS FROM 07 DECEMBER 2021 TO 30 JUNE 2022

Name of Councillor	Inauguration 07/12/2021	27/01/2022	31/03/2022	28/04/2022	Tabling of Budget 27/05/2022	Special Council 23/06/2022	Total No.
1. CLLR THABO JUSTICE MOKOENA (M) SPEAKER	✓	✓	✓	✓	✓	✓	06
2. CLLR CONNY MSIBI EXECUTIVE MAYOR (F)	✓	✓	✓	✓	✓	✓	06
3. CLLR LINDIWE (F) CHIEF WHIP	✓	X	X	X	X	✓	02
4. CLLR SYLVIA VISAGIE (F) MMC	✓	✓	✓	✓	✓	A	05
5. CLLR MALEFU JEMINA VILAKAZI (F) MMC	✓	✓	✓	✓	✓	✓	06
6. CLLR THANDI MASITENG MMC (F)	✓	✓	✓	✓	✓	✓	06
7. CLLR ANNA FUME MMC (F)	✓	✓	✓	✓	✓	✓	06
8. CLLR MOKUWANE MOSIA MMC (M)	✓	✓	✓	✓	✓	✓	06
9. CLLR THEMBINKOSI JOSIA MAHLAMBI MMC (M)	✓	✓	✓	✓	✓	✓	06
10. CLLR MAKHANYA	✓	✓	✓	✓	✓	✓	06

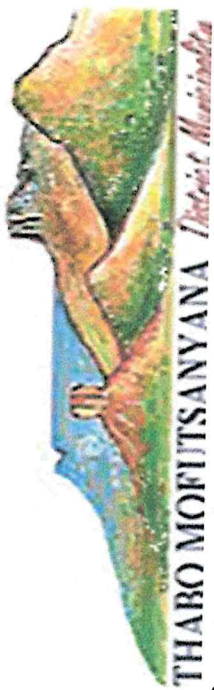


26. CLLR MPHAFI MPHARA JOHANNES (M)	✓	✓	✓	✓	✓	✓	✓	✓	06
27.. CLLR RAKOLOTI SEATILE LYDIA (F)	✓	✓	✓	✓	✓	✓	✓	✓	06
28. CLLR AZAEL NHLAPO (M)	✓	✓	✓	✓	✓	✓	✓	✓	06
29. CLLR MOEKETSI. LEBESA (M)	✓	✓	✓	✓	✓	✓	✓	✓	06
30. CLLR MAMORENA LANTINA BOHLE	✓	✓	✓	✓	✓	✓	✓	✓	06
31. CLLR ESTALLA SETTSHWANA CHABELI	✓	✓	✓	✓	✓	✓	✓	✓	06
32. CLLR TLOKOTSI JOHN MOTAUNG	✓	✓	✓	✓	✓	✓	✓	✓	06
<b>Dates</b>	<b>Inauguration</b>	<b>27/01/2022</b>	<b>31/03/2022</b>	<b>28/04/2022</b>	<b>Tabling of Budget</b>	<b>27/05/2021</b>	<b>Special Council</b>	<b>23/06/2022</b>	<b>Total No of Council Sitting</b>
Total No. Apology	0	0	0	0	0	0	01	06	
Total No. of no apology submitted	0	03	02	01	03	04			
Total No. Councillors Attendance	32	29	30	31	29	28			
<b>Total Number of Councillor</b>	<b>32</b>								

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.....  
Cllr Thabo Justice Mokoena  
The Speaker



## OFFICE OF THE SPEAKER

### COUNCILLORS ATTENDANCE REGISTER COUNCIL MEETING 01 JULY 2021 TO 28 OCTOBER 2021

Name of Councillor	29/07/2021	End of Term 29/10/2021	Beginning of New Term 07/12/2021	27/01/2022	31/03/2022	28/04/2022	Tabling of Budget 26/05/2022	Total No.
Speaker MS Maduna	✓	✓	N/A	N/A	N/A	N/A	N/A	02
Executive Mayor MJ Vilakazi	✓	X	N/A	N/A	N/A	N/A	N/A	01
Chief Whip S. Mbiwe	✓	X	N/A	N/A	N/A	N/A	N/A	01
MMC. G Bengell	✓	✓	N/A	N/A	N/A	N/A	N/A	02
MMC J.M Radebe	✓	X	N/A	N/A	N/A	N/A	N/A	01
MMC. K.J Tsoene	✓	X	N/A	N/A	N/A	N/A	N/A	01
MMC S.M Visagie	✓	X	N/A	N/A	N/A	N/A	N/A	01
MMC T.J Tshabalala	✓	X	N/A	N/A	N/A	N/A	N/A	01
MMC N. Mofokeng	✓	✓	N/A	N/A	N/A	N/A	N/A	02
MMC I.T Mkhwanazi	✓	✓	N/A	N/A	N/A	N/A	N/A	02
Cllr M.B Mamba	✓	X	N/A	N/A	N/A	N/A	N/A	01
Cllr M.C Ndlebe	✓	X	N/A	N/A	N/A	N/A	N/A	01
Cllr V.R Mohala	✓	✓	N/A	N/A	N/A	N/A	N/A	02
Cllr M. Marius	✓	✓	N/A	N/A	N/A	N/A	N/A	02
Cllr M.B Hlatswayo	✓	✓	N/A	N/A	N/A	N/A	N/A	02

Cllr D.L. Taetsang	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr S. Mkhwanazi	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr P.P. Khanye	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr M.E. Sempe	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr M.A. Maleka	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr M.J. Mokoena	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr M.M. Twala	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr H. Dlamini	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr M.W. Dlamini	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr B.E. Meya	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr B.N. Sani	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr M. Motshweneng	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr P. Makae	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr E.N. Gamede	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr T.P. Motlokoa	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr M. Mosia	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr M.S. Mkhwanazi	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr A. Oates	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	02
Cllr L.G. Nhlapo	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr M.C. Botha	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr S.E. Tshabalala	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr M.M. Hlakane	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr M.M. Mokhele	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	01
Cllr T.B. Jakabo	✓	X	N/A	N/A	N/A	N/A	N/A	N/A	01

Dates	29/07/2021	End of Term 28/10/2021	Beginning of New Term 07/12/2021	27/01/2022	31/03/2022	28/04/2022	Tabling of Budget 26/05/2022	Total No of Council Sitting 02
Total No. Apology	0	0	N/A	N/A	N/A	N/A	N/A	
Total No. of no apology submitted	0	21	N/A	N/A	N/A	N/A	N/A	
Total No. Councillors Attendance	41	20	N/A	N/A	N/A	N/A	N/A	
Total Number of Councillor	41							

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Appendix B: Committee and Committee Purpose

Municipal committees	
Municipal Public Accounts Committee	Purpose of committee
Audit committee	Oversight over executive role
	Oversight of financial reporting and disclosure, review of the work of internal audit, the risk management system and Performance management system
District Aids Council	Programmes and policies that pertain to combating the scourge of HIV and AIDS
Local labour forum	Consultation between the employer and employee bodies on all labour relations and HR issues
Budget steering committee	Assists the Executive Mayor to perform her responsibility in terms of section 53 of MFMA with regard to budget processes and related matters

Appendix C: Third Tier Administrative structure

Third Tier Administrative structure	Third Tier Administrative structure
Directorate	Unit or Department
Office of the Municipal Manager	Manager
Office of the Municipal Manager	Infrastructure
Corporate Services	Director
Community Services	LED
Community Services	T. Mlatha
Community Services	L. Moshobaliba
Community Services	P. Swart
Community Services	B. Ngwenya
Community Services	J. Mokoena
Office of the Municipal Manager	Internal Audit
Office of the Municipal Manager	W. Nhlapo
Office of the Municipal Manager	Risk Management
Office of the Municipal Manager	M. Phoofole
Office of the Municipal Manager	ICT
Office of the Municipal Manager	B. Mdakane
Office of the Municipal Manager	Communications
Office of the Municipal Manager	M. Moshugi
Finance	Chief Financial Officer
Finance	N. Gcoli
Finance	Chief Accountant
Finance	D. Mhlahlo
Finance	Supply Chain Manager
Finance	S. Thamaha

#### Appendix D: Functions of Municipality/Entity

Functions of Municipality/Entity		
Municipal Functions	Function applicable to the Municipality ( Yes /No)	
	Function applicable to the entity ( Yes /No)	
Municipal Health service	Yes	N/A
Air quality	Yes	N/A
Disaster Management	Yes	N/A
Municipal Planning	Yes	N/A
Local tourism	Yes	N/A

#### Appendix E: Ward Reporting

Not applicable

#### Appendix F: Ward Information

Not applicable

#### Appendix G: Recommendations of the Municipal Audit Committee

Not available

#### Appendix H: Long term Contracts and Public Private Partnership

Long term contracts (Largest contract entered into during 2021/ 2022 )					
Name of the service provider	Description of service rendered	Start date of contract	Expiry date of the contract	Project Manager	Contract value

#### Appendix I: Municipal Entity/Service Provider Performance Schedule

Thabo Mofutsanyana district municipality does not have an entity.

#### Appendix J: Disclosure of Financial Interest

See annual financial statements

Appendix K: Revenue Collection Performance  
Not applicable to Thabo Mofutsanyana

Appendix K (i): Revenue Collection Performance by Vote

See annual financial statements

Appendix K (ii): Revenue Collection Performance by Source

See annual financial statements

Appendix L: Conditional Grants Received: Excluding MIG

See annual financial statements

Appendix M: Capital Expenditure – New & Upgrade/ Renewal Programmes: Including MIG  
Not Applicable.

Appendix M (i): Capital Expenditure – New Assets Programme

Not applicable. The district municipality's capital expenditure is only linked to assets used for operations.

Appendix M(ii): Capital Expenditure – Upgrade/Renewal Programme

Not applicable. The district municipality's capital expenditure is only linked to assets used for operations.

Appendix N: Capital Programme by Project current year

Appendix O: Capital Programme by project by Ward current year  
Not applicable to Thabo Mofutsanyana

Appendix P: Service Connection Backlogs at Schools and Clinics

Not Applicable

Appendix Q: Service Backlogs Experienced by the Community where another Sphere of Government is Responsible for Service Provision  
Information not available.

Appendix R: Declaration of Loans and Grants Made by the Municipality  
The District has not provided any loans or grants to outside organizations.

Not Relevant to the Thabo Mofutsanyan a District Municipality

Appendix T: Reporting on KPA's as per requirements of department of Local Government and Traditional Affairs

## CHAPTER 7

# REPORT OF THE CHIEF FINANCIAL OFFICER - AUDITED ANNUAL FINANCIAL STATEMENTS AND RELATED FINANCIAL INFORMATION 2021/2022

## Introduction

The office of the Chief Financial Officer is amongst others, responsible for preparing the financial statements that fairly present the financial position of the municipality in line with Municipal Finance Management Act No. 56 of 2003, section 122 and any other guidelines issued by National Treasury and Accounting Standards Board.

The municipality is in this regard, aspiring to lead and thereby ensures that it continues with sustainable service delivery while remaining financially viable. The 2021/2022 financial year results are partly the outcome of its pursuit to the new financial reforms.

## Key performance areas:

- Administers financial management support services;
- Manages Council's financial management systems, policies and procedures;
- Ensures full compliance with Generally Recognised Accounting Practices;
- Ensures compliance with the Municipal Finance Management Act and other legislative provisions;
- Renders support to local municipalities with reference to clean audit as well as revenue enhancement mechanisms;

## Current year

The office of the Chief Financial Officer strives towards a sustainable relationship with local municipalities, suppliers and other organs of state by maintaining a high-level service between the municipality and its customers. In doing so, it is required of its staff component to act diligently, professionally, honesty and with integrity when discharging their duties. Thus, the following applies:

- The management maintains an active role in projects and administration, facilitating swift decisions and a higher commitment to service delivery;
- The office conducts itself in a manner does not compromise compliance with the requirement of the Municipal Finance Act, other laws, regulations and policies by ensuring that provisions of the guidelines are well communicated.

### **Impact of Financial Management**

Most of the approved Service Delivery and Budget Implementation Plan projects were not executed because of the National Treasury's advisory note (dated 25 February 2022) pertaining to the Constitutional Court judgement of invalidity of 2017 Preferential Procurement Regulations.

The National Treasury advised the organs of state that tenders which were:

- (i) advertised before 16 February 2022 should be finalized in terms of the 2017 Regulations;
- (iii) advertised on or after 16 February 2022 be held in abeyance, and no new tender should be advertised.

This excludes procurement with a Rand value of less than R30 000 obtained through price quotations and petty cash.

Despite this, the municipality had to continue with executing its Constitutional service delivery mandate even though significant delays were caused in our projects.

### **Summary of current year achievements**

The achievements realised during the financial year 2021/2022 are summarised as follows, but not limited to:

- The department prepared the financial statements in-house in accordance with the Standard of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board;
- In its effort to streamline the financial reporting, management of the department provided the Council of the municipality, MAYCO, and Finance Portfolio Committee with more timely, accurate and credible financial information.
- Management continued to strengthen the internal controls and compliance by developing workflow and process checklist which guide the activities of all operational units within the department. Proper management of the system improves the administration of municipal funds and safeguarding of assets, thus preventing elements of non-compliance that would otherwise lead to expenditure being irregular, unauthorised, fruitless and wasteful.

- The municipality achieved unqualified audit reports with matters of emphasis in 2010/11. However, in 2017/18 the municipality regressed and received a qualified audit report. In 2018/19 the municipality

- improved and received an unqualified audit report with matters of emphasis. In the year 2019/20 the municipality regressed and received a qualified audit report. In the prior and current year 2020/21 and 2021/22 the municipality received an unqualified audit report with matters of emphasis

### **The year ahead**

In the coming financial year it is anticipated that the financial operations, financial status and financial position will be improved. Action plan to improve on Audit-General findings include, but not limited to:

- Implementation of audit action plan based on Auditor-General's findings and recommendations.
- Consistent training of staff on Generally Accounting Practice and the Accounting Board updates.

- Preparation of half-yearly annual financial statements.
- Consistent training of staff on SCM rules and regulations as well as on contract management.
- Performing assets reconciliation and updating the assets register in the Assets Management System.
- Ensure compliance with laws, regulations and guidelines.
- Staffing of the budget and treasury office with capacitated officials.

### **Internal controls**

It is management's responsibility to maintain a proper system of internal controls, ensuring that the integrity of financial and accounting information reported on, meets the operational requirements and ensures that the assets of the municipality are safeguarded. In order to strengthen internal controls, management will continuously ensure that development procedure manuals are properly used to guide operations around segregation of duties.

### **Ethical issues**

The municipality has a code of conduct for its councillors in terms of the Municipal Structures Act and a code of conduct for its employees in terms of the Municipal Systems Act. The codes are encouraging and discouraging certain behaviours and ensures that councillors and officials conduct

managers that do not compromise the integrity of the company in the face of the communities they are serving.

## FINANCIAL PERFORMANCE

### 1. Audited Statement and Related Financial Information

Table 1

Financial and Operational Statistics		
Year ended 30 <sup>th</sup> June		
2022	2021	Restated
Sundry receivables	6 560 945	7 094 692
Cash and cash equivalents	46 903 362	32 956 597
Trade and other payables	14 468 324	18 297 767
Unspent conditional grant	-	910 202
Employee benefit obligation	11 474 000	11 115 389
Total Operating Revenue	177 681 007	151 807 406
Total Operating Expenditure	149 732 558	142 506 864
Actuarial gains/(losses)	788 000	(864 000)
Operating Profit/(Deficit)	28 736 449	8 436 542

### 1.1 Financial performance analysis

As disclosed in the Annual Financial Statement under the accounting policies subsection 1.16 and note 38 comparative figures have been restated or reclassified due to prior period errors to conform to changes in presentation in the current year. The restatement was necessitated by the fact that management the fact that management had to correct accounting mistakes done in the past, hence, a need for retrospective implementation.

#### 1.1.1. Cash and cash equivalents

Council has during the past twelve (12) months maintained a consistent and viable financial position. As a result, the operating bank balances as at financial year 2021/22 was R46 903 362 (showing an excess of R13 946 765 compared to a closing balance of R32 956 597 at end of the financial previous financial year).

#### 1.1.2 Sundry receivables / debtors

Increase in sundry receivables is due to the delivery of motor vehicles of Executive Mayor and Speaker from Free State Government Garage because of the war between Russia-Ukraine debate as it affected the German production since they are gas dependent on Russian supply. Management continuously assessed individual debtors to establish if there was any likelihood of recovering outstanding debtors so that should there be no success in recovering same, provide for the debt impairment in line with the impairment policy of the municipality. During the current year, impairment provision was still necessary to be catered for.

## 1.1.1 Operating expenditure and revenue

The total operating expenditure increased from previous year's figure by R7 225 694 and total operating revenue increased from previous year's figure by R25 873 606. The major increase in operating expenditure was a consequence of the following:

- Increase in advertising.
- Increase in auditors' remuneration.
- Increase in cleaning and consumables.
- Increase in contracted services.
- Increase in disaster recovery services.
- Increase in district development model.
- Increase in installation of energy efficient lights.
- Increase in insurance.

- Increase in IT infrastructure support and maintenance.
- Increase in legal fees.

- Increase in printing and stationery.
- Increase in repairs and maintenance.
- Increase in services in-kind (expenditure).
- Increase in telephone and fax.

- Increase in training.

- Increase in transport costs.

- Increase in travel and subsistence.

- Increase/(decrease) in operational expense as outlined in note 18 of the AFS.

An increase in operating income was a result of the following:

- An increase in government grant and subsidies.
- An increase in interest received on investments.
- An increase in services in-kind (income).
- An increase in sundry income.
- Donations of Kestell Laboratory by CoGTA.

A disciplined spending pattern has been well maintained, preventing a situation where the municipality would not be able to pay creditors and defer payments from one financial year to the other, and thus casting doubt on its ability to continue as a going-concern.

## 2. Financial status

In terms of its revenue base Thabo Mofutsanyana District Municipality is currently the second smallest category C municipality within the Free State. It received grant income of R151 484 918 in 2021/22 (R142 080 726 in 2020/21), an increase of 6,62% from the previous year.

Thabo Mofutsanyana District Municipality is funded like other district municipalities. Their budget are funded by subsidies from national and provincial government and slightly generate own income through interest-bearing investment portfolios.

The operating expenditure of Thabo Mofutsanyana District Municipality for 2021/22 was largely inflexible and required sound budgeting and discipline to keep costs within budget. Strides were made to maintain discipline in the spending patterns so that expenditure by line item was kept within the budget.

Details	2022	2021 Restated
R		
Employee Costs	86 330 579	85 661 972
Councillors Remuneration	9 586 781	11 681 264
Depreciation and amortization	3 882 720	3 287 892
Finance costs	1 205 000	1 088 000
Contracted services	4 205 177	2 628 164
Loss on disposal of assets	1 193 472	-
Operational expenses	43 328 829	37 293 948

Personnel remuneration constitutes a larger proportion of the municipality's expenditure budget. The staff-to-expenditure ratio of Thabo Mofutsanyana District Municipality continues to increase at an alarming rate from one financial year to the other. Councillors' costs compromise a minor portion of total expenditure.

Assets maintenance is very important although it is often overlooked or ignored, and priority given to less worthy line items. The deferment of maintenance is common practice among municipalities and while it has short-term cash flow benefits, it also carries adverse long-term effects on operating costs which directly and indirectly affect the sustainability of quality service delivery.

provision due to lack of funds. The ratios have increased from the previous year management remains concerned that allocation for maintenance is still not at the optimum level.

The municipality has recorded an operating surplus of R28 736 449 in 2021/2022 (R9 286 539 in 2020/21). The operating budget indicated a moderate increase for the next three years.

## 2.3 Liquidity management

Although the municipality operates an effective financial management system in controlling crucial aspects of cash and cash equivalents, its total assets exceeded its total liabilities by R49 257 477 in 2021/22 (in 2020/21 R21 155 027) an improved position of 142,59% increase between the two years (2020/21 and 2021/22).

## 2.4 Capital analysis

The pressure on capital expenditure with specific reference to bulk services is expected to remain over the long-term, and this is due to the withdrawal of Municipal Infrastructure Grant by the National Department of Cooperative Governance and Traditional Affairs. Although the municipality is expected to render bulk services and coordinate functions in terms of Local Government Structure Act Section 84 (Powers and Functions of the district municipalities), it lacks capacity to execute some of the functions due to lack of funding. Thus the Council cannot even contribute from its operational income towards capital development in local municipalities within the area. As a result, no expenditure of a capital nature was incurred to assist local municipalities in the 2021/2022 financial year.

Implementation of projects in local municipalities during the year 2021/2022

MUNICIPALITY	PROJECT	EXPENDITURE
Maluti-A-Phofung	None	N/A
Nketoana	None	N/A
Mantsopa	None	N/A
Dihlabeng	None	N/A
Nketoana	None	N/A
Phumelela	None	N/A

## 3. Conclusion

the municipality's overall financial management capacity has not improved yet to deal with current demand realities for improved service delivery in order to assist local municipalities as well as to fully implement legislative mandates imposed on the municipality by the Constitution.

### **Expression of appreciation**

My sincere appreciation to the Executive Mayor, Members of the Mayoral Committee, Councillors, Municipal Manager, Heads of Departments, colleagues and local representatives in the Office of the Auditor General for supporting us throughout.

I wish to convey a special word of appreciation to the staff in Finance Department for their hard work, dedication and support given.

Thank you,

**Me NL Gqoli**  
Chief Financial Officer

## ANNUAL FINANCIAL STATEMENTS

