



THABAZIMBI LOCAL MUNICIPALITY

ANNUAL (PERFORMANCE) REPORT FOR 2017/18

FINANCIAL YEAR

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ABBREVIATIONS

| | |
|-----------|--------------------------------------------------------|
| MFMA | Municipal Finance Management Act No 56 of 2003 |
| MSA | Municipal System Act No 32 of 2000 |
| SDBIP | Service Delivery and Budget Implementation Plan |
| IDP | Integrated Development Plan |
| PMS | Performance Management System |
| NKPA | National Key Performance Areas |
| KPA | Key Performance Areas |
| KPI | Key Performance Indicators |
| S.M.A.R.T | Specific, Measurable, Attainable, Realistic and Timely |
| BBLM | Thabazimbi Local Municipality |
| DEA | Department of Environmental Affairs |
| LED | Local Economic Development |
| DWA | Department of Water Affairs |
| VIP | Ventilated Improved Pit |
| WWTW | Waste Water Treatment Works |
| EIA | Environmental Impact Assessment |
| LEDET | Limpopo Economic Development, Environment and Tourism |
| CDB | Central Business District |
| SDF | Spatial Development Framework |
| LUMS | Land Use Management Scheme |
| AG | Auditor General |
| RMC | Risk Management Committee |
| AC | Audit Committee |
| PAC | Performance Audit Committee |
| MPAC | Municipal Public Account Committee |
| AFS | Annual Financial Statements |
| CoGTA | Cooperative Governance and Traditional Affairs |

| | |
|--------|-----------------------------------------------------------|
| LGSETA | Local Government Sector Education Training Authority |
| HRM | Human Resource Management |
| HRD | Human Resource Development |
| SPLUMA | Spatial Planning and Land Use Management Act No16 of 2013 |
| OHS | Occupational Health Safety |
| LFF | Local Labour Forum |
| IGR | Intergovernmental Relations |
| ICT | Information Communication Technology |
| IT | Information Technology |
| MIG | Municipal Infrastructure Grant |
| MWIG | Municipal Water Infrastructure Grant |
| PMU | Project Management Grant |
| CCTV | Closed-Circuit Television |
| CSS | Community and Social Services |
| TSS | Technical Services |
| CS | Corporate Services |
| PED | Planning and Economic Development |
| BTO | Budget and Treasury Office |
| FY | Financial Year |

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR'S FOREWORD

The last few months presented a very challenging, yet revealing experience for myself as Mayor, and the rest of Council as we engaged with stakeholders, to whom we represent on the issues and services that matter to both you and us. I travelled across the entire Municipality affording me an opportunity to view the impact and difference we made as collective also getting your view on what works for you and whether our level of service is acceptable. Indeed the past year has not been easy, though I can safely say that we are slowly turning this ship around.

I am thus grateful for your openness and the positive spirit with which you embraced and engaged this consultation phase, during our integrated planning process. I am very aware of the numerous challenges we face ranging from differing levels of living conditions; informed by limited opportunities within both the public and private sectors, which we are definitely redressing.

Our direct consultation with you formed the foundation for our Five-year plan. The focus of our current IDP together links strongly to our Provincial Growth and Development Strategy as well as our National Development Plan for better-coordinated and integrated development planning in collaboration with all neighboring municipalities, sector departments and national departments rendering services within the Thabazimbi Local Municipality area.

An imperative that remains is to mobilize required resources and skills in critical areas to enable us to deliver the best available services to all areas of community be made available at the ideal time when opportunities present in our municipality. Though as government we are not directly responsible for the creation of jobs, we have the responsibility to create a conducive environment and conditions as we are seriously on that path with the review of our Local Economic Development Strategy that in all certainty create a more structured and coordinated economic environment.

Together with all relevant role-players, we will thus also focus on developing a Tourism Plan for the entire municipal area to create more and better opportunities for our local community.

The Management with the full blessing of Council is taking bold steps to improve our revenue collection, in partnership with Provincial Treasury we are in the process of ensuring all government officials owning property in the Thabazimbi Local Municipality area own up to that ownership-responsibility of paying for all services they receive.

We are now collectively taking responsibility for creating better-integrated communities, and that responsibility stretches across sectors with which we are forming lasting relationships to redress social and economic imbalances by providing opportunities for all concerned.

Our new Municipal Manager's visionary active leadership and the new management team has assisted this municipality in averting potential crises and his rare strong managerial qualities on future planning harnesses the limited resources with limited capacity towards realizing better services through innovative ways. This year presents challenging yet exciting opportunity for us all to create a better life in partnership with you as I introduce this plan in your benefit.

I look forward to the year in planning, knowing that together we will create a better life for all.

TOGETHER LET'S MOVE THABAZIMBI FORWARD!!!

Signature: _____

Cllr. Midah Moselane

Mayor of Thabazimbi Local Municipality

COMPONENT B: EXECUTIVE SUMMARY

1.1 Municipal Manager's Overview

The IDP 2017/18- 2021/22 (IDP 2018/19 Review), as the strategic planning instrument that guides development planning in a municipal area remains significant for Thabazimbi Local Municipality's Development Agenda. The IDP 2017/18- 2021/22(IDP 2018/19 Review) endeavors to reflect the priorities of Council which are informed by the needs of its citizens.

This plan will also be used to guide the institutional renewal in response to the changing trends and patterns of developmental needs and issues of pertaining to landscape. It will also afford the municipality an opportunity to review its past experiences and successes to re-configure its strategies in order to address previous challenges.

As the municipal administration, it is our responsibility to make things happen as we have an obligation to fulfil tasks that have been assigned to us by Council, mainly, to create an enabling environment that support local democracy, developing, reviewing, and finalizing outstanding policies and by-laws to enhance service delivery. In all our efforts, we will ensure that all existing resources are utilized economically, efficiently, and effectively.

Sound municipal administration processes, systems and procedures are a central focus of institutional transformation and organizational development. Emphasis will be placed on improving revenue collection, identifying new growth paths/ areas, rapidly responding to matters that require urgent intervention i.e., the Eskom and water debt, water quality challenges, decaying infrastructure, handling of public enquiries, public participation/consultation and complaints etc.

The 2017/18- 2021/22 IDP (IDP 2017/18 Review) directs us to be true to the provisions in the preamble of our constitution and ensure that as a management collective we will leave no stone unturned in order to establish Thabazimbi Local Municipality as *"To be leading Municipality offering quality services in the most Economic, Affordable Equitable and sustainable manner"*

Signature: _____

TG RAMAGAGA

Municipal Manager

1.2 MUNICIPAL FUNCTIONS, POPULATION & ENVIRONMENTAL OVERVIEW

INTRODUCTION TO BACKGROUND DATA

Thabazimbi Local Municipality is one of the six Local Municipalities within Waterberg District and it constitutes a total area of approximately 986 264. It is a home to 84 887 population which grows at a rate of 2.63% per annum. It is located in the South-western part of the Limpopo Province and has Botswana as its international neighbor and a mere two (2) hour drive from Tshwane. Thabazimbi is known as “mountain of iron” which is the Tswana name for this peaceful productive town, referring to the highly lucrative iron ore reef first discovered in the Municipality in 1919. The Municipality has Marakele National Park, which is a subsidiary of National Parks Board, and in the same standard as the Kruger National Park and Mapungubwe. The game lodges scattered around the area help to promote environmental sustainability.

Thabazimbi town was proclaimed in 1953. It was mined since the 1930's when iron and steel production started. Until its closure, Iscor Steelworks in Tshwane still drew much of their raw material from the recently closed Thabazimbi Kumba Resources (Iron Ore mine). Apart from Iron Ore the Thabazimbi Municipality is surrounded by Platinum producing areas such as: Northam Platinum mine, Anglo, i.e. Amandelbult and Swartklip mines. Other minerals produced in the area include Andalusite, which is mined by Rhino Mine and limestone for the production of cement by Pretoria Portland Cement (PPC). Thabazimbi Municipality incorporates Thabazimbi, Northam, Leeupoort, Rooiberg and Dwaalboom. Thabazimbi Municipality has shown tremendous growth which should continue for the foreseeable future. The mining sector has huge potential to absorb lots of skills within the municipality. There is also a need to establish mining opportunities in the small scale mining sector. We believe however, that in partnership with relevant stakeholders, we can leverage our society to tap into this major sector of the economy.

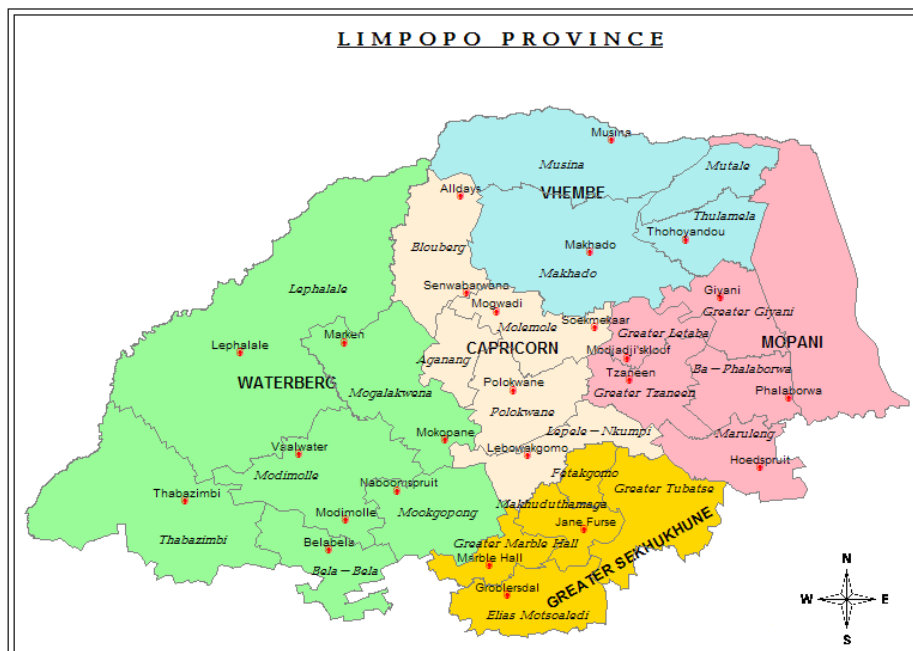
Thabazimbi is one of the country's most sought-after tourist destinations. Agriculture has also proven, in addition to mining, to be a strong economic sector in our municipality. We are growing our economy not in isolation as our goals are seamlessly aligned within those of the Limpopo Economic Growth and Development Plan. The alignment ensures that our growth trajectory bears fruits and that we address the objective of poverty eradication through job creation and business opportunity stimulation.

STRATEGIC CONTEXT

Thabazimbi Local Municipality seeks to be “the leading Municipality offering services in the most economic, affordable, equitable and sustainable manner”. This vision is in line with National Development Plan and Limpopo Development Plan. It is aimed to be achieved through promoting, co-coordinating, implementing and ensuring the financial and environmentally sustainable growth and development of Thabazimbi with a diversified and viable economy that provides an environment and services that benefit all.

The Political and Administrative governance of the Municipality ensures that public accountability and stakeholder participation are maximized. These stakeholder relations strengthen the ability of the Municipality to rise beyond the risk management provocations and prompting anti-corruption and fraudulent hubbubs.

While the Municipal workforce upholds to providing services to the best possible abilities, daunting financial



curtailments continue to rise. Critical vacancies remain vacant under these circumstances, with employee skills development mechanisms being severely constrained. The intergovernmental relations have seen the Municipality through support of COGHSTA, COGHTA, Provincial and National Treasury to ensure that the Municipal financial performance is stabilized.

This Annual Report for the financial year 2016/17 provides the Municipal performance on issues relating to Basic Service Delivery, Spatial Planning and Development, Local Economic Development, Municipal Institutional Transformation and Development, Financial Viability and Management, as well as Good Governance and Public Participation.

3.2.2.2. DISTRIBUTION OF THE POPULATION BY AGE AND SEX – 1996, 2001 and 2011

| Thabazimbi | 1996 | | | 2001 | | | 2011 | | |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| 0 - 4 | 2 438 | 2 325 | 4 763 | 3 359 | 3 515 | 6 874 | 4 004 | 4 058 | 8 062 |
| 5 - 9 | 2 450 | 2 414 | 4 864 | 2 720 | 2 682 | 5 402 | 2 693 | 2 607 | 5 300 |
| 10 - 14 | 2 406 | 2 169 | 4 575 | 2 454 | 2 332 | 4 786 | 2 327 | 2 290 | 4 618 |
| 15 - 19 | 1 913 | 1 940 | 3 853 | 2 406 | 2 502 | 4 908 | 2 532 | 2 478 | 5 010 |
| 20 - 24 | 2 596 | 2 032 | 4 628 | 2 953 | 3 022 | 5 975 | 5 391 | 3 792 | 9 184 |
| 25 - 29 | 3 873 | 2 241 | 6 114 | 3 367 | 3 566 | 6 933 | 7 296 | 4 447 | 11 743 |
| 30 - 34 | 4 668 | 2 260 | 6 928 | 3 340 | 3 260 | 6 600 | 6 285 | 3 566 | 9 851 |
| 35 - 39 | 5 075 | 1 878 | 6 962 | 3 691 | 3 026 | 6 717 | 4 974 | 2 968 | 7 942 |
| 40 - 44 | 3 609 | 1 479 | 5 088 | 3 703 | 2 275 | 5 978 | 3 615 | 2 570 | 6 185 |
| 45 - 49 | 2 461 | 983 | 3 444 | 2 503 | 1 627 | 4 130 | 3 650 | 2 198 | 5 848 |
| 50 - 54 | 1 491 | 715 | 2 209 | 1 768 | 966 | 2 734 | 3 032 | 1 621 | 4 652 |
| 55 - 59 | 1 130 | 533 | 1 663 | 1 051 | 658 | 1 709 | 1 935 | 1 039 | 2 975 |
| 60 - 64 | 641 | 432 | 1 073 | 694 | 456 | 1 150 | 827 | 631 | 1 458 |
| 65 - 69 | 412 | 336 | 748 | 395 | 259 | 654 | 446 | 396 | 842 |
| 70 - 74 | 256 | 187 | 443 | 251 | 209 | 460 | 296 | 238 | 534 |
| 75 - 79 | 172 | 131 | 303 | 140 | 125 | 265 | 142 | 160 | 302 |
| 80 - 84 | 84 | 73 | 157 | 67 | 73 | 140 | 101 | 114 | 216 |
| 85 + | 78 | 104 | 182 | 52 | 63 | 115 | 87 | 80 | 167 |
| Total | 35 753 | 22 232 | 57 997 | 34 914 | 30 616 | 65 530 | 49 633 | 35 253 | 84 889 |

Source: StatsSA, Census 2011

Notes:

- Majority of population is aged below 35 years.

DISTRIBUTION OF THE POPULATION BY FUNCTIONAL AGE GROUP, SEX AND MUNICIPALITY – 1996, 2001 and 2011

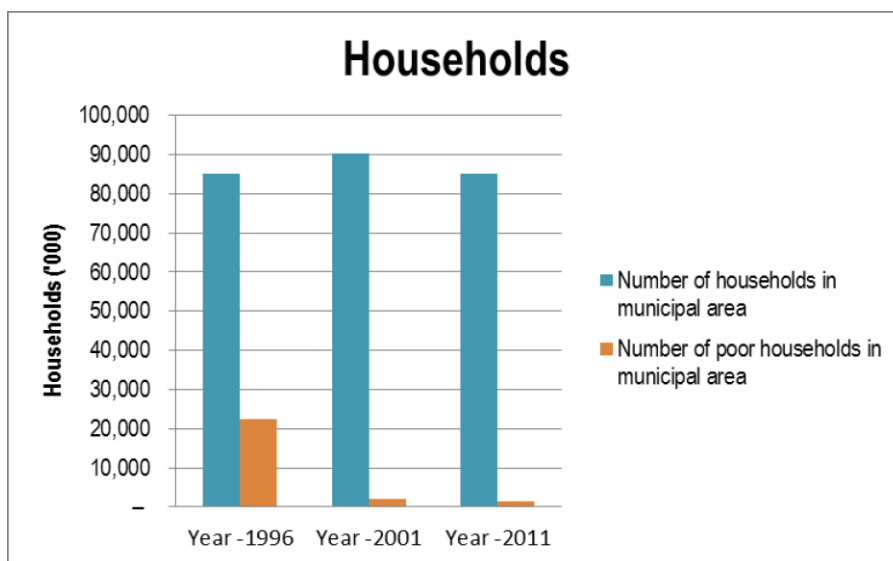
Table5

| Thabazimbi | 1996 | | | 2001 | | | 2011 | | |
|------------|------|--------|-------|------|--------|-------|------|--------|-------|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Age | | | | | | | | | |
| 0-4 | 2438 | 2325 | 4763 | 3359 | 3515 | 6874 | 4004 | 4058 | 8062 |
| 5-9 | 2450 | 2414 | 4864 | 2720 | 2682 | 5402 | 2693 | 2607 | 5300 |
| 10-14 | 2406 | 2169 | 4575 | 2454 | 2332 | 4786 | 2327 | 2290 | 4618 |
| 15-19 | 1913 | 1940 | 3853 | 2406 | 2502 | 4908 | 2532 | 2478 | 5010 |
| 20-24 | 2596 | 2032 | 4628 | 2953 | 3022 | 5975 | 5391 | 3792 | 9184 |
| 25-29 | 3873 | 2241 | 6114 | 3367 | 3566 | 6933 | 7296 | 4447 | 11743 |
| 30-34 | 4668 | 2260 | 6928 | 3340 | 3260 | 6600 | 6285 | 3566 | 9851 |
| 35-39 | 5075 | 1878 | 6962 | 3691 | 3026 | 6717 | 4974 | 2968 | 7942 |
| 40-44 | 3609 | 1479 | 5088 | 3703 | 2275 | 5978 | 3615 | 2570 | 6185 |
| 45-49 | 2461 | 983 | 3444 | 2503 | 1627 | 4130 | 3650 | 2198 | 5848 |
| 50-54 | 1491 | 715 | 2209 | 1768 | 966 | 2734 | 3032 | 1921 | 4652 |
| 55-59 | 1130 | 533 | 1663 | 1051 | 658 | 1709 | 1935 | 1039 | 2975 |
| 60-64 | 641 | 432 | 1071 | 694 | 456 | 1150 | 827 | 631 | 1458 |
| 65-69 | 412 | 336 | 748 | 395 | 259 | 654 | 446 | 396 | 842 |
| 70-74 | 256 | 187 | 443 | 251 | 209 | 460 | 296 | 238 | 534 |

| | | | | | | | | | |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 75-79 | 72 | 131 | 303 | 140 | 125 | 265 | 142 | 160 | 302 |
| 80-84 | 84 | 73 | 157 | 67 | 73 | 140 | 101 | 114 | 216 |
| 85+ | 78 | 104 | 182 | 52 | 63 | 115 | 87 | 80 | 167 |
| Total | 35757 | 22245 | 58002 | 34915 | 30617 | 65532 | 49634 | 35253 | 84887 |

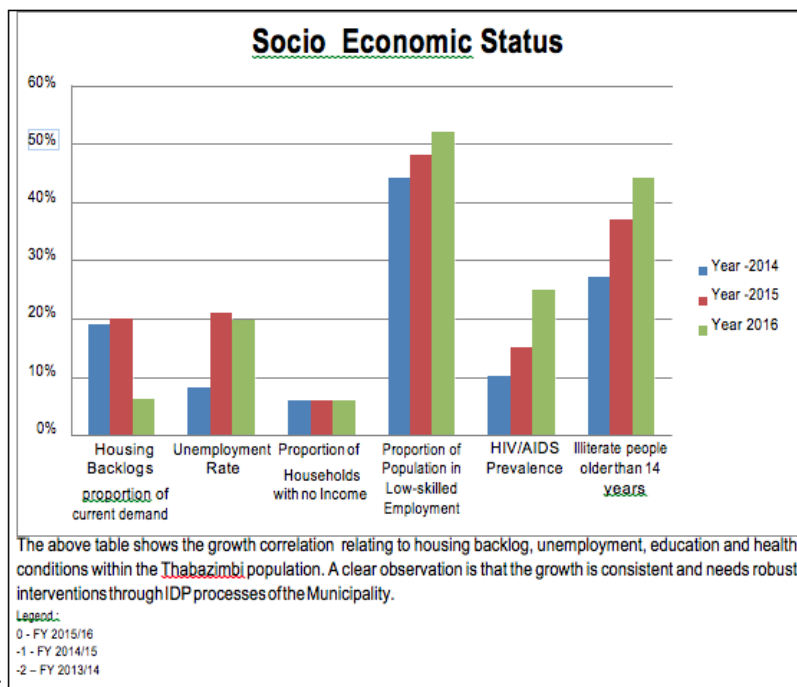
Source: StatsSA, Census 2011

The above table shows a considerable number and growth of people between ages of 20 – 39 years, which is mostly a Youth group. This growth requires that the Municipality takes substantial efforts to identify and address challenges relating to this age group(s). One of the eminent factors threatening this age group(s) is the continuous unemployment growth.



This table indicates the growth of households per annum. It reveals the gradual growth of indigent households within the Municipal area and in line with the unemployment rate of 20% within the population of the Municipality. This further means that the level of poverty is increasing within the Municipal communities.

| Socio Economic Status | | | | | | |
|-----------------------|-----------------------------------------------------|-------------------|-----------------------------------------|----------------------------------------------------|---------------------|---------------------------------------|
| Year | Housing Backlog in proportion to the current demand | Unemployment Rate | Proportion of Households with no income | Proportion of Population in low-skilled employment | HIV/AIDS Prevalence | Illiterate people older than 14 years |
| Year 2014 | 19% | 21% | 6% | 44% | 10% | 27% |
| Year 2015 | 20% | 21% | 6% | 48% | 10% | 37% |
| Year 2016 | 6% | 29% | 6% | 49% | 18% | 44% |



Source : Community Survey 2015

| Settlement Name | Classification | Estimated Pop 2011 |
|---------------------------------------------|----------------|--------------------|
| Amandelbult | Rural | 1 874 |
| Dwaalboom | Urban | 618 |
| Farms Thabazimbi LM | Rural | 22 487 |
| Kromdraai Plots | Rural | 1 990 |
| Kwaggaslaagte (Kwaggasvlakte) Smallholdings | Rural | 281 |
| Leeupoort | Urban | 2 500 |
| Middeldrift | Rural | 1 503 |
| Northam | Urban | 11 244 |
| Raphuti | Rural | 379 |
| Regorogile | Urban | 13117 |
| Rooiberg | Urban | 2155 |
| Sentrum | Rural | 75 |
| Setaria | Rural | 56 |
| Smashblock | Rural | 11,244 |
| Spitskop Plots | Rural | 296 |

| | | |
|---------------------|-------|---------------|
| Swartklip | Rural | 3358 |
| Swartkop (Zwartkop) | Rural | 116 |
| Thabazimbi | Urban | 11 244 |
| Total | | 84 536 |

1.3 SERVICE DELIVERY OVERVIEW

CAPITAL PROJECTS

Thabazimbi Local Municipality is a Water Services Authority (WSA) as well as a Water Services Provider (WSP). The Water Services Development Plan is in place and due for review. The Municipal capital projects, which are mostly related to water and sanitation, are basically funded through the Municipal Infrastructure Grant (MIG) and by contributions from the local mines' Social Labour Plans. For a number of financial years, the Municipality could not spend the MIG allocations according to the specified responsibilities. This led to the budget being adjusted downwards considerably during the financial year under review and the entire MIG programme being managed by Waterberg District on behalf of Thabazimbi Municipality.

WATER AND SANITATION SERVICES PROVISION

The Municipality has basic service backlogs counted at 15% of households without access to potable water within the minimum level of service, and 20% of households without access to sanitation within the minimum level of service. The Vaalkop dam is the main source of surface water in the Municipal area, and due to financial constraints the water provision has been reduced from 9MI/day to 7MI/day. This counts for 4MI/day in Thabazimbi town and 3MI/day in Northam town. This water provision setup is augmented by 16 boreholes providing an overall of 6MI/day.

The Pilanesberg Bulk Water Scheme is earmarked to supply additional water for domestic use within the entire Municipal area. This water provision counts for 13 MI/day. Construction has started in May 2016 at a cost of R250 million funded by the Regional Bulk Infrastructure Grant (RBIG) and Magalies Water. It is envisaged that Magalies Water capital investment towards the scheme will be recovered from the Municipality through the bulk water tariff increments.

The Municipality provides water to informal settlements as follows: In Meriting, Raphuti, Ga-Botha and Northam ext. 16 & 17 water is provided through communal stand pipes which are at RDP level. For Dwaalboom, Skierlik and Smashblock residents travel to a water source (borehole) to access water. The Municipality uses water tankering in

Jabulani, Mamoraka and Phatsima which is provided once per week due to lack of water provision trucks.

In terms of sanitation services; Thabazimbi town, Rooiberg, Leeupoort, Raphuthi and Regorogile use water-borne sewer system. Northam is 98% water borne and 2% septic tanks. Both the Thabazimbi and Northam sewer plants require urgent upgrading as they are currently operating beyond design capacity.

ELECTRICITY SERVICES PROVISION

The electricity backlog within the Municipal area covers 10% of the households. The Municipality has a distribution license covering Thabazimbi, Rooiberg and portions of Northam. ESKOM distributes to Northam, Regorogile extensions 1, 3 and 4, farms and mining areas. The 9 informal settlements are also supplied by ESKOM. It should be noted that the electricity infrastructure in Thabazimbi is ageing and would need to be overhauled urgently.

ROADS AND STORM WATER SERVICES

Access roads are in a fairly good condition. However, internal roads are mainly filled with potholes, no road markings and signs. Residents of Raphuthi are without accessible roads. Storm water channels including bridges have not been maintained and exacerbate flooding.

WASTE MANAGEMENT

There is a backlog of approximately 4000 households which do not have access to waste collection. These households are mainly in informal settlements. The provision of free basic waste is done in correlation with the free basic water and electricity provision. However, the Municipality is only able to collect refuse in the formal settlements which are Thabazimbi (including Regorogile), Northam, Leeupoort and Rooiberg. A draft Waste Management Plan is in place, as well as the Environmental Management Plan which is due for review.

The status of the land fill sites is as follows:

- **Thabazimbi**

The Municipality has a licensed landfill site in place which is not properly maintained.

- **Northam**

The Northam landfill site is full to capacity and this led to the Municipality to use a quarry for waste disposal. A closure and rehabilitation license for the quarry is in place and funded by the Department of Environmental Affairs. There is need for land in Northam for development of a land fill site.

- Rooiberg

The Municipality has a waste management license funded by Department of Environmental Affairs. This means that the existing land fill site is authorized and its proper development should be made.

The waste management challenges in the Municipality include:

- Illegal dumping
- No adequate fleet to service the entire Municipality
- Existing landfill sites not maintained.
- No land for development of landfill site in Northam.
- No skilled personnel for maintenance and operation of land fill sites
- Lack of awareness education regarding waste management and control.

PROJECT MANAGEMENT UNIT (PMU)

MIG Project Management Unit (PMU) is a function within a Municipality, and under normal circumstances, existing personnel within the Municipality should be utilized for this purpose. The duties that need to be performed relates to the planning, organizing, coordinating, controlling and directing of the activities of projects funded through MIG. The Municipality may utilize up to 5% of its MIG allocation to ensure a sustained project management function to support the implementation of the MIG programmes.

The PMU function was outsourced to Waterberg District Municipality for the 2016/17 FY.

1.4 FINANCIAL HEALTH OVERVIEW

The Municipality is facing significant financial stress that commenced in the 2011 financial year. The profitability ratio shows us that the municipality is failing to break even on its main operations which are selling of electricity and water and other essential services.

The liquidity and solvency position of the municipality is also hugely stressed as the financial commitments entered into by the municipality are beyond the municipal capacity to service them. The municipality will evaluate all the contracts entered into and find ways of terminating non-essential ones. These challenges have further affected the municipality's ability to adequately provide quality service delivery to the community.

The tables below provide further evidence of the issues mentioned above.

| Financial Overview: Year 2016/17 | | | |
|----------------------------------|-----------------|-------------------|----------------|
| R' 000 | | | |
| Details | Original budget | Adjustment Budget | Actual |
| Income: | | | |
| Grants | 94,012,500.00 | 94,012,500.00 | 94,012,500.00 |
| Taxes, Levies and tariffs | 231,563,234.26 | 173,078,767.26 | 173,078,767.26 |
| Other | 9,305,400.00 | 743,361.22 | 743,361.22 |
| Sub Total | 334,881,134.26 | 267,834,628.48 | 267,834,628.48 |
| Less: Expenditure | 268,385,037.76 | 301,984,681.97 | 301,984,681.97 |
| Net Total* | 66,496,096.50 | -34,150,053.49 | -34,150,053.49 |
| * Note: surplus/(defecit) | | | T 1.4.2 |

| Operating Ratios | |
|------------------------------|---------|
| Detail | % |
| Employee Cost | 45% |
| Repairs & Maintenance | 14.9% |
| Finance Charges & Impairment | 15% |
| | T 1.4.3 |

COMMENT ON OPERATING RATIOS:

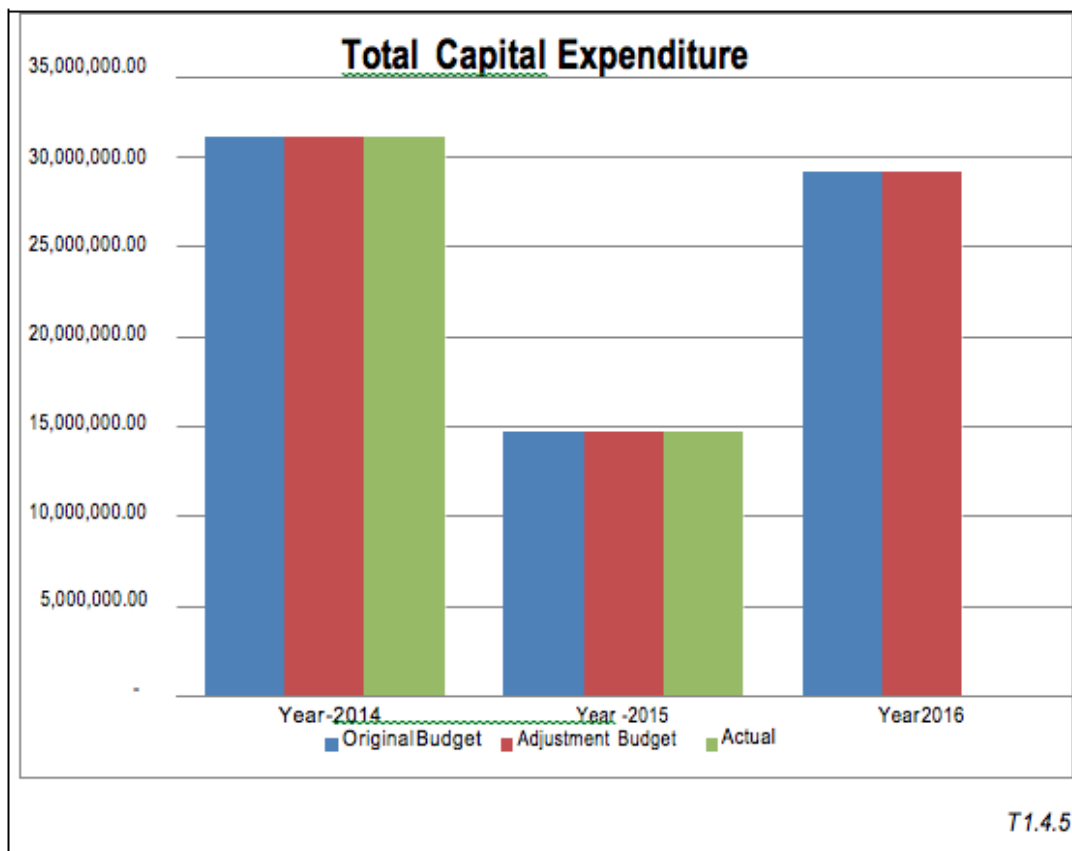
The municipal salary bill is huge for the size of the Municipality and ways must be found of ensuring that the labour cost is more efficient and effective to the operations of the Municipality. The ratio of repairs and maintenance is too low considering the age of the municipal distribution infrastructure and this certainly points towards lack of adequate efforts to ensure that the municipal assets remain in an efficient state. The norm is usually 8% of operating expenditure, the non-existence of repairs and maintenance plan and the lack of funds may eventually lead to immense water and electricity losses.

Finance charges and impairment losses are too high for Thabazimbi and the critical reasons behind this are the fact that the Municipality has a very huge creditor's book which has been long outstanding, most of these creditors are charging significant interests and penalties for their unpaid invoices.

Impairment points towards an increase in doubtful debts. As the debts remain unpaid over time the recoverability becomes slim. Debt campaigns will be carried out and debt collection strategies will be implemented.

T 1.4.3

| Total Capital Expenditure: Year 2014 to Year 2017 | | | | |
|---------------------------------------------------|---------------|---------------|---------------|---------------|
| R'000 | | | | |
| Detail | Year -2014 | Year -2015 | Year 2016 | Year 2017 |
| Original Budget | 31,096,866.00 | 14,712,733.00 | 29,172,000.00 | 85 627 000.00 |
| Adjustment Budget | 31,096,866.00 | 14,712,733.00 | 29,172,000.00 | 53 164 000.00 |
| Actual | 31,096,866.00 | 14,712,733.00 | 0.00 | 31 114 000.00 |
| T 1.4.4 | | | | |



COMMENT ON CAPITAL EXPENDITURE:

There was only a single capital project implemented during 2016/17 financial year which is the Thabazimbi Waste Water Treatment Plant. The project is still ongoing and it's implemented by Waterberg District Municipality.

1.5 ORGANIZATIONAL DEVELOPMENT OVERVIEW

1.5.1 AUDITOR GENERAL REPORT

The statutory audit for 2016/17 to commenced during the month of February 2017. The audit could not continue as legislated as the submission of Annual Financial Statements coincided with the period when creditors had removed all movable assets including computers from the Municipal offices. See report at 6.2.

The Municipality communicated their position to National Treasury, Provincial Treasury and the Auditor General.

A Trend Analysis of the Auditor General's Opinion for TLM over the Last Five Years

| 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|------------|------------|------------|------------|------------|
| Disclaimer | Disclaimer | Disclaimer | Disclaimer | Disclaimer |
| | | | | |

1.7 STATUTORY ANNUAL REPORT PROCESS

| No. | Activity | Timeframe |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| 1 | Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period | July |
| 2 | Implementation and monitoring of approved Budget and IDP commences (In-year Financial reporting). | |
| 3 | Finalize the 4th quarter Report for previous financial year | |
| 4 | Submit draft year Performance Report to Internal Audit and Auditor-General | |

| | | |
|---------|---------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| 6 | Audit/Performance committee considers draft Annual Performance Report of municipality | August |
| 8 | Mayor tables the unaudited Annual Report | |
| 9 | Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General | |
| 10 | Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase | |
| 11 | Auditor General audits Annual Performance Report including consolidated Annual Financial Statements and Performance data | September - October |
| 12 | Municipalities receive and start to address the Auditor General's comments | January |
| 14 | Audited Annual Report is made public and representation is invited | |
| 15 | Oversight Committee assesses Annual Report | |
| 16 | Council adopts Oversight report | |
| 17 | Oversight report is made public | |
| 18 | Oversight report is submitted to relevant provincial councils | |
| 19 | Commencement of draft Budget/ IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input | |
| T 1.7.1 | | |

CHAPTER 2: GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1 POLITICAL GOVERNANCE

Political Governance

The Thabazimbi Local Municipality is constituted by the following Governance structures including Council, Executive Committee, Section 79 Council Committees, Rules Committee, Ward Committees and Audit Committee (AC). The Municipality has reconstituted its Committees in terms of Section 79 of the Local Government: Municipal Structures Act of 1998, as amended, to perform its functions effectively and efficiently. Council has four (4) full-time Councilors holding the position of the Mayor, Speaker, Chief Whip and a member of Executive Committee.

Political Decisions are the competency of the Municipal Council. Council ordinarily meets at least four (4) times a year and meets as per the approved schedule of meetings and other Council meetings are referred to as special Council sittings. EXCO and Portfolio Committees meet regularly and are effective. By laws are approved by Council but financial constraints cause delays in promulgating them.

The Thabazimbi Local Municipality's Council comprises of 23 Councilors, 12 of whom are Ward Councilors and the remaining 11 are Proportional Councilors (PR).

The Audit Committee is composed of external professionals who are not in the employment of the Municipality. The Municipal Public Accounts Committee consists of non-executive Councilors as per the guidelines for establishment of Municipal Public Accounts Committees published by the Limpopo Department of Co-operative, Governance Human Settlements and Traditional Affairs (COGHSTA).

In terms of Section 160(2) of the Constitution of the Republic of South Africa Act 108 of 1996 the following functions of the Municipal Council may not be delegated to any Council Committee:

- Passing of by-laws
- Approval of budgets
- Imposition of rates taxes, levies and duties, and
- Raising of loans

The Thabazimbi Municipal Council has the following rights and duties in terms of Local Government: Municipal Systems Act 32 of 2000 (Chapter 2, Section 4),

- (a) Govern the local government affairs of the local community,
- (b) Exercise the Municipality's executive and legislative authority
- (c) Finance the affairs of the Municipality by:
 - (i) Charging fees for services and
 - (ii) Imposing surcharges on fees, rates on property and other taxes, levies and duties.

The Council should further:

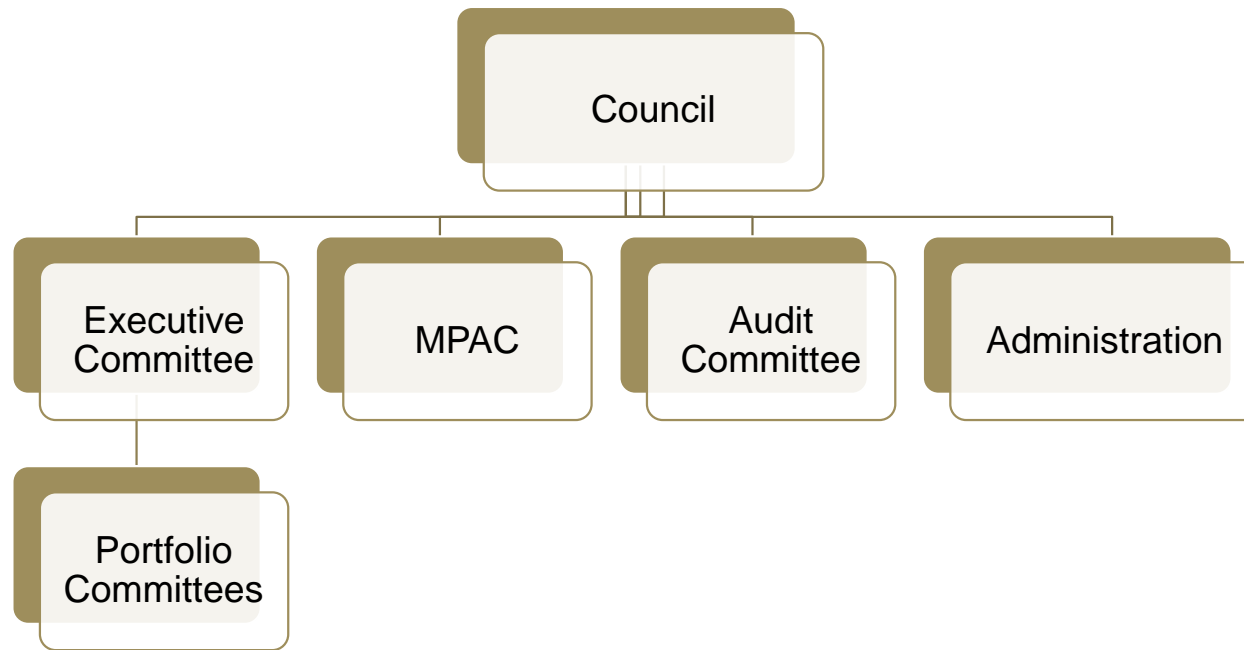
- Exercise the Municipality's executive and legislative authority and use the resources of the Municipality in the best interests of the local community.
- Provide democratic and accountable government.
- Encourage the involvement of the local community.
- Strive to ensure that municipal services are provided to the local community in a financially and environmentally sustainable manner.
- Consult the local community about

.1 The level, quality' range and impact of municipal services provided by the municipality, either directly or through another service provider; and

.2 The available options for service delivery.

- Give members of the local community equitable access to the Municipal services entitled to them.
- Promote and undertake development in the Municipality.
- Promote gender equity in the exercise of the Municipality's executive and legislative authority.
- Promote a safe and healthy environment in the Municipality.
- Contribute, together with other organs of state, to the progressive realization of the fundamental rights contained in sections 24, 25, 26, 27 and 29 of the constitution

In addition, the Municipality must in the exercise of its executive and legislative authority respect the rights of citizens and those of other persons protected by the Bill of Rights.



The above are the key TLM's governance structures. They enabled the municipal Council and especially the Mayor as envisaged in s52 (a) of Municipal Finance Management Act (no.56 of 2003) to provide political guidance over the fiscal and general governance affairs of the TLM. The Audit Committee provides opinions and recommendations on performance, financial processes, and annual and oversight reports. The TLM's Audit Committee comprises independent experts in various fields. Oversight report was published separately in accordance with MFMA guidelines.

Political structure

The Mayor Cllr. Moselane

Functions and powers: The Mayor of the Municipality:

- (a) presides at meetings of the Executive Committee;
- (b) performs the duties including ceremonial functions; and
- (c) exercises the powers delegated to the Mayor by the Council and Executive Committee (RSA, 1998:s49)
- (d) Tables in the municipal council a process plan outlining key deadlines for preparation, tabling and approval of IDP/Budget; (RSA MFMA 2003:s21(b);
- (e) Co-ordinates the processes for preparing the annual budget and for reviewing the Municipality's Integrated Development Plan (IDP) and budget related policies and any revisions of the IDP and budget related policies to ensure that they are mutually consistent and credible (RSA, MFMA 2003:s21(a);
- (f) Manages the drafting of the municipality' IDP (RSA, MSA 2000:s30(a) with effect from 1st July; and
- (g) Tables the Draft IDP/Budget to the municipal council for adoption (RSA, MSA 2000:s30(c) read with RSA MFMA 2003:s16 (2).

The Speaker: Cllr. B Joubert

Functions of the Speaker: The Speaker of the Municipality:

- (a) presides at meetings of the Council;
- (b) exercises the powers delegated to the Speaker Mayor by the Council;
- (c) Ensures that the Council meets at least quarterly;
- (d) Maintain order during meetings;
- (e) Ensure compliance in the Council and Council Committees with the Code of Conduct set out in Schedule 5, and

- (f) Ensure that Council meetings are conducted in accordance with the rules and orders of the Council (RSA, 1998:s37).

The Chief-Whip, Cllr. P Strydom

The Chief Whip's delegation: although the position of the Chief Whip and by extension its function(s) is not legislated, following are the Chief Whip's delegations:

- (a) Maintains sound relations between the municipal government and various political parties. Ensure that relationships are constructive and focused on the key issues at hand;
- (b) Attends to disputes between political parties;
- (c) Ensure political accountability of councillors to ward committees;
- (d) Ensure quorum at Council meetings;
- (e) Advises councillors belonging to various parties to convene party caucuses so as to determine the party position on specific items / motions on the Council's agenda. Generally, organising the work of councillors in the party caucuses; and
- (f) Collaborates on a regular basis with the Council Speaker in relation to issues of discipline and conduct of councillors;
- (g) Serves as an interface between the Speaker and the Mayor; and also
- (h) Attends IDP Rep Forum.

Executive Committee Members (EXCO)

The TLM is a category B municipality¹ with a collective executive system, combined with a ward participatory system. The Executive Committee is:



The Mayor (Chairperson)
Cllr. M Moselane



Cllr LM Mokgomo



Cllr Makhubela



Cllr S Ndlovu

Local Municipality distinguished from category A (usually a metro) and category C (district municipalities)

Councillors

The TLM has a total of **23** Councillors. Of these **12** are ward Councillors, while **11** have been appointed on the basis of proportional representation (PR).

Below are **Ward Councillors** from Ward 1-12 respectfully:



Political Decision Making

The Council of the TLM during the period under review has complied with the requirements of the Municipal Structures Act to ensure that various council committees are set to be functional and effective. The Council is the ultimate decision making-body and decisions of Council were taken in compliance to applicable law of the Republic of South Africa.

2.2 ADMINISTRATIVE GOVERNANCE

The administrative structure of Thabazimbi Municipality consists of five (5) Departments managed by Section 56 Managers. They are reporting directly to the Municipal Manager, who is the Accounting Officer of the Municipality. The Departments are Technical Services, Corporate Services, Budget and Treasury, Planning and Economic Development, Community Services. The responsibilities of these Departments will be detailed later in this section.

- The Following Values and Principles govern the Municipal Administration:
- A high standard of professional ethics
- Efficient, economic and effective use of resources
- A development orientation
- Public participation in policy making
- Accountability
- Transparency by providing the Impartial, fair, equitable and unbiased services provision
- Responsiveness
- public with timely, accessible and accurate information
- Good human resource management and career development practices to maximize human potential.
- Legislation requires of the administration to be responsive to the needs of the local community.
- Facilitate a culture of public service and accountability amongst staff.

- Take measures to prevent corruption Establish clear relationship and facilitate co-operation and communication between it and the local community
- Give members of the local community full and accurate information about the level and standard of municipal services they are entitled to receive and;
- Inform the local community how the municipality is managed, the cost involved and the persons in charge.

A Municipal Administration must enable it to:

- Deliver services to the community
- Facilitate a culture of public service and accountability amongst staff
- Be performance orientated
- Focus on the object and development duties of local government as set out in the constitution
- Align the roles and responsibilities of its political structures, political office bearers, managers, and other employees with the priorities and objectives set out in the municipality's integrated development plan.
- Assign clear responsibilities for the management and co-ordination of administrative units and mechanism.
- Hold the Municipal Manager accountable for the overall performance of the administration.
- Implement the lawful policies, resolutions and bylaws of the municipal council and the policies and laws of other spheres of government.
- Give advice to the council and its structures, administering the affairs of the municipality

Top Administrative Structure

TOP ADMINISTRATIVE STRUCTURE

MUNICIPAL MANAGER

MR TG Ramagaga

CHIEF FINANCIAL OFFICER

MR.

MANAGER: TECHNICAL SERVICES (ACTING)

Mr. B Tlhabadira

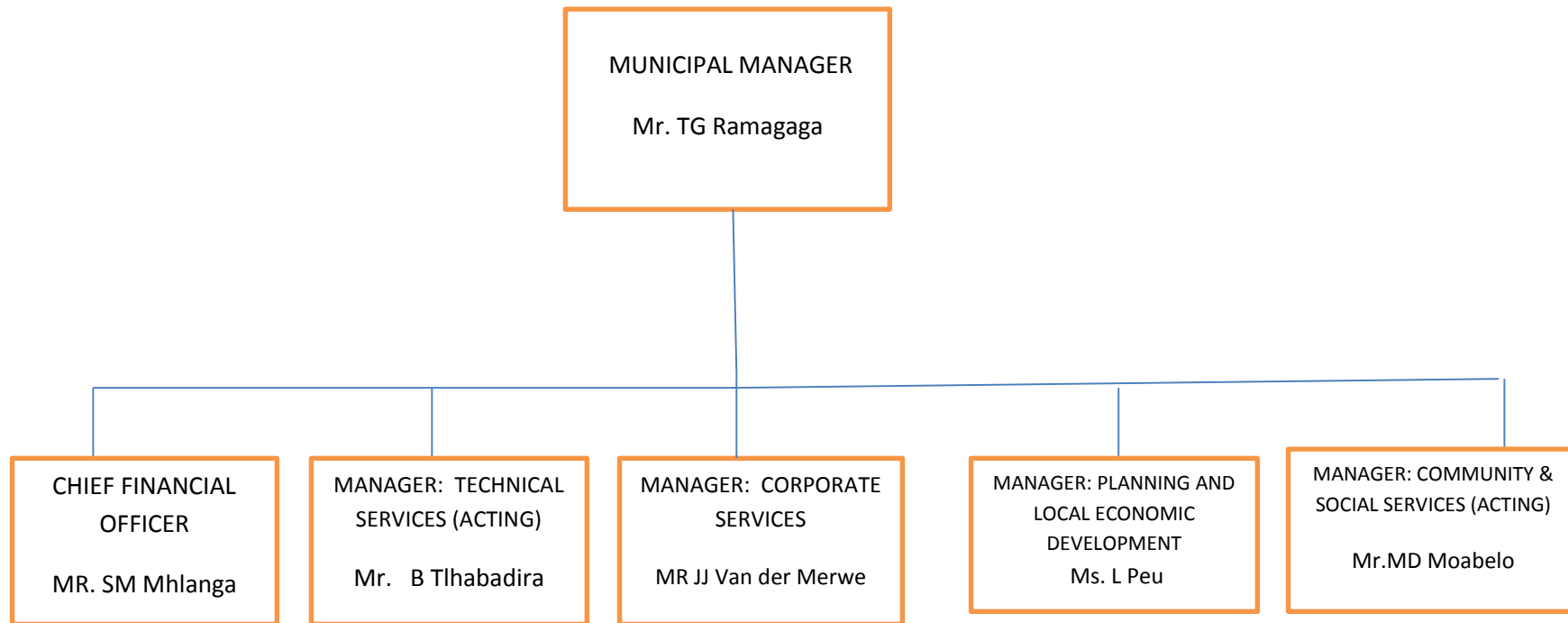
MANAGER: CORPORATE SERVICES

MR JJ Van der Merwe

MANAGER: PLANNING AND LOCAL ECONOMIC DEVELOPMENT (ACTING)

Mr.

MANAGER: COMMUNITY & SOCIAL SERVICES (ACTING)



FUNCTIONS OF THE MUNICIPAL MANAGER:

- Advises the structures and functionaries of the Municipality
- Carries out the decision of the structures and functionaries of the Municipality
- Administers and implements the Municipality's by-laws, resolutions and policies
- Ensures that the Municipality complies with applicable Municipal Finance Management Legislation
- Implements National and Provincial legislation applicable to the Local Municipality

FUNCTIONS OF THE CHIEF FINANCIAL OFFICER

- Manages Revenue Collections
- Manages Expenditure Controls
- Prepares the Budget as per MBRR (Municipal Budget Reporting Regulations)
- Manages Supply Chain
- Asset Management

FUNCTIONS OF CORPORATE SERVICES

- Render HR Management
- Provide legal advisory services
- Manage and maintain municipal administration
- Manage public participation
- Provide support to political office bearers
- Provide communication to the municipality
- Provide secretariat service to council and its committees

FUNCTIONS OF THE TECHNICAL SERVICES

- Ensure adherence to Council Engineering standards
- Render Waste Management Services
- Provide Projected Management for implementation of infrastructure development
- Water and Waste Management
- Electro technical Management

FUNCTIONS OF PUBLIC SAFETY, SOCIAL AND COMMUNITY SERVICES

- Renders environmental health services to the community.
- Renders social services including Library, Sport, Art and Recreation, Disaster Management, Parks and Cemeteries.
- Traffic Protection Services

FUNCTIONS OF PLANNING AND ECONOMIC DEVELOPMENT

- Manage spatial and land use development
- Facilitate LED initiatives
- Render land use and Town Planning Services and GIS (Geographic Information System)
- Render Strategic Support Services

Alignment of Organogram and Powers & Functions

| DEPARTMENT | SUB- FUNCTION | POWERS & FUNCTIONS |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Technical Services | <ul style="list-style-type: none"> • Water and Sanitation Services • Basic Service Delivery • Public Works • Electricity and Workshop • Civil Work Services (Roads and Storm water) | <ul style="list-style-type: none"> • Electricity Reticulation • Storm Water • Water (Potable) • Sanitation • Bulk Supply of Electricity • Bulk Water Supply • Bulk sewage purification and mainsewage disposal • Municipal roads • Municipal Public Works |
| Community Services | <ul style="list-style-type: none"> • Community Services • Protection Services • Solid Waste | <ul style="list-style-type: none"> • Trading Regulations • Billboards and the display of advertisements in public places • Control of public nuisance • Control of undertakings that sell liquor to the public • Fencing and fences • Noise Pollution • Street Trading • Traffic and Parking • Cemeteries and Crematoria • Fire-Fighting Services • Safety and Security • Municipal Transport Planning |

| | | |
|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Budget & Treasury | <ul style="list-style-type: none"> • Budget and Reporting • Income • Expenditure • Supply Chain and Asset Management | <ul style="list-style-type: none"> • The imposition and collection of taxes, levies and duties as relate to the above functions or as may be assigned to the district municipality in terms of national legislation |
| Corporate Support & Shared Services | <ul style="list-style-type: none"> • Human Resource • Fleet Management • Information Technology • Administration and Council Support • Legal Services | <ul style="list-style-type: none"> • By-Laws • Building the capacity of local municipalities in its area to perform their functions and exercise their powers where such capacity is lacking. |
| Development and Planning | <ul style="list-style-type: none"> • Building Control • Town Planning • Local Economic Development | <ul style="list-style-type: none"> • Building Regulations • Local Economic Development • Municipal Planning |

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3 INTERGOVERNMENTAL RELATIONS

Thabazimbi Municipality participates in Intergovernmental Structures ranging from Waterberg District to the Provincial Forums. These Intergovernmental Structures are established in terms of the Intergovernmental Relations Act 13 of 2005. The Waterberg District Executive Mayor IGR addresses issues relating to the District and its Local Municipalities. The District Executive Mayor's Forum participates in the Premier's IGR Forum that is conveyed by the Premier to implement resolutions taken at Provincial level. At administrative level, Municipal Managers IGR takes place to recommend issues to be discussed and to implement resolutions of the political IGR.

The following tables indicates the political and administrative IGR in which the Municipality is participating:

POLITICAL IGR

| Structures | Participants | Responsibilities |
|--------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------------------------------|
| Premier 's Intergovernmental Forum | Premier Mayors Heads of Departments Municipal Managers | Co-ordination of intergovernmental relations (Provincial and Local government) |
| Mayor's Intergovernmental Forum | Executive Mayor/ Mayors Municipal managers | Co-ordination of intergovernmental relations (District and Local Municipalities) |
| District Speakers' Intergovernmental Forum | Speakers of the Local Municipalities and the District | Co-ordinate Public Participation processes in the Municipalities. |

ADMINISTRATIVE IGR

| Structures | Participants | Responsibilities |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| Municipal Managers' Forum | All Municipal Managers within the District | To discuss implementation of IDPs |
| Technical Committees | Sector Departments Municipal Senior Officials | Provide intergovernmental inputs into the works of clusters |
| Provincial Development Planning Forum | IDP Managers at District and Local Municipalities Development Planners from the Provincial Sector Departments Parastatals | Provide for a coherent intergovernmental planning Framework and alignment and integration of development plans in the province. |
| Provincial M & E Forum | Sector Departments M & E Specialists | Provide for a Provincial wide M & E framework for implementation of plans |

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4 PUBLIC MEETINGS

| | |
|--------------------------------|----------------------|
| Public Consultation | No. of meetings held |
| IDP Rep Forums | 3 |
| IDP Steering committee meeting | 6 |
| Ward Based public consultation | 16 |
| Total | 25 |

The above mentioned meetings were held on a regular basis by giving participants sufficient notice of such meetings. The composition of the meetings were done to suit the local circumstances of the Thabazimbi Local Municipality and to ensure that sufficient representation on local level could be achieved. Most of the work was done at the steering committee level, while public participation took place during Representative Forum meetings and public consultation held, where local needs and issues were raised. Reports on progress with the IDP were given to the Representative Forum for discussion.

2.5 IDP PARTICIPATION & ALIGNMENT

Thabazimbi Local Municipality has 12 Wards with functional Ward Committees. The Municipality has different public participation mechanisms in order to ensure that all communities and Stakeholders participate and contribute towards the development within the Municipal area. These participation mechanisms include Outreach Programmes and IDP Public Consultations. The Municipality has a Communication Strategy in place which guides the interactions of Council with the public.

Table 3: IDP Participation and Alignment Criteria

| IDP Participation and Alignment Criteria* | Yes/No |
|--------------------------------------------------------------------------------|---------------|
| Does the municipality have impact, outcome, input, output indicators? | Yes |
| Does the IDP have priorities, objectives, KPIs, development strategies? | Yes |
| Does the IDP have multi-year targets? | Yes |
| Are the above aligned and can they calculate into a score? | Yes |
| Does the budget align directly to the KPIs in the strategic plan? | Yes |
| Do the IDP KPIs align to the Section 57 Managers | Yes |
| Do the IDP KPIs lead to functional area KPIs as per the SDBIP? | Yes |
| Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes | Yes |
| Were the indicators communicated to the public? | Yes |
| Were the four quarter aligned reports submitted within stipulated time frames? | Yes |

COMPONENT D: COPRPORATE GOVERNANCE

2.6 RISK MANAGEMENT

Risk management, as one of the key pillars of good governance, and it's a continuous process that enables constant improvements in strategy design and strategy implementation as well as the municipality's systems and operations. Council has an existing Risk Management policy and framework that enables management to proactively identify and respond to all significant risks that could impact on business objectives. TLM has developed risk register.

Risk Management in the municipality is guided and monitored by various committees at council and administration level such as the MPAC, Risk Management Committee and the Audit Committee.

The Municipality has appointed Risk officer as part of the reasonable steps taken to maintain an effective, efficient and transparent system of financial and general risk management.

The top ten (10) risks of the municipality are:

| Risk description | Effect | Internal control | Status |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-----------------------|
| Poor revenue collection | Low cash flow | Enforcement of credit control | Control not effective |
| Ageing infrastructure | <ul style="list-style-type: none">• Water and electricity losses• Inability to provide adequate services | Implementation of master plan and maintenance plan | Control not effective |
| Inability to service our credit list | Litigations | Revenue enhancement | Control not effective |

| | | | |
|--------------------------------------------|-------------------------------|-----------------------------------------------------------------------------------------|-----------------------|
| Non establishment of governance structures | Inadequate oversight | Establishment of governance structure and ensuring fully functionality to the structure | Control not effective |
| No segregation of duties | Factionous transaction | Segregation of duties | Control not effective |
| Mushrooming of informal settlement. | Rendering of service for free | Formalisation of informal settlements | Control not effective |
| Non monitoring of service provider | Payment of inferior services | Enforcement of punitive measures on poor performance | Control not effective |

The risk categories have been aligned to the strategic objectives in order to identify those risks that directly affect and/or impede the municipality's ability to achieve those strategic and business objectives.

2.7 ANTI-CORRUPTION & FRAUD

Thabazimbi Council approves an anti-fraud and corruption strategy annually; however this strategy has to be publicized. Employees and the public have to be constantly reminded of their duty to assist with reporting and curbing fraud and corruption activities.

2.8 SUPPLY CHAIN MANAGEMENT

The Municipal Supply Chain Management Unit suffers human resources capacity and expertise. The Unit has been operating for more than 12 months without the Divisional Head. This led to continuous irregular and wasteful expenditure within the Municipality as depicted by the Auditor General's report. Capacitating the Unit with qualified and relevant personnel will aid with consistent compliance to procurement laws and regulations.

2.9 BY-LAWS

The Municipality managed to perform a successful public Participation exercise on the below listed by-laws, however these are not yet promulgated due to financial constraints.

- Credit Control and Debt Management By-law
- Property Rates By-law
- Tuckshop By-law

2.10 WEBSITES

The Municipal website is hosted by SITA. However all the legislative requirements are being adhered to despite the challenges of delays on uploading of documents and the general upkeep of the site, which is behind schedule?

The following table provides further insight to the current website:

| Municipal Website: Content and Currency of Material | |
|-----------------------------------------------------------------------------------------------------------------------------------------|----------|
| Documents published on the Municipality's / Entity's Website | Yes / No |
| Current annual and adjustments budgets and all budget-related documents | Yes |
| All current budget-related policies | Yes |
| The previous annual report (Year -1) | Yes |
| The annual report (Year 0) published/to be published | Yes |
| All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards | Yes |
| All service delivery agreements (Year 0) | Yes |
| All long-term borrowing contracts (Year 0) | Yes |

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| All supply chain management contracts above a prescribed value (give value) for Year 0 | No |
| An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1 | No |
| Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section | No |
| Public-private partnership agreements referred to in section 120 made in Year 0 | No |
| All quarterly reports tabled in the council in terms of section 52 (d) during Year 0 | Yes |

CHAPTER 3: SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

COMPONENT A: BASIC SERVICES

3.1 Capital Projects

There has been no capital project implemented by the Municipality during the first half of the year either internally or externally. However the MIG for the Municipality has been outsourced to Waterberg District. The MIG approved Multiyear Amount is R74, 1million.

3.2 Water and Sanitation Services Provision

Thabazimbi Local Municipality is a WSA (Water Services Authority) and WSP (Water Service Provider). The Water Services Development Plan is in place but require review in preparation for the new term of Local Government. The main source of surface water is the Vaalkop dam (9 MI/day) augmented by 14 boreholes (5.1MI/day). The Pilanesberg bulk water supply will provide an additional water (domestic use only) supply to the municipal area (13 MI/day) at a cost of R250 million funded by the Regional Bulk Infrastructure Grant (DWS) and Magalies Water. Magalies Water capital investment towards the scheme will be recouped from the municipality through the bulk water tariff increments.

In terms of sanitation services; Thabazimbi town, Rooiberg, Leeupoort, Raphuthi and Regorogile use water-borne sewer system. Northam is 98% water borne and 2% septic tanks. Both the Thabazimbi and Northam sewer plants require urgent upgrading as they are currently operating beyond design capacity.

Basic services backlogs with regard to water and sanitation:

- 15% of households do not have access to portable water within the minimum level of service.
- 20% of households do not have access to sanitation within the minimum level of service.

3.3 Electricity Services Provision

The municipality has a distribution license covering portions of Warmbad-Pienaarsrivier and Greater Northam, the whole of Thabazimbi town and Rooiberg. ESKOM distributes to Northam, Regorogile extensions 2 and 4, farms and mining areas. The 9 informal settlements are also supplied by ESKOM. It should be noted that the electricity infrastructure in Thabazimbi is ageing and would need to be overhauled urgently.

Basic services backlogs with regard to electricity services:

- 10% of households do not have access to electricity for lighting.

3.4 Waste Management

The municipality has a draft Waste Management Plan in place but there is no free basic waste policy. The municipality provides waste collection from informal to formal settlements and manage 4 land fill sites. Collection is done at informal settlements, Thabazimbi, Northam, Leeupoort and Roosters towns. The Rooiberg Land fill site has not been formalized and needs to be rehabilitated. The Northam land fill site is full and there is a need to engage with the farmers for provision of land for the establishment of a new land fill site. A new waste disposal site is to be provided in Schilpadnest/Kromdraai area.

The waste management challenges in the municipality include:

- Illegal dumping
- No adequate fleet to service the whole Municipality
- Old municipal waste equipment
- Existing landfill site almost full

Basic services backlogs with regard to waste management:

- 5.5% of households (1 381) do not have access to waste removal.

COMPONENT B: ROADS & TRANSPORT

3.5 Roads and Storm Water Services

Access roads are in a fairly good condition. However, internal roads are mainly filled with potholes, no road markings and signs. Residents of Raphuthi are without accessible roads. Storm water channels including bridges have not been maintained and exacerbate flooding.

-Basic services backlogs with regard to roads and storm water:

-63km's of internal roads and 56km's of storm water require maintenance and rehabilitation

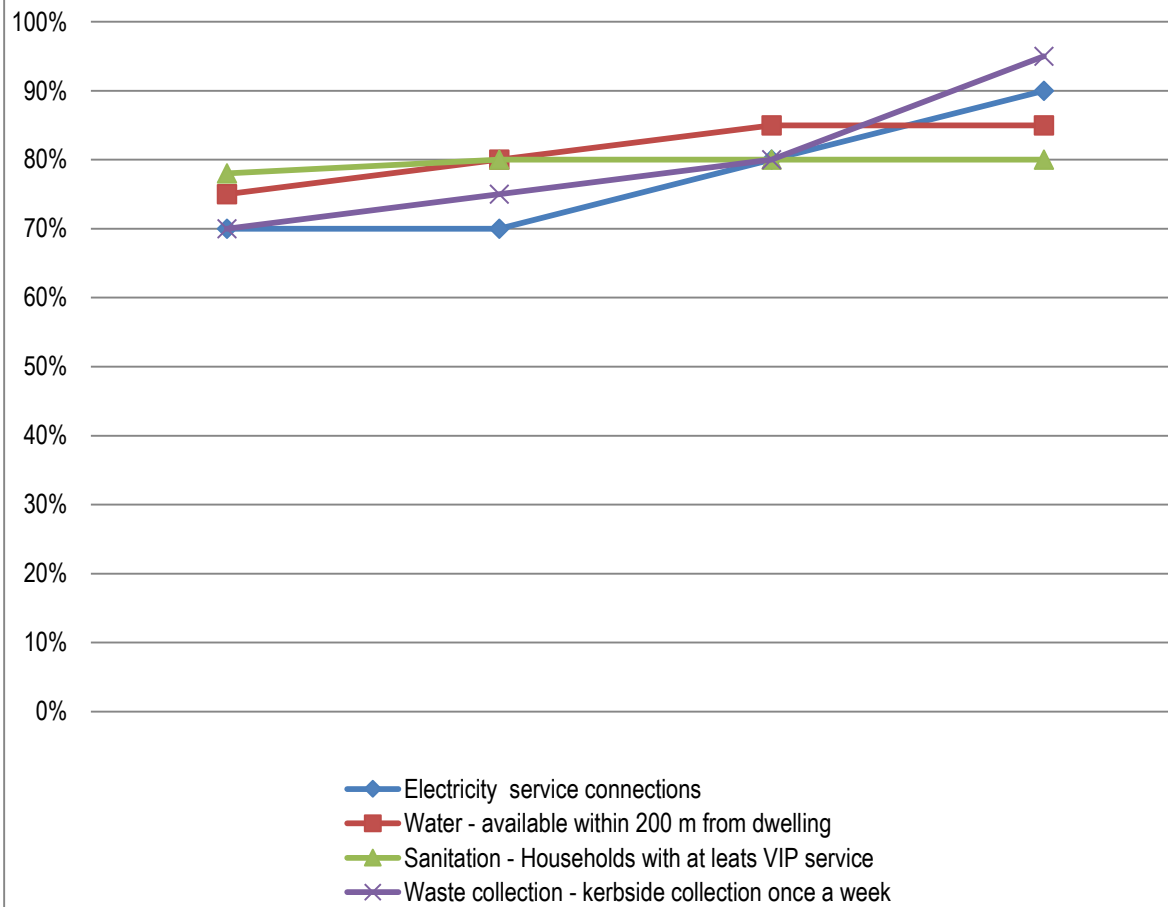
3.6 Project Management Unit (PMU)

MIG Project Management Unit (PMU) is a function within a Municipality, and under normal circumstances, existing personnel within the municipality should be utilized for this purpose. The duties that need to be performed relates to the planning, organizing, coordinating, controlling and directing of the activities of projects funded through MIG. The Municipality may utilize up to 5% of its MIG allocation to ensure a sustained project management function to support the implementation of the MIG programme.

The PMU function will remain with Waterberg District Municipality for the 2016/17 FY

A tabular presentation of the position of Basic Services Delivery status at the Municipality is as shown below;

Proportion of households with access to basic services



COMPONENT C: PLANNING AND DEVELOPMENT

3.7 PLANNING

The TLM through her Planning and Economic Development (PED) is responsible for the overall spatial planning and land use management within the municipal jurisdiction

3.8 LOCAL ECONOMIC DEVELOPMENT

Promoting local economic development is a material function and object of the TLM according to the directive from the provisions of s152(c) of the Constitution (RSA, 1996).

| KEY PERFORMANCE AREA | NO. OF PROJECTS | NO. OF TARGETS | ACHIEVED | NOT ACHIEVED | EVALUATION PER KPA |
|----------------------------|-----------------|----------------|----------|--------------|--------------------|
| Local Economic Development | 5 | 5 | 0 | 0 | 0 |

COMPONENT D: COMMUNITY & SOCIAL SERVICES

3.9 LIBRARIES, ARCHIVES, MUSEUMS, GALLARIES, COMMUNITY FACILITIES, OTHER: HALLS

| AREA | COMMUNITY HALLS | SHOW GROUNDS |
|------------|---------------------------------------------------------|--------------------------------------------|
| THABAZIMBI | Cinema Hall Library Hall Trollope Hall Ntswe- Tshipe | Agricultural / Landbougenootskap |
| NORTHAM | Community Hall | |
| REGOROGILE | 2 Community Halls | |
| KROMDRAAI | Marula Hall | |
| DWAALBOOM | | Agricultural Show ground |
| LEEUPPOORT | Community Hall | |

| | | |
|--------------------|--------------------------|--|
| ROOIBERG | Community Hall | |
| AMANDELBULT MINE | Rethabile Community Hall | |
| NORTHAM PLATS MINE | 2 Community Hall | |
| SWARTKLIP MINE | Community Hall | |

LIBRARIES

Service Norms and Standards

- One (1) library serve 10 000 households

| TOWN | NUMBER / TYPE | LOCATION / STAFF |
|------------|----------------------------|-------------------------------------------------|
| THABAZIMBI | 1 Municipal Library | 2 staff members Serviced by Regional Library |
| | 3 Media Centres at schools | Hoer Skool Frikkie Meyer |
| | | Laerskool Thabazimbi |
| | | Ysterberg Primary School |
| REGOROGILE | Reading Room | Mabogopedi Secondary School |
| NORTHAM | 1 Municipal Library | 1 staff member. |
| LEEUPOORT | 1 Municipal Library | No officials / Residents operate the Library |
| ROOIBERG | 1 to be erected in 2014/15 | |

3.10 CEMETERIES

| Basic service | 2016/17 backlogs | 2017/18 planned interventions | Actual Performance ¹ | Comments |
|-------------------------|------------------|-------------------------------|---------------------------------|----------|
| Upgrading of Cemeteries | None | None | 00 | None |

3.11 Child Care, Aged Care, Social Programmes

MAYORAL OUTREACH

Mayoral outreach programme is regarded as another form of community consultation. In TLM at least Mayoral Outreach meetings are held per financial year. The schedule of these consultation programmes will be reflected in the process plan. The main purpose of the consultation is to ensure that the political principals get closer the communities and afford members to voice their needs. Hereunder are proposed dates for all Mayoral Outreaches in the Financial Year, 2017/18 financial year.

Table: 46 Scheduled Dates for the Mayoral outreach Meetings

| MONTH | MAYORAL OUTREACH MEETING |
|----------------|--------------------------|
| June 2016 | 16 |
| July 2016 | 18 |
| August 2016 | 9 |
| September 2016 | 24 |
| November 2016 | 21 |
| December 2016 | 1 and 3 |
| January 2017 | 21 |
| March 2017 | 21 |
| April 2017 | 27 |
| May 2017 | 1 |

SPECIAL PROGRAMME

Legislative requirements

- Constitution of the RSA, Act 108 of 1998
- Commission of Gender Equity Act 39 of 1996
- Gender Policy framework go Local Government
- Children's Act 38 of 2005
- National welfare Act 100 of 1978
- HIV and AIDS and STI National Strategic plan
- Disability framework for Local Government
- Non-Profit Organization Act 71 of 1997

In recognition of the need to integrate marginalized communities, Special Programme Unit for the facilitation of the integration and mainstreaming process has been introduced and a Special Projects Coordinator has been appointed. Much work was done on an ad-hoc basis in this regard but was more focused on campaigns rather than economic development programmes. As Statistics South Africa

confirms, young people constitute the majority of the population of the Thabazimbi Municipality. Men account for 52% of the municipality's population. In spite of the above reality, young people and women have not been the key beneficiaries in the economic mainstream of the district. A Youth Plan and its implementation plan must be developed. Whilst there are organizations representing disabled people, the reality that faces the municipality is that disabled people are not integrated into the municipality's implementation plan. This has led to low economic development opportunities for disabled people. A survey must be conducted by Thabazimbi to develop the Disability Plan. Thabazimbi Local Municipality needs to facilitate this process through the implementation of the Disability Plan for the purposes of moving faster in resolving problems faced by disabled people. Children in the municipality also bear the brunt of disorganization. Thabazimbi Local Municipality should embark in the process of establishing a junior council which will be the pace setter for the development of the children's development framework that will promote the participation and consultation of children. As a sector plan, the Special Programmes Strategy sets the framework for the integration and mainstreaming of all the designated groups and needs to be developed. Funding needs to be availed for the implementation of the strategy through the integration of programmes and projects of all clusters and sector plans of Thabazimbi Local Municipality.

CHALLENGES OF YOUTH, DISABILITY, WOMEN AND CHILDREN

- High unemployment.
- Access to funding.
- Poor education.
- Access to quality training and skills development
- High level of poverty.
- Violence directed at women and girls
- No support and mainstreaming of people with disability in municipal employment equity to reach 2%, as set by SALGA.
- Diseases.

YOUTH DEVELOPMENT

Legislative requirements

- National Youth Policy
- National Youth Development Agency Act of 2000

COMPONENT E: ENVIRONMENTAL PROTECTION

3.12 Pollution Control

The municipality provides waste collection from informal settlements to formal settlements within the jurisdiction and also services the mining residences and Marakele National Park and management of landfill sites in an attempt to mitigate environmental pollution.

COMPONENT F: HEALTH

3.13 Clinics

Service Norms and Standards (Health Centre Clinics and Hospital)

- One (1) doctor per 1000.
- Clinic must serve a radius of 5 km.
- Health centre 10 km radius.
- Hospital must serve radius of 60 km

HEALTH FACILITIES

| TYPE | | TOTAL | W A R D S | | | | | | | | | | | |
|-------------|---------|-------|-----------------------|---|---|---|---|---|---|---|---|----|----|----|
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Hospitals | Public | 1 | - | - | - | - | - | - | - | - | 1 | - | - | - |
| | Private | 1 | - | 1 | - | - | - | - | - | - | - | - | - | - |
| | Mines | 3 | - | - | - | - | 1 | 1 | - | - | - | - | 1 | - |
| Clinics | | 10 | 1 | 2 | 1 | 2 | 1 | - | - | 1 | 1 | 1 | - | - |
| Mobiles | | 3 | 1 | 1 | - | - | - | - | - | 1 | - | - | - | - |
| GRAND TOTAL | | 18 | 2 | 5 | 1 | 2 | 2 | 1 | 0 | 2 | 1 | 1 | 1 | 0 |

3.14 Ambulance Services

The Emergency Medical Services function remains with the Waterberg District Municipality.

3.15 Health Inspection

The function remains with the District Department of Health. The local health inspectors are located in local clinics in the municipal area.

COMPONENT G: SPORTS & RECREATION

3.16 SPORTS AND RECREATION

SPORTS FACILITIES

Service Norms and Standards

- One recreational facility per ward
- One Arts and Culture per Municipality

| TOWN | NUMBER / TYPE | LOCATION / FACILITIES / CONDITION |
|------------|---------------------------|----------------------------------------------------------------------------------------------|
| THABAZIMBI | 3 Sports grounds | 2 Municipal grounds that include rugby, cricket, bowls, squash, jukskei, basket ball, tennis |
| | 1 Kumba ground | Swimming pool, gym |
| | 2 School Sport Facilities | Hoerskool FrikkieMeyer |
| | | Laerskool Thabazimbi |
| REGOROGILE | 1 Sports ground | Poor condition, includes soccer, tennis, basket ball |
| | 1 School Sport Facility | Mabogo – Pedi Secondary school |
| IPELEGENG | 1 Sports ground | Kumba Resources (ISCOR) provides soccer, tennis, athletics facilities |

| | | |
|----------------------------|--------------------------------------|------------------------------------------------------------------------------------------|
| BEN ALBERTS NATURE RESERVE | Golf Course 18 holes golf course | Good Condition |
| NORTHAM | 1 Sport Facilities | 1 Comprehensive Secondary School 1 Northam Primary School 1 Community Sport Ground |
| SWARTKLIP | 1 Soccer field 9 hole Golf course | Good Condition |
| AMANDELBULT/ RETABILE | 1 Soccer field 9 hole Golf Course | Good Condition |
| DWAALBOOM | 2 Sport Facilities | |
| GROENVLEISECONDARY SCHOOL | 1 Sports ground | Tennis court, netball court and soccer fields need to be upgraded. |
| LEEUPORT | Driving Range (golf course) | Good Condition |

| TOWN | NUMBER / TYPE | NAME/LOCATION / FACILITIES / CONDITION |
|------------|-----------------------------|----------------------------------------------------------------------------------------------------------------------|
| THABAZIMBI | 4 Active Public Open Spaces | Berg Boegoe Club |
| | | Mollie Jordaan Park |
| | | Areas along Rooikuispruit |
| | | Children's Playground |
| REGOROGILE | 08 Public Open Spaces | 3 in Regorogile Ext 1, 1 in Regorogile Ext 3, 1 in Regorogile Ext 2, 1 in Regorogile Ext 4 and 2 in Regorogile Ext 5 |

COMPONENT H: CUMULATIVE 2017/18 FOUTH (4TH) QUARTER PERFORMANCE REPORT

The table below takes the above further and gives expansive content as well as finer details of the TLM's performance for the reporting year, 2017/18. In order to avoid and/or keep repetition to minimum, it is suggested that the table be read as a high level summary and tailored logic model of the methodological template and/or paradigm envisaged in the MFMA Circular 63 by the National Treasury (2012). It is held that material essence and main variables of this Circular are, in a certain form, and to a certain thematic content, entailed in the log frame presented below:





| Name | Title | For Information | For Action |
|----------------|-------------------------|-----------------|------------|
| | | | |
| MR TG RAMAGAGA | Municipal Manager | | × |
| MR SM MHLANGA | Chief Financial Officer | | × |

| | | | |
|---------------------|---------------------------------------------|--|---|
| MR JJ VAN DER MERWE | Manager - Corporate Services | | x |
| MR B TLHABADIRA | Acting Manager – Technical Services | | x |
| MR MD MOABELO | Acting Manager - Community Services | | x |
| MS L PEU | Manager – Planning and Economic Development | | x |
| Mr. M D MANONG | Internal Audit Department | | x |

PROJECT: PUBLIC PARTICIPATION PROCESS

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th Quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|------------------------------------------------------------------------------------|---------|----------------------------------------|---------------------|----------------------------------|--------------------------------|-----------------|------------|------------|----------------------------------|---------------------|
| Achieving and promoting good governance, transparency and community participation. | MM03 | Number of meetings held with all wards | 2 meetings per year | Meetings to be held in all wards | Achieved | Target Achieved | None | None | Attendance registers and minutes | Municipal Manager's |
| Budget : Operational | | | | | | | | | | |

KPA 2: BASIC SERVICES AND INFRASTRUCTURE DEVELOPMENT

PROJECT: REGOROGILE EXT 5 WATER SUPPLY

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th Quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|------------------------------------------------------------------------------------|---------|----------------------------------------------|--------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------|-------------|------------|----------------------------------------------|------------------------|------------|
| To ensure the provision of an appropriate level of basic services and the required | LTBS 7 | Construction of Regorogile Ext 5 supply line | Distribution network in Ext 5 T-Vet college limited as at 30 | Construction of a dedicated supply line to ensure adequate supply | Construction completed | Achieved | N/A | Changed scope of work as approved by DWS and | Completion Certificate | TS |

| | | | | | | | | | | |
|----------------------------------------------------------|--|--|-----------|--------------------------------------------------|-------------------------|----------|--|----------------|--|--|
| infrastructure to effectively manage the community needs | | | June 2016 | Repair 12 leakages on tbz bulk water supply line | 12 Leaks to be repaired | Achieved | | Magalies Water | | |
|----------------------------------------------------------|--|--|-----------|--------------------------------------------------|-------------------------|----------|--|----------------|--|--|

PROJECT: REPLACEMENT OF 2 500 RESIDENTIAL DYSFUNCTIONAL WATER METERS AND 95 BULK METERS

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th Quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|---------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------------|------------------------------------------------------------------------------------|------------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------|------------|------------|------------------------------------------------|------------|
| To ensure the provision of an appropriate level of basic services and the required infrastructure to effectively manage the community needs | | Number of water meters replaced | 2 500 residential water meters and 95 bulk meters dysfunctional as at 30 June 2017 | 2 500 residential and 95 Bulk Meters replaced by June 2018 | 492 Residential water meters replaced and information submitted to finance | 492 Residential water meters replaced and information submitted to finance Achieved | N/A | N/A | Appointment Letters/summary of replaced meters | TS |
| Budget | R3 700 000 (Kumba) | | | | | | | | | |

PROJECT: THABAZIMBI UPGRADING OF THE WWTW: 3.5ML/D TO 6.5ML/D

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th Quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|-------------------------------|---------|--------------------------|----------------|---------------------|--------------------------------|-------------|------------|------------|------------------------|------------|
| To ensure the provision of an | LTBS 12 | Number of WWTWs upgraded | WWTW operating | 1 WWTW Completed in | 1 | Achieved | N/A | N/A | Completion Certificate | TS |

| | | | | | | | | | | |
|---------------------------------------------------------------------------------------------------------------|-----------------------|--|------------------|--------------------------|--|--|--|--|--|--|
| appropriate level of basic services and the required infrastructure to effectively manage the community needs | | | at full capacity | Thabazimbi by March 2018 | | | | | | |
| Budget | R10 400 000 (MIG/WDM) | | | | | | | | | |

PROJECT: RAPHUTI INSTALLATION OF HIGH MAST LIGHTS

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th Quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-------------------------------------------------|----------------------------------------|------------------------------------------|--------------------------------|-------------------------------------------------------------------|------------|------------|-----------------------|------------|
| To ensure the provision of an appropriate level of basic services and the required infrastructure to effectively manage the community needs | LTBS 5 | Number of high mast lights installed in Raphuti | No High mast lights as at 30 June 2015 | 1 High mast light installed by June 2018 | Contractor on site | WDM (Implementing Agent) appointed contractor Not achieved | N/A | N/A | Appointment Letter | TS |
| Budget | R419 366,54-VAT incl. (MIG) | | | | | | | | | |

PROJECT: NORTHAM EXT 16 INSTALLATION OF HIGH MAST LIGHTS PHASE 1

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th Quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------------------------------------------|------------------------------------------------------------|-------------------------------------------|--------------------------------|-----------------------------------------------------------------------|------------|------------|-----------------------|------------|
| To ensure the provision of an appropriate level of basic services and the required infrastructure to effectively manage the community needs | LTBS 5 | Number of high mast lights installed in Northam | 3 High mast lights installed at Northam as at 30 June 2015 | 5 High mast lights installed by June 2018 | Contractor on site | WDM (Implementing Agent) appointed the contractor Not achieved | N/A | N/A | Appointment Letter | TS |
| Budget | R816 233.06-VAT (MIG) | | | | | | | | | |

PROJECT: INSTALLATION OF ELECTRICITY PRE-PAID METERS

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th Quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|------------------------------------------------------------------------------------------------------------------|---------|------------------------------------------------|---------------------------------------------------|----------------------------------------------------------------------------|--------------------------------|---------------------------------------------|------------|------------|-----------------------|------------|
| To ensure the provision of an appropriate level of basic services and the required infrastructure to effectively | | Number of electricity prepaid meters installed | 1 743 prepaid meters installed as at 30 June 2017 | 6 594 – 1 743 (2016/17 fy) = 4 851 (2017/18 fy) Installed prepaid smart | 2 435 | 2 435 Meters were installed Achieved | N/A | N/A | Progress Report | TS |

| | | | | | | | | | | |
|----------------------------|-------------|--|--|---------------------|--|--|--|--|--|--|
| manage the community needs | | | | meters by June 2018 | | | | | | |
| Budget | R45 000 000 | | | | | | | | | |

PROJECT: TO ENSURE JOB CREATION THROUGH EXPANDED PUBLIC WORKS PROGRAMME

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th Quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-------------------------------------|--------------------------------------------------|--------------------------------------------|--------------------------------|----------------------------------------------------|------------|------------|-----------------------|------------|
| To ensure the provision of an appropriate level of basic services and the required infrastructure to effectively manage the community needs | | Number of jobs created through EPWP | 143 Jobs created through EPWP as on 30 June 2017 | 106 Jobs created through EPWP by June 2018 | 106 | 106 Beneficiaries appointed Achieved | N/A | N/A | List of beneficiaries | TS |
| Budget | R1 100 000 (Grant Department of Public Works) | | | | | | | | | |

PROJECT: ESTABLISHMENT OF PMU INTERNALLY

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th Quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|----------------------|---------|----------------|---------------|----------------|--------------------------------|---------------------|------------|------------|-----------------------|------------|
| To ensure the | | Number of PMUs | PMU outsource | PMU Establishe | PMU vacant | Not achieved | N/A | N/A | Organogram/Appoi | TS |

| | | | | | | | | | | |
|-------------------------------------------------------------------------------------------------------------------------------|-------------|------------------------|-----------------------|----------------|--------------------------------------------------------------------|--|--|--|----------------|--|
| provision of an appropriate level of basic services and the required infrastructure to effectively manage the community needs | | established internally | ed as at 30 June 2014 | d by June 2018 | positions included in organogram for appointment during 2018/19 FY | | | | ntment Letters | |
| Budget | Operational | | | | | | | | | |

KPA 3: FINANCIAL VIABILITY

PROJECT: DEVELOPMENT OF VALUATION ROLL

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4th Quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|--------------------------------------------------------------------------------------|----------------|------------------------------------------------------|------------------------------------------------------------------|---------------------------------|--------------------------------------|------------------------|-------------------|-------------------|------------------------------|---------------------|
| To ensure restoration of effective financial management viability and accountability | LTF 3 | Preparation /Development of a General Valuation Roll | Supplementary Valuation Roll implemented current Financial year. | Approved General Valuation Roll | Achieved | Target Achieved | None | None | Approved valuation roll | Budget and Treasury |

| |
|---------------------------|
| Budget : 5 000 000 |
|---------------------------|

PROJECT: AUDITOR GENERAL

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th Quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|--------------------------------------------------------------------------------------|---------|---------------------|----------------------|--------|--------------------------------|-----------------|------------|------------|------------------------------------------------------------------------------|---------------------|
| To ensure restoration of effective financial management viability and accountability | LTF 1 | External Audit fees | Auditor General (SA) | | Achieved | Target Achieved | None | None | Signed Management Report from the AGSA and proof of submission of 2016/17AFS | Budget and Treasury |
| Budget : 1.1 000 000.00 | | | | | | | | | | |

KPA 4: LED AND SPATIAL RATIONALE

PROJECT: BUILDING CONTROL AND MANAGEMENT

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th Quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|------------------------|---------|-------------------------------|-------------|--------------------------------|--------------------------------|-----------------|------------------------------|------------------------------|-------------------------|------------|
| promote integrated and | PED01 | Turnaround time in processing | New project | 21 working days for processing | 21 days | Target Achieved | Delays in receiving comments | Develop schedule of meetings | Building Plans Register | PED |

| | | | | | | | | | | |
|--------------------------------------------------|--|-----------------------------------------------------|--|----------------------------------------------------------|--|----------------|---------------------------|--------------|--|--|
| sustainable human settlement and agrarian reform | | building plans from date of submission by applicant | | of building plans from date of submission by application | | 15/15 approved | from internal departments | for comments | | |
|--------------------------------------------------|--|-----------------------------------------------------|--|----------------------------------------------------------|--|----------------|---------------------------|--------------|--|--|

PROJECT: IMPLEMENTATION OF THE SPLUMA², 2013

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th Quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|-------------------------------------------------------------------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------|-------------|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|-------------------------------------------------------------------------------------|----------------------------------------|------------|
| promote integrated and sustainable human settlement and agrarian reform | PED02 | Turnaround ³ time in assessing completeness of land use and land development applications from date of submission by applicant | New project | 21 working days for processing of land use and land development application from date of submission by applicant | 21 working days for processing of land use and land development application from date of submission by applicant | Target Not Achieved 12 applications received 12/12 received applications were Incomplete and therefore could not be processed | No dedicated center/personnel to assess completeness of applications | Appointment of additional staff and recruitment of dedicated land use administrator | Land Use and Land Development Register | PED |
| Budget Operational | | | | | | | | | | |

PROJECT: STRATEGIC⁴ PARTNERSHIPS

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th Quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|-------------------------------------------------------------------------------|---------|------------------------------------------------------------------|-------------|--------------------------------------------|--------------------------------|------------------------------------------------------------------------|------------|------------|-----------------------|------------|
| Initiation of strategic partnerships geared toward local economic development | PED03 | Number of strategic partnerships ⁵ forged through PPP | New project | 1 strategic partnership forged through PPP | 1 | Target Achieved 1 MoU signed between TLM, CIOC and CCBSA | None | None | Signed SLA/MoU /MoA | PED |

PROJECT: ESTABLISHMENT OF THE MINING⁶ FORUM

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th Quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|----------------------|---------|-----|----------|--------|--------------------------------|-------------|------------|------------|-----------------------|------------|
|----------------------|---------|-----|----------|--------|--------------------------------|-------------|------------|------------|-----------------------|------------|

| | | | | | | | | | | |
|-----------------------------------------------------------------------------------------|-------|------------------------------|-------------|---------------------|---|------------------------------------------------------------------------------------------|----------------------------------------------|-------------------------|---------------------------------------------|-----|
| Establish partnership with existing mining houses to support local economic development | PED04 | Number of Mining Forums held | New project | 1 Mining Forum held | 1 | Target Not Achieved Mining Forum was held on 25 th of June 2018 | Four of the mines did not submit their SLP's | Report the mines to DMR | Signed Resolutions and Attendance Registers | PED |
| Budget : Operational | | | | | | | | | | |

PROJECT: RECUSCITATION OF THE THABAZIMBI GAME AND EXPO (WILDFEES)

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th Quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|-----------------------------------------------------------------------------|---------|-------------------------------------------------|-------------------------------|-----------------------------------------|-----------------------------------------|----------------------------|------------------------|-------------------------------------------------------|--------------------------------|------------|
| Marketing & mobilization of resources for development of the tourism sector | PED05 | Number of Game and Expo (Wildfees) resuscitated | Game and Expo held in 2011/12 | 1 Game and Expo (Wildfees) resuscitated | 1 Game and Expo (Wildfees) resuscitated | Target Not Achieved | Delay in SCM processes | Target to be achieved in the first quarter of 2018/19 | Signed Project Closeout Report | PED |
| Budget : Operational | | | | | | | | | | |

KPA 5: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

PROJECT: REVIEW ORGANIZATIONAL STRUCTURE

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|----------------------------------------------------------------------|---------------|---------------------------------------------------------|--------------------------------------------------------------------------|---------------------------------------|--------------------------------|------------------------------------|------------|------------|-----------------------------------------------|--------------------|
| Review organizational structure, align to municipal strategy and IDP | MSCS01 | Number of organizational structured approved by Council | One organizational structure developed and misaligned as at 30 June 2017 | One approved organizational structure | Achieved | Structure approved Achieved | None | None | Council resolutions Approved structure | Corporate Services |
| Budget: Operational | | | | | | | | | | |

PROJECT: REVIEW & IMPLEMENT JOB DESCRIPTIONS

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|----------------------|---------|-----|----------|--------|--------------------------------|-------------|------------|------------|-----------------------|------------|
|----------------------|---------|-----|----------|--------|--------------------------------|-------------|------------|------------|-----------------------|------------|

PROJECT: APPOINTMENT OF SENIOR MANAGERS

| | | | | | | | | | | |
|---------------------------------------------|----------------|----------------------------------------------|------------------------------|-----------------------------------------------------------------------|-----------------------------------------------|----------------------------|----------------------------------------------|---------------------------|------------------------------------------------|--------------------|
| Review and evaluate job descriptions | MSCS02 | Number of Completed job descriptions | No job descriptions in place | Completed and approved job descriptions | 332 | 121 Target not achieved | Finalisation and signing of job descriptions | Involvement of management | Job descriptions Signature of employees | Corporate Services |
| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4th quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
| Appointment of MM, section 56 & 57 Managers | MSCS05 | Number of successful Appointment of managers | 5 senior managers appointed | Appoint MM and 5 section 56 managers for all departments by June 2018 | Only manager community services not appointed | Achieved | To attract and appoint suitable candidate | Appoint Manager Community | Appointment letters | Corporate Services |
| Budget: Operational | | | | | | | | | | |

PROJECT: REVITALISE LLF

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|----------------------------------|---------------|------------------------------------------------------|------------|-----------------------------|--------------------------------|-----------------------------------|------------|------------|-----------------------------------|--------------------|
| To revitalize Local Labour Forum | MSCS09 | Number of properly planned calendar for LLF meetings | 1 Calendar | 6 LLF Meetings by June 2018 | Achieved | 9 LLF meetings Achieved | None | None | Agenda Minutes of meetings | Corporate Services |
| Budget: Operational | | | | | | | | | | |

PROJECT: REVIEW HUMAN RESOURCE POLICIES

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|----------------------|---------|-----|----------|--------|--------------------------------|-------------|------------|------------|-----------------------|------------|
| | | | | | | | | | | |

| | | | | | | | | | | |
|-----------------------------------------------------------------|---------------|----------------------------------------|-------------------|--------------------------------------|-------------|---------------------------------------------------------|------------------------------|------|------------------------------------------------------------|--------------------|
| To Audit, Review and Develop HR policies and procedural manuals | MSCS10 | Number of properly drafted HR Policies | Draft HR Policies | 20 HR Policies approved by June 2018 | 22 policies | 11 policies already approved by LLF Not achieved | Postponement of LLF meetings | None | Approved HR Policies Policies and Procedure manuals | Corporate Services |
|-----------------------------------------------------------------|---------------|----------------------------------------|-------------------|--------------------------------------|-------------|---------------------------------------------------------|------------------------------|------|------------------------------------------------------------|--------------------|

PROJECT: LITIGATION REGISTER

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4 th quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|------------------------------------------|--------------|---------------------------------------|---------------------|------------------------------------------------------------|--------------------------------|-------------|------------|------------|-----------------------------------------|--------------------|
| Audit and update the litigation register | MSCS9 | Number of updated Litigation register | Litigation register | Quarterly updated litigation register submitted to Council | Achieved | Achieved | None | None | Council resolution submitted to Council | Corporate Services |

| | | | | | | | | | | |
|----------------------------|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | | |
| Budget: Operational | | | | | | | | | | |

PROJECT: BY-LAWS & POLICIES

| Strategic Objectives | IDP Ref | KPI | Baseline | Target | 4th quarter Target | Performance | Challenges | Mitigation | Portfolio of Evidence | Department |
|-------------------------------------------------------|----------------|----------------------------------------------|---------------------------|-------------------------------------------|--------------------------------------|---------------------|----------------------------------|------------------------|--------------------------------------------------------------------------------|--------------------|
| Review, finalize all policies, procedures and by-laws | MSCS2 2 | Number of properly drafted bylaws & policies | Drafted Bylaws & policies | 5 Bylaws and Policies approved by Council | Due on the 4 th quarter | Not achieved | Approved but not promulgated yet | Included in new budget | Council resolution Accepted Policies & bylaws Council resolution | Corporate Services |

| | | | | | | | | | | |
|---------------------|--|--|--|--|--|--|--|--|---------------------------|--|
| | | | | | | | | | Govern ment gazette | |
| Budget: Operational | | | | | | | | | | |

APPROVED BY THE MUNICIPAL MANAGER:

TG RAMAGAGA

DATE

STRATEGIC OVERVIEW

VISION

“To be the leading Municipality offering quality services in the most Economic, Affordable, Equitable and Sustainable manner”

MISSION

“To promote, coordinate, implement and ensure the financially and environmentally sustainable growth and development of Thabazimbi with diversified and viable economy that provides an environment and services that benefit all”

BACKGROUND AND OVERVIEW

GENERAL

THE MUNICIPAL PRIORITIES AND DEVELOPMENT OBJECTIVES

The TLM's development objectives are twofold, long-term development objectives and medium-term objectives. The following table highlights the municipal focal strategic development priorities and long-term development objectives as extracted from the IDP/Budget (2016 / 17):

| Priority Area | Development Objectives |
|------------------------------|----------------------------------------------------------------------------------------------------|
| 1.Access to basic services | 1.To facilitate for basic services delivery and infrastructural development / investment |
| 2.Spatial Rationale | 2.To promote integrated human settlement and agrarian reform |
| 3. Job Creation | 3.To promote local economic development in the Thabazimbi municipal area |
| 4.Financial Viability | 4.To improve municipal financial management |
| 5.Organisational Development | 5.To build TLM's capacity by way of raising institutional efficiency, effectiveness and competency |
| 6.Good Governance | 6.To enhance good governance and public participation |

CONCLUSION

The SDBIP is a key management, implementation and monitoring tool, which provides operational Content to the end-of-year service delivery targets, set in the budget and IDP. All the Section 56/57 Management should be evaluated and monitored on the implementation of the SDBIP which comprises largely of Key Performance Indicators and projects on a quarterly basis. Thabazimbi Local Municipality has also reviewed and approved the PMS Framework for the 2016/17 financial year. In preparation of the IDP and SDBIP, the Municipality also took into consideration the comments of MEC Coghsta and the Auditor General of South Africa. The SDBIP also enables the council to monitor the performance of the municipality against quarterly targets on service delivery. This enables the Mayor and municipal manager to be pro-active and take remedial steps in the event of poor performance.

CHAPTER 4: ORGANIZATIONAL DEVELOPMENT PERFORMANCE

(PERFORMANACE REPORT PART II)

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

This section outlines the extent that Thabazimbi Local Municipality adheres to HR Policies and Plans, as well as ensuring employee wellness in order to create a conducive working environment for all employees. Taking into account the context of the Organizational Structure, it puts an obligation on the Municipality to be performance- orientated and to focus on the objectives of local government. A structure that is operational and effective is needed to mandate the operations of the Municipality.

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

| EMPLOYEES | | | |
|----------------------|-------------------------|----------------|------------------|
| Description | Filled Positions No. | Approved Posts | Vacancies No. |
| Waste and Sanitation | 36 | 37 | 1 |
| Electricity | 18 | 19 | 1 |

| | | | |
|------------------------------------|-------------------------|---------------------------|-------------------------|
| Office of MM | 18 | 24 | 6 |
| Roads and Stormwater | 56 | 57 | 1 |
| Finance | 46 | 55 | 9 |
| Planning | 9 | 12 | 3 |
| Local Economic Development | 4 | 4 | 0 |
| Community & Social Services | 56 | 85 | 29 |
| Environmental Protection | 30 | 33 | 3 |
| Corporate Policy Officers & others | 92 | 99 | 7 |
| | 365 | 425 | 60 |
| SECTION 57 MANAGERS | | | |
| Designation | Filled Positions | Approved Positions | Vacant Positions |
| Municipal Manager | 0 | 1 | 1 |

| | | | |
|---------------------------|----------|----------|----------|
| Chief financial Officer | 0 | 1 | 1 |
| Other Section 57 Managers | 2 | 4 | 2 |
| | 2 | 6 | 4 |

As at 30th of June 2016, the filled positions were 3, however subsequent to year end significant changes were made and this is reflected in the above table.

DISABILITY AND EMPLOYMENT EQUITY

The Municipality fills vacancies against an approved Employment Equity Plan. The Plan is approved by Council and has to also be considered by the Department of Labour. The Employment Equity Plan guides and assists the Municipality to achieve equity at the workplace, as well as to identify opportunities to appoint people with disabilities and women in senior positions. This demonstrates the Municipality's intention to create a conducive working environment in order to recruit, develop and retain a diversified workforce; Disabled people are not adequately catered within the Municipality. Whilst there are organizations representing disabled people, the reality that faces Thabazimbi Municipality is that disabled people are not integrated into the Municipality's implementation plan. This has led to low employment opportunities for disabled people within the Municipality. A survey must be conducted by the Municipality to develop the Disability Plan. The Municipality needs to facilitate this process through the implementation of the Disability Plan for the purposes of being able to address the issue of disability and employment equity.

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

The Municipal Systems Act (MSA) of 2000 requires Municipalities to develop and adopt appropriate systems and procedures to ensure fair, efficient, effective and transparent personnel administration in accordance with the Employment Equity Act of 1998. This ensures that the Municipal workforce be properly capacitated, and disclosures by Senior Managers and Councilors be made. The PMS Framework is also in place and Performance Agreements are signed by all Section 57 Managers. This assists the Municipality to manage performance of all Departments. Quarterly assessments were however not fully conducted.

4.2 POLICIES

The below policies are the municipal Human Resource policies in place and are reviewed as and when a need arise:

| POLICY NO. | POLICY NAME | DATE TO LLF | DATE TO COUNCIL | APPROVED/ NOT APPROVED | DATE REVIEWED/ DEVELOPED |
|------------|-----------------------------------------|-------------|-----------------|------------------------|--------------------------|
| HR1 | ACTING ALLOWANCE POLICY | | | Yes | |
| HR2 | ATTENDANCE AND PUNCTUALITY POLICY | | | No | |
| HR3 | CAREER MANAGEMENT AND RETENTION POLICY | | | Yes | |
| HR4 | CELLPHONE POLICY | | | Yes | |
| HR5 | DRESS CODE POLICY | | | No | |
| HR6 | EAP POLICY | | | Yes | |
| HR7 | EMPLOYMENT EQUITY POLICY | | | Yes | |
| HR8 | EMPLOYMENT PRACTICE POLICY | | | Yes | |
| HR9 | FUNERAL POLICY | | | Yes | |
| HR10 | INCAPACITY DUE TO ILL HEALTH | | | Yes | |
| HR11 | INCAPACITY DUE TO POOR WORK PERFORMANCE | | | No | |
| HR12 | LEAVE POLICY | | | Yes | |

| | | | | | |
|------------|--------------------------------------------|-------------|-----------------|---------------------------|-----------------------------|
| HR13 | MOTOR VEHICLE ALLOWANCE POLICY | | | Yes | |
| HR14 | SUBSISTANCE AND TRAVELLING POLICY | | | | |
| POLICY NO. | POLICY NAME | DATE TO LLF | DATE TO COUNCIL | APPROVED/ NOT APPROVED | DATE REVIEWED/ DEVELOPED |
| HR15 | OVERTIME POLICY | | | | |
| HR16 | PERSONAL PROTECTIVE EQUIPMENT POLICY (PPE) | | | | |
| HR17 | SEXUAL HARASSMENT POLICY | | | | |
| HR18 | STANDBY ALLOWANCE POLICY | | | | |
| HR19 | TRAINING AND DEVELOPMENT POLICY | | | | |
| HR20 | TRAVEL ALLOWANCE POLICY FOR COUNCILLORS | | | | |

4.3 INJURIES, SICKNESS AND SUSPENSION

The former Municipal Manager and Chief Financial Officer (CFO) Mr. M.E Ntsoane and Mr. L.C Malema who were put by Council on special leave on the 02nd of July 2014 for a period of six months and subsequently suspended pending an investigation and Disciplinary Charges. The CFO subsequently resigned before the disciplinary process started, and the disciplinary hearings for the Municipal Manager continued beyond the financial year 2016/17.

| Item | 2017/2018 Report |
|------------|------------------|
| Injuries | |
| Sickness | |
| Suspension | |

COMPONENT C: CAPACITATING THE MUNICIPAL WORKSFORCE

A Workplace Skills Development Plan was developed and submitted to LGSETA. Skills audit remains a challenge. The Section 57 managers have PDP's (Performance Development Plans) in place. Most employees within the Finance Department do not meet the financial competency levels as per the Regulations. There is need for the Municipality to do a comprehensive competency assessment of all the affected positions and ensure that critical positions are filled by competent officials who are able to deliver on the allocated responsibilities.

The following table indicates the capacity needs identified and included within the Skills Development Plan:

| BASIC SERVICES DELIVERY | LED | FINANCIAL VIABILITY | GOVERNANCE AND PUBLIC PARTICIPATIO | TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> ✚ Testing and monitoring condition of potable water ✚ Plumbing ✚ Supervisory ✚ Project management ✚ Electrical ✚ Water and sanitation reticulation ✚ Refuse management ✚ Substations Course ✚ Management and Leadership | <ul style="list-style-type: none"> ✚ Learnership on Nature guiding NQF 4 | <ul style="list-style-type: none"> ✚ Debtors Collection management ✚ Meter Reading ✚ Asset management and reporting ✚ Cost and management ✚ Accounting ✚ Customer care | <ul style="list-style-type: none"> ✚ Learnership | <ul style="list-style-type: none"> ✚ Microsoft project – Building Inspector ✚ CAD ✚ Performance Management ✚ Payday-Pension ✚ Peer Education ✚ Employment Equity ✚ Records Management ✚ Community Development training ✚ Traffic management ✚ Drivers Licensing ✚ Advance Clerical management |

4.4 SKILLS DEVELOPMENT AND TRAINING

The Municipality has timeously submitted the WSP and ATR to LGSETA which is developed on annual basis on or before 30 April before sending to LGSETA, the training committee endorsed. A Workplace Skills Plan is a strategic document that articulates how the Employer is going to address the Training and Development needs in the Workplace.

The types of learning interventions that are offered in the municipality are amongst others in-house training workshops, on-the-job training etc, with accredited service providers.

TRAINING INTERVENTION IDENTIFIED 2016/17(8.1 EMPLOYED))

| DEPARTMENT | NAME OF LEARNING INTERVENTION | GENDER | | NUMBER OF EMPLOYEES |
|---------------|--------------------------------|--------|--------|---------------------|
| | | MALE | FEMALE | |
| CORPORATE | MFMP | 1 | 0 | 1 |
| | Advanced Driving | 1 | 0 | 1 |
| | Hazardous Chemical Technicians | 0 | 1 | 1 |
| | Environmental Practice | 0 | 1 | 1 |
| | Municipal Governance | 0 | 3 | |
| | Advance Records Management | 1 | 0 | 1 |
| | Leave Model | 0 | 1 | 1 |
| | Advance Computer | 0 | 1 | 1 |
| | Accounting for Fleet | 1 | 0 | 1 |
| PUBLIC SAFETY | Hazardous Chemical Technicians | 3 | 1 | 4 |
| | Road marking | 3 | 2 | 5 |

| | | | | |
|-----------|---------------------------------------------------------------------------------------------|----|---|----|
| | Road Transport Management in the Public Sector | 4 | 3 | 7 |
| | Life Scan Operator | 2 | 0 | 2 |
| | Advance disaster course | 0 | 1 | 1 |
| | Office Admin | 1 | 3 | 4 |
| PLANNING | NC-LED | 1 | 0 | 1 |
| | Project Management | 2 | 0 | 2 |
| MM | Advance Driving | 1 | 0 | 1 |
| | Project Management | 0 | 1 | 1 |
| | Specializing in HIV/AIDS and Health | 1 | 0 | 1 |
| TECHNICAL | Electrical Engineering(Distribution) | 2 | 0 | 2 |
| | Municipal Governance | 1 | 0 | 1 |
| | Diesel Mechanic , | 1 | 0 | 1 |
| | Water and Wastewater Process control | 0 | 1 | 1 |
| | Community Water Health and Sanitation | 1 | 0 | 1 |
| | Office Admin | 0 | 2 | 2 |
| | Municipal Governance | 1 | 0 | 1 |
| | Water and Wastewater Treatment Process Operations and Water L2 and Water Process Control L3 | 14 | 4 | 18 |
| | Bricklaying Management | 2 | 0 | 2 |
| FINANCE | Procurement Management | 0 | 1 | 1 |

| | | | | |
|---------------------------------------------------|--------------------------------|----|---|----|
| PLANNED LEARNING INTERVENTIONS FOR THE UNEMPLOYED | Stock Management | 1 | 0 | 1 |
| | MFMP | 0 | 1 | 1 |
| | Electrical Engineering | 10 | 5 | 15 |
| | Waste Materials Plant Operator | 2 | 2 | 4 |
| | Capacity Building | 0 | 5 | 5 |
| | Plumbers Assistant | 17 | 5 | 22 |

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

4.5 EMPLOYEE EXPENDITURE

Workforce expenditure for the period is categorized into section 57 managers and other employee costs.

Table below illustrates the expenses per category.

| Category of employees | Total expenditure | % of expenditure |
|------------------------------------|-------------------|------------------|
| Section 57 Managers | | |
| Other employees | | |
| Total employees expenditure | | |

CHAPTER 5: FINANCIAL PERFORMANCE

COMPONENT A: Statement of Financial Performance

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

5.1 STATEMENT OF FINANCIAL PERFORMANCE

5.2 ASSET MANAGEMENT

| LA Code | Dept | Item | Item Name | Account | Budget | Column1 | AL Debit | AL Credit |
|---------|------|------|---------------------------|---------|--------------|---------|--------------|-----------|
| MC | | 834 | 838000 PPE OFFICE EQUIP | A | 1785329.59 | | 5108793.12 | 0 |
| MC | | 834 | 838100 PPE FURNITURE AN | A | 14750698.58 | | 3605737.31 | 0 |
| MC | | 834 | 838200 PPE PLANT AND EQ | A | 4602001.2 | | 1035562.65 | 0 |
| MC | | 834 | 838211 LAND | A | 63600000 | | 58276791.84 | 0 |
| MC | | 834 | 838300 PPE IT EQUIPMENT | A | 6850331.41 | | 227954.27 | 0 |
| MC | | 834 | 838400 ROAD NETWORK | A | 407580627.48 | | 474021166.75 | 0 |
| MC | | 834 | 838500 OPERATIONAL FACI | A | 177412845.39 | | 113098241.15 | 0 |
| MC | | 834 | 838502 SPORTS FACILITIES | LA | 2566000 | | 0 | 0 |
| MC | | 834 | 838512 HOUSING | A | 0 | | 2179489.58 | 0 |
| MC | | 834 | 838513 SOCIAL FACILITIES | A | 63600000 | | 7342448.72 | 0 |
| MC | | 834 | 838516 DEV LAND SITE TH | A | 1000000 | | 0 | 0 |
| MC | | 834 | 838517 BRIDGES | A | 0 | | 84361297.72 | 0 |
| MC | | 834 | 838600 PPE MOTOR VEHICL | A | 37564224.33 | | 6350607.35 | 0 |
| MC | | 834 | 838602 FLEET | A | 5000000 | | 0 | 0 |
| MC | | 834 | 838700 SANITATION NETW | A | 27981157.27 | | 199277099.1 | 0 |
| MC | | 834 | 838800 ELECTRICITY NETW | A | 120768834.29 | | 82320270.64 | 0 |
| MC | | 834 | 838900 WATER SUPPLY NET | A | 69459048.45 | | 210200433.02 | 0 |
| MC | | 834 | 838903 PPE SECURITY EQUIP | A | 377360 | | 79770.2 | 0 |
| MC | | 834 | 838904 PPE AUTO VISUAL E | A | 23320 | | 0 | 0 |
| MC | | 834 | 838905 PPE EMERGENCY EQ | A | 142040 | | 15287.41 | 0 |
| MC | | 834 | 838906 INFRASTRUCTURE P | A | 57466840 | | 0 | 0 |
| MC | | 834 | 838907 INFRASTRUCTURE R | A | 112084400 | | 0 | 0 |
| MC | | 834 | 838908 STORMWATER NETW | A | 106000000 | | 27304559.37 | 0 |
| MC | | 834 | 838909 INFRASTRUCTURE B | A | 1032440 | | 0 | 0 |
| MC | | 834 | 838910 INFRASTRUCTURE T | A | 2862 | | 0 | 0 |
| MC | | 834 | 838911 INFRASTRUCTURE W | A | 5300000 | | 10415239.47 | 0 |
| MC | | 834 | 838913 SERVITUDES | A | 0 | | 71375243.26 | 0 |
| MC | | 834 | 839000 INTANGIBLE ASSET: | A | 1191440 | | 0 | 0 |
| MC | | 834 | 839100 BIOLOGICAL ASSETS | A | 890000 | | 760591.67 | 0 |
| MC | | 834 | 839200 WORK IN PROGRESS | A | 90000000 | | 2624288.48 | 0 |
| MC | | 834 | 839300 investment propert | A | 1484000 | | 0 | 0 |
| MC | | 834 | 839500 SOLID WASTE FACIL | A | 0 | | 824162.45 | 0 |
| MC | | 834 | 839600 SPORT AND RECREA | A | 0 | | 55910014.78 | 0 |
| MC | | 834 | 839602 ROADS MANAGEME | A | 1000000 | | 0 | 0 |

5.3. FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

The ratios will be calculated upon finalization of the Annual Financial Statements.

COMPONENT B: Spending against Capital Budget

5.4 CAPITAL EXPENDITURE

The Municipality only has one capital project currently being implemented and this is the Thabazimbi Waste Water Treatment Works. The total project cost is R102 Million and this is being managed from the Waterberg District Municipality. By the 30th of June 2017 a total of R20million had been spent on the project reflecting a total spending of approximately 20% of the total project value.

| | Original Budget | Budget adjustments | Final adjustment budget | Actual outcome | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--------------------------------------|----------------------------|-------------------------------|----------------------------------------|---------------------------|-----------------|----------------------------------------------------|---------------------------------------------------------------|
| Total capital expenditure | 303 508 000 | 250 530 000 | 20 703 000 | 239 772 000 | 63 736 000 | 21% | |

5.3 SOURCES OF FINANCE

COMMENT ON SOURCES OF FUNDING:

Capital Expenditure is partly funded by the National Government through National Treasury and partly from the Municipal own sources. The Municipal Infrastructure Grant is one of the critical programmes that the government uses to fund capital projects to Municipalities. During the 2016/17 financial year Thabazimbi Local Municipality was allocated a total of R29 million for MIG projects. However, R19m of these funds were withheld by National Treasury and CoGTA due to non-registration of projects and low spending on the conditional funds.

The Actual spending for the year is as shown above with the remaining balance to be returned to the National Treasury. During the financial year 2014/15 the Municipality repaid a total of R12.6m back to National Treasury due to non-compliances on spending during 2012/13 and 2013/14 financial years.

The MIG programme for the 2016/17 financial year will be administered by Waterberg District Municipality to try and resuscitate the programmes and also to ensure adequate spending of the grant for the intended purposes.

| Sources of capital funds | Original Budget | Budget adjustments | Final adjustment budget | Actual outcome | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--------------------------------|-----------------|--------------------|-------------------------|----------------|----------|-------------------------------------|----------------------------------------|
| Municipal Infrastructure Grant | | | | | | | |
| Internally generated funds | | | | | | | |

| | Capital Expenditure of 5 largest projects | | | | | |
|--------------------------------|-------------------------------------------|---------------------------------|----------------------|-----------------------|--------------------------|-------------------------|
| | R' 000 | | | | | |
| Name of Project | Current Year | | | | Variance Current Year | |
| | Original Budget (Vat Inc.) | Awarded Amount (Vat Inc.) | Adjustment Budget | Actual Expenditure | Original Variance (%) | Adjustment variance (%) |
| Waste water treatment plant | R 86 627 000.00 | R 86 627 000.00 | None | R 86 627 000.00 | None | None |

5.6 CAPITAL SPENDING ON 5 LARGEST PROJECTS

5.7 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

5.8 CASH FLOW STATEMENTS

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

The municipality has a small balance of investments with ABSA and Sanlam remaining from prior years. The Cash management strategies in place at the municipality need to be significantly improved as the finances have completely collapsed with conditional grants being used for purposes other than intended.

LIM361 Thabazimbi - Table C7 Monthly Budget Statement - Cash Flow - M12 June

| Description | Ref | 2016/17 | Budget Year 2017/18 | | | | | | | |
|---------------------------------------------------|-----|-----------------|---------------------|-----------------|----------------|---------------|---------------|--------------|----------------|--------------------|
| | | Audited Outcome | Original Budget | Adjusted Budget | Monthly actual | YearTD actual | YearTD budget | YTD variance | YTD variance % | Full Year Forecast |
| R thousands | 1 | | | | | | | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | | | |
| Receipts | | | | | | | | | | |
| Property rates | | | 33,011 | 33,011 | 2,931 | 30,272 | 33,011 | (2,739) | -8% | 33,011 |
| Service charges | | | 107,664 | 69,464 | 7,100 | 63,693 | 69,464 | (5,772) | -8% | 69,464 |
| Other revenue | | | 11,605 | 3,499 | 2,801 | 15,305 | 3,499 | 11,806 | 337% | 3,499 |
| Government - operating | | | 72,129 | 72,129 | | 72,168 | 72,129 | 39 | 0% | 72,129 |
| Government - capital | | | 33,759 | 33,759 | | - | 33,759 | (33,759) | -100% | 33,759 |
| Interest | | | 6,657 | 3,657 | 210 | 5,049 | 3,657 | 1,392 | 38% | 3,657 |
| Dividends | | | | | | | | - | | |
| Payments | | | | | | | | | | |
| Suppliers and employees | | | (268,219) | (203,095) | (22,451) | (539,812) | (203,095) | 336,717 | -166% | (203,095) |
| Finance charges | | | (7,405) | (14,939) | (16) | (162) | (14,939) | (14,777) | 99% | (14,939) |
| Transfers and Grants | | | | | | | | - | | |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | | - | (10,799) | (2,515) | (9,427) | (353,488) | (2,515) | 350,973 | -13954% | (2,515) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | |
| Receipts | | | | | | | | | | |
| Proceeds on disposal of PPE | | | | | | | | - | | |
| Decrease (Increase) in non-current debtors | | | (16,874) | (16,874) | | | (16,874) | 16,874 | -100% | (16,874) |
| Decrease (increase) other non-current receivables | | | | | | | | - | | |
| Decrease (increase) in non-current investments | | | | | | | | - | | |
| Payments | | | | | | | | | | |
| Capital assets | | | (35,259) | (114,677) | | | (114,677) | (114,677) | 100% | (114,677) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | | - | (52,133) | (131,551) | - | - | (131,551) | (131,551) | 100% | (131,551) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | | |
| Receipts | | | | | | | | | | |
| Short term loans | | | | | | | | - | | |
| Borrowing long term/refinancing | | | | | | | | - | | |
| Increase (decrease) in consumer deposits | | | 259 | 259 | | | 259 | (259) | -100% | 259 |
| Payments | | | | | | | | | | |
| Repayment of borrowing | | | (1,274) | (1,274) | | (531) | (1,274) | (742) | 58% | (1,274) |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | | - | (1,015) | (1,015) | - | (531) | (1,015) | (483) | 48% | (1,015) |
| NET INCREASE/ (DECREASE) IN CASH HELD | | - | (63,946) | (135,080) | (9,427) | (354,020) | (135,080) | | | (135,080) |
| Cash/cash equivalents at beginning: | | | 639 | 639 | | 3,921 | 639 | | | 3,921 |
| Cash/cash equivalents at month/year end: | | - | (63,307) | (134,441) | | (350,099) | (134,441) | | | (131,160) |

| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|

COMMENT ON CASH FLOW OUTCOMES:


The municipality is facing cash flow challenges and this has seen the municipality failing to honour most of its financial obligations to Eskom and Magalies for a number of years. The revenue collection of the Municipality and billing has also been going down throughout the years mainly due to the condition of the municipal water and electrical meters in and around the Municipality.

More debt collection strategies must be pursued to ensure that the municipality improves its collections and sustainability. Electricity and Water distribution losses are approximately 25% and 42% respectively, should this remain as is, the all efforts to try and improve the status quo would be very difficult to yield any meaningful results.

5.6 BORROWING AND INVESTMENTS

INTRODUCTION TO BORROWING:

The municipality obtained long term loans from the Development bank of South Africa (DBSA) for a number of capital projects ranging from Electrification to Roads projects in 1998. Please see schedule below for the remaining balance of the loans.

|  | Municipality name | Thabazimbi Local Municipality | | | | | |
|-----------------------------------------------------------------------------------|----------------------------|--------------------------------|---------------------------|-----------------|--------------------------------|----------------------------|------------------|
| | Financial year end | 2017/2018 | | | | | |
| | Investment register | | | | | | |
| | 41455 | Saturday, June 30, 2018 | | | | | |
| | | 30-Jun-18 | | | | | |
| Account number | Vote Number | Vote description | Investment classification | Investment type | Balance per investor statement | Balance per General ledger | Difference |
| 2057649514' | 870/870/0883 | ABSA Investment | Investments | Fixed Deposit | | | - |
| 48610327' | 870/870/0881 | Sanlam Investment | Investments | Unit Trust | 36,305.49 | | 36,305.49 |
| 50888081' | 870/870/0882 | Sanlam Investment | Investments | Unit Trust | 59,285.63 | | 59,285.63 |
| 9301244384' | Create | ABSA Investment | Investments | Liquidity Plus | 11,958.53 | | 11,958.53 |
| | | | | | 107,549.65 | - | 95,591.12 |
| Proposed Journals | | | | | | | |
| Votes | Description | | | DR | | CR | |
| 870/870/0883 | ABSA Investment | | | - | | | |
| 870/870/0881 | Sanlam Investment | | | 36,305.49 | | | |
| 870/870/0882 | Sanlam Investment | | | 59,285.63 | | | |
| 870/870/0883 | Old Mutual Investment | | | - | | | |
| 802/130/1300 | Interest n investment | | | | | - | |
| 802/130/1301 | Dividends | | | | | 95,591.12 | |
| | | | | | | | |

COMMENT ON BORROWING AND INVESTMENTS:

The Municipality has struggled to service the Long Term loan from DBSA and the Municipality negotiated new payment terms with DBSA. The new repayment terms will only commence in January 2017 and will endure for a period of 5 years.

The new re-payment terms makes it possible for the Municipality to honor the debt as compared to the original terms and repayment conditions.

COMPONENT D: OTHER FINANCIAL MATTERS

5.7 SUPPLY CHAIN MANAGEMENT

SUPPLY CHAIN MANAGEMENT

The Municipality has established a Supply Chain Management (SCM) Unit in terms of the Municipal Finance Management Act (MFMA) and the unit has a total of four employees working directly under the unit. The position of the Manager Supply Chain Management is vacant with an official seconded from the internal audit to assist in the department.

All the employees currently in the SCM do not meet the minimum competency levels required for SCM officials. However, training programmes including the MFIP have commenced and the officials will see themselves registered and trained.

5.8 GRAP COMPLIANCE

GRAP COMPLIANCE

GRAP is the acronym for **Generally Recognized Accounting Practice** and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

CHAPTER 6: AUDITOR GENERAL AUDIT FINDINGS

5.12. AUDITOR GENERAL ACTION PLAN 2016/17

| | FINANCIAL YEAR | 2016/17 | | | | | | | | | | |
|---|-------------------|-------------------------------|-------------------------------------------------------------------------------------|----------------|--------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|------------|-----------------|-------------|-------------|-------------|-----------------------|
| | Municipality Name | Thabazimbi Local Municipality | | | | | | | | | | |
| | Audit Opinion | Disclaimer | | | | | | | | | | |
| | Reporting Period | 2016/17 | | | | | | | | | | |
| | Audit Findings | Category of Finding | Description of Finding | Finding status | Root Cause | Action Plan Description | Start Date | Completion Date | Position | Progress | Probability | Narrative to Progress |
| 1 | Procurement | Administrative matters | Unauthorised, irregular or fruitless and wasteful expenditure not formerly reported | New | Lack of consequences for poor performance and transgressions | Ensure compliance with MFMA: SCM Regulations by reporting all the UIFW incurred to Council, MEC and Auditor General. Registers to be | 01/12/2018 | 31/1/2019 | SCM Manager | In progress | | |

| | | | | | | | | | | | | |
|---|--|--|--|--|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|----------------|-------------|--|--|
| | | | | | | compiled as and when these expenditures are incurred, and will be reported on a quarterly basis to the AO and thereafter be tabled to Council. | | | | | | |
| 2 | | | | | Instability or vacancies in key positions | The CFO must ensure that the bank reconciliations are completed | 01/12/2018 | 31/01/2019 | Budget Manager | In progress | | |

| | | | | | | | | | | | | |
|---|--|--|--|--|--------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|----------------------|-------------|--|--|
| 3 | | | | | Lack of consequences for poor performance and transgressions | The accounting officer and management will ensure that grant regulations are adhered to and that grants are correctly recognized | 01/12/2018 | 31/01/2019 | CFO | In progress | | |
| 4 | | | | | Lack of consequences for poor performance and transgressions | The correction was done on the creditor's outstanding balance in September 2017 when the error was discovered, the creditor outstanding balance is correct reflected currently. | 01/12/2018 | 31/01/2019 | Manager; Expenditure | In progress | | |
| | | | | | Lack of understanding of accounting framework, policies and | | | | | | | |

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|---|------------------|------------------------|-----------------------------------------------------------------------------|-----------|------------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------|------------|-----------------|-------------|--|--|
| | | | | | procedures | | | | | | | |
| 5 | | | | | Slow response by management | The Accounting Officer and Chief Financial Officer must ensure the timely updating of signatories. | 01/12/2018 | 31/01/2019 | CFO | In progress | | |
| 6 | Other Disclosure | Administrative matters | MFMA Section 71 reports not being issued to the Mayor during the 2016/17 FY | Recurring | Other reason (please explain) Disagree with finding | The accounting officer will continue to ensure that the sec. 71 reports are submitted to the mayor | 01/12/2018 | 31/01/2019 | Manager: Budget | In progress | | |
| 7 | Human Resources | Administrative matters | The municipality did not have an active PMS division for 2016/ | Recurring | Instability or vacancies in key positions | Appoint personnel in PMS unit | 01/12/2018 | 31/01/2019 | PMS | Completed | | |

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|---|-----------------|---------------------------------------|------------------------------------------------------------------|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|-----------------------------|--------------------|--|--|
| | | | 17 Audit Findin g | | | | | | | | | |
| 8 | Procur ement | Admin istrativ e matter s | Lowes t quotat ion not select ed. | Ne w | <div>Lack of conseq uences for poor perfor mance and transgr ession s</div> <div>Lack of unders tandin g of accoun ting frame work, policie s and proced ures</div> | <ul style="list-style-type: none"> • SCM procedur e manual to be develope d • A checklist to be develope d to check complian ce with legislatio ns | 01/1 2/20 18 | 31/0 1/20 19 | Mana ger:SC M | In prog ress | | |
| 9 | Receiv ables | Admin istrativ e matter s | Non Submi sion of suppor ting docum ent for | Ne w | Slow respon se by manag ement | Submit the requeste d informati on to AG. | 01/1 2/20 18 | 31/0 1/20 19 | Mana ger: Reven ue | In prog ress | | |

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|----|------------------|------------------------|-----------------------------------------|-----------|--------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|-------------|-------------|--|--|
| | | | revenue journal. | | | | | | | | | |
| 10 | Other Disclosure | Administrative matters | Misstatement: Disclosure of receivables | New | Insufficient engagement between relevant parties | Management will review the validity of disclosed totals | 01/12/2018 | 31/01/2019 | CFO | In progress | | |
| 11 | Human Resources | Administrative matters | Lack of Human Resource Management | Recurring | Lack of consequences for poor performance and transgressions | The high vacancy rate of Section 56/57 Managers was due to resignations of managers and 2 Managers were suspended and their contracts were terminated. Currently only one position of section | 01/12/2018 | 31/01/2019 | Manager: HR | In progress | | |

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|--|--|--|--|--|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|--|--|
| | | | | | | <p>56 Manager is vacant and the position will be advertise d as soon as possible. The continual monitori ng and training of staff in relation to ethical values was not taking place due financial challenge s but process will unfold with effect from the first quarter of the new FY 2018/19.</p> | | | | | | |
|--|--|--|--|--|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|--|--|

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|--------|-------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|---------|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|---------------------------------------|--------------------|--|--|
| 1 2 | Other Disclos ure | Admin istrativ e matter s | Gover nance - No signed declar ations by all Counci l memb ers | Ne w | Lack of conseq uences for poor perfor mance and transgr ession s | Manage ment to improve on record keeping | 01/1 2/20 18 | 31/0 1/20 19 | MAN AGER: INTER NAL AUDIT | In prog ress | | |
| 1 3 | Other Disclos ure | Admin istrativ e matter s | : No proof of submi ssion of the draft munici pal SDBIP to the mayor the by munici pal manag er | Ne w | Slow respon se by manag ement | Submit the SDBIP to mayor and obtain acknowle dgement of receipt from the mayor's office. | 01/1 2/20 18 | 31/0 1/20 19 | MM | In prog ress | | |
| 1 4 | Other Disclos ure | Admin istrativ e matter s | The munici pality did not make public the adjust ment budge t | Ne w | Instabi lity or vacanc ies in key positio ns | The accounti ng officer must ensure that the approved adjustme nts budget is made public | 01/1 2/20 18 | 31/0 1/20 19 | AO | In prog ress | | |

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|----|-----------------|------------------------|---------------------------------------------|-----------|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|------------|------------|----------------------|-------------|--|--|
| 15 | Human Resources | Administrative matters | Human Resources Management related findings | Recurring | Instability or vacancies in key positions | The municipality will review performance information evidence on a quarterly basis | 01/12/2018 | 31/01/2019 | Manager: HR | In progress | | |
| 16 | Payments | Administrative matters | Expenditure Limitation of Scope | Recurring | Slow response by oversight | Proper records keeping will be implemented and made readily available as and when required | 01/12/2018 | 31/01/2019 | Manager: Expenditure | In progress | | |
| 17 | Payments | Administrative matters | Non-submission of information | Recurring | Slow response by management | DIFFERENCE RELATED TO AFS AND GL, LEAD SCHEDULES PROVIDED DID NOT AGREE TO AFS. AFS AND LEAD SCHEDULES MUST BE REVIEWED BY CFO. | 01/12/2018 | 31/01/2019 | Manager: Expenditure | In progress | | |

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|----|------------------|------------------------|---------------------------------------------------------------------------------|-----------|------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|------------|------------|----------------------|-------------|--|--|
| 18 | Payments | Administrative matters | Misstatement: VAT Returns Control deficiency: VAT transactions | Recurring | Slow response by management | DIFFERENCE RELATED TO AFS AND GL, LEAD SCHEDULES PROVIDED DID NOT AGREE TO AFS. AFS AND LEAD SCHEDULES MUST BE REVIEWED BY CFO. | 01/12/2018 | 31/01/2019 | Manager: Expenditure | In progress | | |
| 19 | Other Disclosure | Administrative matters | Control deficiency: Disclosure of accounting policy in the financial statements | Recurring | Lack of understanding of accounting framework, policies and procedures | Management will design, implement and disclose the correct policies | 01/12/2018 | 31/01/2019 | CFO | In progress | | |

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|----|------------------|------------------------|--------------------------------------------------------------------------------------|-----------|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|------------|------------|---------------------|-------------|--|--|
| 20 | Other Disclosure | Administrative matters | Non-submission of information | Recurring | Lack of understanding of accounting framework, policies and procedures Key officials lack appropriate competencies | <ul style="list-style-type: none"> Implementation of a proper record management system | 01/12/2018 | 31/01/2019 | Manager: SCM | In progress | | |
| 21 | Payments | Administrative matters | Overstatement of Bulk Purchases | Recurring | Slow response by oversight | | 01/12/2018 | 31/01/2019 | MANAGER EXPENDITURE | In progress | | |
| 22 | Other Disclosure | Administrative matters | Misstatement: Amount per commitment register does not agree to the AFS Audit Finding | New | Key officials lack appropriate competencies | <ul style="list-style-type: none"> Disclosure of correct information on the AFS | 01/12/2018 | 31/01/2019 | CFO | In progress | | |

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|----|----------|------------------------|-------------------------------|-----------|------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|------------|------------|---------------------|-------------|--|--|
| 23 | Payments | Administrative matters | Non-submission of information | Recurring | Email are delayed or not sent to all relevant departments | Communication can be improved between the AG and Municipality, and internal in the municipality | 01/12/2018 | 31/01/2019 | MANAGER EXPENDITURE | In progress | | |
| 24 | Payments | Administrative matters | Non-submission of information | Recurring | Lack of understanding of accounting framework, policies and procedures | RIF must be sent to all relevant departments. | 01/12/2018 | 31/01/2019 | MANAGER EXPENDITURE | In progress | | |
| 25 | Payments | Administrative matters | Non-submission of information | Recurring | Slow response by management | Record keeping system can be improved . Employees can receive training | 01/12/2018 | 31/01/2019 | MANAGER EXPENDITURE | In progress | | |

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|----|----------|------------------------|-------------------------------|-----------|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|---------------------|-------------|--|--|
| 26 | Payments | Administrative matters | Non-submission of information | Recurring | Lack of consequences for poor performance and transgressions | <ul style="list-style-type: none"> • Implementation of a proper record management system • Adherence to SCM Regulations | 01/12/2018 | 31/01/2019 | MANAGER EXPENDITURE | In progress | | |
| 27 | Payments | Administrative matters | Non submission of information | Recurring | Slow response by oversight | Record system must be improved . Employee must be sent for training. | 01/12/2018 | 31/01/2019 | MANAGER EXPENDITURE | In progress | | |

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|----|-----------|------------------------|-------------------------------------------------|-----------|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|------------|------------|---------------------|-------------|--|--|
| 28 | Payments | Administrative matters | Limitation of scope. | New | Slow response by oversight | A DESCRIPTION IN DETAIL MUST BE ATTACHED ADDITIONAL TO THE COPIES OR PRINT OUT WHICH IS CURRENTLY ATTACHED TO THE JOURNALS. | 01/12/2018 | 31/01/2019 | MANAGER EXPENDITURE | In progress | | |
| 29 | Payments | Administrative matters | Non-submission of information | Recurring | Slow response by oversight | Proper records keeping will be implemented and made readily available as and when required. | 01/12/2018 | 31/01/2019 | Manager: Budget | In progress | | |
| 30 | Inventory | Administrative matters | Monthly Inventory reconciliation not performed. | Recurring | Lack of understanding of accounting framework, policies and | •Implementation of Inventory Management Policy and procedures | 01/12/2018 | 31/01/2019 | Manager: SCM | In progress | | |
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|----|------------------|------------------------|-------------------------------------------------------------------------------------------------------------------|-----|------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|------------|------------|-----|-------------|--|--|
| | | | | | procedures | e manuals | | | | | | |
| 31 | Bank | Administrative matters | Difference in the trial balance compared to bank confirmation. | New | Slow response by oversight | Management will ensure the correct transparency of systems | 01/12/2018 | 31/01/2019 | CFO | In progress | | |
| 32 | Other Disclosure | Administrative matters | Misstatement: Unauthorized, Irregular, Fruitless and Wasteful expenditure disclosure not appropriately disclosed. | New | Lack of understanding of accounting framework, policies and procedures | Management will ensure the correct disclosure and presentation of amounts. Verification and review of disclosed amounts need to be done | 01/12/2018 | 31/01/2019 | CFO | In progress | | |

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|----|-------------|------------------------|------------------------------------------------|-----------|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|--------------|-------------|--|--|
| 33 | Procurement | Administrative matters | Use of consultants for year ended 30 June 2017 | New | Instability or vacancies in key positions Lack of consequences for poor performance and transgressions | <ul style="list-style-type: none"> • Implementation of a proper records management system • Compliance with SCM Regulations | 01/12/2018 | 31/01/2019 | Manager: SCM | In progress | | |
| 34 | Procurement | Administrative matters | Non-submission of information | Recurring | Lack of consequences for poor performance and transgressions | <ul style="list-style-type: none"> • Implement a proper record management system | 01/12/2018 | 31/01/2019 | Manager: SCM | In progress | | |

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| 35 | Other Disclosure | Administrative matters | Non-submission of information | Recurring | Slow response by oversight | <ul style="list-style-type: none"> Internal controls need to be designed and implemented Expenditure department together with B & R will maintain appropriate recording keeping system | 01/12/2018 | 31/01/2019 | Manager: Budget | In progress | | |
| 36 | Other Disclosure | Administrative matters | Mistatement: Unauthorized, Irregular, Fruitless and Wasteful expenditure schedule does not agree to the annual | New | Lack of understanding of accounting framework, policies and procedures | <ul style="list-style-type: none"> Review of AFS prior to submission to Auditor General | 01/12/2018 | 31/01/2019 | Manager: SCM | In progress | | |

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|----|------------------|------------------------|-------------------------------------------------------------------------------------------|-----------|-----------------------------|--------------------------------------------------------------------------------------------|------------|------------|-----|-------------|--|--|
| | | | financial statement. | | | | | | | | | |
| 37 | Other Disclosure | Administrative matters | Non-submission of information Unauthorized, Irregular, Fruitless and Wasteful Expenditure | Recurring | Slow response by management | Proper records keeping will be implemented and made readily available as and when required | 01/12/2018 | 31/01/2019 | CFO | In progress | | |

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|----|-----------------|------------------------|--------------------------------------------------------------------------------------------------------------|-----|---------------------------------------------|--|------------|------------|-------------|-------------|--|--|
| 38 | Payments | Administrative matters | Misstatement: Unreconciled differences in leave days taken by employees between PAYDAY and the Employee file | New | Key officials lack appropriate competencies | | 01/12/2018 | 31/01/2019 | Manager. HR | In progress | | |
| 39 | Human Resources | Administrative matters | Unreconciled differences in opening and closing balances of leave days balances. | New | Key officials lack appropriate competencies | | 01/12/2018 | 31/01/2019 | Manager. HR | In progress | | |

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|----|----------|------------------------|------------------------------------------------------------------------------------|-----------|--------------------------------------------------------------|-------------------------------------------------------------------|------------|------------|-----------------|-------------|--|--|
| 40 | Payments | Administrative matters | Difference of record of payments as per the General Ledger and the DBSA statements | Recurring | Lack of consequences for poor performance and transgressions | Balance reflected for DBSA must be corrected in the loan register | 01/12/2018 | 31/01/2019 | Manager: Budget | In progress | | |
|----|----------|------------------------|------------------------------------------------------------------------------------|-----------|--------------------------------------------------------------|-------------------------------------------------------------------|------------|------------|-----------------|-------------|--|--|

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|--------|-----------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|---------------------|--------------------|--|--|
| 4 1 | Procur ement | Admin istrativ e matter s | <ul style="list-style-type: none"> Suppli ers did not declar e interes ts for year ended 30 June 2017 | Ne w | Lack of unders tandin g of accoun ting frame work, policie s and proced ures Instabi lity or vacanc ies in key positio ns Lack of conseq uences for poor perfor mance and transgr ession s | <ul style="list-style-type: none"> Adherenc e to MFMA: SCM Regulatio ns Impleme ntation of proper internal controls – (complan ce checklist to be develope d) | 01/1 2/20 18 | 31/0 1/20 19 | Mana ger: SCM | In prog ress | | |
|--------|-----------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|---------------------|--------------------|--|--|

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|--------|----------------------------|---------------------------------------|---------------------------------------------------------------------------------------------------|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|-------------------------------------|--------------------|--|--|
| 4 2 | Immo vable Assets | Admin istrativ e matter s | Lack of Proper Asset Manag ement | Rec urri ng | Instabi lity or vacanc ies in key positio ns Lack of conseq uences for poor perfor mance and transgr ession s Key official s lack appro priate compe tencies | The municipa lity will ensure that a fully GRAP 17 complan t FAR is in place and all the assets of the municipa lity of the municipa lity are accounte d for | 01/1 2/20 18 | 31/0 1/20 19 | Asset Office r Contr ol | In prog ress | | |
| 4 3 | Huma n Resou rces | Admin istrativ e matter s | No Fraud Policy was in place during the 2016/ 17 Financ ial Year | Ne w | Instabi lity or vacanc ies in key positio ns | Fraud preventio n policy to be develope d and submitte d to council for approval | 01/1 2/20 18 | 31/0 1/20 19 | | In prog ress | | |

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|----|------------------|------------------------|----------------------------------------------------|-----------|---------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|------------|------------|------------------------------|-------------|--|--|
| 44 | Immovable Assets | Administrative matters | Biological Assets Non-submission of information | Recurring | Other reason (Lack of proper communication with the service providers) | The municipality will appoint services providers which comply with the legislation and meet the specified specifications. | 01/12/2018 | 31/01/2019 | Asset Office r Control | In progress | | |
| 45 | Human Resources | Administrative matters | No detailed Disciplinary procedures in place. | New | Slow response by management Slow response by oversight | CONTINUOUS USE OF THE AGREEMENT | 01/12/2018 | 31/01/2019 | Manager: Legal | In progress | | |
| 46 | Receivables | Administrative matters | Properly rates act - non compliance | New | Key officials lack appropriate competencies | | 01/12/2018 | 31/01/2019 | | | | |

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|----|--------------------------|------------------------|--------------------------------------------------|-----------|--------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|-------------|-------------|--|--|
| 47 | Records | Administrative matters | Non submission of information-Spatial Dev. & LED | New | Lack of consequences for poor performance and transgressions | Develop a weekly program to monitor performance and also ensure monthly reporting by Management. Key Positions advertised and will be filled before end of 2018/19 financial year. Officials Skills Audit and develop skills training plan | 01/12/2018 | 31/01/2019 | LED Manager | In progress | | |
| | Predetermined objectives | Administrative matters | AOPO: Non submission of information | Recurring | Slow response by management | Ensure that AGSA request of information are responded to timeously. Delegate | 01/12/2018 | 31/01/2019 | | In progress | | |

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|--|--------------------------|------------------------|-------------------------------------------------------------------------|-----|----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|--|-------------|--|--|
| | | | | | | two officials to deal with AGSA RFIs. | | | | | | |
| | Predetermined Objectives | Administration matters | The municipality did not make public the adjustment budget | New | Other reason (No response from SITA as they are responsible to update the municipal website) | Ensure that budget adjustment is made public within the prescribed period after approval. Make continuous follow up with SITA so that they update the Municipal website. | 01/12/2018 | 31/01/2019 | | In progress | | |
| | Predetermined objectives | Administration matters | No proof of submission of a copy of the IDP by the municipal manager to | New | Slow response by management | Ensure that there is acknowledgement of receipt from the MEC office for receiving of the IDP. Request feedback | 01/12/2018 | 31/01/2019 | | In progress | | |

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|--|------------------------|-------------------------|-------------------------------------------------------|-----|---------------------------------------------|-----------------------------------------------------------|------------|------------|-----------------|-------------|--|--|
| | | | the MEC for local government | | | from the MEC office in terms of the IDP | | | | | | |
| | Other disclosure | Other important matters | Non-Compliance with Operating Lease Accounting Policy | New | Instability or vacancies in key positions | | 01/12/2018 | 31/01/2019 | Manager: Budget | In progress | | |
| | Information technology | Administration matters | Overstatement of IT Related Costs | New | Key officials lack appropriate competencies | | 01/12/2018 | 31/01/2019 | Manager: IT | In progress | | |
| | Procurement | Administration matters | No Procurement plan in place | New | Instability or vacancies in key positions | A procurement plan will be developed for each department. | 01/12/2018 | 31/01/2019 | Manager: SCM | In progress | | |
| | Procurement | Administration matters | SCM: Non-submission to council | New | Instability or vacancies in key positions | Municipality to appoint MPAC research and conduct | 01/12/2018 | 31/01/2019 | Manager: SCM | In progress | | |

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|--|--------------------------|----------------------------------------|----------------------------------------------------|-----------|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|-----|-------------|--|--|
| | | | Lack of investigations by MPAC | | | investigation for MPAC | | | | | | |
| | Other disclosure | Administration matters | Prior Year findings not addressed - No Audit File | Recurring | Key officials lack appropriate competencies | Monitor the implementation of action plan to verify that opening balances are corrected . Develop a file to support correction of the opening balances. | 01/12/2018 | 31/01/2019 | CFO | In progress | | |
| | Other disclosure | Matters affecting the auditor's report | Significant differences between AFS and MunSoft TB | Recurring | Key officials lack appropriate competencies | | 01/12/2018 | 31/01/2019 | CFO | In progress | | |
| | Predetermined objectives | Administration matters | Non submission of information-4th quarter report | Recurring | Slow response by management | Ensure that AGSA request of information are responded to timeously. The | 01/12/2018 | 31/01/2019 | PMS | In progress | | |

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|--|--|--|-------------|--|--|-------------------------------------------------------------------------------------------|--|--|--|--|--|--|
| | | | for LED. | | | municipa lity to delegate d two officials to deal with AGSA RFIs. | | | | | | |
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5.13. THABAZIMBI LOCAL MUNICIPALITY

ANNUAL REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 30 JUNE 2017

1. OBJECTIVE

The purpose of this report is to present the Audit Committee's activities and progress in carrying out its oversight responsibilities for the financial year ended 30 June 2017 as per section 121 (3) (j) of the MFMA, 2003.

2. TERMS OF REFERENCE

The mandate of the Audit Committee (hereafter referred to as the AC) is legislated in terms of section 166 of the Municipal Finance Management Act, 2003 (MFMA), read with MFMA Circular 65 issued by National Treasury, which requires that the Audit Committee is to advise the Council, the Accounting Officer of the municipality, and his management team on matters relating to amongst others:

- Internal controls and internal audits;
- Adequacy, reliability and accuracy of financial reporting and information;
- Accounting policies;
- Performance and risk management;
- Compliance with appropriate legislations and regulations;
- Any other matter referred to it by the municipality/Council.

Under the present circumstance the Audit Committee is also required to

- To fulfil the function of a Performance management Committee constituted in terms of Regulation 14 (2) of the Local Government: Municipal Planning and Performance Management Regulation 2001, as well as the Risk Management Committee.

The MFMA also requires the Audit Committee to review the Annual Financial Statements and the Annual Performance report of the municipality, and also review, evaluate and respond on matters raised by the Auditor-General.

3. COMPOSITION OF THE AUDIT COMMITTEE AND ATTENDENCE

The Audit Committee term for these financial was expired comprises of five independent members. The AC held the following meetings with the overall management to discuss matters related to governance, internal controls and risk for the 2016/2017 financial year.

| Member | capacity | Meetings attended |
|-------------------|------------------------------|--------------------------|
| Mr L.E .Mphahlela | Chairperson | 3 |
| Mr OP. Mokoena | Member | 3 |
| Mr LT Nevomdewe | Member | 3 |
| Mr OP Mokoena | Chairperson: Risk Management | 2 |

The Audit Committee also held one-on-one meetings with the Chairperson of MPAC, the Municipal Manager and the Chief Financial Officer to discuss matters of concern of the Audit Committee which amongst others are:

- Good governance
- Financial viability and recovery plan
- Organisational restructuring and human resources

4. AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee adopted the appropriate terms of reference in the form of an Audit Committee Charter and has regulated its affairs in compliance with the terms of this Charter, and also discharged its responsibilities as contained therein.

5. EFFECTIVENESS OF INTERNAL CONTROLS

In line with section 62 © (ii) of the MFMA, the Internal audit function of a municipality provides the Audit Committee and management through their internal audits, with reasonable assurance that the internal controls are adequate and effective. This is achieved by an approved risk-based internal audit strategic audit plan, assessing the adequacy of controls and mitigating the risks. The Audit Committee will then monitor the implementation of the corrective actions recommended.

The AC was provided with progress reports to address the Post Audit Action Plan (PAAP) for the previous financial year, but was convinced that not much was done by management to fully and seriously resolve the findings of both the Internal and external audits.

The AC also realised the number of senior management vacancies within the municipality as vacancies will undermine the effective and efficient functioning of the system of internal controls.

It is therefore imperative that management and Council should ensure that these vacancies are filled with qualified, properly skilled and experienced personnel, especially in directorates of budget and treasury as well as Infrastructure and Technical.

The AC is also concerned about the management of fraud and corruption within the municipality, Management has been requested to submit to the audit committee a detailed fraud prevention and action plan to address the fraud risks, if any.

6. EFFECTIVE GOVERNANCE

It is of concern to the Audit Committee that meetings of the Committee are attended by mostly middle-management personnel as most senior management positions are vacant. It is imperative that AC meetings be attended by senior managers of respective directorates in order to ensure that relevant and critical concerns and required action plans as may be applicable to each directorate, may be timeously and effectively discussed and addressed.

Management information and reports requested by internal audit and Audit committee often do not address the specific concerns raised and key challenges and/or specific measurable actions not being included in reports submitted. The management responses are also often submitted after a lengthy period and insistence.

Consequence management should be implemented and disciplinary action be taken where non-compliance exists. Effective governance will also be sacrificed when investigations are not followed-up as mentioned by the AGSA on the management report.

The AC urges the Council of the municipality to continue to lead by example and emphasise on its oversight function and insist on a culture of transparency and accountability in the conduct of management according to the mandate by the Municipal Structures and Municipal Systems Acts, MFMA and Regulations in this respect.

7. INTERNAL AUDIT FUNCTION

The Internal audit function has on several occasions raised a concern with management on the lack of capacity within the unit.

AC recommends that vacancies within the unit be filled with the urgency required in order to function more effectively and efficiently, more responsive to challenges and better able to provide audit reports of high quality to management and Audit committee.

The AC is concerned that almost all internal audit reports and recommendations were not timely addressed by management and thus submitted to the AC without management responses. The lack of progress and response by management in addressing the findings and recommendations of the Internal audit assurance reports remains a critical area in respect of under-performance together with those risk areas identified, not being appropriately addressed.

The AC is however, satisfied that all Internal audit activities were completed in accordance with the approved Internal audit Charter, despite the incapacity within the unit, and that no compromise of the independence or objectivity of the function was observed throughout the year under review.

8. REVIEW AND EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The Audit committee has noted that because of technical challenges beyond their control, the municipality requested to submit the annual financial statements 2016/2017 outside the required period with the Auditor-General and provincial Treasury as prescribed by section 126 (1) (a).

The AC however noted that the late submission of the AFS to the AGSA for auditing was also not appropriately dealt with by Council as required by section 133 (1) of the MFMA, 2003.

The AC confirms that after two meetings of dissatisfaction on the preparation of the AFS 2016/2017, the Audit committee managed to review the presented AFS and recommended for submission to the Auditor-General for audit. The preparation process was not adequately reviewed by the internal audit, independent reviewer and the Audit committee.

The AC is also concerned about the sloppy work performed by the service provider engaged by the municipality to compile the AFS 2016/2017. The AFS were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA, 2003.

AC recommends that immediately AGSA finalises audit and submitted the management and audit reports, the municipality should formulate a post audit action plan (PAAP) to address the findings and recommendations of the AGSA in order to avoid repeat findings and improve the audit outcome for 2017/2018 financial year, as well as ensuring compliance with legislation and regulations.

AC also recommends to management to prepare and submit to the committee's meetings, interim quarterly financial statements that comply with the standards of Generally Recognised Accounting Practice (GRAP), which could assist in performing reconciliations timeously as well as eliminating unnecessary year-end adjustments.

9. PERFORMANCE MANAGEMENT

The Audit Committee is concerned that Performance management is not taken seriously by the municipality. The reports submitted to the AC are not as prescribed by legislation and regulations. It is standard requirement that a municipality should establish a fully-fledged Performance Management System (PMS) unit which will assist and go a long way in monitoring and tracking the implementation of the municipal Independent Development Plan (IDP) as well as the Service Delivery budget implementation plan (SDBIP).

AC noted that sufficient and appropriate audit evidence is not submitted to substantiate or support performance and achievement of the key performance areas, a concern that is raised by the AGSA throughout the management and audit report.

10. RISK MANAGEMENT

The Audit committee needs to applaud Council in appointing the Chairperson of the Risk management committee, who will also serve in the Audit committee.

A Risk management committee was established and its terms of reference reviewed and adopted by the AC.

11. EXTERNAL AUDITORS' REPORTS (AGSA)

The Audit committee has noted with concern that the municipality obtained a disclaimer of opinion from the Auditor-General's audits for previous years including the current financial year.

The Committee held one-on-one discussions with the AGSA in order to resolve and share the concerns raised by the AGSA.

AC confirms that given the implementation of effective and efficient internal controls, matters raised on the AGSA management and audit report could be dealt with and resolved.

The Audit committee concurs and accept the conclusion and audit opinion of the AGSA on the Annual Financial Statements of Thabazimbi Local Municipality for the 2016/2017 financial year.

12. CONCLUSION

The Audit Committee wishes to express its appreciation and thanks towards Council, Speaker as well as chairperson of MPAC who is ever present in AC meetings, including the Municipal Manager and his team, Internal audit unit, for their commitment in supporting the efforts of the committee in its endeavour to enhance and achieve the municipality's mandate.

I S Mogotsi

Chairperson: Audit Committee

Thabazimbi Local Municipality



Thabazimbi Local Municipality
Annual Financial Statements for
the year ended 30 June 2018

Published 30 June 2019

Thabazimbi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity

Municipality

Mayoral committee

Executive Mayor

Cllr M Moselane

Councillors

Cllr L H Joubert (Speaker) Cllr P Strydom (Chief Whip)
Cllr R Manyama (Chairperson of Community Services and
Infrastructure Committee)
Cllr KR Mokwena (Member of Community Service and
Infrastructure Committee)
Cllr IF Kokonyane (Member of Community Service and
Infrastructure Committee)
Cllr GH Ntshabele (Member of Community Service and
Infrastructure Committee)
Cllr LM Mokgomo (Member of Community Service and
Infrastructure Committee)
Cllr S Ndlovu (Chairperson of Planning and Economic
Development Committee)
Cllr JM Moloko (Member of Planning and Economic
Development committee)
Cllr XS Nozozo (Member of Planning and Economic
Development committee)
Cllr Z Mboqo (Member of Planning and Economic
Development committee)
Cllr PL Serole (Member of Planning and Economic
Development committee)
Cllr SS Makhubela (Chairperson of Finance, Institutional Development and
Transformation)
Cllr T Hearne (Member of Finance, Institutional Development and
Transformation)
Cllr RD Mapuele (Member of Finance, Institutional Development and
Transformation)
Cllr SM Matshelanokana (Member of Finance, Institutional
Development and Transformation)
Cllr T Ramoabi (Member of Finance, Institutional Development and
Transformation)
Cllr G Gouws (Chairperson of MPAC)
Cllr RA Ramogale (Member of MPAC)
Cllr MD Comakae (Member of MPAC)
Cllr I Nengwekhulu (Member of MPAC)
Cllr Molefe (Member of MPAC)

Thabazimbi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Grading of local authority

Low Capacity Municipality

(LIM361)

Acting Chief Finance Officer (CFO)

Mr S Chaitezvi

Mr JK Matlou

E Joubert

Acting Accounting Officers (Acting Municipal Manager)

Advocate JLL Thubakgale

Mr S Chaitezvi

Mr JK Matlou

Mr S Ngobeni

Registered office

7 Rietbok Street

Thabazimbi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

| | |
|-------------------------|----------------------------------------|
| | Thabazimbi 0380 |
| Business address | 7 Rietbok Street Thabazimbi 0380 |
| Bankers | ABSA Bank Limited |
| Auditors | Auditor General of South Africa (AGSA) |
| Attorneys | Raphiri Mokgobu |

Thabazimbi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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| | |
|---------|--------------------------------------------------------------------|
| COID | Compensation for Occupational Injuries and Diseases |
| CRR | Capital Replacement Reserve |
| DBSA | Development Bank of South Africa |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| GAMAP | Generally Accepted Municipal Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| ME's | Municipal Entities |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |
| SETA | Skills Education Training Authority |
| EWPG | Expanded Public Works Programme Integrated Grant |
| FMG | Financial Management Grant |

MANAGEMENT REPORT TO THE ACCOUNTING OFFICER ON THE AUDIT OF THE THABAZIMBI LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2018

INTRODUCTION

1. The purpose of the management report is to communicate audit findings and other key audit observations to the accounting office and the report does not constitute public information. This management report includes audit findings arising from the audit of the financial statements, performance information and compliance with legislation for the year ended 30 June 2018.
2. These findings were communicated to management and this report details management's response to these findings. The report includes information on the internal control deficiencies that we identified as the root causes of the matters reported. Addressing these deficiencies will help to improve the audit outcome.
3. In accordance with the terms of engagement, our responsibility in this regard is to:
 - express an opinion on the financial statements
 - express an opinion in the management report on the usefulness and reliability of the reported performance information for selected objective and report the material findings in the auditor's report
 - report on material findings relating to compliance with specific requirements in key applicable legislation, as set out in the general notice issued in terms of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA).

Our engagement letter sets out our responsibilities and those of the accounting officer in detail.

4. This management report consists of the overall message arising from the audit, summary of key findings and observations, annexures containing the detailed audit findings, annexures to the report on the audit of performance information as well as the annexure to internal control deficiencies reported.
5. The auditor's report is finalised only after the management report has been communicated. All matters included in this report that relate to the auditor's report remain in draft form until the final auditor's report is signed. In adherence to section 50 of the PAA, we do not disclose any information obtained during the audit and contained in this management report, unless requested in terms of section 18(4) of the PAA.
6. Please note that the information contained in these documents is confidential, privileged and only for the information of the intended recipient(s) and may not be used, published or redistributed without the prior written consent of the Auditor-General of South Africa (AGSA).



Any form of reproduction, dissemination, copying, disclosure, modification, distribution and or publication of this material is strictly prohibited. Should the information be used or processed in a manner that contravenes any laws in the Republic, the AGSA is fully indemnified from liability that may arise from such contravention.

SECTION 1: Interactions with stakeholders responsible for oversight and governance

7. During the audit cycle, we met with the following key stakeholders responsible for oversight and governance to communicate matters relating to the audit outcome and matters identified during our status of records review/s of the municipality:

| Key stakeholder | Purpose of interaction | Number of interactions |
|-------------------------|------------------------------------------------------------------------------------------------------------------------|------------------------|
| Speaker of the council | Fraud discussion and understanding of the oversight role. | 1 |
| Mayor | Fraud discussion and understanding of the oversight role. | 2 |
| Municipal manager | Engagement letter, audit strategy, status of audit / findings, management representation letter and draft audit report | 2 |
| Chief Financial Officer | Fraud discussion, status of audit / findings, management representation letter and draft audit report | 5 |

8. At these interactions, we shared / highlighted the following key matters affecting audit outcomes and the auditee:

- Enquiries of actual, suspected or alleged fraud that occurred within the municipality.
- The lack of supporting documentation for the selected transactions, balances and disclosures.
- Discussion of audit strategy.

9. All stakeholders made commitments to implement initiatives that can maintain/improve the audit outcome. The commitments given and the progress of previous commitments are included in section 3.2, which deals with the assessment of assurance providers.

SECTION 2: Matters relating to the auditor's report

AUDIT OF THE FINANCIAL STATEMENTS

10. We identified material misstatements in the financial statements during the audit. These misstatements were not prevented or detected by the municipality's system of internal control. These material misstatements also constitute non-compliance with 122 of the Municipal Finance Management Act, 2003 (Act No. 565 of 2003) (MFMA).

11. The misstatements that were not corrected form the basis for the disclaimer of opinion on the financial statements.

| Material misstatement | | | Impact R current year | Impact R prior year |
|---------------------------------------------|--------------------------------------------------------|---------------------------|-----------------------------|---------------------------|
| Financial statement item | Finding | Occurred in prior year | | |
| Material misstatements not corrected | | | | |
| | | | | |
| Non-current Assets | | | | |
| Property, plant and equipment | Limitation of scope | Yes | 868 282 304 | 974 862 497 |
| | | | | |
| Current Assets | | | | |
| Inventories | Limitation of scope | No | 2 756 492 | - |
| Receivables from exchange transactions | Limitation of scope | No | 209 980 061 | - |
| Receivables from non-exchange transactions | Limitation of scope | No | 3 532 854 | - |
| Consumer debtors | Limitation of scope - no supporting documents provided | Yes | 62 543 888 | 108 771 592 |
| Cash and cash equivalents | Significant differences between AFS and Trial Balance. | Yes | (4 604 582) | 5 172 176 |
| | | | | |



| Material misstatement | | | Impact R | Impact R |
|---------------------------------------------|------------------------------------------------------------------------------------------------------------|------------------------|--------------|-------------|
| Financial statement item | Finding | Occurred in prior year | current year | prior year |
| Current Liabilities | | | | |
| <i>Payables from exchange transactions:</i> | | | | |
| - trade payables | Limitation of scope | Yes | 348 981 448 | 308 689 680 |
| - debtors with credit balances | Limitation of scope | Yes | 10 031 280 | 8 817 909 |
| - retentions withheld | Limitation of scope | No | 6 983 436 | - |
| - accrued leave pay | Limitation of scope | No | 13 626 710 | - |
| - accrued bonus | Limitation of scope | No | 4 593 854 | - |
| - Department of Roads & Transport | Limitation of scope | Yes | 26 154 616 | 27 014 291 |
| Consumer deposits | Limitation of scope - no supporting documentation provided | Yes | 4 014 836 | 3 997 084 |
| Employee benefit obligation | Limitation of scope - no supporting documentation provided | No | 6 738 538 | - |
| Non-Current Liabilities | | | | |
| Provisions | Limitation of scope - no supporting documentation provided | Yes | 21 916 291 | 15 210 893 |
| Employee benefit obligation | Limitation of scope - no supporting documentation provided | No | 31 584 265 | - |
| Revenue | | | | |
| Service charged | Significant differences between AFS and Trial Balance. | Yes | 108 065 358 | 119 304 877 |
| Interest received | Limitation of scope - no supporting documentation provided | Yes | 19 995 436 | 20 697 969 |
| Expenses | | | | |
| Transfers & subsidies | Limitation of scope - no supporting documentation provided | No | 11 238 978 | - |
| Bulk purchases | Disagreement misstatement – significant differences between recorded amounts and supporting documentation. | Yes | 64 633 298 | 72 118 538 |



| Material misstatement | | | Impact | Impact |
|------------------------------------|-----------------------------------------------------------------------------------------------------------|------------------------|----------------|--------------|
| Financial statement item | Finding | Occurred in prior year | R current year | R prior year |
| General expenses | Disagreement misstatement – significant differences between recorded amounts and supporting documentation | Yes | 14 115 464 | 32 419 943 |
| Lease rentals | Limitation of scope - no supporting documentation provided | No | 2 111 993 | - |
| | | | | |
| Disclosure | | | | |
| Irregular expenditure | Differences between AFS and underlying records | Yes | 2 736 496 | 4 130 855 |
| Fruitless and wasteful expenditure | Differences between AFS and underlying records | Yes | 10 412 591 | 34 387 965 |
| Commitments | No supporting documents were provided. | Yes | 7 822 968 | 130 882 338 |
| Contingencies | Differences between AFS and underlying records | Yes | 73 230 557 | - |
| Related parties | Limitation of scope - No related party register provided. | Yes | 23 289 652 | 22 119 456 |
| Cash flow statement | No supporting calculations were provided. | Yes | Unknown | Unknown |



MATTERS TO BE BROUGHT TO THE ATTENTION OF USERS

Material uncertainty relating to going concern/financial sustainability

Financial sustainability concerns

12. We draw attention to the statement of financial performance and statement of financial position, which indicates that the municipality incurred a deficit of R15 910 514 (2016-2017: R46 481 488) during the year ended 30 June 2018 and, as of that date the municipality's current liabilities exceeded its current assets by R204 196 852 (2016-2017: R261 729 182), respectively. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Other matter paragraphs

13. The following other matter paragraphs will be included in our auditor's report to draw the users' attention to matters regarding the audit, the auditor's responsibilities and the auditor's report:

Withdrawal from engagement

14. Due to the limitation imposed on the scope of the audit by management, we have disclaimed the opinion on the financial statements. But due to statutory requirements to perform the audit of municipality, we would have withdrawn from the engagement in terms of the ISAs.

Unaudited disclosure notes

15. 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 we do not express an opinion thereon.

Unaudited supplementary schedules

16. The supplementary information set out on pages 71 to 72 does not form part of the financial statements and is presented as additional information. We have not audited this schedule and, accordingly, we do not express an opinion thereon.

AUDIT OF THE ANNUAL PERFORMANCE REPORT

17. In terms of the general notice issued in terms of the PAA, the opinion on the audit of reported information will be included in the management report. The report is included below to enable management and those charged with governance to see what the report will look like once it is

published in the auditor's report. We will report all the audit findings included under the basis for opinion and the other matter sections of this report in the auditor's report.

Introduction and scope

18. We have engaged to undertake a reasonable assurance engagement on the reported performance information for the following selected key performance area presented in the annual performance report of the municipality for the year ended 30 June 2018:

| Key performance area | Pages in annual performance report | Opinion | Movement |
|------------------------------------------------------|------------------------------------|------------|----------|
| KPA 2: Basic services and infrastructure development | x – x | Disclaimer | ●➤ |

-
- 19. We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements, ISAE 3000: *Assurance engagements other than audits or reviews of historical financial information*.
- 20. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPA 2 - Basic services and infrastructure development

Disclaimer of opinion

21. We do not express an opinion on the reported performance information for KPA 2 - basic services and infrastructure development of the municipality. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an opinion on the reported performance information of the key performance area.

- **Basis for Disclaimer of opinion**

22. For the following strategic objective, the reported objective was not consistent when compared with the planned objective in the service delivery and budget implementation plan. In addition, a change to the strategic objective was not approved.



| Planned objective | Reported objective |
|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| To ensure the provision of an appropriate level of basic services and the required infrastructure to effectively manage community needs | |

23. For the following indicators, the reported indicators were not consistent when compared with the planned indicators in the service delivery and budget implementation plan. In addition, changes to the indicators were not approved.

| Planned indicators | Reported indicators |
|-----------------------------------------------------|---------------------------------------------------------------------------------------|
| Number of additional storage facilities constructed | |
| | Number of supply line at EXT 5 constructed |
| Number of high mast lights installed in Raphuti | Number of high mast lights installed |
| Number of high mast lights installed in Northam | Number of high mast lights installed |
| Number of electricity prepaid meters installed | 6594-1743 (2016/17fy)= 4851(2017/18FY) installed prepaid smart meters by 30 June 2018 |
| Number of jobs created through EPWP | 106 Number of jobs created through EPWP as at 30 June 2018 |
| Number of PMUs established internally | Number of PMUs established |

24. For the following targets, the reported targets were not consistent when compared with the planned targets in the service delivery and budget implementation plan. In addition, changes to the targets were not approved.

| Planned targets | Reported targets |
|---------------------------------------------------------------|------------------|
| 1 Additional storage facility to be constructed by March 2018 | |
| 2500 residential and 95 bulk meters replaced by June 2018 | 2500 |



| | |
|------------------------------------------------------------------------------------|------|
| 1 WWTW completed in Thabazimbi by March 2018 | 1 |
| 1 High mast light installed by June 218 | 1 |
| 5 High mast light installed by June 2018 | 5 |
| 6594-1743 (2016/17fy)= 4851(2017/18FY) installed prepaid smart meters by June 2018 | 2435 |
| 109 jobs created through EPWP by June 2018 | 106 |
| PMU established by June 2018 | 1 |

25. For the following targets, the reported achievements were not consistent when compared with the planned targets in the service delivery and budget implementation plan.

| Planned targets | Reported achievements |
|------------------------------------------------------------------------------------|-----------------------|
| 2500 residential and 95 bulk meters replaced by June 2018 | Achieved |
| 1 WWTW completed in Thabazimbi by March 2018 | Achieved |
| 1 High mast light installed by June 2018 | Not achieved |
| 5 High mast light installed by June 2018 | Not achieved |
| 6594-1743 (2016/17fy)= 4851(2017/18FY) installed prepaid smart meters by June 2018 | Achieved |
| 109 jobs created through EPWP by June 2018 | Achieved |
| PMU established by June 2018 | Not achieved |

26. A comparison between the performance of the year under review and previous year was not included in the annual performance report.
27. For the following reported indicators, I was unable to obtain sufficient appropriate audit evidence to support the reported achievements of the targets. This was due to a lack of standard operating procedures and documented system descriptions that predetermined how the achievements would be measured, monitored and reported. I was unable to confirm the reported achievements of the indicators by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievements of targets as reported in the annual performance report.



| Planned indicators | Reported indicators | Reported targets | Reported actual achievement |
|-----------------------------------------------------|------------------------------------------------------------------------------------|------------------|-----------------------------|
| Number of jobs created through EPWP | 106 number of jobs created through EPWP as at 30 June 2018 | 106 | Achieved |
| Number of water meters replaced | Number of water meters replaced | 2500 | Achieved |
| Number of electricity prepaid meters installed | 6594-1743 (2016/17fy)= 4851(2017/18FY) installed prepaid smart meters by June 2018 | 2435 | Achieved |
| | Number of supply line at EXT 5 constructed | 1 | Achieved |
| Number of additional storage facilities constructed | | | |

Other matter

28. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Achievement of planned targets

29. Refer to the annual performance report on pages x to x for information on the achievement of planned targets for the year. This information should be considered in the context of the disclaimer of opinions expressed on the usefulness and reliability of the reported performance information in paragraphs xx to xx of this report.

Responsibilities of the accounting officer for the reported performance information

30. The accounting officer is responsible for the preparation of the annual performance report in accordance with the prescribed performance management and reporting framework, as set out in annexure D to this report and for such internal control as the accounting officer-determines is necessary to enable the preparation of performance information that is free from material misstatement in terms of its usefulness and reliability.



Auditor-general's responsibilities for the reasonable assurance engagement on the reported performance information

31. Our objectives are to obtain reasonable assurance about whether the reported performance information for the selected key performance area is free from material misstatement, in accordance with International Standard on Assurance Engagements, ISAE 3000: Assurance engagements other than audits or reviews of historical financial information and to a management report that includes our opinion. However, because of the matters described in the basis for disclaimer of opinion of our report, we were not able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on the selected key performance area.
32. We are independent of the municipality in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for professional accountants (IESBA) code) together with the ethical requirements that are relevant to our audit. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

AUDIT OF COMPLIANCE WITH LEGISLATION

33. Included below are material findings on compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

Annual financial statements and annual report

34. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.

Material misstatements were identified by the auditors in the financial statements were not adequately corrected and supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion.

35. The annual financial statements were not submitted within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.
36. The annual financial statements were not submitted to the Auditor-General within two months after the end of the financial year and written explanation setting out the reasons for the failure were not tabled in the council, as required by section 133(1)(a) of the MFMA.
37. The 2016-17 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.

Procurement and contract management



- 38. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements due to non-submission of documentation for audit. Similar limitation was also reported in the prior year.
- 39. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
- 40. Some of the quotations were awarded to bidders based on preference points that were not calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations. This non-compliance was identified in the procurement processes for the supply and delivery of refuse bags.

Expenditure management

- 41. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

Revenue management

- 42. An adequate management, accounting and information system which accounts for revenue and debtors was not in place, as required by section 64(2)(e) of the MFMA.
- 43. I could not obtain sufficient appropriate audit evidence that revenue due to the municipality was calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.
- 44. I could not obtain sufficient appropriate audit evidence that accounts for service charges were prepared on at least a monthly basis or any other reasonable time period, as required by section 64(2)(c) of the MFMA.
- 45. I was unable to obtain sufficient appropriate audit evidence that interest had been charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

Asset management

- 46. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
- 47. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

Consequence management



48. All unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
49. All irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Human resource management

50. I was unable to obtain sufficient appropriate audit evidence that financial interests were disclosed by the municipal manager within 60 days from the date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.

Liability management

51. An adequate management, accounting and information system which accounts for liabilities was not in place, as required by section 63(2)(a) of the MFMA.
52. An effective system of internal control for liabilities including a liability register was not in place, as required by section 63(2)(c) of the MFMA

INTERNAL CONTROLS

53. The detailed assessment of the implementation of the drivers of internal control in the areas of financial statements, performance reporting and compliance with legislation is included in annexure F.

Leadership

Effective leadership culture

54. Management established a formal code of conduct which addressed appropriate ethical and moral behaviour, however instances have been identified which bring to question the integrity and honesty of management, furthermore steps are not taken by leadership to enforce controls and measures to eliminate fraud and unethical behaviours as investigation is not being done timely to ensure effective and efficient management of unacceptable behaviour.
55. The slow response by leadership to improve the internal controls and addressing prior years' audit findings again led to a disclaimer opinion.
56. Consequence management was not effective, as the council did not investigate instances of unauthorised, irregular and fruitless and wasteful expenditure to determine whether any person was liable for the expenditure.



Oversight responsibility

- 57. The accounting officer did not adequately review the financial statements and the annual performance report prior to their submission for audit and thus the matters as detailed in the misstatements in the financial statements section of this report were not identified and corrected.
- 58. The municipality did not have sufficient monitoring controls to ensure adherence to the internal policies and procedures at an objective level and for purposes of taking corrective action.
- 59. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure.
- 60. The slow response by leadership to improve the internal controls and addressing prior years' audit findings again led to a disclaimer opinion.

Human resource management

- 61. *Competencies in key management* - Key personnel do not have the required competencies in the areas of financial statements, predetermined objectives and compliance with laws and regulations to fulfil their duties and responsibilities. This was exacerbated by the high vacancy rate on senior management positions.
- 62. *Management of vacancies* – The overall vacancy rate for senior management positions remain high in the 2017/18 financial period.

Policies and procedures

- 63. Management does not have some of the policies and procedures to guide the operations of the municipality, resulting in numerous instances of non-compliance with the MFMA, as detailed under the findings on non-compliance with legislation section of this report

Action plans to address internal control deficiencies

- 64. The municipality has not effectively developed and implemented a plan to address the internal and external findings on a timeous basis.

Information technology governance framework

- 65. Although the Risk Committee was appointed in January 2018, the committee was not functioning properly in carrying out its oversight responsibilities. This was indicated by the absence of meetings by the committee in the 2017/18 financial period, as well as lack of key IT policies and procedures.



Financial and performance management

Proper record keeping

66. The municipality did not have a proper system of record management system that provides for the maintenance of information that supports the financial statements and reported performance contained in the annual performance report. This includes information that relates to the collection, collation, verification, storing and reporting of actual performance information

Daily and monthly processing and reconciling of transactions

67. Management did not effectively implement daily and monthly controls to mitigate the municipality's business risks as unreconciled differences were identified on majority of financial statements line items.

68. Management did not implement the following daily and monthly controls designed for the municipality's business processes:

- Monthly bank reconciliations.
- Fixed asset reconciliations.
- Creditors reconciliations.

Regular, accurate and complete financial and performance reports

69. As indicated in this report, the financial statements contained numerous material misstatements due to a lack of understanding of the requirement of the financial and performance framework.

Compliance monitoring

70. Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored.

Information technology systems

71. Lack of proper controls over IT management as indicated by the absence of up to date anti-virus software and regular back-up processes.

Governance

Risk management activities and risk strategy

72. The municipality did not conduct a risk assessment, as required by the MFMA. Consequently, the following control deficiencies were identified:



- The municipality did not have a functional risk committee during the year, as a result there was no risk identification, risk responses and risk monitoring that was done.
- The municipality has not implemented adequate risk management activities to ensure that a risk strategy to address the risks is developed and monitored.
- Those charged with governance did not provide adequate oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

Internal audit

73. The following concerns were identified about the internal audit function:

- The internal audit unit did not review financial and performance reports to confirm the reliability of the reports before their submission to the audit committee or external auditors.
- The competence of the internal audit function may be questionable to shortage of staff in that department.

Audit committee

74. The audit committee was not always effective in some of its oversight functions as financial and performance reports were not submitted by municipal management to the committee for review.

75. No actions have been taken by the audit committee to address the deficiencies identified in internal controls.

Summary

76. The matters above, as they relate to the basis for the disclaimer of opinion, findings on the annual performance report and findings on compliance with legislation, will be summarised in the auditor's report as follows:

Leadership

77. The slow response by leadership to improve the internal controls, prepare and submit credible financial statements and performance report and addressing prior years' audit findings again led to a disclaimer of opinion.

78. Instability and vacancies in key positions, coupled with a lack of political will to fill them had a detrimental impact on the timely preparation and submission of the financial statements and performance report.



- 79. Consequence management was not effective, as the council did not investigate instances of unauthorised, irregular and fruitless and wasteful expenditure to determine whether any person was liable for the expenditure.
- 80. The municipality did not have sufficient monitoring controls to ensure the proper implementation of the overall processes of reporting on predetermined objectives and compliance with legislation.

Financial and performance management

- 81. Proper record keeping was not implemented to ensure that complete, relevant and accurate information was accessible and available to support financial and performance reporting, as there was a total disregard for submitting sufficient appropriate audit evidence throughout the audit.
- 82. Controls over daily and monthly processing and reconciling of transactions were not implemented.
- 83. The municipality's compliance monitoring process has not been effective in the implementation and monitoring of controls to ensure compliance with legislation, contributing to the repeat non-compliance findings.

Governance

- 84. Those charged with governance did not provide adequate oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

SECTION 3: Specific focus areas

FRAUD AND CONSEQUENCE MANAGEMENT

85. The primary responsibility for preventing and detecting fraud rests with management and those charged with governance. We are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and to issue an auditor's report that includes our opinion. Due to the inherent limitations of an audit, there is a risk that some material misstatements, including fraud, may not be detected.¹
86. Below is a summary of fraud risk factors that should be addressed to ensure that sufficient measures/controls are in place to prevent material misstatement due to fraud.
- Numerous cases of procurement for which supporting documentation could not be provided were noted. As a result, the compliance with the relevant SCM requirements in procuring the goods or services could not be verified.
87. The MFMA and its regulations clearly stipulate that matters such as incurring unauthorised, irregular as well as fruitless and wasteful expenditure, the possible abuse of the SCM system including fraud and improper conduct and allegations of financial misconduct should be investigated. Disciplinary steps should be taken based on the results of the investigations.
88. Our audit included an assessment of the municipality's management of consequences. The significant findings are provided below:

Measures to manage consequences

89. The following measures were not implemented to ensure that the environment is conducive to effective consequence management:
- The municipality did not investigate instances of unauthorised, irregular, fruitless and wasteful expenditure to determine if any person is liable for the expenditure and and/or whether any disciplinary procedures need to be instituted.
 - There was no hotline or similar process/mechanism for reporting financial misconduct/transgressions that are committed by officials and suppliers of the auditee.

Ongoing investigations

90. An investigation were ongoing at year-end into allegations relating to financial misconduct, fraud and improper conduct in SCM. Some of these investigations have been ongoing for a period exceeding 12 months. The table below provides a summary of investigations which had not been completed as at year-end:



| Date | Details | Type of allegations / investigation |
|---------------|--------------------------|---------------------------------------------------------------------------------------------------------------------------|
| 10 March 2017 | Investigation by the SIU | Maladministration, improper conduct, misappropriation of public funds and assets and non-compliance with SCM regulations. |

Sanctions/recommendations not implemented for completed investigations

91. The Municipal Regulations on Financial Misconduct, Procedures and Criminal Proceedings and the Disciplinary Regulations for Senior Managers requires that at completion of an investigation, the investigation report must be tabled to the council. No investigations were completed during the current year.

Failure to properly deal with allegations reported in the prior year

92. The table below provides a summary of findings from the previous year that were either not investigated or proper disciplinary steps were not taken after investigation.

| Finding | Value R |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Unauthorised expenditure | |
| Unauthorised expenditure identified in the previous year was not investigated to determine whether a person was liable for the expenditure | 120 014 187 |
| Irregular expenditure | |
| Irregular expenditure identified in the previous year was not investigated to determine if a person was liable for the expenditure | 14 833 838 |
| Fruitless and wasteful expenditure | |
| Fruitless and wasteful expenditure identified in the previous year was not investigated to determine whether a person was liable for the expenditure | 39 210 393 |

Transgressions reported to management for investigation

93. During the prior year audit, we reported findings relating to transgressions by officials or other role players, for management to investigate. During the current year audit, we performed follow-up tests to determine whether the matters reported were dealt with by management.
94. The table below provides a summary of the transgressions reported in prior year and an indication of how many were dealt with. It also provides a summary of transgressions identified in the current year that must be investigated and disciplinary steps taken based on the results of the investigations.



| Finding | Findings reported in prior year | | | Findings reported in current year | |
|---------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------|------------------------------------------------------|-----------------------------------|-----------|
| | Number of instances | Number of instances investigated | Number of instances resolved from those investigated | Number of instances | Value (R) |
| B: Improper conduct in SCM by officials / role players | | | | | |
| Official failed to disclose their own interest or that of close family members, partners or associates in contracts | 1 | 0 | 361 888 | 7 | 883 120 |

95. Unauthorised, irregular, fruitless and wasteful expenditure disclosed in note 47 to 49 to the financial statements must be investigated to determine whether any official is liable for losses incurred as a result of this expenditure. Disciplinary steps must be taken against officials who caused or permitted the unauthorised, irregular, fruitless and wasteful expenditure and losses incurred as a result must be recovered from the person liable.

SECTION 4: Emerging risks

Accounting, performance management/reporting and compliance matters

New pronouncements

Standards of GRAP

The ASB has issued the following GRAP pronouncements, with effective dates as indicated:

| GRAP pronouncement | Effective date |
|---------------------------------------------------------------|------------------|
| GRAP 18 - <i>Segment reporting</i> | 1 April 2020* |
| GRAP 20 - <i>Related-party disclosures</i> | 1 April 2019* |
| GRAP 32 - <i>Service concession arrangements: grantor</i> | 1 April 2019* |
| GRAP 34 - <i>Separate financial statements</i> | To be determined |
| GRAP 35 - <i>Consolidated financial statements</i> | To be determined |
| GRAP 36 - <i>Investments in associates and joint ventures</i> | To be determined |



| GRAP pronouncement | Effective date |
|------------------------------------------------------------------------------------------------------------------------|------------------|
| GRAP 37 - <i>Joint arrangements</i> | To be determined |
| GRAP 38 - <i>Disclosure of interests in other entities</i> | To be determined |
| GRAP 108 - <i>Statutory receivables</i> | 1 April 2019* |
| GRAP 109 - <i>Accounting by principals and agents</i> | 1 April 2019* |
| GRAP 110 - <i>Living and non-living resources</i> | 1 April 2020* |
| IGRAP 17 - <i>Service concession arrangements where a grantor controls a significant residual interest in an asset</i> | To be determined |
| IGRAP 18 - <i>Recognition and derecognition of land</i> | 1 April 2019 |
| IGRAP 19 - <i>Liabilities to pay levies</i> | 1 April 2019 |

Audit findings on the annual performance report that may have an impact on the audit opinion in future

96. The planned and reported performance information of selected programmes / objectives was audited against the following additional criteria as developed from the performance management and reporting framework:

Presentation and disclosure – Overall presentation:

- Overall presentation of the performance information in the annual performance report is comparable and understandable

• Relevance – Completeness of relevant indicators:

- Completeness of relevant indicators in terms of the mandate of the auditee, including:
 - relevant core functions are prioritised in the period under review
 - relevant performance indicators are included for the core functions prioritised in the period under review

97. Material audit findings arising from the audit against the additional criteria do not have an impact on the audit opinion of the selected key programmes in this report. However, it may impact on the audit opinion in future.

98. No material findings were identified in respect of the additional criteria.

SECTION 5: Ratings of detailed audit findings

99. For the purposes of this report, the detailed audit findings included in annexures A to C have been classified as follows:



- Matters to be included in the auditor's report: These matters should be addressed as a matter of urgency.
- Other important matters: These matters should be addressed to prevent them from leading to material misstatements of the financial statements or material findings on the performance report and compliance with legislation in future.
- Administrative matters: These matters are unlikely to result in material misstatements of the financial statements or material findings on the performance report and compliance with legislation.

SECTION 6: Conclusion

100. The matters communicated throughout this report relate to the three fundamentals of internal control that should be addressed to achieve sustained clean administration. Our staff remains committed to assisting in identifying and communicating good practices to improve governance and accountability and to build public confidence in government's ability to account for public resources in a transparent manner.

Yours faithfully

Nthanyi Dhumazi

Business Executive: Limpopo

14 June 2019

Enquiries: Gerhard Odendaal
Telephone: 015 2839300
Fax: 015 283 9402
Email: godendaal@agsa.co.za

Distribution:

Audit committee
Head of internal audit unit
Executive authority



SECTION 7: Summary of detailed audit findings

| | | Classification | | | | | Rating | | | | |
|--------------------|----------------------------------------------------------------------------------------------------------|---------------------------------------------|-----------------------------------------------------|------------------------------------|-----------------------------------|------------------|-------------------------------------------|-------------------------------|---------------------------|-----------------------------------------------------------|-------------------------------------------------------------------|
| Fin ding no. | Finding | Misstatements in financial statements | Misstatements in annual performance report | Non-compliance with legislation | Internal control deficiency | Service delivery | Matters affecting the auditor's report | Other important matters | Administrative matters | Number of times reported in previous three years | Status of implementation of previous recommendation year(s) |
| General | | | | | | | | | | | |
| | Non-compliance with MSA and MFMA | | | | ✓ | | | ✓ | | Year - 1 | Not addressed |
| | No functioning Audit Committee for Part of financial year | | | | ✓ | | | ✓ | | Year - 1 | Addressed |
| | No signing of declarations of interest by council members and members of other municipal committees | | | | ✓ | | | ✓ | | Year - 1 | Not addressed |
| | Unauthorised, Irregular, Fruitless & Wasteful Expenditure not investigated in the 2017/18 financial year | | | ✓ | | | ✓ | | | Year - 1 | Not addressed |
| | Non-compliance with MSA 67(1)(h) and (i) | | | | ✓ | | | | ✓ | Year - 1 | Not addressed |

| Finding no. | Finding | Classification | | | | | Rating | | | Number of times reported in previous three years | Status of implementation of previous recommendation year(s) |
|-------------|----------------------------------------------------------------------------------|---------------------------------------|--------------------------------------------|---------------------------------|-----------------------------|------------------|----------------------------------------|-------------------------|------------------------|--------------------------------------------------|-------------------------------------------------------------|
| | | Misstatements in financial statements | Misstatements in annual performance report | Non-compliance with legislation | Internal control deficiency | Service delivery | Matters affecting the auditor's report | Other important matters | Administrative matters | | |
| | Non-compliance with conditions of employment regulation 8(1)(a) | | | | ✓ | | | | ✓ | | |
| | Municipality failed to surrender unspent conditional grants to National Treasury | | | | ✓ | | | | ✓ | Year - 1 | Not addressed |
| | Significant Difference between Annual Financial Statements & Munsoft TB | ✓ | | | | | ✓ | | | Year - 1 | Not addressed |
| | Misstatement - Disclosure of interest and penalties in the AFS | ✓ | | | | | ✓ | | | | |
| | No going concern assessment was done by the municipality. | | | | ✓ | | | ✓ | | Year - 1 | Not addressed |
| | Misstatement on the disclosure of Budget vs Actual information in the SoFP | ✓ | | | | | ✓ | | | | |
| | Over expenditure resulting in unauthorised expenditure | | | ✓ | | | ✓ | | | | |

| Finding no. | Finding | Classification | | | | | Rating | | | Number of times reported in previous three years | Status of implementation of previous recommendation year(s) |
|----------------------------------|-----------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------------|---------------------------------|-----------------------------|------------------|----------------------------------------|-------------------------|------------------------|--------------------------------------------------|-------------------------------------------------------------|
| | | Misstatements in financial statements | Misstatements in annual performance report | Non-compliance with legislation | Internal control deficiency | Service delivery | Matters affecting the auditor's report | Other important matters | Administrative matters | | |
| | Payments not made within 30 days from invoice date | | | ✓ | | | ✓ | | | Year - 1 | Not addressed |
| | Journals not authorised and no supporting documents | ✓ | | | | | | ✓ | | | |
| | No system of internal controls in place for Liability Management | | | ✓ | | | ✓ | | | | |
| | Unauthorised, Irregular, Fruitless and Wasteful Expenditure not presented appropriately | | | ✓ | | | | ✓ | | | |
| | Non-compliance with GRAP requirements on AFS disclosures | ✓ | | | | | ✓ | | | | |
| | Non-compliance with MPR regulation 32 | | | | ✓ | | | ✓ | | | |
| Cash and cash equivalents | | | | | | | | | | | |
| | Bank Reconciliations not performed | | | | ✓ | | | ✓ | | Year - 1 | Not addressed |

| Finding no. | Finding | Classification | | | | | Rating | | | Number of times reported in previous three years | Status of implementation of previous recommendation year(s) |
|-----------------------|-------------------------------------------------------------------------|---------------------------------------|--------------------------------------------|---------------------------------|-----------------------------|------------------|----------------------------------------|-------------------------|------------------------|--------------------------------------------------|-------------------------------------------------------------|
| | | Misstatements in financial statements | Misstatements in annual performance report | Non-compliance with legislation | Internal control deficiency | Service delivery | Matters affecting the auditor's report | Other important matters | Administrative matters | | |
| | Bank disclosure not in terms of Section 125 (2)(a) of the MFMA | ✓ | | | | | | ✓ | | Year - 1 | Not addressed |
| | Unspent conditional grant not included in its own separate bank account | | | | ✓ | | | | ✓ | | |
| Employee costs | | | | | | | | | | | |
| | No actuary/expert valuation done for the 2017/18 financial year | ✓ | | | | | ✓ | | | | |
| | No evidence of authorisation on employee salary deductions | ✓ | | | ✓ | | | ✓ | | | |
| | Incomplete presentation of the provision | ✓ | | | | | | ✓ | | Year - 1 | Not addressed |
| Investments | | | | | | | | | | | |
| | Investments are misstated & do not agree to SANLAM statements | ✓ | | | | | | ✓ | | | |

| | | Classification | | | | | Rating | | | | | |
|--------------------------|---------------------------------------------------------------------|---------------------------------------------|--------------------------------------------------------|------------------------------------|-----------------------------------|------------------|-------------------------------------------|-------------------------------|---------------------------|--------------------------------------------------------|----------------------------------------|----------------------------------------------------|
| Fin ding no. | Finding | Misstatements in financial statements | Misstatements in annual performance report | Non-compliance with legislation | Internal control deficiency | Service delivery | Matters affecting the auditor's report | Other important matters | Administrative matters | Number times reported previous three years | of in previous recommendation | Status of implementation of previous year(s) |
| Operating expenditure | | | | | | | | | | | | |
| | Operating expenditure is incorrect stated in the accounting records | ✓ | | | | | ✓ | | | | | |
| Predetermined objectives | | | | | | | | | | | | |
| | Monthly budgets statements not included in mid-year report | | | | ✓ | | | | ✓ | | | |
| | IDP adoption not made Public | | | | ✓ | | | ✓ | | | | |
| | SDBIP target not consistent with APR | | ✓ | | | | ✓ | | | | | |
| | No comparison of prior year targets in APR | | ✓ | | | | ✓ | | | | | |
| | Key performance indicator in SDBIP not the same as APR | | ✓ | | | | ✓ | | | | | |
| | Evidence does not support the reported target | | ✓ | | | | ✓ | | | | | |

| Finding no. | Finding | Classification | | | | | Rating | | | Number of times reported in previous three years | Status of implementation of previous recommendation year(s) |
|---------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------|--------------------------------------------|---------------------------------|-----------------------------|------------------|----------------------------------------|-------------------------|------------------------|--------------------------------------------------|-------------------------------------------------------------|
| | | Misstatements in financial statements | Misstatements in annual performance report | Non-compliance with legislation | Internal control deficiency | Service delivery | Matters affecting the auditor's report | Other important matters | Administrative matters | | |
| | Reported achievement does not agree with provided evidence | | ✓ | | | | ✓ | | | | |
| | Completion certificate has work outstanding | | ✓ | | | | ✓ | | | | |
| Procurement and Contract Management (to confirm for removal) | | | | | | | | | | | |
| | SCM: No Procurement Plan in place | | | | ✓ | | | ✓ | | | |
| | Contract Register not regularly updated | | | | ✓ | | | ✓ | | Year - 1 | Not addressed |
| | Non-Compliance with SCM Reg 13(c) | | | ✓ | | | ✓ | | | | |
| | Supplier not further evaluated for Preferential Point System | | | ✓ | | | ✓ | | | | |
| | CSD Accommodation Suppliers not used | | | ✓ | | | | ✓ | | | |
| | Declaration of interest not submitted | | | ✓ | | | ✓ | | | | |
| | Non-Compliance with SCM Regulation 36 (2) | | | ✓ | | | ✓ | | | | |

| Finding no. | Finding | Classification | | | | | Rating | | | Number of times reported in previous three years | Status of implementation of previous recommendation year(s) |
|--------------------|-------------------------------------------------------------|---------------------------------------|--------------------------------------------|---------------------------------|-----------------------------|------------------|----------------------------------------|-------------------------|------------------------|--------------------------------------------------|-------------------------------------------------------------|
| | | Misstatements in financial statements | Misstatements in annual performance report | Non-compliance with legislation | Internal control deficiency | Service delivery | Matters affecting the auditor's report | Other important matters | Administrative matters | | |
| | Non-compliance with SCM reg 13(b) | | | ✓ | | | ✓ | | | | |
| | Non-Compliance with SCM reg 38 (1) and 13 (c) (1) | | | ✓ | | | ✓ | | | | |
| | Deviations resulting in irregular expenditure | | | ✓ | | | ✓ | | | Year - 1 | Not addressed |
| | Deviations register is incomplete | | | ✓ | | | ✓ | | | | |
| | Contract not signed by both parties | | | ✓ | | | | ✓ | | | |
| Provisions | | | | | | | | | | | |
| | No leave provision on TB and number of leave days incorrect | ✓ | | | | | | ✓ | | | |
| | Overstatement of leave gratuity | ✓ | | | | | | ✓ | | | |
| | Incomplete presentation of the provision | ✓ | | | | | ✓ | | | Year - 1 | Not addressed |
| Receivables | | | | | | | | | | | |

| Fin ding no. | Finding | Classification | | | | | Rating | | | Number of times reported in previous three years | Status of implementation of previous recommendation year(s) |
|--------------------------|-------------------------------------------------------------|---------------------------------------|--------------------------------------------|---------------------------------|-----------------------------|------------------|----------------------------------------|-------------------------|------------------------|--------------------------------------------------|-------------------------------------------------------------|
| | | Misstatements in financial statements | Misstatements in annual performance report | Non-compliance with legislation | Internal control deficiency | Service delivery | Matters affecting the auditor's report | Other important matters | Administrative matters | | |
| | Prior Year Closing and Current Year Comparative Differences | ✓ | | | | | ✓ | | | Year - 1 | Not addressed |
| Related parties | | | | | | | | | | | |
| | Completeness of related party disclosure note in AFS | ✓ | | | | | ✓ | | | Year - 1 | Not addressed |
| Revenue | | | | | | | | | | | |
| | Understatement of Interest earned | ✓ | | | | | | ✓ | | | |
| | Revenue Listing (Billing Report) not agreeing to TB and AFS | ✓ | | | | | ✓ | | | | |
| Taxes | | | | | | | | | | | |
| | VAT Disclosure | ✓ | | | | | | ✓ | | | |
| | VAT Returns & Apportionment | ✓ | | | | | | ✓ | | | |
| Consumer deposits | | | | | | | | | | | |

| Finding no. | Finding | Classification | | | | | Rating | | | Number of times reported in previous three years | Status of implementation of previous recommendation year(s) |
|-------------|-----------------------------------------------------------|---------------------------------------|--------------------------------------------|---------------------------------|-----------------------------|------------------|----------------------------------------|-------------------------|------------------------|--------------------------------------------------|-------------------------------------------------------------|
| | | Misstatements in financial statements | Misstatements in annual performance report | Non-compliance with legislation | Internal control deficiency | Service delivery | Matters affecting the auditor's report | Other important matters | Administrative matters | | |
| | No accounting policy was disclosed for Consumer Deposits. | ✓ | | | | | | ✓ | | | |
| | | | | | | | | | | | |

Detailed audit findings

ANNEXURE A: MATTERS AFFECTING THE AUDITOR'S REPORT

ComAF 02: Monthly budgets statements not included in mid-year performance report

Monthly budgets statements not included in mid-year performance report

Audit finding

According to MFMA, Section 71. Monthly budget statements. —

- (1) The accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:
- Actual revenue, per revenue source;
 - actual borrowings;
 - actual expenditure, per vote;
 - actual capital expenditure, per vote;
 - the amount of any allocations received;
 - actual expenditure on those allocations.

Section 71 reports were not prepared and submitted to the Mayor timeously. Resulting in the mid-year performance assessment not take into account the monthly budget statements for the first half of the year.

Internal control deficiency

Management did not review and monitor compliance with applicable legislation.

Recommendation

Section 71 reports must be prepared and submitted to the Mayor timeously. Management should ensure that the mid-year assessment report includes the monthly budget statements for the first half of the year.

Management response

Agree or Disagree with the finding

Management comment on audit finding based on above:

- B & R disagree with the finding
- 1.

Management comment on internal control deficiency:

- Management reviewed and monitor compliance with applicable legislation.

Management comment on recommendation:

- Section 71 reports was prepared and submitted to the Mayor timeously.
- Management ensured that the mid-year assessment report includes the monthly budget statements for the first half of the year.
- Monthly budget statement was included in the mid-year performance report.



Remedial action:

- Internal controls was implemented.

Name: Violet Makobe

Position: Accountant: Budget and Reporting

Date: 02/04/2019

Auditor's conclusion

Management's comment has been acknowledged. The finding will not be included in the management report

ComAF 03: Bank Reconciliations not performed

Bank Reconciliations not performed

Audit finding

MFMA section 10 states that, the accounting officer of a municipality must administer all the municipality's bank accounts, including a bank account referred to in section 12 or 48 (2) (d).

MFMA section 62 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 the resources of the municipality are used effectively, efficiently and economically and that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

The municipality did not perform bank reconciliations for its ABSA primary bank account and other bank accounts it holds.

Internal control deficiency

Management did not implement proper controls to ensure that bank reconciliations are prepared and reviewed on a monthly basis to ensure compliance with laws and regulations.

Recommendation

The accounting officer should ensure that monthly bank reconciliations are prepared and reviewed by senior management on a monthly basis.

Management response

Agreed. The bank reconciliations were not submitted as there were issues with the migration of balances from the old chart of accounts to scoa. The service provider for the financial system is currently working on fixing the opening balances and bank reconciliations will be prepared in the 2018/19 financial year.

Name: Thaveshan Chetty



Position: Divisional Head-Budget and Reporting

Date: 04 April 2019

Auditor's conclusion

Management comments are noted and the finding will remain and be included in the management report.

ComAF 04: IDP adoption not made Public

IDP adoption not made Public

Audit finding

According to the Municipal Systems Act 32 of 2000 section 25 (4) (a) And (b): A municipality must, within 14 days of the adoption of its integrated development plan in terms of subsection (1) or (3)—

- a) give notice to the public ---
 - i. of the adoption of the plan; and
 - ii. that copies of or extracts from the plan are available for public inspection specified places; and
- b) publicize the summary of the plan

No evidence was provided indicating that the municipality publicized the adoption of the IDP for the 2017/18 financial year.

Internal control deficiency

Management did not implement proper controls to ensure that the IDP adoption is made public and thus to ensure compliance with laws and regulations.

Recommendation

Management should ensure that the public is notified of the adoption of the IDP in accordance with the applicable legislation.

Management response

Management agrees with the findings

The following Notices are attached:

1. Public Notice on Draft for 2017/18 wherein the community was given 21 days to comment on the said document.
2. Public Notice to inform the community of the meeting to adopt the final 2017/18 IDP
3. Acknowledgement letter of receipt of our 2017/18 IDP from the Office of the MEC of CoGHSTA.
4. For the past years until 2017/18, we never received an audit finding on the non-publicized IDP after adoption by Council, noting that this was an omission, we deemed it necessary to make the final adopted IDPs moving forward public, hence we attached the public notice for 2018/19 IDP after adoption.



Name: Lena Monawa-Lesotho
Position: Manager IDP
Date: 11 April 2019

Auditor's conclusion

Management comments are acknowledged. The finding will remain and will be included in the final management report.

ComAF 05: Non-compliance with MPR regulation 32

Non-compliance with MPR regulation 32

Audit finding

In terms of section 8(1)(3) of the Municipal performance in accordance with regulation 32_ a performance bonus based on the affordability, may be paid to an employee, after _

1. The annual report of the financial year under review has been tabled and adopted by municipal council
2. An evaluation of performance in accordance to reg 12 and
3. Approval of such evaluation by municipal council as a reward for outstanding performance

During the audit, it was noticed that there were performance agreements that senior official (section 57) sign, however it was confirmed that Section 57 personnel did not get paid a bonus as there was no resolution taken to approve the payment.

Internal control deficiency

The accounting officer of the municipality failed to take reasonable steps to ensure that the municipality has and maintains effective systems of internal controls over the performance bonuses.

Recommendation

The Accounting officer must ensure that there are processes in place to ensure that all relevant decisions taken that affects the financial and operating activities of the organization are in accordance with the regulations applicable to them and their own policies.

- Processes should be in place to ensure monitoring, timely approval and payment of performance bonuses.

Management response

Agreed.

Performance Evaluation Committee was not established.



Currently, a performance evaluation committee has been established.
All Directors will be evaluated in 2019/2020 financial year.

Name: Van der Merwe JJ
Position: Director Corporate Services
Date: 23/04/2019

Auditor's conclusion

Management comment noted and the finding will be included in the MR

ComAF 06: Non-compliance with MSA and MFMA

Non-compliance with MSA and MFMA.

Audit finding

In terms of Municipal Systems Act 32 of 2000, Sec 67(1)(h) A municipality, in accordance with applicable law and subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures, consistent with any uniform standards prescribed in terms of section 72 (1) (c) of Municipal Systems Act 32 of 2000, to ensure fair, efficient, effective and transparent personnel administration, including disciplinary measures.

In terms of the MFMA section 62(1)(c);(e) General financial management functions.—(1) 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—

(c). that the municipality has and maintains effective, efficient and transparent systems—

- i. of financial and risk management and internal control; and
- ii. of internal audit operating in accordance with any prescribed norms and standards;

(e). that disciplinary or, when appropriate, criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15;

During the 2017/18 audit planning the following came to our attention:

Disciplinary process

There is no disciplinary process for employees who transgress from the code of conduct.



Leave caption on the system

There are no controls in place for the capturing of leave on the pay day system, there is no one who reviews and approves the accuracy of leave days.

Qualification checks

There is no process in place for qualification checks for the appoint of new employees.

Internal control deficiency

This is due to lack of internal controls and oversight by management.

Recommendation

The Accounting Officer should develop and adopt appropriate systems and procedures, consistent with any uniform standards prescribed in terms of section 72 (1) (c) of Municipal Systems Act 32 of 2000, to ensure fair, efficient, effective and transparent personnel administration, including disciplinary measures.

The accounting officer should ensure that they comply with the requirements of the MFMA section 62(1).

Disciplinary processes & for new employees, qualification verification processes should be implemented by the municipality. In addition, the leave should be captured on the system and reconciled and reviewed on a monthly basis.

Management response**Disciplinary Process**

Agreed. Although money was deducted from salaries, no disciplinary action was taken to prevent recurrence.

Management has appointed a Labour Relations Official to facilitate discipline and corrective measures in the 2018/2019 Financial Year.

Leave caption on the system

Agreed. The Leave Procedure did not make provision for verification of captured leave.

Leave Procedure has been reviewed in the 2018/2019 Financial Year to make provision for verification.

Qualification Check

Agreed. Qualification verification was only implemented on senior manager positions only.

The Municipality will implement qualification verification on all new employees in the 2019/2020 financial year.

Name: Cobus van der Merwe

Position: Director Corporate Services

Date: 17/04/2019

Auditor's conclusion

Management comments noted, the finding will remain unresolved and will be included in the management report.

ComAF 07: No functioning Audit Committee for Part of financial year

No functioning Audit Committee for Part of financial year

Audit finding

Section 14 of the Municipal Planning and Performance Management Regulations 2001 requires the establishment of the Audit Committee by the Municipal.

No Audit Committee was established for part of the financial year (period July 2017 to December 2017). The District Municipality's Audit Committee was also not utilized during this period, as a compensating control. Therefore, the functions of the audit committee, as described in section 166 of the MFMA was not performed during the majority period of the 2018 financial year.

Internal control deficiency

The Accounting Officer did not ensure to appoint an audit committee, at the termination period of the previous audit committee.

Recommendation

The Accounting Officer together with Council must appoint an audit committee, which must consist of at least three persons with appropriate experience, of whom the majority may not be in the employment of the municipality or municipal entity, as the case may be; and meet as often as is required to perform its functions, but at least four times a year.

Management response

Agree with the finding. The audit committee contract ended on the 30th September 2016 and we immediately started with the process of recruitment for the new audit committee 3 months before expiry date of the then audit committee, however our advert didn't receive the relevant feedback (Applied candidates didn't possess the necessary skills). The municipality then had to re-advertise and the new audit committee was appointed on the 1st January 2018.

Name: Manong Matsobane Daniel

Position: Chief Internal Auditor

Date: 01 January 2018

Auditor's conclusion

The auditors acknowledge the management response, the audit issue remain unresolved and will be included in the Management Report.

ComAF08: IT Committee not functioning during the 2017/18 financial year

IT Committee not functioning during the 2017/18 financial year



Audit finding

Municipal Finance Management Act (MFMA) 56 Of 2003 provides for the establishment of IT / Risk committee for the municipality.

The municipality appointed a Risk Committee for on January 2018. Therefore, there was no committee for part of the year and thereafter, the committee in place is not functioning effectively. No meetings have been held since committee was appointed this has resulted in the below

1. There is no approved IT Strategic Plan in place
2. No oversight takes place
3. ICT Policies not approved timeously
4. No anti-viruses installed on IT machinery
5. Back-ups are not being regularly performed
6. No approved Disaster Recovery Plan

Internal control deficiency

The Accounting Officer did not ensure proper policies and procedures are in place that the IT/Risk committee was appointed in time and the committee's effectiveness is assessed periodically.

Recommendation

The Accounting Officer with the assistance of the Audit committee should perform oversight duties to ensure that the Risk Committee performs its duties in terms of the guidelines established in terms on the charter.

Management response

1. The approved IT Strategic plan is in place but outdated (copy will be send)
2. No oversight takes place (this matter will be discussed in the next ICT steering)
3. ICT policies will be reviewed and sent for approval yearly
4. Antivirus will be purchased in 2018/19
5. Back-ups are partially performed on PAY DAY and Munsoft
6. Approved Disaster Recovery Plan is in place but not reviewed and updated

| Findings | Agrees with finding or not. | The root cause/what led to the situation | Action plan/Corrective measure in place | Time line and target date as to implement the corrective measure |
|----------------------------------------------------------------|-----------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------------|
| IT Committee not functioning during the 2017/18 financial year | Yes | The root cause is non-commitment from Management for sitting on ICT steering committee | The matter will be discussed with Corporate Director on 24/04/2019 | On next director meeting. |

| | | | | |
|--|--|-----------------------------------------|------------------------------------------------|-------------------------------------------------|
| | | to discuss Strategic objectives of ICT. | to include it as an Item on Directors meeting. | <i>(There is no director meeting schedules)</i> |
|--|--|-----------------------------------------|------------------------------------------------|-------------------------------------------------|

Name: M.F Kamoi – ICT Services Manager
 J.J Van der Merwe – Director: Corporate Services
 Date: 17/04/2019

Auditor's conclusion

The Auditors acknowledges the management response, the audit issue raised remains and will be included in the final Management Report

ComAF 09: No signing of declarations of interest by council members and members of other municipal committees

No signing of declarations of interest by council members and members of other municipal committees

Audit finding

In terms of Sec 62(1), The accounting officer of a municipality must take reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control, that includes the declaration of council members and members of other municipal committees.

During the 2016/17 statutory audit of the municipality we did not receive all the declarations of financial interest for councillors.

The following Declarations were not received for inspection:

1. Audit Committee
2. Risk & IT Committee
3. MPAC Committee
4. Internal Audit
5. Community Services and Infrastructure
6. Planning and Economic Development
7. Finance, Institutional Development and Transformation
8. Full time Councillors
9. Executive committee

Internal control deficiency

Lack of proper internal controls to ensure that all council members and other municipal committees declare interest. In addition, no proper record keeping processes in place to ensure that all declarations are kept and recorded in the register for conflict of interest.

Recommendation

The Accounting Officer must ensure that all the declarations of financial interest forms are completed and adequately filed. In addition, a register for interest declaration should be kept to track of conflicts of interest by council members.

Management response

Agree with the finding: Declaration of interest file for 2017/18 were submitted to SIU and the file were returned with missing declarations. A declaration of interest register will be developed and ensure that all the financial interest declarations are signed by employees and councillors.

Name: Manong MD

Position: Chief Internal Auditor

Date: 30/06/2019

Auditor's conclusion

Management comments noted, the finding will remain unresolved and will be included in the management report

ComAF 10: Unauthorized, Irregular, Fruitless & Wasteful Expenditure not investigated in the 2017/18 financial year**Unauthorized, Irregular, Fruitless & Wasteful Expenditure not investigated in the 2017/18 financial year****Audit finding**

In terms of section 32(3 and 4) of the MFMA, If the accounting officer becomes aware that the council, the mayor or the executive committee of the municipality, as the case may be, has taken a decision which, if implemented, is likely to result in unauthorized, irregular or fruitless and wasteful expenditure, the accounting officer is not liable for any ensuing unauthorized, irregular or fruitless and wasteful expenditure provided that the accounting officer has informed the council, the mayor or the executive committee, in writing, that the expenditure is likely to be unauthorized, irregular or fruitless and wasteful expenditure.

The accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of any unauthorized, irregular or fruitless and wasteful expenditure incurred by the municipality whether any person is responsible or under investigation for such unauthorized, irregular or fruitless and wasteful expenditure; and the steps that have been taken to recover or rectify such expenditure; and to prevent a recurrence of such expenditure.

During the audit of consequence management, we noted that there were no investigations performed and reported to council relating to unauthorized, Irregular, Fruitless & Wasteful Expenditure for the 2017/2018 financial year.

Internal control deficiency

The Accounting officer did not ensure that identified Unauthorized, Irregular, Fruitless and wasteful expenditure was investigated, and findings of the investigations reported in writing to the mayor; MEC and the Auditor-General.

Recommendation

The Accounting officer should ensure that identified Unauthorized, Irregular, Fruitless and wasteful expenditure is investigated, and findings of the investigations are reported in writing to the mayor; MEC and the Auditor-General.

Management response

Management agrees with the finding. The Municipality has the UIFW register for 2017/18, the UIFW has been submitted to MPAC Researcher for investigations and awaiting recommendation to Council.

Name: L Makwati

Position: SCM Manager

Date: 17 April 2019

Auditor's conclusion

Management comments noted, the finding remains and will go to the final management report.

ComAF 11: SCM: No Procurement Plan in place

SCM: No Procurement Plan in place

Audit finding

The SCM policy part 1, paragraph 5 states that Consistent with the government fiscal discipline, no procurement shall be undertaken unless it is in accordance with Annual Procurement Plan (APP) approved by the Municipal Manager, which must be consistent with the duly approved annual or multi-year budget and service delivery plan.

During the audit we noted that the municipality does not have an Annual Procurement Plan as indicated by the policy.

Internal control deficiency

The Accounting officer did not ensure that the SCM policy is complied with by ensuring that the annual procurement plan is drafted, reviewed and approved for the 2017/18 financial year.

Recommendation

The Accounting officer should ensure that the SCM policy is complied with and implemented ie the annual procurement plan is drafted for each financial period.



Management response

Management agrees with the finding.

The municipality did not have any procurement in plan prepared for 2017/2018 due to the fact that most of Capital projects (Grants funded projects) were implemented by the Waterberg District Municipality. And one other issue was due to Cash Flow constraints and the Municipality procured via formal written quotations as and when there was a need.

Name: L Makwati

Position: SCM Manager

Date: 17 April 2019

Auditor's conclusion

Management comments noted, the finding remains and will go to the final management report.

ComAF 12: Contract Register not regularly updated

Contract Register not regularly updated

Audit finding

Section 116(2) of MFMA, states that the accounting officer of a municipality or municipal entity must take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy of the municipality or municipal entity is properly enforced; monitor on a monthly basis the performance of the contractor under the contract or agreement; establish capacity in the administration of the municipality or municipal entity to assist the accounting officer in carrying out the duties and to oversee the day-to-day management of the contract or agreement.

During the audit, we noted that the municipality's contract register is not updated regularly to assist the accounting officer to ensure that contracts are monitored on a continuous basis.

Inspected the contract register for 2017/18 financial year and noted that the contract between the municipality and Legogo IT & Projects cc for an amount of R5 000 000 was not included in the contract register.

Internal control deficiency

The Accounting officer did not ensure that contracts are recorded in the register to ensure they are monitored.

Recommendation

The Accounting officer should ensure that all contracts are recorded in a register and monitored.

Management response

Management agree with the finding. Management will ensure that all contract after appointment will be updated in the register and be monitored on a regular basis.



Name: L Makwati
Position: SCM Manager
Date: 17 April 2019

Auditor's conclusion

Management comments noted, the finding remains and will go to the final management report.

ComAF 13: No compliance with MSA 67(1)(h) and (i)

No compliance with MSA 67(1)(h) and (i)

Audit finding

Human resource development. - (1) A municipality, in accordance with applicable law and subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures, consistent with any uniform standards prescribed in terms of section 72 (1) (c), to ensure fair, efficient, effective and transparent personnel administration, including

- (h) disciplinary procedures
- (i) the investigation of allegations of misconduct and complaints against staff

During the 2017/18 compliance audit of Human Resources it was noted that the municipality does not have an effective(working) process in place for disciplinary and investigation of allegations of misconduct and complains against staff.

Internal control deficiency

The Accounting officer did not develop and adopt appropriate systems and procedures, consistent with any uniform standards prescribed in terms of section 72 (1) (c), to ensure fair, efficient, effective and transparent personnel administration, including

- (h) disciplinary procedures
- (i) the investigation of allegations of misconduct and complaints against staff

Recommendation

The Accounting Officer should ensure that they develop and adopt appropriate systems and procedures, consistent with any uniform standards prescribed in terms of section 72 (1) (c), to ensure fair, efficient, effective and transparent personnel administration, including

- (h) disciplinary procedures
- (i) the investigation of allegations of misconduct and complaints against staff

Management response

Disagree. The Municipality uses SALGBC Disciplinary Procedure Collective Agreement makes provisions for processes and procedures for dealing with discipline.

Name: Cobus van der Merwe
Position: Director Corporate Services
Date: 2019/04/14



Auditor's conclusion

We disagree with Management's comment based on the fact that the stated processes and procedures were not operating effectively as shown by lack of documents listing disciplinary and investigation of allegations of misconduct and complains against staff for the 2017/18 financial period. The finding still remains and will be included in the management report.

ComAF 14: Non-compliance with conditions of employment regulation 8(1)(a)

Non-compliance with conditions of employment regulation 8(1)(a)

Audit finding

In terms of section 8 of the basic condition of employment:

General requirements for appointment of senior managers

(1) No person may be appointed as a senior manager on a fixed term contract, on a permanent basis or on probation, to any post on the approved staff establishment of a municipality, unless he or she-
(a) is a South African citizen or permanent resident and;

During the 2017/18 compliance audit of the Human resources it was noted that during the appointment of senior officials there is no verification process in place to ensure that only South African citizen or permanent residents are appointed.

Internal control deficiency

The Accounting Officer did not ensure that there is a verification process in place that ensures that only South African citizens or permanent residents are appointed in senior official positions.

Recommendation

The Accounting Officer should ensure that there is a process in place that ensures that only South African citizen or permanent residents are appointed in the senior official positions.

Management response

Agreed. The Municipality is conducting verifications of citizenship for senior manager positions in the 2018/2019 financial year.

Name: Cobus van der Merwe

Position: Director Corporate Services

Date: 17/04/2019

Auditor's conclusion

Management comment noted and we are going to follow up in the 2018/19 financial period if this process is followed, the finding will be included in the management report.



ComAF 15: Non-compliance with MFMA sec 62 (No report for Post-Retirement Benefits for 2017/18)

Non-compliance with MFMA sec 62 (No report for Post-Retirement Benefits for 2017/18)

Audit finding

In terms of section 62 MFMA

General financial management functions. - (1) 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-

(b). that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards

The municipality failed to provide us with the actuarial report for the post-retirement benefits ie long-term service awards and post-retirement medical aid benefits.

Internal control deficiency

The Accounting Officer did not ensure that they maintain a full and proper records of the financial affairs of the municipality and that those records are kept in accordance with any prescribed norms and standards.

Recommendation

The Accounting Officer should ensure that they maintain a full and proper records of the financial affairs of the municipality and that those records are kept in accordance with any prescribed norms and standards.

Management response

Agree with the finding. It was an oversight on the side of the Municipality. In future the municipality must ensure that the report was completed by an Actuarial and form part of the AFS.

Name: Elize Joubert

Position: Manager expenditure

Date: 24/04/2019

Auditor's conclusion

Management comment noted, finding will remain unresolved and will be included in the management report.

ComAF 16: No effective approval process for the leave system

No effective approval process for the leave system

Audit finding

General financial management functions. - (1) 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-



(C) that the municipality has and maintains effective, efficient and transparent systems - (i) of financial and risk management and internal control

During the 2017/18 audit of the payroll system description it came to our attention that the leave system used by the municipality (pay day system) does not have proper controls in place because leave that is captured is not approved by any one on the system.

They rely on the approval of the manual leave form and leave that is captured on the system is not reviewed and approved.

Management did not implement proper controls relating to management of leave.

Internal control deficiency

The Accounting Officer did not ensure that they maintain effective, efficient and transparent systems for the management of leave within the municipality.

Recommendation

Accounting Officer should ensure that the leave management process integrated into the payday system and maintain effective controls over the capturing, approval and review of leave in order to produce reliable and accurate leave information for the purposes of financial reporting.

Management response

Agreed. The Municipality leave management process did not make provision for verification of records once they have been captured. In the 2018/19 financial year the Municipality has reviewed the leave management system process to make provisions for verification.

NB: finding already raised on COMAF6, confirmed with Mushai.

Name: Cobus van der Merwe

Position: Director Corporate Services

Date: 17/04/2019

Auditor's conclusion

Management comments noted, we are going to include it in the management report and a follow up to be one in the 2018/19 financial year to see if the commitments are implemented.

ComAF 17: SCM-Non-Compliance with the Declaration of Interest requirements

SCM Non-Compliance with the Declaration of Interest requirements

Audit finding

In terms of Sec 62(1), The accounting officer of a municipality must take reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.



In terms of par 20 section 3 (e) of SCM Policy, An official and/or other role-player involved in the implementation of this policy must declare to the Municipal Manager details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by the Municipality.

During the audit, the following was noted:

- Modiga Lesiba Johannes (Divisional Manager: Fleet Management) - The declaration of interest that was submitted was not approved by the reporting manager and the Municipal Manager.
- Lambert Hendrik Joubert (Speaker) – The requested declaration of interest was not submitted to the auditors for verification.

Internal control deficiency

The Accounting officer did not ensure that all employees have declared their interests and the form is reviewed by line manager and approved by Municipal Manager.

Recommendation

The Accounting officer should ensure that all employees have declared their interests and the form is reviewed by line manager and approved by Municipal Manager.

Management response

Agree with the finding: Declaration of interest file for 2017/18 were submitted to SIU and the file was returned with missing declarations forms. A declaration of interest register will be developed and ensure that all the financial interest declarations are signed by employees and councilors. Furthermore, the municipality will ensure that employee's declaration forms are approved/signed by the Director and Municipal Manager and Councilors declaration forms are approved/signed by The Mayor.

Name: Manong MD

Position: Chief Internal Auditor

Date: 24/04/2019

Auditor's conclusion

Management comments are noted, the finding remains and will be included in the final management report.

ComAF 18: Municipality failed to surrender unspent conditional grants to National Treasury

Municipality failed to surrender unspent conditional grants to National Treasury

Audit finding



Paragraph 22(1) of the Division of Revenue Act (DORA) No.1 of 2015, states that “Despite anything to the contrary in the Public Finance Management Act or the Municipal Finance Management Act, any conditional allocation, or a portion thereof, that is not spent at the end of the any financial year reverts to the National Revenue Fund, unless the roll-over of the allocation is approved in terms of subsection (2)”.

Furthermore, paragraph 22(4)(b) of the same act states that National Treasury may, offset any funds that must revert to the National Revenue Fund, but not paid into that Fund by the date determined by National Treasury formally, against future advances for the equitable share or conditional allocations to that municipality.

The municipality had unspent amount relating to water infrastructure amounting to R1 463 000 which was not surrendered to national treasury and the was no approval from national treasury for roll over.

Internal control deficiency

The Accounting Officer did not ensure that DORA has been complied with these funds not handed over to National Treasury will in subsequent years be offset against equitable share.

Recommendation

The Accounting Officer must ensure that that unspent grants funds are returned to National treasury before the due date determine by National Treasury.

Management response

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|
| Agree or Disagree with the finding Management comment on audit finding based on above: <ul style="list-style-type: none"> B & R agrees to finding. | | |
| Management comment on internal control deficiency: <ul style="list-style-type: none"> The AO did not ensure that DORA has been complied with these funds not handed over to National Treasury will in subsequent years be offset against equitable share. | | |
| Management comment on recommendation: <ul style="list-style-type: none"> The AO must ensure that that unspent grants funds are returned to National treasury before the due date determine by National Treasury | | |
| Remedial action: <ul style="list-style-type: none"> The municipality had unspent amount relating to water infrastructure amounting to R1 463 000 which was not surrendered to national treasury and they was no approval from national treasury for roll over. | | |
| What actions will be taken: The Accounting Officer must ensure that that unspent grants funds are returned to National treasury before the due date determine by National Treasury | By whom: Budget and Treasury Office Person: Mr KJ Matlou Position: Acting Chief Financial Officer | By when: Before the due date determine by National Treasury |

Name: Violet Makobe
Position: Accountant Budget and Reporting
Date: 02/04/2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report.

ComAF 19: Non-compliance with section 57 of the MSA-Performance agreement

Non-compliance with section 57 of the MSA-Performance agreement.

Audit finding

Employment contracts for municipal managers and managers directly accountable to municipal managers. -

(1) A person to be appointed as the municipal manager of a municipality, and a person to be appointed as a manager directly accountable to the municipal manager, may be appointed to that position only-

(b) subject to a separate performance agreement concluded annually as provided for in subsection (2).

(2) The performance agreement referred to in subsection (1) (b) must—

(a)(i) be concluded within 60 days after a person has been appointed as the municipal manager or as a manager directly accountable to the municipal manager, failing which the appointment lapses: Provided that, upon good cause shown by such person to the satisfaction of the municipality, the appointment shall not lapse; and

(ii) be concluded annually, thereafter, within one month after the beginning of each financial year of the municipality

During the audit of human resources compliance, we noticed that senior employees did not sign their performance agreement within the 60 days period as required by the legislation.

Internal control deficiency

The senior managers did not sign performance agreements within the prescribed period, as required by section 57(2)(a) of the MSA

Recommendation

The accounting officer should ensure that the senior managers signs the performance agreement within the prescribed time period.

Management response

Management agrees with the finding.

Name: Johannes Matlou



Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 20: No accounting policy for consumer deposits

No accounting policy for consumer deposits

Audit finding

In terms of section 62 of the MFMA:

62. General financial management functions. - (1) 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-

b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;

Section 127 of GRAP 1 stated that an entity shall disclose in the summary of significant accounting policies:

(a) the measurement basis (or bases) used in preparing the financial statements;

(b) the extent to which the entity has applied any transitional provisions of the Standards of GRAP; and

(c) the other accounting policies that are relevant to an understanding of the financial statements.

In the 2017/18 Annual Financial Statements, no accounting policy was disclosed for Consumer Deposits and thus financial statements thus does not comply with GRAP 1.

Internal control deficiency

The accounting officer did not ensure that significant accounting policies are disclosed on the annual financial statement for the 2017/18 financial year.

Recommendation

The accounting officer should ensure that significant accounting policies are disclosed and complied with in the annual financial statements.

Management response

Management agrees with the finding. This was an unintentional failure to notice that we have not disclosed all significant accounting policies given the tight deadline to prepare annual financial statements. Going forward we will prepare our financial statements (AFSs) in time and submit them to relevant parties in time for their input and reviews before we submit the AFSs to National Treasury and AGSA.

Name: Johannes Matlou

Position: Acting CFO

Date: 25 April 2019



Auditor's conclusion

Management response noted, it will be included in the management report and we will also follow up in the 2018/19 audit.

ComAF 21: Limitation of scope for requested information

Limitation of scope for requested information

Audit finding

In terms of the MFMA: 74 General reporting obligation. - (1) The accounting officer of a municipality must submit to the National Treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.

95. General financial management functions of accounting officers. - The accounting officer of a municipal entity is responsible for managing the financial administration of the entity, and must for this purpose take all reasonable steps to ensure-

(b) that full and proper records of the financial affairs of the entity are kept;

During the 2017/18 financial year audit, the municipality was not able to provide us with the following information or it was not provided on time, which is an indication of poor record keeping:

Information not submitted on time:

1. Management Analytical comments
2. Request for information No 17: VAT supplier invoice

Information not submitted:

1. Request for information No.1: Fixed asset register
2. Consumer deposits register
3. Overtime schedule
4. Lease agreements, finance lease listing and finance lease calculation. The following lease contracts were not submitted by the client:
 - Bertie Joubert Eiedomme B
 - Telemasters
 - ITECFIN
 - FINTECH
 - ABSA Bank Thabazimbi Fleet
5. Request for information No.4: 3 Deviations documents outstanding



6. One tender (Bravospan 90 cc) was not received
7. Request for information No.4 Contracts: 5 out of 25 contracts outstanding
8. Request for information No.5 Quotations: Nothing received
9. Request for information No 10 for bad debts
10. Request for information No 11 for Inventory
11. Request for information No 15: Revenue received 4 out of 13 Items
12. Request for information No 16: Bank and cash
13. Request for information No 20: two documents outstanding
14. Request for information No 22: Expenditure invoices
15. Request for information No 25: PART A: Nothing received & PART C: 4 items not received
16. Request for information No 26: 3 Items not received
17. Request for information No 28: VAT customer invoices
18. Bank and cash: Online authorization for bank confirmations not obtained from Municipal Manager

The failure to submit the above information resulted in the information not being considered for audit and therefore leading to limitation of scope on that relevant audit section.

Internal control deficiency

The matter indicates a lack of controls over the maintenance of documentation and records that support the amounts presented and disclosed in the annual financial statements and the information reported in the annual performance report.

Recommendation

The accounting officer should ensure that there are proper record keeping and maintenance of documents in place to ensure that all amount in the financial statements are supported by documentation.

In addition, the accounting officer should make sure that all requested information is made available to the auditors within the agreed timeframe (3 days) to ensure efficiency of the audit.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report.

ComAF 22: Significant differences between the AFS and TB



Significant differences between the AFS and TB

Audit finding

In terms of s122(1)(a), the municipality must “for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year”

In terms of s62 (1) (b) of the Municipal Finance Management Act 56 of 2003, 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 accordance with any prescribed norms and standards.

Contrary to the above requirements, the following unreconciled differences were noted between the amounts disclosed in the 2017/18 AFS and the municipality's trial balance per Munsoft financial system:

1. Defined Employee Benefit

| Details | Amount in the AFS | Amount in the TB | Difference |
|-----------------------------|----------------------|---------------------|----------------------|
| Employee Benefit Obligation | 31 556 855,00 | 7 498,93 | 31 549 356,07 |
| Long services awards | 6 738 538,00 | 6 738 538,00 | - |
| Total | 38 295 393,00 | 6 746 036,93 | 31 549 356,07 |

2. Creditors

| Details | Amount in the AFS | Amount in the TB | Difference |
|---------------------------------------------|-------------------|-------------------|---------------------|
| 3. Payables from exchange transactions | 4. 363 414 053,85 | 5. 348 981 448,00 | 6. 14 432 605,85 |
| 7. Payables from non-exchange transactions | 8. 69 860 210,52 | 9. 0,00 | 10. 69 860 210,52 |
| 11. Retention withheld | 12. 0,00 | 13. 6 983 436,00 | 14. (6 983 436,00) |
| 15. Accrued expense | 16. 1 235 898,24 | 17. 6 034 770,00 | 18. (4 798 871,76) |
| 19. Advanced Payments consumer | 20. 5 277 354,90 | 21. 0,00 | 22. 5 277 354,90 |
| 23. Control Clearing and Interface Accounts | 24. 24 785 789,34 | 25. 0,00 | 26. 24 785 789,34 |
| 27. Debtors with credit balances | 28. 0,00 | 29. 10 031 280,00 | 30. (10 031 280,00) |
| 31. Accrued leave | 32. 0,00 | 33. 13 626 710,00 | 34. (13 626 710,00) |
| 35. Accrued bonus | 36. 0,00 | 37. 4 593 854,00 | 38. 4 593 854,00 |
| 39. Unspecified Income | 40. 0,00 | 41. 0,00 | 42. 0,00 |



| | | | |
|---------------------------------------|---------------------------|------------------------|--------------------------|
| 43. Department of roads and transport | 44. 0,00 | 45. 26 154 616,00 | 46. (26 154 616,00) |
| 47. Unallocated deposits | 48. 0,00 | 49. 60 039 431,00 | 50. (60 039 431,00) |
| 51. Total | 52. 464 573 306,85 | 53. 47 6445 545 | 54. 1 187 2238,15 |

3. Contingencies

| Details | Amount in the AFS | Amount per the register | Difference |
|---------------|---------------------|-------------------------|----------------------|
| Contingencies | 1 800 000,00 | 51 727 546,89 | 49 927 546,89 |
| Total | 1 800 000,00 | 51 727 546,89 | 49 927 546,89 |

4. Provisions

| Details | Amount in the AFS | Amount in the TB | Difference |
|--------------------------------|-----------------------|----------------------|-------------------------|
| 55. Provision for Bonus | 56. 459 3854,17 | 57. | 58. 4 593 854,17 |
| 59. Provision for staff parity | 60. 31 564 355 | 61. | 62. 31 564 355 |
| 63. Provision for leave | 64. 13 626 709,43 | 65. 7 066 394 | 66. 6 560 315,43 |
| 67. Total | 68. 49784918,6 | 69. 7 066 394 | 70. 42 718 524,6 |

5. Receivables from exchange

| Details | Amount in the AFS | Amount in the TB | Difference |
|------------------------------------------------|----------------------------|----------------------------|----------------------------|
| 71. Gross Consumer debtors | 72. 201 430 963,00 | 73. 193 423 028,00 | 74. 8 007 935,00 |
| 75. Impairment of debtors | 76. (138 887 075,00) | 77. (67 775 714,05) | 78. (71 111 360,95) |
| 79. Net Consumer Debtors | 80. 62 543 888,00 | 81. 125 647 313,95 | 82. (63 103 425,95) |
| 83. Trade Debtors | 84. 84 156 559,00 | 85. - | 86. 84 156 559,00 |
| 87. Deposits | 88. 136 205,00 | 89. - | 90. 136 205,00 |
| 91. Sundry receivables | 92. 101 378 849,00 | 93. - | 94. 101 378 849,00 |
| 95. Other receivables | 96. 194 625,00 | 97. 97 350,42 | 98. 97 274,58 |
| 99. Payables with credit balances/Pre-payments | 100. 24 113 823,00 | 101. (0,35) | 102. 24 113 822,65 |
| 103. Total | 104. 272 523 949,00 | 105. 125 744 664,02 | 106. 146 779 284,28 |

6. Receivables from Non- Exchange Transactions

| Details | Amount in the AFS | Amount in the TB | Difference |
|------------|-------------------|------------------|-------------------|
| 107. Fines | 108. 2 793 197,00 | 109. 31 403,62 | 110. 2 761 793,38 |



| | | | |
|-----------------------------------------------|--------------------------|-------------------------------|---------------------------------|
| 111. Government Grants & Subsidies: Waterberg | 112. - | 113. - | 114. - |
| 115. Other receivables - accruals | 116. 739 657,00 | 117. 739 656,60 | 118. 0,40 |
| 119. Property Rates | 120. - | 121. 41 058 151,03 | 122. (41 058 151,03) |
| 123. Total | 124. 3 532 854,00 | 125. 41 829 211,25 | 126. (38 296 357,25) |

7. Revenue from exchange transactions

| Details | Amount in the AFS | Amount in the TB | Difference |
|---------------------------------------------|-----------------------|-----------------------|---------------------------|
| 127. Services Charges - Sale of Electricity | 128. 43 155 579,00 | 129. 43 168 376,55 | 130. (12 797,55) |
| 131. Services Charges - Sale of Water | 132. 28 680 983,00 | 133. 28 761 557,62 | 134. (80 574,62) |
| 135. Other Income | 136. 1 412 383,00 | 137. 1 260 381,23 | 138. 152 001,77 |
| 139. Total | 140. | 141. | 142. 58 629,60 |

8. Unauthorized Expenditure Disclosed

| Details | Amount in the AFS | Amount in the TB | Difference |
|------------------------------------------|-------------------------------|-------------------------------|---------------------------------|
| 143. Amount incurred in the current year | 144. 19 448 745,00 | 145. 62 854 739,62 | 146. (43 405 994,62) |
| 147. Total | 148. 19 448 745,00 | 149. 62 854 739,62 | 150. (43 405 994,62) |

As a result of the above unreconciled differences, it could not be confirmed whether the balances in the financial statement and trial balance are correct and complete. This matter therefore represents a limitation of scope on the audit of the completeness and accuracy of transactions that underlie the financial statements.

Internal control deficiency

The matter indicates a lack of implementation of controls over the preparation of annual financial statements by the accounting officer.

Recommendation

The accounting officer should ensure that there are proper record keeping and maintenance of documents in place to ensure that all amounts in the financial statements are reconciled to the trial balance. Thus, the trial balance should be reconciled to the financial statements before they are approved by management and submitted for audit purposes.

Management response

Management acknowledges the differences between the AFS and TB. Management has started a process of correcting the differences for the 2018/19 AFS. The root cause started with the migration to Scoa in 2016/17. Management will look into writing off of figures where there are no supporting



documentation. The municipality together with the AFS service provider and system vendor are correcting the initial opening balances for financial year 2016/17 which will affect the forthcoming years.

Name: Thaveshan Chetty
Position: Budget and Reporting Manager
Date: 24/04/2019

Auditor's conclusion

Management comments noted and the finding will be included in the management report.

ComAF 23: No actuary / expert valuation done for the 2017/18 financial year

No actuary / expert valuation done for the 2017/18 financial year

Audit finding

Section 62(1)(b) of the Municipal Finance Management Act 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 accordance with any prescribed norms and standards.

Section 15(2)(b) of the PAA states that the Auditor-General or an authorized auditor may for the purpose of an audit direct a person to produce, or to deliver at a specified place and time and in a specified format any such document, book or written or electronic record or information, including any confidential, secret or classified document, book, record or information of whatever nature; or any asset.

During the 2017/18 financial year audit the client was unable to provide us with the expert report for landfill site and defined employee benefit and we therefore cannot rely on the amount as stated in the AFS.

| Details | Amount in the AFS |
|-------------------------------|----------------------|
| Defined Employee Benefit | 38 295 395,00 |
| Provision for lands fill site | 21 916 291,00 |
| Total | 60 211 686,00 |

Internal control deficiency

The accounting officer did not have proper controls in place to ensure that experts / actuaries are appointed, and they perform a valuation for landfill site and defined employee benefit that were to be integrated in the 2017/18 financial statements.

Recommendation

The accounting officer should ensure that experts / actuaries are appointed in time to perform the valuations to be integrated in the annual financial statements.



Management response

Agree. In future municipality have to ensure that the experts/ actuaries are appointed.

Name: Elize Joubert

Position: Manager expenditure

Date: 17/04/2019

Auditor's conclusion

Management comment noted finding to be included in the MR

ComAF 24: Provisions incorrectly disclosed**Provisions incorrectly disclosed****Audit finding**

In terms of section 62(1) of the Municipal Finance Management Act, 2003 (Act no 56 of 2003), 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— (b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;

The following disclosures were omitted in the financial statements;

| Details | Amount in the AFS |
|----------------------------|---------------------|
| Provision for Bonus | 4 593 854.17 |
| Provision for staff parity | 31 564 355.00 |
| Provision for leave | 13 626 709.43 |
| Total | 49 784 918.6 |

Internal control deficiency

The accounting officer did not have proper controls in place to ensure that financial statements are reviewed before being signed-off and therefore confirming the completeness of presentation and disclosures in the financial statements.

Recommendation

The accounting officer should ensure that proper controls are place for financial statements review before signed-off and therefore confirming the completeness of presentation and disclosures in those financial statements.

Management response

Partially agree. The root cause is not on the review of the AFS but rather on the Provisions mentioned not being done for the year under review. The municipality will ensure that the provisions mentioned will be done yearly.

Name: Elize Joubert

Position: Manager expenditure



Date: 17/04/2019

Auditor's conclusion

Management comments noted, we do not agree with what management is comments, because the line items we have above are derived from their Trial Balance so when they say they partially disagree with the root cause it is taking away responsibility from their side.

The finding will be included in the final management report.

ComAF 25: Prior Year Closing and Current Year Comparative Differences (No restatements were made)

Prior Year Closing and Current Year Comparative Differences (No restatements were made)

Audit finding

In terms of s122(1)(a), the municipality must "for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year"

In terms of s62(1)(b) of the Municipal Finance Management Act 56 of 2003, 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 accordance with any prescribed norms and standards;

1. Receivables from exchange transactions

| Description | Comparative Figure in 2017/18 AFS | Amount as per Prior Year TB | Difference |
|-------------------|-----------------------------------|-----------------------------|---------------------|
| Other receivables | 829 454,00 | 1 308 821,81 | (479 367,81) |
| Total | 829 454,00 | 1 308 821,81 | (479 367,81) |

The above difference was reported in prior year, but management failed to respond to this finding.

2. Unauthorized, Irregular, Fruitless and Wasteful Expenditure

| Description | Comparative Figure in 2017/18 AFS | Amount as per Prior Year Schedules | Difference |
|------------------------------------|-----------------------------------|------------------------------------|-----------------|
| Fruitless and wasteful expenditure | 34 532 442,00 | 34 387 965,11 | 144 476,89 |
| Irregular Expenditure | 1 601 978,00 | - | 1 601 978,00 |
| Unauthorized expenditure | 32 018 831,00 | 89 346 590,38 | (57 327 759,38) |



| | | | |
|--------------|--|--|------------------------|
| Total | | | (55 581 304,49) |
|--------------|--|--|------------------------|

| Description | Comparative Figure in 2017/18 AFS | Comparative Finding Value Differences (above) | Difference |
|--------------------|------------------------------------------|------------------------------------------------------|-------------------|
| Finding Values | 55 190 495,49 | 55 581 304,49 | (390 809,00) |

| Description | Comparative Figure in 2017/18 AFS | Final figure in the 2016/17 AFS | Difference |
|------------------------------------|------------------------------------------|----------------------------------------|-------------------|
| Fruitless and wasteful expenditure | 34 532 442,00 | 34 923 251,00 | (390 809,00) |

A finding was raised during the 2016/17 audit for difference identified when comparing the AFS and the schedules and that overall difference on UIFW expenditure was R55 190 495,49. The differences identified on the comparative figures in the 2017/18 AFS was R55 581 304,49 and was a result of the prior year finding that was addressed. The figure for fruitless and wasteful expenditure in the 2016/17 AFS was different than the comparative figure in the 2017/18 AFS.

There was no evidence of any restatement relating to UIFW expenditure under comparative figures note 44 in the 2017/18 AFS.

Internal control deficiency

The matter noted is indicative of a control deficiency over reviewing of the financial statements by the accounting officer.

Recommendation

Management should ensure that the annual financial statements are reviewed thoroughly to be able to make restatements / adjustments before the AFS are submitted for audit purposes.

Management response

Management acknowledges the lack of control. The issue was raised due to incorrect opening balances and misalignment which are currently being addressed by management. Management is hopeful that the issue will be sorted out in the 2018/19 financial year by correcting the balances and alignment.

Name: Thaveshan Chetty

Position: Budget and Reporting Manager

Date: 24/04/2019

Auditor's conclusion

Management comments noted and the finding will be included in the management report.

ComAF 26: Non-disclosure of interest and penalties in the AFS as UIFW.

Non-disclosure of interest and penalties in the AFS as UIFW.



Audit finding

In terms of section 62(1) of the Municipal Finance Management Act, 2003 (Act no 56 of 2003), 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 - (b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;

During the audit of the 2017/18 VAT we noted th

at interest was not disclosed correctly in the fruitless and wasteful expenditure note in the financial statements.

In the Fruitless and wasteful expenditure note SARS is understated by R458 637.

Internal control deficiency

The matter noted is indicative of a control deficiency in keeping accurate accounting records and over reviewing of the financial statements by the accounting officer.

Recommendation

Management should ensure that accurate accounting records are kept for UIFW and that annual financial statements are reviewed thoroughly to ensure completeness of presentations and disclosures.

Management response

Agree to the finding. Corrections can be done if AG gives permission for the corrections. We will ensure that the disclosure is made an accurate.

Name: Elize Joubert

Position: Manager expenditure

Date: 17/04 /2019

Auditor's conclusion

Auditor acknowledges the management response; however, the corrections should be made in the following financial year. The audit issue will remain and will be included in the final Management Report.

ComAF 27: Non-compliance with section 4(h) and 6 of the leave policy.

Non-compliance with section 4(h) and 6 of the leave policy.

Audit finding

In terms of the Thabazimbi Local Municipality leave policy section 4(h)

Absence from work without approval and/or without a valid reason shall be regarded as absence without official leave (AWOL) and therefore a misconduct to be dealt with in terms of the disciplinary procedure (6) All forms of leave are to be applied for on the prescribed leave application form obtainable from the Human Resources office and submitted to the direct supervisor of the employee for approval and sent to Human Resources for capturing



During the 2017/18 audit for unpaid leave the below employees took leave without approval and no disciplinary action was taken against them and that is non-compliance with the policy of the municipality;

| No. | Employee | Employee number | Reason for leave | Leave start date | Leave end date | Number of leave days | Amount |
|-----|-----------------|-----------------|-----------------------------------------------------------------------------------------------|----------------------|----------------------|----------------------|---------|
| 1 | Mr T Solani | 5096 | Absent from work due to regularly being under the influence of substance during working hours | 20180530 | 20180604 | 4 | 1 637,9 |
| 2 | Mr Sj Dibodu | 5222 | Leave without permission | 20180302 | 20180302 | 1 | 390,2 |
| 3 | Mr Me Shiko | 5227 | Takes leave every Monday of the end of the month | 20180226 | 20180305 | 6 | 2 341,0 |
| 4 | Mr Si Mfati | 5248 | Takes leave with permission | 20180507 | 20180511 | 5 | 2 555,9 |
| 5 | Mr Pf Mosito | 5251 | Takes leave with permission | 20180419 | 20180419 | 1 | 511,2 |
| 6 | Mr Te Seobi | 5354 | Takes leave with without prior permission | 20180319 20180315 | 20180401 20180316 | 8 and 2 | 3 901,7 |
| 7 | Miss Mm Mashao | 5475 | Takes leave without permission | 20180601 | 20180601 | 1 | 1 154,6 |
| 8 | Mr F Loots | 5552 | Takes leave without permission | 20171026 | 20171027 | 2 | 2 252,4 |
| 9 | Mr Ni Mosehlane | 38007 | Takes leave every Monday of the end of the month | 20180305 20180226 | 20180305 20180227 | 1 and 2 | 1 669,9 |

The following list of employees did not complete a standard leave form;

| No. | Employee | Employee number | Reason for leave | Leave start date | Leave end date | Number of leave days | Amount |
|-----|--------------|-----------------|-------------------------------------------|----------------------|----------------------|----------------------|---------|
| 1 | Mr Si Mfati | 5248 | Takes leave with permission | 20180507 | 20180511 | 5 | 2 555,9 |
| 2 | Mr Pf Mosito | 5251 | Takes leave with permission | 20180419 | 20180419 | 1 | 511,2 |
| 3 | Mr Te Seobi | 5354 | Takes leave with without prior permission | 20180319 20180315 | 20180401 20180316 | 8 and 2 | 3 901,7 |

The following employees who took unpaid leave but not included in the unpaid leave report (completeness of the unpaid leave report);

| No. | Employee | Employee number | Reason for leave | Leave start date | Leave end date | Number of leave days | Amount |
|-----|----------|-----------------|------------------|------------------|----------------|----------------------|--------|
|-----|----------|-----------------|------------------|------------------|----------------|----------------------|--------|



| | | | | | | | |
|---|--------------|------|--|------------|------------|---|---------|
| 1 | Matsomane DM | 5323 | | 12/02/2018 | 16/02/2018 | 5 | 1950,85 |
|---|--------------|------|--|------------|------------|---|---------|

Internal control deficiency

The matter noted is indicative of a control deficiency in keeping accurate accounting records and over reviewing of the financial statements by the accounting officer. In addition, the matter shows lack of consequence management ie lack disciplinary actions to address employee misconduct.

Recommendation

Management should ensure that accurate accounting records are kept for leave and that annual financial statements are reviewed thoroughly to ensure completeness of presentations and disclosures.

In addition, processes should be put in place to ensure disciplinary actions against employee found of misconduct regarding leave.

Management response

Agreed with the findings.

No disciplinary action was taken on employees that went AWOL and those that refused to acknowledge absenteeism, although salary deductions were made. A Labour Relations Officer was appointed in the 2018/2019 Financial Year to institute discipline for such misconduct.

Name: Tebogo Maheso

Position: HR Manager

Date: 17/04/2019

Auditor's conclusion

Management comments noted and the finding to be included in the Final Management report.

ComAF 28: Investments are misstated & do not agree to SANLAM statements**Investments are misstated & do not agree to SANLAM statements****Audit finding**

In terms of section 62(1) of the Municipal Finance Management Act, 2003 (Act no 56 of 2003), 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— (b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;

During the 2017/18 FY audit, it was noted that the investment register does not agree to the annual financial statement and trial balance as follows:

| Account number | Vote description | Balance per investment register | Balance per Annual Financial Statements | Differences |
|----------------|------------------|---------------------------------|-----------------------------------------|-------------|
|----------------|------------------|---------------------------------|-----------------------------------------|-------------|



| | | | | |
|--------------|-------------------|-------------------|------------------|------------------|
| 48610327' | Sanlam Investment | 36 305,49 | 82 849,00 | |
| 50888081' | Sanlam Investment | 59 285,63 | | |
| 9301244384' | ABSA Investment | 11 958,53 | | |
| Total | | 107 549,65 | 82 849,00 | 24 700.65 |

Furthermore, the amounts per 2017/18 annual financial statements were agreed to the Sanlam Statements as at 30 June 2018 and the following differences were noted:

| Account number | Vote description | Balance per investment register | Balance per Annual Financial Statements | Differences |
|-----------------------|-------------------------|----------------------------------------|------------------------------------------------|--------------------|
| 48610327' | Sanlam Investment | 36 305,49 | 82 849,00 | 13 084,36 |
| 50888081' | Sanlam Investment | 59 627,87 | | |
| Total | | 95 933,36 | 82 849,00 | 13 084,36 |

The Investments balance has been understated by R13 084.36

Internal control deficiency

The accounting officer did not ensure that the Investment Register is reviewed on a monthly basis by a senior official. Further the accounting officer did not ensure that all amounts in the financial statements were disclosed at the accurate amounts.

Recommendation

The accounting officer must take all steps to ensure that investments are reconciled to statements on a monthly basis and reviewed by senior personnel, as well as ensuring all amounts in the financial statements are presented and disclosed at the accurate amount.

Management response

Management acknowledges the finding, the amount disclosed in the AFS was incorrect. Management will take proper control of this misstatement and rectify for the next AFS.

Name: Thaveshan Chetty

Position: Budget and Reporting Manager

Date: 25/04/2019

Auditor's conclusion

Auditors accept the management response. The audit issue will remain and will be included in the final Management Report.

ComAF 29: No going concern assessment was done by the municipality

No going concern assessment was done by the municipality



Audit finding

In terms of GRAP 1 section 27: When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless there is an intention to liquidate the entity or to cease operating, or if there is no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When the financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.

During the audit of the 2017/18 financial year for Thabazimbi Local Municipality, it was noted that the municipality does not prepare going concern assessment on an annual basis.

Internal control deficiency

The accounting officer did not ensure that the municipality keeps accurate record keeping as indicated by the lack of documentation to support the going concern assessment on an annual basis.

Recommendation

The accounting officer must take all steps to ensure that going concern assessment are performed on an annual basis and reviewed by as senior personnel.

Management response

Management acknowledges the finding. Some records do not exist thus no going-concern assessment could be done until the amount with no supporting documentation is written off. Management will implement the going-concern assessment in the 2018/19 financial year.

Name: Thaveshan Chetty

Position: Budget and Reporting Manager

Date: 24/04/2019

Auditor's conclusion

Management comments noted and the finding will be included in the MR and follow up will be done in the 2018/19 financial year to ensure it is done.

ComAF 30: Inadequate VAT disclosures

Inadequate VAT disclosures

Audit finding

Section 127 of GRAP 1 stated that an entity shall disclose in the summary of significant accounting policies:

- (a) the measurement basis (or bases) used in preparing the financial statements;
 - (b) the extent to which the entity has applied any transitional provisions of the Standards of GRAP;
- and



(c) the other accounting policies that are relevant to an understanding of the financial statements.

VAT Accounting Policy:

- During the audit of the 2017/18 Financial Statements, no accounting policy for VAT was disclosed.

Internal control deficiency

The accounting officer did not ensure that sufficient internal control processes are in place for reviewing of financial statements and thus ensuring that all disclosures, including the VAT accounting policy are correct presented and disclosed.

Recommendation

The accounting officer must take all steps to ensure that financial statement are reviewed before sign-off and thus ensuring completeness of all disclosures, including the VAT accounting policy.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report.

ComAF 31: Incorrect VAT Returns & VAT Apportionment not done.

Inadequate VAT disclosures

Audit finding

In terms of section 62(1) of the Municipal Finance Management Act, 2003 (Act no 56 of 2003), 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- (b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;

VAT Returns:

- During the 2017/18 audit, differences were noted between the VAT returns filed and the amounts per the general ledger. The returns were understated by R1 070 644.38

VAT apportionment:

- During the audit of the 2017/18 VAT we noted that the VAT input should be apportioned with 91% however this was not performed for the financial year. VAT receivable was overstated by R959 175.05 as a result of non-apportionment.



The differences were calculated as follows (respectively):

| Return Period | Net Amount VAT 201 | Net VAT per VAT Account | Difference |
|----------------|--------------------|-------------------------|---------------------|
| 2017 July | 298 468,82 | 896 913,85 | (598 445,03) |
| 2017 August | 950 621,70 | 399 376,85 | 551 244,85 |
| 2017 September | 1 347 588,61 | 1 347 588,72 | (0,11) |
| 2017 October | 284 255,71 | 578 068,30 | (293 812,59) |
| 2017 November | 306 633,41 | (806 114,61) | 1 112 748,02 |
| 2017 December | (2 771 856,89) | (722 216,89) | (2 049 640,00) |
| 2018 January | 837 015,58 | 1 824 038,37 | (987 022,79) |
| 2018 February | 1 174 506,57 | 1 107 471,88 | 67 034,69 |
| 2018 March | (2 162 976,55) | (97 233,13) | (2 065 743,42) |
| 2018 April | 411 271,22 | 373 111,09 | 38 160,13 |
| 2018 May | (15 112,32) | 255 089,48 | (270 201,80) |
| 2018 June | 146 149,34 | (5 420 173,09) | 5 566 322,43 |
| Totals | 806 565,20 | (264 079,18) | 1 070 644,38 |

| Description | Amount |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| VAT input claimed as per VAT returns | 11 989 688,12 |
| Apportionment | 91% |
| Misstatement (R11 989 688,12 * 92%) | 959 175,05 |
| <i>Note: The movement in % of the apportionment ratio has changed from 92% in 2016/17 financial year to 91% 2017/18 financial year. There was no change in use of assets by the municipality.</i> | |

Internal control deficiency

The accounting officer did not ensure that sufficient internal control processes are in place for the calculation of VAT payable / receivable and therefore the amounts lodged in the returns to SARS.

Recommendation

The accounting officer must take all steps to ensure that the correct amounts are calculated for VAT, reviewed and submitted to SARS filings.

Management response

Partially agree. VAT report on Financial system on output Vat reflects the payments received as municipality is on payment basis at SARS. Scoa actuals report was used by Auditor General which result in a difference between the AG report and the VAT 201. The other difference arising from the Output reported is that on the VAT 201 commission is considered received from Department of transport. The municipality have an appointed supplier who is dealing with the VAT review on a regular basis, which also the Vat will review on the applicable period under Audit.

Name: Elize Joubert

Position: Manager expenditure

Date: 02/05/2019

Auditor's conclusion



The Auditors acknowledge management response, however the audit issue remains and will be included in the Management Report due to the fact that the commission that the municipality considers for their calculation does not form part of the financial statements, the amounts cannot be traced to the general ledger and have also not been processed in a way of journals.

ComAF 32: Unspent conditional grant not included in own separate bank account

Unspent conditional grant not included in own separate bank account

Audit finding

In terms of good accounting practices and corporate governance, the amount that is in the bank account of the municipality that is disclosed as the bank balance for the current year should meet the rights assertion requirement in order for them to disclose it as such. As such the municipality should include any monies that they do not have rights to in a separate bank account.

During the 2017/18 audit, it was noted that the municipality does not the unspent conditional grant in a separate bank account. Thus, all other assertions are meet except the “rights and obligations” assertion requirement on the unspent grant kept in the main bank account.

Internal control deficiency

The accounting officer did not ensure that sufficient internal control processes are in place by ensuring that the unspent grant portion not returned to National Treasury is kept in a separate bank account.

Recommendation

The Accounting Officer should ensure that all unspent grant are send back to National treasury and if not, those monies should be put in a separate bank account to show that it does not form part of the bank balance of the municipality.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor’s conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 33: CSD Accommodation Suppliers not used

1. CSD Accommodation Suppliers not used



Audit finding

MFMA Circular no.81 Web Based Central Supplier Database stated the following:

Submission of Documents by Bidders

With effect from 1 July 2016, Municipalities and Municipal Entities must use the CSD supplier number starting with (MAAA) which is auto generated by the Central Database System after successful registration and validation of the prospective provider as mandatory requirement as part of listing criteria for accrediting prospective provider in line with Section 14(1)(b) of the Municipal Supply Chain Management Regulations.

During the audit of procurement and contract management, one of the payment batches that was requested was the Tsogo Sun Casino quotation and after inspection of the documents, the auditors noted that the memo dated 29th May 2018 from Divisional Head of SCM to the CFO and MM requesting approval for utilizing the highest quotations as the two(2) other suppliers are not registered on National Treasury's Central Supplier Database (CSD) and therefore non-responsive.

If CSD had been used to source the accommodation, then more quotations would have been received and a reasonable priced accommodation would have been selected, therefore avoiding in non-compliance and irregular expenditure.

Internal control deficiency

Management did not ensure that quotations are sourced from service providers that are registered with Central Supplier Database (CSD).

Recommendation

Management should ensure that quotations are sourced from service providers that are registered with Central Supplier Database (CSD).

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 34: Incomplete of related party disclosure note in AFS

Incomplete of related party disclosure note in AFS

Audit finding

In terms of GRAP 20 Disclosure of related party transactions, subject to the exemptions in paragraph .32, if a reporting entity has had related party transactions during the periods covered by the financial



statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to those in paragraph .35 to disclose remuneration of management. At a minimum, disclosures shall include:

- a) the amount of the transactions;
- b) the amount of outstanding balances, including commitments; and
 - (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
 - (ii) details of any guarantees given or received;
- c) provisions for doubtful debts related to the amount of outstanding balances; and
- d) the expense recognized during the period in respect of bad or doubtful debts due from related parties.

During the 2017/18 audit, we noted that the municipality does not keep a register/schedule for related party transactions. As such that brings the disclosure note to the annual financial statement's completeness to be questionable, we are therefore unable to audit the related party transactions in terms of GRAP 20.

For example, the non-disclosure of the leasing of building from Bertie Joubert Eiedomme R was communicated as an audit finding in 2016/17 and its still not disclosed in the 2017/18 financial statements – related party note.

Internal control deficiency

Lack of proper internal control processes to ensure adequate record keeping of all related party transactions in the register and the subsequent disclosure of such transactions in the financial statements.

Recommendation

The accounting officer should ensure sufficient internal control processes are in place for adequate record keeping of all related party transactions in a register and the subsequent disclosure of such transactions in the financial statements.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 35: Declaration of interest not submitted by winning bidder



Declaration of interest not submitted by winning bidder

Audit finding

In terms of SCM reg 13 (c) the winning provider submitted a declaration of interest and the following was declared:

- i) Whether he/she is in the service of state or has been in the service of state for the previous twelve (12) months;
- ii) If the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholders is in the service of the state, or has been in the service of the state in the previous twelve (12) months;
- iii) Whether the spouse, child or parent of the provider or a director, manager, shareholder or stakeholder of a provider who is a company or cc, is in the service of the state or has been in the service of the state for the previous twelve (12) months.

During the audit of procurement and contract management, it was noted that the declaration of interest for ZAC Tech Holdings for an amount of R29 808 was not submitted.

Internal control deficiency

Lack of proper internal control processes to ensure that declarations of interest are submitted by bidders.

Recommendation

The accounting officer should ensure sufficient internal control processes are in place to ensure that declarations of interest are submitted by bidders.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 36: No leave provision on TB and number of leave days incorrect

No leave provision on TB and number of leave days incorrect

Audit finding

In terms of the MFMA section 63. Asset and liability management. - (1) The accounting officer of a municipality is responsible for the management of - (b) the liabilities of the municipality
(2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure - (a) that the municipality has and maintains a management, accounting and information system that



accounts for the assets and liabilities of the municipality;

During the testing for leave provision for the 2017/18 we noticed that the schedule/calculation that the client did for provision for leave was not posted to the Trial balances, and that will affect the completeness of the AFS. The provision amount of 13 626 709,43

Internal control deficiency

Lack of internal control processes to ensure that the leave provision is correctly calculated, reviewed and recorded in the general ledger on a monthly basis. Thus, ensuring the trial balance is complete i.e. with the leave provision amount.

Recommendation

The accounting officer should ensure that internal control processes are in place to ensure that the leave provision is correctly calculated, reviewed and recorded in the general ledger on a monthly basis. In addition, he should exercise oversight over the preparation of the Annual Financial statement to ensure that they are properly reviewed before being signed-off.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 37: Misstatement of the statement of actual vs budget

Misstatement of the statement of actual vs budget

Audit finding

In terms of GRAP 24, subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- a) the approved and final budget amounts;
- b) the actual amounts on a comparable basis; and
- c) by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

During the audit, the following non-compliance to GRAP 24 were identified:

- 1) Adjustments were made to the Municipalities budget and explanations for those adjustments were not disclosed on the Annual Financial Statements
- 2) There was no disclosure explanation of material differences between the budget and actual amounts
- 3) There was a material misstatement between the approved adjusted budget and the final adjusted budget per the Annual Financial Statements of R33 020 926.

Internal control deficiency

The accounting officer did not ensure that sufficient internal control processes for review the Annual Financial Statements to ensure that the requirements of GRAP 24 were adhered to and that the budget information was accurately presented on the Annual Financial Statements.

Recommendation

The accounting officer should ensure that internal control processes are in place to ensure that accurate budget information is disclosed in the financial statements, as well as explanations budget adjustments and variances between actual and budgets information.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 38: SDBIP target not consistent with APR

2. SDBIP target not consistent with APR

Audit finding

The MFMA section 62 states the following:

62. General Financial Management Function - (1)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 -

- a) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

The following difference were identified between the target in the SDBIP & IDP and annual performance report:



| No | Reported performance indicator / measure | Target per SDBIP | Target per Annual Report | Difference |
|----|------------------------------------------|------------------|--------------------------|------------|
| 1 | Number of jobs created through EPWP | 109 | 106 | 3 |

| | | | | |
|---|---------------------------------|-----------------------|------|----|
| 2 | Number of water meters replaced | 2500 + 95 bulk meters | 2500 | 95 |
|---|---------------------------------|-----------------------|------|----|

| | | | | |
|---|----------------------------------------|------|------|------|
| 3 | Number of electricity meters installed | 4851 | 2435 | 2416 |
|---|----------------------------------------|------|------|------|

| No | KPI per SDBIP | KPI per APR |
|----|-----------------------------------------------------|---------------------------------------------|
| 1 | Number of additional storage facilities constructed | Number of supply line at Ext. 5 constructed |

Management failed to report the target of the indicators consistently

Internal control deficiency

A lack of oversight responsibility by management over the financial and performance reporting and related internal control to ensure that the reported targets are consistent.

Recommendation

Management should ensure that the performance indicator target as reported in the annual performance report is consistent with the target in the SDBIP.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 39: Over expenditure resulting in unauthorized expenditure

Over expenditure resulting in unauthorized expenditure

Audit finding



Section 62(1)(d) of the Municipal Finance Management (MFMA) provides that the Accounting Officer must take all reasonable steps to ensure that unauthorized, irregular, fruitless and wasteful expenditure or other losses are prevented. Furthermore section 125(2)(d) of the MFMA requires that the notes to the annual financial statements must include particulars of any material losses or any material irregular or fruitless and wasteful expenditure, including in the case of a municipality, any material unauthorized expenditure that occurred during the financial year and whether these are recoverable.

During the audit we identified that over expenditure occurred with regards to Materials and Bulk purchases. The municipality exceeded its budget resulting in unauthorized expenditure

The details are as follows:

| Description | Adjusted Budget | Year TD actual | Differences |
|------------------------------|-----------------|----------------|----------------|
| Materials and bulk purchases | 52 178 428,54 | 65 332 060,96 | -13 153 632,42 |

The result is an unauthorized expenditure of R13 153 632.42 which has not been disclosed.

Internal control deficiency

Lack of internal control processes to ensure that unauthorized, irregular, fruitless and wasteful expenditure or other losses are prevented.

Recommendation

The Accounting Officer must take all reasonable steps to ensure that unauthorized, irregular, fruitless and wasteful expenditure or other losses are prevented and review of the Annual Financial Statement to ensure that disclosure of unauthorized expenditure is accurate.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 40: No comparison of prior year targets in APR

No comparison of prior year targets in APR

Audit finding

Section 46 (1)(b) of the Municipal Systems Act states that a municipality must prepare for each



financial year a performance report reflecting -

(b) a comparison of the performances with targets set for and performances in the previous financial year;

Thabazimbi Local Municipality prepared an Annual Performance Report which does not take into the performance of the previous financial year.

Internal control deficiency

Management failed to present the Annual Performance Report in accordance with Section 46(1)(b) of the Municipal Systems Act.

Recommendation

Management should ensure that the Annual Performance Report is presented and disclosed in accordance with the applicable law and regulation.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 41: Overstatement of leave gratuity

Overstatement of leave gratuity

Audit finding

In terms of Sec 62(1) of the MFMA, the accounting officer of a municipality must take reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

During the Audit of long services awards for the 2017/18 financial year, it was noted that the following employees are included in the list and their payment was not that of long services;

| Number | Employee Code | Employee Name | DAYS | TYPE | Amount as per report | Recalculated Amount per report | Difference |
|--------|---------------|------------------|------|---------------|----------------------|--------------------------------|------------|
| 1 | 4999 | THOBEJANE FM MNR | 20 | Long services | 38 963,8 | 14 575,08 | -24 388,7 |
| 2 | 5197 | SETUKI SH MR | | Long | 626,92 | | -626,92 |



| | | | | | | | |
|--|--|--|--|----------|--|--|--|
| | | | | services | | | |
|--|--|--|--|----------|--|--|--|

Internal control deficiency

Lack of proper internal controls processes to ensure that accurate financial accounting information is kept ie in this case leave gratuity.

Recommendation

The Accounting Officer should ensure that they have proper internal controls in place to ensure that accurate leave gratuity information is recorded and review in the accounting records on a monthly basis.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 42: Payments not made within 30 days from invoice date**Payments not made within 30 days from invoice date****Audit finding**

MFMA section 99 expenditure management state that:

- 1) The accounting officer of a municipal entity is responsible for the management of the expenditure of the entity.
- 2) The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure—(b) that all money owing by the entity is paid within 30 days of receiving the relevant invoice or statement unless prescribed otherwise for certain categories of expenditure”

During the audit of Creditors, we noted that there were numerous suppliers who were not paid within 30 days of receiving their invoices or statement. Refer to the below table for the list of those suppliers:

Below is a list of payments owing as at 30 June 2018 for 120+ days;

| No. | Creditors code | Creditors name | Amount over due by +120 |
|-----|----------------|-------------------------------|-------------------------|
| 1 | 3630 | Baepereki Technical Solutions | 172 038,35 |



| | | | |
|----|------|--------------------------------|----------------|
| 2 | 5536 | Beyond Expectations Trading | 199 309,00 |
| 3 | 4958 | Bhekanani Building & Construct | 368 682,75 |
| 4 | 5585 | Big Time Strategic Consultants | 1 267 055,86 |
| 5 | 965 | Die Ouditeur-Generaal | 111 589,67 |
| 6 | 5273 | Ditsibi Technologies And Solut | 1 005 300,45 |
| 7 | 5265 | Ditlou Consulting Engineers | 782 945,73 |
| 8 | 198 | Eskom | 178 805 488,38 |
| 9 | 5518 | Goldfields Emergency Fire Serv | 174 556,80 |
| 10 | 2716 | Government Printing Works | 374 588,87 |
| 11 | 2718 | Grinpal Energy Management | 639 996,91 |
| 12 | 4763 | Hcb Property Valuations | 132 000,04 |
| 13 | 4182 | Ingwe Waste Management | 337 440,00 |
| 14 | 4922 | Kgalemang Consulting Prt Ltd | 220 597,89 |
| 15 | 5447 | Leepile And Mbewe Attorneys | 244 984,00 |
| 16 | 5320 | Lesibakonyana | 166 600,00 |
| 17 | 3782 | Lexisnexis Butterworths (Pty)L | 100 781,36 |
| 18 | 5304 | M&M Health And Safety Pty Ltd | 194 000,00 |
| 19 | 4732 | Magago Engineering | 2 162 963,89 |
| 20 | 1684 | Magalies Water | 29 074 353,39 |
| 21 | 5507 | Makgoka Development Facilitati | 193 800,00 |
| 22 | 5600 | Masengviljoen Incorporated | 1 632 442,33 |
| 23 | 5173 | Maxprof | 348 437,98 |
| 24 | 5537 | Meso Automation Pty Ltd | 207 708,25 |
| 25 | 5195 | Minatlou 567 | 679 580,62 |
| 26 | 4528 | Mminele Compensation (Pty) Ltd | 349 760,00 |
| 27 | 5561 | Mokotli Projects (Pty) Ltd | 199 000,00 |
| 28 | 5459 | Morapedi And Kesitamang Constr | 386 400,00 |
| 29 | 5305 | Mosekate Group | 1 300 817,83 |
| 30 | 4164 | Mosire Tsiane Attorneys | 151 284,97 |
| 31 | 5675 | Ngwenyama Infrastructure | 1 030 804,89 |
| 32 | 5137 | Ntships Construction & Project | 1 501 183,20 |
| 33 | 5315 | Odirile Investments And Constr | 2 956 089,83 |
| 34 | 5423 | Pcma Powercom Metering Africas | 251 527,66 |
| 35 | 1949 | Peacork Staalwerke | 172 482,00 |
| 36 | 5560 | Pitsomogale Trading | 185 500,00 |
| 37 | 5549 | Qhumana Communication Cc | 105 926,52 |
| 38 | 5314 | Quantibuld Pty Ltd | 130 209,08 |
| 39 | 3511 | Sita (Pty) Ltd | 156 435,02 |
| 40 | 5564 | Sizwe Ntsaluba Gobodo | 528 392,58 |



| | | | |
|----|------|--------------------------------|-----------------------|
| 41 | 5425 | Stoffel Industrial | 170 000,00 |
| 42 | 3204 | Tlou Integrated Tech Cc | 5 055 794,53 |
| 43 | 4201 | Ums | 254 128,01 |
| 44 | 5417 | Vuka Africa Consulting Enginee | 317 137,90 |
| 45 | 5487 | Walterama 642 Trading Enter Cc | 312 679,20 |
| 46 | 5541 | Westingcorp Power Industries P | 234 859,59 |
| | | TOTAL | 235 347 655,33 |

Internal control deficiency

The Accounting Officer did not adequately review compliance with the requirements of Municipal Finance Management Act – Paragraphs & 99(2)(b) by ensuring that invoices are paid within 30 days of receipt of invoice or statement.

Recommendation

The Accounting Officer should:

- Implement adequate internal controls to ensure that they comply with all the applicable legislations to the entity
- Follow up on outstanding invoices to ensure that they are paid within 30 days of receipt of the invoice or statement.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 43: Operating expenditure is incorrect stated in the accounting records**Operating expenditure is incorrect stated in the accounting records****Audit finding**

In terms of section 62(1) of the Municipal Finance Management Act, 2003 (Act no 56 of 2003), 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— (b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;



During the audit of operating expenditure, the following differences were noted between the amount per invoice and the recorded amount;

1) Bulk electricity - expense

| TRAN DATE | DOC NO | REMARKS | Amount per GL | Amount per INVOICE | VAT | INVOICE Amnt excl. VAT | Differences |
|------------|----------------|--------------------------|---------------|--------------------|------------|------------------------|-------------|
| 01/08/2017 | 'EF012725-0001 | ESKOM | 107 092,72 | 122 274,16 | 14 992,97 | 107 281,19 | - 188 |
| 07/10/2017 | 'EF012890-0001 | ESKOM - 8028997885 ESKOM | 62 008,77 | 35 538,76 | 4 362,61 | 31 176,15 | 30 833 |
| 09/11/2017 | 'EF012991-0001 | ESKOM ACC 9395274919 | 92 807,56 | 2 088,59 | 256,49 | 1 832,10 | 90 975 |
| 12/12/2017 | 'EF013122-0001 | ESKOM | 438 596,49 | 2 272 084,63 | 279 027,94 | 1 993 056,69 | - 1 554 460 |
| 13/12/2017 | 'EF013125-0001 | ESKOM | 1 990 214,45 | 3 018 844,47 | 370 735,29 | 2 648 109,18 | - 657 895 |
| 05/02/2018 | '965334433789 | ESKOM ELECTRICITY | 328 618,95 | 2 679 471,90 | 329 057,95 | 2 350 413,95 | - 2 021 795 |
| 22/03/2018 | '802893658109 | ESKOM MARCH 2018 | 112 542,21 | 37 162,71 | 4 563,84 | 32 598,87 | 79 943 |
| 02/04/2018 | '841679125442 | ESKOM ELECTRICITY | 237 745,35 | 270 759,70 | 33 251,19 | 237 508,51 | 237 |
| 30/06/2018 | '965333395563 | ESKOM ELECTRICITY | 5 891 356,67 | 6 775 060,17 | 832 024,93 | 5 943 035,24 | - 51 679 |

2) General Expenses

| GENERAL LEDGER | | | | INVOICE DETAILS | | | Differences |
|-------------------------------------------------|----------------|---------------------------|---------------------|---------------------|------------|------------|-------------------|
| Description | Doc No. | Remarks | Amount | Amount excl. VAT | VAT amount | Total | |
| Business and Advisory | 'EF013047-0001 | TBZ MUN - OCT 2017 TEMPS | 215 670,31 | 245 864,15 | - | 245 864,15 | -30 193,84 |
| Business and Advisory: Research and Advisory | '001/01/08 | M2KS MANAGEMENT CONSULTIN | 198 600,00 | 174 210,00 | 24 389,40 | 198 599,40 | 24 390,00 |
| Learnerships and Internships | 'PLK000416 | NGUBANE & CO NGUBANE & CO | 541 230,12 | 550 596,80 | 66 405,92 | 617 002,72 | -9 366,68 |
| Learnerships and Internships | '07032018mfmp | ENTERPRISES UNIVERSITY OF | 198 000,00 | 196 278,26 | 29 441,74 | 225 720,00 | 1 721,74 |
| Legal Cost:Legal Advice and Litigation | 'EF013085-0001 | JF VAN GRAAN & VAN WATRE | 397 824,28 | 438 366,38 | 15 153,20 | 453 519,58 | -40 542,10 |
| Legal Cost:Legal Advice and Litigation | 'EF013171-0001 | JF VAN GRAAN EN V/D WATER | 406 751,03 | 392 406,86 | 14 344,17 | 406 751,03 | 14 344,17 |
| Legal Cost:Legal Advice and Litigation | 'EF013354-0001 | HACK STAPEL & ROSS ATTORN | 778 087,10 | 833 087,71 | - | 833 087,71 | -55 000,61 |
| Legal Cost:Legal Advice and Litigation | '12022018 | LEDWABA LEGAL COST | 524 017,50 | 414 697,50 | 109 320,00 | 524 017,50 | 109 320,00 |
| Legal Cost:Legal Advice and Litigation | 'EF013294-0001 | JF VAN GRAAN EN V/D WATER | 238 240,78 | 218 907,55 | 19 333,23 | 238 240,78 | 19 333,23 |
| Printing Publications and Books | 'TLM/PVP/005 | LEGOGO IT AND PROJECTS LE | 482 456,14 | 483 043,48 | 72 456,52 | 555 500,00 | -587,34 |
| Printing Publications and Books | 'TLM/PVP/005 | LEGOGO IT AND PROJECTS LE | 875 000,00 | | | - | 875 000,00 |
| Communication:Telephone Fax Telegraph and Telex | 'EF013072-0001 | TELKOM | 118 987,46 | 119 102,85 | 16 542,88 | 135 645,73 | -115,39 |
| Communication:Telephone Fax Telegraph and Telex | 'EF012798-0001 | TELKOM | 65 836,14 | 65 971,74 | 9 081,46 | 75 053,20 | -135,60 |
| | | | 5 040 700,86 | 4 132 533,28 | | | 908 167,58 |

3) Repairs & Maintenance



| TRAN DATE | DOC TYPE | GENERAL LEDGER | | | INVOICE DETAILS | | | Differences |
|------------|----------|----------------|-----------------------------|-------------------|-----------------|-----|-------------------|-------------------|
| | | DOC NO | REMARKS | Amount | Amount | VAT | Amnt excl. VAT | |
| 07/11/2017 | INV | EF012921-0001 | BOTSWERERE CONCEPTS & PRO | 128 245,36 | 146 199,71 | - | 146 199,71 | - 17 954 |
| 14/11/2017 | ISS | 005724 | ISS 005724; ; REG NO 4230 | 5 565,57 | | - | - | 5 566 |
| 14/11/2017 | ISS | 005669 | ISS 005669; ; REG NO 4960 | 3 725,00 | | | - | 3 725 |
| 20/11/2017 | ISS | 005748 | ISS 005748; ; REG NO 5152 | 6 838,00 | | | - | 6 838 |
| 07/12/2017 | INV | EF013102-0001 | RESUE ROD | 113 850,00 | | | - | 113 850 |
| 02/03/2018 | INV | 0001 | PHOLOKGOLO ENTERPRISE (PT | 165 295,00 | | | - | 165 295 |
| 02/03/2018 | INV | 001 | BANATJE BUSINESS ENTERPRI | 126 950,00 | | | - | 126 950 |
| 14/11/2017 | ISS | 005700 | ISS 005700; ; REG NO 4749 | 2 235,00 | | | - | 2 235 |
| 08/05/2018 | INV | PFP101 | PHAWE FARMING AND PROJECT | 89 511,00 | 100 000,00 | - | 100 000,00 | - 10 489 |
| 06/12/2017 | INV | 24112017 | PHAWE FARMING AND PROJECT | 89 511,00 | 100 000,00 | | 100 000,00 | - 10 489 |
| 18/07/2018 | INV | EF013808-0001 | SONGAMELWE HOLDINGS PTY LTD | 25 821,05 | 29 436,00 | | 29 436,00 | - 3 615 |
| | | | | 757 546,98 | | | 375 635,71 | 381 911,27 |
| | | | | | | | | |

Internal control deficiency

Lack of internal control processes to ensure that operating expenditure is recorded accurately in the financial records and VAT on these expenses is correct treated.

Recommendation

The accounting officer should ensure that internal control processes are in place to ensure that operating expenditure is recorded accurately in the financial recorded, as well as VAT on these expenses is correct treated.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 44: Non-Compliance with SCM Regulation 36 (2)

Non-Compliance with SCM Regulation 36 (2)

Audit finding

In terms of section 36 (2) of SCM Regulations, the accounting officer must record the reasons for any deviations in terms of sub-regulation 1 (a) and (b) and report them to the next meeting of the council and include as a note to the annual financial statements.

During the audit of procurement and contract management, the auditors identified that there was no evidence submitted for all deviations supporting exactly when the deviation was reported to council and there was no disclosure in the annual financial statements for all deviations. The deviations tested are as follows:

| No | Item description | Total rand value of award | Expenditure (Payments) current year |
|----|--------------------------------|---------------------------|-------------------------------------|
| 1 | Mega Control Power Projects | 165 927,00 | 174 317,40 |
| 2 | Pholokgolo Enterprise Pty Ltd | 165 295,00 | 165 295,00 |
| 3 | Nkotshaba Trading and Projects | 142 500,00 | 142 500,00 |
| 4 | Ntombiekayise Pty Ltd | 138 060,06 | 159 000,00 |
| 5 | Rescue Rod | 134 371,00 | - |
| 6 | Patoupa Transport & Projects | 518 026,08 | 843 642,48 |
| 7 | Patoupa Transport & Projects | 325 616,40 | |
| 8 | Bakwena Industrial Suppliers | 443 460,00 | 443 460,00 |
| 9 | BANATJE BUSINESS ENTERPRISE | 126 950,00 | 126 950,00 |
| 10 | Rescue Rod | 53 751,00 | 53 751,00 |
| 11 | Legogo IT and Projects | 5 000 000,00 | 1 000 000,00 |
| 12 | Hack Stupel and Ross | 350 000,00 | 350 000,00 |
| | TOTAL | 7 563 956,54 | 3 458 915,88 |

Internal control deficiency

Management did not ensure that all the information is submitted timeously and the disclosure for deviation is included in the annual financial statements.

Recommendation

Management should ensure that all the information is submitted timeously and the disclosure for deviation is included in the annual financial statements.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019



Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 45: No evidence of authorization on employee salary deductions**No evidence of authorization on employee salary deductions****Audit finding**

In terms of the MFMA:

74 General reporting obligation. - (1) The accounting officer of a municipality must submit to the National Treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.

95. General financial management functions of accounting officers. - The accounting officer of a municipal entity is responsible for managing the financial administration of the entity, and must for this purpose take all reasonable steps to ensure- (b) that full and proper records of the financial affairs of the entity are kept;

During payslip audit testing, some of the deductions made on employees' salaries could not be verified to the employee's authorization forms/employee files. The following employees' deductions were not authorized:

| Employee Number | Employee Name | Deductions not authorized | | | | | | |
|-----------------|---------------|---------------------------|--------------------|--------------------|--------------------|--------------------|-------|----------------|
| 546 | ME MOENG | Pension | Standard Bank | IMATU | Bargaining Council | IEMAS | | |
| 859 | GJ HENDRIKSZ | IMATU | Bargaining Council | Water & Lights | | | | |
| 948 | AF MOKWENA | Pension | Insurance | IMATU | Bargaining Council | Water & Lights | | |
| 1010 | TI MASEPE | Pension | Medical | Water & Lights | | | | |
| 1612 | MJ MOREKETA | Pension | Insurance | Bargaining Council | Water & Lights | | | |
| 1259 | AM JACOBS | Pension | | | | | | |
| 1958 | GJ VISAGIE | Medical Aid | SA Home Loan | IMATU | | | | |
| 2271 | IJT HARDING | Bargaining Council | | | | | | |
| 5361 | L MVANGELI | Pension | SAMWU | IEMAS | Housing | | | |
| 2662 | LK MOTHONE | Medical Aid | | | | | | |
| 3384 | TR MPABANGA | Pension | Insurance | SAMWU | Standard Bank | Bargaining Council | IEMAS | Water & Lights |
| 4211 | MJ TLADI | Insurance | Bargaining Council | Water & Lights | Housing | | | |
| 5003 | SK MOTLOHELO | Pension | SAMWU | Metropolitan | Standard Bank | Bargaining Council | IEMAS | |
| 5004 | JI MASILO | Pension | Standard Bank | Bargaining Council | | | | |

| | | | | | | | | |
|------|---------------|--------------------|--------------------|--------------------|--------------------|----------------|----------------|--|
| 4991 | MA MATLHAMELA | Medical Aid | Bargaining Council | IEMAS | | | | |
| 4992 | ND SETUKI | Pension | Medical Aid | Insurance | Bargaining Council | | | |
| 4996 | MS MASHIANE | Pension | Medical Aid | Standard Bank | Bargaining Council | IEMAS | Water & Lights | |
| 5002 | IK MASISI | Pension | SAMWU | Standard Bank | Bargaining Council | | | |
| 4999 | FM THOBEJANE | Pension | Medical Aid | Insurance | Bargaining Council | | | |
| 5000 | P SELALOME | Pension | SAMWU | Standard Bank | | | | |
| 5028 | EM ERASMUS | IMATU | Standard Bank | | | | | |
| 5029 | R LATEGAN | Pension | Bargaining Council | | | | | |
| 5032 | P LETSATSI | Pension | Insurance | Standard Bank | Bargaining Council | IEMAS | | |
| 5033 | MJ KHUABO | Pension | Insurance | SAMWU | IEMAS | Water & Lights | | |
| 5065 | SD MOABELO | Bargaining Council | Water & Lights | | | | | |
| 5066 | MP NTOAHAE | Medical Aid | SAMWU | Bargaining Council | Water & Lights | | | |
| 5069 | KD MABITSELA | Pension | Bond | IEMAS | Water & Lights | | | |
| 5071 | MS MADIBELA | IMATU | Bargaining Council | IEMAS | Water & Lights | | | |
| 5208 | LJ MODIGA | Metropolitan | Bargaining Council | | | | | |
| 5210 | MM MAFISA | Bargaining Council | Water & Lights | | | | | |
| 5213 | SP MOSEKI | Pension | Insurance | SAMWU | Bargaining Council | Water & Lights | IEMAS | |
| 5214 | MA SEEPE | Pension | Metropolitan | SAMWU | Bargaining Council | | | |
| 5241 | DL SEKOBOANE | Pension | Standard Bank | IMATU | IEMAS | Water & Lights | | |
| 5242 | SS MOKONYANE | Pension | Medical Aid | Bargaining Council | | | | |
| 5243 | MA MAHLWANA | Bargaining Council | | | | | | |
| 5244 | MP LETSHEKGA | Bargaining Council | Water & Lights | | | | | |
| 5261 | MS MARENGWA | Insurance | Bargaining Council | IEMAS | | | | |
| 5262 | ME MALATJI | Medical Aid | SAMWU | IEMAS | Bargaining Council | Housing | | |
| 5265 | MJ DISWAI | SAMWU | Bargaining Council | | | | | |
| 5269 | SP TAKADI | Insurance | Bargaining Council | | | | | |
| 5310 | AM THOBEJANE | Medical Aid | Insurance | Metropolitan | Bargaining Council | | | |
| 5311 | RH MOGOTLE | Bargaining Council | | | | | | |
| 5312 | P MALAPANE | Bargaining Council | | | | | | |
| 5313 | E MAJAPHOLO | Medical Aid | Standard Bank | Bargaining Council | | | | |
| 5387 | MF MAKGATHO | Bargaining Council | Housing | | | | | |

| | | | | | | | | |
|------|-------------|--------------------|-------|----------------|--|--|--|--|
| 5388 | MM MOKOTEDI | Bargaining Council | IEMAS | | | | | |
| 5389 | EST RIBIMBI | Bargaining Council | IEMAS | Water & Lights | | | | |

Internal control deficiency

Lack of proper internal control processes to ensure that all deductions made on employees' salaries are supported by a signed authorization form by the respective employee.

Recommendation

The accounting officer should ensure that proper internal control processes are in place to ensure that all deductions made on employee salaries are supported by authorization forms and those forms are kept in the employee files.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 46: Evidence does not support the reported target**3. Evidence does not support the reported target****Audit finding**

The MFMA section 62 states the following:

62. General Financial Management Function - (1) 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 -

(a) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

During the 2017/18 performance audit, the below was noted;

- 1) The following key performance indicator: Number of additional storage facilities constructed (EXT 5 water supply), was reported as being achieved in the Annual Performance Report, however, the auditors were unable to confirm that it has been achieved. There was no completion certificate in the portfolio of evidence to confirm that the key performance indicator has been achieved.
- 2) The evidence in the Annual Performance Report does not agree with the evidence in the

Revised SDBIP

| Evidence per SDBIP | Evidence per APR |
|------------------------|-----------------------|
| Completion certificate | Minutes & Resolutions |

Internal control deficiency

Lack of proper internal control processes to ensure that all KPI's reported as achieved are supported by valid and accurate documentation.

Recommendation

The accounting officer should ensure that that all KPI's reported as achieved are supported by valid and accurate documentation.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report.

ComAF 47: Non-compliance with SCM reg 13(b)**4. Non-compliance with SCM reg 13(b)****Audit finding**

In terms of SCM reg 13 (b) " General preconditions for consideration of written quotation or bids - A supply chain management policy must state that the municipality may not consider a written quotation or bid unless the provider who submitted the quotation or bid has authorized the municipality to obtain a tax clearance certificate from South African Revenue Service (SARS) that the providers tax matters are in order".

During the audit of procurement and contract management, the auditors identified deviation which were awarded with no evidence (CSD Compliance History Report or SARS Tax Clearance Certificate, that the tax matters of service provider were in order. The services providers referred to are the following:

| No | Name | Total rand value of award | Expenditure current year | (Payments) |
|----|-----------------------------|---------------------------|--------------------------|------------|
| 1 | Mega Control Power Projects | 165 927,00 | 174 317,40 | |



| | | | |
|---|-----------------------------|-----------|-----------|
| 2 | Patoupa Transport & Project | 843642,48 | 843642,48 |
|---|-----------------------------|-----------|-----------|

Furthermore, another service provider was identified to whose tax matters were not in order at the time of award, the auditors picked this up by inspecting the CSD Compliance History of the service provider that was attached to the documents supporting the award. The details of the service provider are below:

| No | Name | Total rand value of award | Expenditure current year (Payments) |
|----|------------------------|---------------------------|-------------------------------------|
| 1 | Legogo IT and Projects | 5 000 000,00 | 1 000 000,00 |

Internal control deficiency

Management did not ensure that the tax compliance status of the winning providers was in order before awarding the deviations

Recommendation

Management did not ensure that the tax compliance status of the winning providers was in order before awarding the deviations.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 48: Non-Compliance with SCM reg 38 (1) and 13 (c) (1)

Non-Compliance with SCM reg 38 (1) and 13 (c) (1)

Audit finding

In terms of SCM reg 38 (1) (d) (ii) & (g) (iii) the winning provider, in the last 5 years, is not known to have been given a notice that the provider's performance was unsatisfactory on a contract with the municipality/ municipal entity or any other organ of state.

In terms of SCM reg 38 (1) (e) the winning bidder, or any of its directors, are not known to have committed a corrupt or fraudulent act in competing for the contract.

In terms of SCM reg 38 (1) (g) (i) the winning provider or any of its directors are not known to have abused the institution's supply chain management system or have committed fraud or any other



improper conduct in relation to such system.

In terms of the SCM reg 38 (1) (g) (ii) The winning provider or any of its directors are not known to have abused the institution's supply chain management system or have committed fraud or any other improper conduct in relation to such system.

In terms of the SCM reg 13 (c) (i) The winning provider submitted a declaration of interest and the following was declared:

- i. Whether he/she is in the service of state or has been in the service of state for the previous twelve (12) months;
- ii. If the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholders is in the service of the state, or has been in the service of the state in the previous twelve (12) months;
- iii. Whether the spouse, child or parent of the provider or a director, manager, shareholder or stakeholder of a provider who is a company or cc, is in the service of the state or has been in the service of the state for the previous twelve (12) months.

During the audit of procurement and contract management, the auditors identified the following service providers under deviations which did not submit the declaration of past supply chain management practices (MBD8) and Declaration of interest (MBD4) :

| No | Name | Total rand value of award | Expenditure (Payments) current year |
|----|-----------------------------|---------------------------|-------------------------------------|
| 1 | Mega Control Power Projects | 165 927,00 | 174 317,40 |
| 2 | Ntombiekayise Pty Ltd | 138 060,06 | 159 000,00 |
| 3 | Patoupa Transport & Project | 843 642,48 | 843 642,48 |
| | | 1 147 629,54 | 1 176 959,88 |

Internal control deficiency

Management did not ensure that declaration of suppliers past supply chain management practices (MBD8) and Declaration of interest (MBD4) was submitted before awarding the work to the service providers in order to comply with SCM regulations

Recommendation

Management should ensure that declaration of suppliers past supply chain management practices (MBD8) and Declaration of interest (MBD4) are submitted before awarding the work to the service providers in order to comply with SCM regulations.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO



Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report.

ComAF 49: Deviations resulting in irregular expenditure

Deviations resulting in irregular expenditure

Audit finding

According to regulation 36 (1) (a), 32 and 37 If competitive bidding was not followed, this was done only under the following circumstances:

- i. in an emergency where immediate action is necessary
- ii. if goods or services are produced or available from a sole provider;
- iii. for acquisition of special works of art or historical objects
- iv. acquisition of animals for zoos;
- v. it was an unsolicited bids;
- vi. the auditee participated in a contract arranged by another organ of state; or
- vii. v) in any other exceptional case where it is impractical or impossible to follow the official procurement process.

During the audit of procurement and contract management, the the auditors identified the following deviation to be non-complying with the justification used for emergency transaction:

| No | Name of the supplier | Reasoning | Deviation Amount | Expenditure |
|----|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------|
| 1 | Nkotshana Trading and Projects | The deviation was prepared in order to replace a 45kw motor that had broken down and caused the water supply to residence to be disrupted. This deviation was done under the emergency circumstance and immediate action was necessary. The time between the preparation of the deviation memorandum and delivery date of the good is concerning. The date of the memo is 24 November 2017 and the delivery date as per Delivery note is 09 January 2018. It took 1 month and half to deliver this motor that was indicated to be needed as an emergency. This was clearly not treated as an emergency therefore the expenditure incurred results in irregular expenditure. | 142 500,00 | 142 500,00 |

| | | | | |
|---|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|---------------------|
| 2 | Bakwena Industrial Suppliers | The request for deviation was for procurement of personal protective equipment/clothing which indicated "The municipal daily operations have come to a complete halt as SAMWU members are on strike demanding to be provided with personal protective equipment/clothing. This deviation was done under the emergency circumstance and immediate action was necessary to normalize the situation". However there is an indication of poor planning since the municipality was aware that their staff needed Personal Protective Clothing/Equipment and failed to plan for that timeously to ensure that this doesn't result in them having to deviate from normal procurement processes and the deviation could have been avoided therefore this is non-compliance and results in irregular expenditure. | 443 460,00 | 443 460,00 |
| 3 | PatOupa Transport & Projects | As indicated in the deviation memorandum, immediate action was necessary in order to avoid a dangerous or risky situation and would have been justifiable as an emergency if municipality had performed maintenance on Rooiberg Sewerage Work and Reticulation network to prevent any blockage or overflow of untreated sewerage after the court order that was issued to the municipality on the 07 March 2017 however the procurement process started on the 22 August 2017 after a number of follow ups made by the attorneys of the claimant (Babirwa Breeding). It took the municipality 7 and half months after the court order was issued to prepare a deviation to procure a service provider to upgrade the Rooiberg Wastewater Treatment Works plant therefore this is as a result of poor planning and results in irregular expenditure. | 843 642,48 | 843 642,48 |
| | | | | 1 429 602,48 |

This will result in non-compliance with SCM reg 32 with further results in irregular expenditure of R1 429 602,48

Internal control deficiency

Management did not ensure that the transactions relating to emergency transactions were treated as an emergency and are justified as such to comply with SCM reg 32.

Recommendation

Management should ensure that the transactions relating to emergency transactions were treated as an emergency and are justified as such to comply with SCM reg 32.



Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 50: Non-compliance in terms of Participation in contracts secured by another organ of state.

Non-compliance in terms of Participation in contracts secured by another organ of state.

Audit finding

Regulation 32 of the Municipal SCM regulations provides that: "A Supply Chain Management policy may allow the accounting officer to procure goods or services for the municipality or municipal entity under a contract secured by another organ of the state, but only if- (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state."

During the audit of procurement and contract management, the auditors identified that the municipality procured goods/services from Legogo IT & Projects above the scope of the original contract from Modimolle Mookgopong Local Municipality (other organ of state).

Modimolle Mookgopong Local Municipality procured for compilation and maintenance of the valuation roll for an amount of R1 140 000. Thabazimbi Local Municipality procured for compilation of general valuation roll, rates policy and revenue enhancements for 2017/2018 - 2021/2022. The contract price for Thabazimbi Local Municipality is R5 000 000 for compilation of general valuation roll and rates policy and revenue enhancements for 2017/2018 - 2021/2022, consisting of R1 140 000 for compilation of the Valuation Roll for 38 000 properties, supplementary cost of R627 per entry and cost for policies and bylaw of R399 000.

Internal control deficiency

Management did not ensure adherence to the requirements of participating in contracts secured by another organ of state in order to comply with SCM reg 32.

Recommendation

Management should ensure adherence to the requirements of participating in contracts secured by another organ of state in order to comply with SCM reg 32.

Management response

Management agrees with the finding.



Name: Johannes Matlou
 Position: Acting CFO
 Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 51: Deviations register is incomplete

Deviations register is incomplete

Audit finding

The MFMA section 62 states the following:

62. General Financial Management Function - (1)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 -

- a) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

During the audit of procurement and contract management, the auditors identified 2 deviations from normal competitive bidding that were not in the deviations register. The details are below:

| No | Name | Total rand value of award | Expenditure (Payments) current year |
|----|------------------------|---------------------------|-------------------------------------|
| 1 | Legogo IT and Projects | 5 000 000,00 | 2 000 000,00 |
| 2 | Hack Stupel and Ross | 350 000,00 | 350 000,00 |
| 3 | Platinum Publishers | 3 182,40 | 3 182,40 |
| | | 5 353 182,40 | 2 353 182,40 |

Legogo IT and Projects - Procurement of services through participating in a contract by another organ of state.

Hack Stupel and Ross - The municipality hired Hack, Stupel & Ross Attorneys to represent them in the case (Case No:4885/2015). There was no competitive procurement process involved in hiring the attorneys therefore the transaction is a deviation.

Platinum Publishers - Procurement of goods or services through sole supplier.

Internal control deficiency

Management did not ensure that all transactions that did not follow normal competitive procurement process were actually recorded in the deviations register.

Recommendation



Management should ensure that all transactions that did not follow normal competitive procurement process are recorded in the deviations register

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report.

ComAF 52: Contract not signed by both parties

Contract not signed by both parties

Audit finding

The MFMA section 62 states the following:

62. General Financial Management Function - (1) 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 -

- a) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

MFMA sec 116(a) and MFMA circular 25 requires that the contract was signed by both the successful bidder and a delegated official

During the audit of procurement and contract management, the auditors identified the following contracts that were not signed by both parties:

| No | Name | Expenditure (Payments) current year |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| 1 | Bravospan 90 t/a Security 4 Afrika | 1 091 430,08 |
| 2 | South African Post Office Limited | 216 840,00 |
| 3 | The SIOC Community Development Trust, The Godisang Community Development Trust, The Dikuna Tsa Sechaba Community Trust, The Department Of Health Limpopo Province | - |
| | TOTAL | 1 308 270,08 |

Internal control deficiency



Management did not ensure that all contract agreements entered into by the municipality are signed by both parties

Recommendation

Management should ensure that all contract agreements entered into by the municipality are signed by both parties.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 53: Reported achievement does not agree with provided evidence

Reported achievement does not agree with provided evidence

Audit finding

The MFMA section 62 states the following:

62. General Financial Management Function - (1) 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 -

- b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

During the audit of predetermined objectives, the following key performance indicator in the Annual Performance Report is not consistent with the evidence provided in the portfolio of evidence:

| No | Details | Annual Performance Report | Supporting evidence | Difference |
|----|----------------------------------|---------------------------|---------------------|------------|
| 1 | Number of water meters installed | 2 500 | 492 | 2 008 |

Management failed to report the target of the indicators consistently

Internal control deficiency

A lack of oversight responsibility by management over the financial and performance reporting and related internal control to ensure that the reported targets are supported with valid and accurate evidence / documentation.

Recommendation



Management should review the portfolio of evidence to ensure that the information submitted supports the reported information in the Annual Performance Report.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 54: Completion certificate has work outstanding

Completion certificate has work outstanding

Audit finding

The MFMA section 62 states the following:

62. General Financial Management Function - (1) 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 -

- a) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

During the audit of the key performance indicator: Number of WWTW's upgraded, it was discovered that the reported performance in the Annual Performance Report was reported as achieved. However, the completion certificate has a list of remaining work required at completion. The items are either incomplete or unacceptable and should, in accordance with GCC 2004 clause 51.4, be completed or rectified by the Contractor in accordance with the specifications, drawings and relevant instructions before the date stated in the list. The date stated in the list is 15 February 2018.

The list is as follows:

| Item | Incomplete | Defective | Extra |
|----------------------------------------------------------------------------------------------------------------|------------|-----------|-------|
| 1) Adjust Aerators to suit the tilting weir by 50mm | X | | |
| 2) Hold down bolts of the aerators and mixers. Core drill holes need to be grouted. As explained onsite | X | | |
| 3) Replace the bolts on the Stop start panel at the balancing dam. No bolt threads above nuts. | | X | |
| 4) The bolts at the Jib crane at the balancing dam need to be cut and paint repairs done after the cut | | | |
| 5) All the bolts on the plant (cat ladders ext.) were cut flush with the nut. Correct according specifications | | X | |



| | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|
| 6) Chlorine contact tank weir. Lower level of weir by 500mm and install adjustable weir. | | X | |
| 7) SST - Adjust the V notches all to the same level | | X | |
| 8) At the Digester, Pump 1 suction pipe leak | | X | |
| 9) Digester level sensor flange. Flange need to be welded more runs | X | | |
| 10) At the A recycle pump station, grids need to be installed for safety. (Or move Cat Ladder to line up with walkway) | | | X |
| 11) Complete pipe work at the Sludge Drying Beds | X | | |
| 12) Complete pipe work at the Pump Station G, plinths, outlet structure, stone pitch channel and therm | X | | |
| 13) Complete the berm | X | | |
| 14) Complete the pavers, kerbs on the road and provide the test results for the C4 material | X | | |
| 15) Complete the fence | X | | |
| 16) Site clearance | X | | |
| 17) Panel earthing and bonding to be completed | X | | |
| 18) Wire numbers to be completed | X | | |
| 19) Beacon light on MCC=WC02 Amber instead of Blue as per spec | X | | |
| 20) Inlet Works No.2 was not operational i.e. it received no flow whilst we were on site, thus no instrumentation connected to the inlet works could be checked | X | | |
| 21) MCC=WC1 - Lighting Distribution Board & welding socket vari-depth handle is missing | X | | |
| 22) Earthing Test are still to be done | X | | |
| 23) Pump station C flow meter m3/hr HMI readings to be sorted & evidence forwarded to Aurecon | X | | |
| 24) Pump station G flow meter to be tested & evidence forwarded to Aurecon | X | | |
| 25) Submissions of all relevant information for the O & M manuals | X | | |
| 26) Submitted all as built information | X | | |

Internal control deficiency

A lack of oversight responsibility by management over the financial and performance reporting and related internal control.

Recommendation

Management should ensure that the reported key performance indicator is supported by the correct evidence.



Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report.

ComAF 55: Operating lease disclosures not in terms of GRAP 13.

Operating lease disclosures not in terms of GRAP 13.

Audit finding

GRAP 13 - Lease requires the following disclosures for operating leases:

a) *Statement of financial performance*

The operating lease payments recognized as an expense during the period are disclosed in the statement of financial performance.

b) *Notes to the financial statements*

The total future minimum operating lease payments payable under existing operating lease arrangements are categorized in the following categories:

- Within one year of the reporting date,
- More than one year but less than five years of the reporting date, and
- More than five years of the reporting date.

In addition, the notes should provide a general description of material operating lease arrangements, including the basis on which contingent rent is determined, the existence of renewal options and escalation clauses, as well as any restrictions imposed by lease arrangements.

During the 2017/18 audit, it was noted that operating lease disclosures in the 2017/18 AFS were not done in terms of the above GRAP 13 requirements.

Internal control deficiency

Lack of internal control processes to ensure that reviewing of financial statements is done before sign-off and thus ensuring completeness of disclosure, including all operation lease disclosures are done.

Recommendation

The Accounting officer should ensure that financial statements are properly reviewed before sign-off and thus ensuring the completeness of disclosures for all material items, including operating leases.

Management response

Management agrees with the finding.



Name: Johannes Matlou
Position: Acting CFO
Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 56: Journals not authorized and no supporting documents

Journals not authorized and no supporting documents

Audit finding

In terms of Sec 62(1) of the MFMA, the accounting officer of a municipality must take reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

During the 2017/18 financial year audit, we noted that the year-end journals that were compiled did not have supporting documents nor were they authorized by the relevant level of management.

Internal control deficiency

Lack of internal control processes to ensure that all journals that are processed are supported by valid supporting documentation and also authorized by the relevant senior personnel.

Recommendation

The accounting officer should ensure internal control processes are in place to ensure that all journals that are processed are supported by valid supporting documentation and also authorized by the relevant senior personnel.

Management response

Management agrees with the finding.

Name: Johannes Matlou
Position: Acting CFO
Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

ComAF 57: Non-compliance with GRAP requirements on AFS disclosures

Non-compliance with GRAP requirements on AFS disclosures



Audit finding

The municipality's financial statements should be prepared in accordance with the prescribed Standards of Generally Recognized Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

During the 2017/18 audit, the following GRAP disclosure non-compliance was noted:

1. GRAP 23 - Revenue from Non-exchange Transactions

Taxation Revenue - GRAP indicated that where an amount is payable irrespective of whether the individual pays taxes, the amount is an expense of the government and should be recognized separately in the statement of financial performance. Tax revenue should be increased for the amount of any of these expenses paid through the tax system [23.73]. The taxation revenue should be net of tax expenditure however the municipality's taxation revenue is determined at a gross amount. It is not reduced for expense paid through the tax system.

Service in Kind - There was no disclosure note with the nature and type of major classes of service in kind received in the municipality's annual financial statements and there was an accounting policy for the item.

2. GRAP 1 - Presentation of Financial Statements

Cashflow statement - The cashflow statement does not cast and cannot be verified to supporting documentation and to the statement of financial performance and statement of financial position. Also, some line items in the Statement of Cashflows were not cross-referenced to the notes in the financial statements.

Accounting policies - There were no accounting policies for consumer deposits and Value Added Tax Receivable.

Statement of Changes in Net Assets - was not presented in the financial statements.

3. GRAP 2 - Cash Flow Statements

Cashflow statement - The taxes on the net surplus were not presented on the cashflow statement.

4. GRAP 13 – Leases

During the audit of lease, the municipality did not disclose the total future minimum operating lease payments payable under existing operating lease arrangements are categorized in the following categories:

- Within one year of the reporting date,
- More than one year but less than five years of the reporting date, and
- More than five years of the reporting date.

In addition, the notes did not provide a general description of material operating lease arrangements, including the basis on which contingent rent is determined, the existence of renewal options and escalation clauses, as well as any restrictions imposed by lease arrangements

5. GRAP 21 - Impairment of Non- cash-generating Assets

Disclosure of impairments - main events and circumstances that led to the recognition of these



impairment losses and reversals of impairment losses.

6. GRAP 25 – Employee Benefits

Long-term employee benefits - this disclosure is incorrect and incomplete due to the actuarial valuation not being performed in the 2017/18 financial year.

The amounts on the face of the statement of financial performance and statement of financial position could be verified to actuarial valuation reports as no independent expert valuation was done. As such, Note 15: Employee Benefit Obligations of the 2017/18 AFS is incomplete, with current service costs, interest cost, actuarial (gains) losses, expected return on plan assets and other important disclosures being omitted.

7. GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets

Landfill provision – this disclosure is incorrect and incomplete due to the actuarial / expert valuation not being performed in the 2017/18 financial year.

8. GRAP 17 - Property Plant and Equipment

Property Plant and Equipment – The disclosure of PPE is incorrect and incomplete in the 2017/18 financial year. No depreciation and/or impairment was accounted for in the balance of property, plant and equipment.

Internal control deficiency

Lack of internal control processes to ensure that the presentation and disclosures in the financial statements are in compliance with GRAP requirements.

Recommendation

The accounting officer should ensure internal control processes are in place to ensure that the presentation and disclosures in the financial statements are in compliance with GRAP requirements.

Management response

Management agrees with the finding.

Name: Johannes Matlou

Position: Acting CFO

Date: 27 May 2019

Auditor's conclusion

Management response has been acknowledged and the finding remains. The finding will be included in the management report

Annexure D: Performance management and reporting framework

The Performance Management and Reporting Framework (PMRF) consists of the following:

Legislation applicable to performance planning, management and reporting, which includes the following:

- Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA)
- Treasury Regulations, 2005 issued in terms of the PFMA
- National treasury practice note 4 of 2009-10
- Public Service Act, 1994 (PSA)
- Public Service Regulations, 2016 issued in terms of the Public Service Act
- Financial Management of Parliament and Provincial Legislatures Act, 2009 (Act No. 10 of 2009) (FMPPL)
- Regulations for reporting by public higher education institutions, 2014, issued in terms of the Higher Education Act, 1997 (applicable to universities only).

The Framework for Managing Programme Performance Information (FMPPI), issued by the National Treasury. This framework is applicable to all spheres of government.

The Framework for Strategic Plans and Annual Performance Plans (FSAPP), issued by the National Treasury. This framework is applicable to all national and provincial departments, constitutional institutions and those public entities listed in parts A and C of schedule 3 of the PFMA.

Circulars and guidance issued by the National Treasury, Department of Public Service and Administration (DPSA) and supported by the Department of Planning Monitoring and Evaluation (DPME) regarding the planning, management, monitoring and reporting of performance against predetermined objectives.

Annexure D – Criteria developed from the performance management and reporting framework

| CRITERIA | REFERENCES TO THE PMRF PER TYPE OF ENTITY | | | |
|---------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|------------------------------------------------------------------------------------------------|
| | Departments / constitutional institutions / trading entities | Public entities | Parliament / provincial legislatures | Universities |
| Consistency: Objectives, performance measures / indicators and targets are consistent between planning and reporting documents | | | | |
| 1. Reported strategic or development objectives are consistent or complete when compared to planned objectives | Section 40(3)(a) of the PFMA TR 5.2.4 NT Instruction Note 33: Implementation of the FSAPP Sec 25(1) and 31(1) of the PSR | Section 55(2)(a) of the PFMA TR 28.2.2 Applicable to 3A & 3C public entities: TR 30.1.3(g) NT Instruction Note 33: Implementation of the FSAPP Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2 | Section 55(3)(d) of the FMPPLA | Sec 5(2)(k) & 7(4)(a) of the regulations for reporting by Public Higher Education Institutions |
| 2. Changes to strategic or development objectives are approved | TR 5.1.1 NT Instruction Note 33: Implementation of the FSAPP Sec 4 of FSAPP | Applicable to schedule 3A & 3C public entities: TR 30.1.1 NT Instruction Note 33: Implementation of the FSAPP | Section 15(1) and (2)(b) of the FMPPLA | Sec 5(2)(m) & 7(4)(a) of the regulations for reporting by Public Higher Education Institutions |



| CRITERIA | REFERENCES TO THE PMRF PER TYPE OF ENTITY | | | |
|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|------------------------------------------------------------------------------------------------|
| | Departments / constitutional institutions / trading entities | Public entities | Parliament / provincial legislatures | Universities |
| | | Sec 4 of FSAPP Applicable to schedule 2, 3B & 3D public entities:TR 29.1.1 and TR 29.2 | | |
| 3. Reported measures or indicators are consistent or complete when compared to planned measures or indicators | Section 40(3)(a) of the PFMA TR 5.2.4 NT Instruction Note 33: Implementation of the FSAPP Sec 25(1) of the PSR | Section 55(2)(a) of the PFMA TR 28.2.2 Applicable to 3A & 3C public entities: TR 30.1.3(g) NT Instruction Note 33: Implementation of the FSAPP Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2 | Section 55(3)(d) of the FMPPLA | Sec 5(2)(k) & 7(4)(a) of the regulations for reporting by Public Higher Education Institutions |
| 4. Changes to measures or indicators are approved | TR 5.1.1 NT Instruction Note 33: Implementation of the FSAPP | Applicable to 3A & 3C public entities: TR 30.1.1 NT Instruction Note 33: Implementation of the FSAPP | Section 15(1) and (2)(b) of the FMPPLA | Sec 5(2)(m) of the regulations for reporting by Public Higher Education Institutions |



| CRITERIA | REFERENCES TO THE PMRF PER TYPE OF ENTITY | | | |
|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|------------------------------------------------------------------------------------------------|
| | Departments / constitutional institutions / trading entities | Public entities | Parliament / provincial legislatures | Universities |
| | Sec 4 of FSAPP | Sec 4 of FSAPP Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2 | | |
| 5. Reported targets are consistent or complete when compared to planned targets | Section 40(3)(a) of the PFMA TR 5.2.4 NT Instruction Note 33: Implementation of the FSAPP Sec 25(1) of the PSR | Section 55(2)(a) of the PFMA TR 28.2.2 Applicable to 3A & 3C public entities: TR 30.1.3(g) Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2 | Section 55(3)(d) of the FMPPLA | Sec 5(2)(k) & 7(4)(a) of the regulations for reporting by Public Higher Education Institutions |
| 6. Changes to targets are approved | TR 5.1.1 NT Instruction Note 33: Implementation of the FSAPP Sec 4 of FSAPP | Applicable to 3A & 3C public entities: TR 30.1.1 NT Instruction Note 33: Implementation of the FSAPP Sec 4 of FSAPP | Section 15(1) and (2)(b) of the FMPPLA | Sec 5(2)(m) of the regulations for reporting by Public Higher Education |



| CRITERIA | REFERENCES TO THE PMRF PER TYPE OF ENTITY | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------|--------------------------------------|--------------------------------------------------------------------------------------|
| | Departments / constitutional institutions / trading entities | Public entities | Parliament / provincial legislatures | Universities |
| | | Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2 | | |
| 7. Reported achievements are consistent with the planned and reported indicator and target | Sec 40(3)(a) of the PFMA | Sec 55(2)(a) of the PFMA | Sec 55(3)(d) of the FMPPLA | Sec 7(4)(a) of the regulations for reporting by Public Higher Education Institutions |
| Measurability: Performance measures / indicators are well defined and verifiable, and targets are specific, measurable and time bound | | | | |
| 8. A performance measure or indicator is well defined when it has a clear definition so that data will be collected consistently and is easy to understand and use | FMPPI | Chapter 3.2 | Criteria not applicable | Sec 1(d) of the regulations for reporting by Public Higher Education Institutions |



| CRITERIA | REFERENCES TO THE PMRF PER TYPE OF ENTITY | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|-----------------|--------------------------------------|-----------------------------------------------------------------------------------|
| | Departments / constitutional institutions / trading entities | Public entities | Parliament / provincial legislatures | Universities |
| 9. A performance measure / indicator is verifiable when it is possible to validate or verify the processes and systems that produce the indicator | FMPPI | Chapter 3.2 | Criteria not applicable | |
| 10. A target is specific when the nature and the required level of performance of the target are clearly identifiable | FMPPI | Chapter 3.3 | Criteria not applicable | Sec 1(a) of the regulations for reporting by Public Higher Education Institutions |
| 11. A target is measurable when the required performance can be measured | FMPPI | Chapter 3.3 | Criteria not applicable | Sec 1(b) of the regulations for reporting by Public Higher Education Institutions |
| 12. A target is time bound when the time frames for the achievement of the target are indicated | FMPPI | Chapter 3.3 | Criteria not applicable | Sec 1(c) of the regulations for reporting by Public Higher Education Institutions |
| Relevance: Performance measures / indicators relate logically and directly to an aspect of the entity's mandate and the realisation of its strategic goals and objectives | | | | |



| CRITERIA | REFERENCES TO THE PMRF PER TYPE OF ENTITY | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------------------------------------------------------|
| | Departments / constitutional institutions / trading entities | Public entities | Parliament / provincial legislatures | Universities |
| 13. The performance measure / indicator and target relate logically and directly to an aspect of the entity's mandate and the realisation of its strategic goals and objectives | FMPPI Chapter 3.2 | | Criteria not applicable | Sec 1(e) of the regulations for reporting by Public Higher Education Institutions |
| Presentation and disclosure: Performance information in the annual performance report is presented and disclosed in accordance with the requirements contained in legislation, frameworks, circulars and guidance | | | | |
| 14. Reasons for variances between planned and actual performance are disclosed in the annual performance report. | The NT's annual report guide for national and provincial departments Sec 31(1) of the PSR | Applicable to schedule 3A & 3C public entities: The NT's annual report guide for schedule 3A and 3C public entities | Criteria not applicable | |
| 15. Reasons for variances are corroborated by source documentation | The NT's annual report guide for national and provincial departments | Applicable to schedule 3A & 3C public entities: | Criteria not applicable | |

| CRITERIA | REFERENCES TO THE PMRF PER TYPE OF ENTITY | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------|
| | Departments / constitutional institutions / trading entities | Public entities | Parliament / provincial legislatures | Universities |
| | FMPPI chapter 5 | The NT's annual report guide for schedule 3A and 3C public entities FMPPI chapter 5 | | |
| 16. Changes to objectives, performance indicators and performance targets are disclosed in the annual performance report | NT annual report guide for national and provincial departments Sec 31(1) of the PSR | Applicable to 3A & 3C public entities: NT annual report guide for schedule 3A and 3C public entities | Criteria not applicable | |
| Reliability: Recording, measuring, collating, preparing and presenting information on actual performance / target achievements that is valid, accurate and complete | | | | |
| 1. Reported performance occurred and pertains to the reporting entity | Section 40(3)(a) of the PFMA | | Section 55 of the FMPPLA | |



| CRITERIA | REFERENCES TO THE PMRF PER TYPE OF ENTITY | | | |
|--------------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------|--------------------------------------|------------------------------------------------------------------------------------|
| | Departments / constitutional institutions / trading entities | Public entities | Parliament / provincial legislatures | Universities |
| 2. Reported performance is recorded and reported accurately | Chapter 5 of the FMPPI Sec 25(1)(e) of the PSR | Section 55(2)(a) of the PFMA Chapter 5 of the FMPPI | | Section 7 of the regulations for reporting by Public Higher Education Institutions |
| 3. All actual performance is recorded and included in the reported performance information | | | | |



Annexure E: Auditor-general's responsibility for the audit of the reported performance information

1. As part of my engagement conducted in accordance with ISAE 3000, I exercise professional judgement and maintain professional scepticism throughout my reasonable assurance engagement on reported performance information for selected [programmes/ objectives].
2. I am independent of the [type of auditee/ the group] in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the 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.

Quality control relating to assurance engagements

3. In accordance with the International Standard on Quality Control 1, the Auditor-General of South Africa maintains a comprehensive system of quality control that includes documented policies and procedures on compliance with ethical requirements and professional standards.

Reported performance information

4. In addition to my responsibility for the assurance engagement on reported performance information as described in the auditor's report, I also:

identify and assess risks of material misstatement of the reported performance information, 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. In making those risk assessments, I consider internal control relevant to the management and reporting of performance information per selected [programme/ objective] 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 [type of auditee]'s internal control.

evaluate the documentation maintained by the [type of auditee] that supports the generation, collation, aggregation, monitoring and reporting of performance indicators/measures and their related targets for the selected [programmes/ objectives].

evaluate and test the usefulness of planned and reported performance information, including presentation in the annual performance report, its consistency with the approved performance planning documents of the [type of entity] and whether the indicators and related targets were measurable and relevant.

evaluate and test the reliability of information on performance achievement to determine whether it is valid, accurate and complete.

Communication with those charged with governance




5. 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.

I also confirm to the accounting officer 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, related safeguards.




Annexure F: Assessment of internal controls










Below is our assessment of implementing the drivers of internal control based on significant deficiencies identified during our audit of the financial statements, the annual performance report and compliance with legislation. Significant deficiencies occur when internal controls do not exist, are not appropriately designed to address the risk, or are not implemented. These either had caused, or could cause, the financial statements or the annual performance report to be materially misstated, and material instances of non-compliance with legislation to occur.


























































The internal controls were assessed as follows:
























| | |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | The required preventative or detective controls were in place. |
|  | Progress was made on implementing preventative or detective controls, but improvement is still required, or actions taken were not or have not been sustainable. |
|  | Internal controls were either not in place, were not properly designed, were not implemented or were not operating effectively. Intervention is required to design and/or implement appropriate controls. |

The movement in the status of the drivers from the previous year-end to the current year-end is indicated collectively for each of the three audit dimensions under the three fundamentals of internal control. The movement is assessed as follows:

| | |
|-------------------------------------------------------------------------------------|-----------|
|  | Improved |
|  | Unchanged |
|  | Regressed |

| | Financial statements | | Performance reporting | | Compliance with legislation | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| | Current year | Prior year | Current year | Prior year | Current year | Prior year |
| Leadership | | | | | | |
| Overall movement from previous assessment |  | |  | |  | |
| • Provide effective leadership based on a culture of honesty, ethical business practices and good governance, and protecting and enhancing the best interests of the entity |  |  |  |  |  |  |

| | Financial statements | | Performance reporting | | Compliance with legislation | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| | Current year | Prior year | Current year | Prior year | Current year | Prior year |
| • Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls |  |  |  |  |  |  |
| • Implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored |  |  |  |  |  |  |
| • Establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities |  |  |  |  |  |  |
| • Develop and monitor the implementation of action plans to address internal control deficiencies |  |  |  |  |  |  |
| • Establish and implement an information technology governance framework that supports and enables the business, delivers value and improves performance |  |  |  |  |  |  |
| Financial and performance management | | | | | | |
| Overall movement from previous assessment |  | |  | |  | |
| • Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting |  |  |  |  |  |  |
| • Implement controls over daily and monthly processing and reconciling transactions |  |  |  |  |  |  |
| • Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information |  |  |  |  |  |  |
| • Review and monitor compliance with applicable legislation |  |  |  |  |  |  |

| | Financial statements | | Performance reporting | | Compliance with legislation | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| | Current year | Prior year | Current year | Prior year | Current year | Prior year |
| <ul style="list-style-type: none"> Design and implement formal controls over information technology systems to ensure the reliability of the systems and the availability, accuracy and protection of information |  |  | N/A | N/A | N/A | N/A |
| Governance | | | | | | |
| Overall movement from previous assessment |  | |  | |  | |
| <ul style="list-style-type: none"> Implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of information technology risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored |  |  |  |  |  |  |
| <ul style="list-style-type: none"> Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively |  |  |  |  |  |  |
| <ul style="list-style-type: none"> Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation |  |  |  |  |  |  |