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| RELATED PARTIES | <p>Related parties: There are no formal documented processes in place to identify related parties (EX.21)</p> | <p>Lack of management oversight over disclosures in the financial statements to ensure it is accurate and correct</p> | <p>Prior to AFS being submitted to AG, a high level review will be performed to ensure that all disclosures are correctly disclosed</p> <p>Processes will be developed and documented after communicate with Tswelopele Mun. Mugelane to do follow up</p> | | Finance | |
| | <p>Accumulated surplus: Journal discrepancies on the accumulated surplus account (EX.116)</p> | <p>Management did not perform and adequate review of the financial statements to ensure that they are free from misstatements.</p> | <p>Prior to processing the journals on the GL, a working paper accompanied by the relevant support and a journal form will be reviewed to ensure that correct journals are passed</p> | | Finance | |
| | <p>Accumulated surplus: Differences identified (EX.97)</p> | <p>The above mentioned resulted due to management not performing and adequate review of the financial statements to ensure that they are free from misstatements before submission for audit purposes.</p> | <p>Prior to AFS being submitted to AG, a high level review will be performed to ensure that all disclosures are correctly disclosed</p> | | Finance | |
| REVENUE | <p>Revenue (Service charges): Prior year uncorrected misstatements (EX.16)</p> | <p>Slow response by management to correct the issues identified in the previous financial year</p> | <p>Correction journals to be prepared and captured by 28 February 2016.</p> | 31-May-16 | Finance | In Progress |

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| | Revenue: Distribution losses not calculated and disclosed (EX. 171) | (a) A proper review was not done of the financial statements to ensure that all the required disclosures are made in the financial statements (b) Management did not prioritise controls and actions that would reduce electricity and water losses and there is lack of oversight responsibility on compliance with MFMA. | Investigations on relevant accounts to be performed and where applicable correction journals to be prepared and captured by 28 February 2016. | 28-Feb-16 | Finance | In Progress |
| | Revenue - Service charges no meter readings for water and electricity (EX.73) | The cause of the above is that the municipality have not fixed the water or electricity meter of customer accounts that were not in a working condition. | Investigations on relevant accounts to be performed and where applicable correction journals to be prepared and captured by 28 February 2016. Technical to identify all the meters that can be repaired and the cost implications so that they can be prioritised. Mr. Malajji and team. Completion: | 31-Mar-16 | Finance | In Progress |
| | Revenue (Grants) - Non-compliance with DORA (EX.170) | The cause of the above is that management did not implement controls to ensure compliance with laws and regulation | Management disagrees with the finding as COGTA has never raised non-compliance matter with the municipality with regard to MSIG, however all monthly reports for MSIG were submitted. AG didn't provide us with | Achieved | Finance | Achieved |

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| | | | evidence indicating non compliance. | | | | |
| | Revenue - Assessment rates not charged on all property (EX.39) | The cause of the above is that the accounting system have not been compared and updated with the property deeds and the valuation roll. | This audit finding was resolved. | Achieved | Finance | Achieved | |
| | Revenue - Accounts not cleared before the transfer of property (EX.40) | The cause of the above is that the municipality do not create new accounts for new property owners. Proper controls are not in place to ensure that old debt is settled before transfer of a property. The impact of the above are: Old debt is not settled before transfer of property which will result in financial losses for the municipality New property owners are charged with interest and accounts of previous owners. | This audit finding was resolved. | Achieved | Finance | Achieved | |
| | Revenue - Completeness of the valuation roll (EX.41) | Management did not compare the valuation roll and the transfer of property deeds to ensure that the valuation roll | The identified properties will be sent to the municipal valuer to be included on the supplementary valuation roll. | 28-Feb-16 | Finance | In Progress | |

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| | | is complete. | | | | | |
| | Revenue - Interest incorrectly charged on outstanding debtors (EX.57) | The above mentioned resulted due to the amount of interest charged on the accounting system not being charged accurately. | Management disagrees with AG's findings on the recalculation of interest charged on outstanding accounts. AG based the recalculation on the compound interest, whereas the municipality charges the simple interest at prime rate in line with the banking institutions. The prime interest rate differed throughout the financial year. Investigations were conducted and an agreement with the AG. This matter is resolved. | Achieved | Finance | | Achieved |
| | Revenue: Prior year - Service not charged to Ef (EX.74) | The above mentioned resulted due to management not reconciling the valuation roll of the municipality to the debtor accounts opened on the system (Pastel evolution). | The correction on the debtor account was billed from last month and necessary adjustments will be made | 28-Feb-16 | Finance | | In Progress |
| | Revenue - Property register not updated annually (supplementary valuation roll) (EX.89) | The above mentioned resulted due to management not implementing recommendations made by the auditors in the previous financial year. | The approved valuation roll was implemented as from 01 July 2015. The next Supplementary valuation roll will be finalised by 28 February 2016 | 31-Mar-16 | Finance | | In Progress |

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| TAXES | AT: reconciliation not approved and Vat returns not submitted in time (EX.150) | <p>The cause of the above is due to a lack of management oversight, as management did not put controls in place:</p> <p>a) To ensure reconciliation are appropriately reviewed and approved</p> <p>b) To ensure that VAT returns are submitted in time.</p> | Ensure all reconciliations are reviewed and signed before submission | Monthly | Finance | All months of 2015/16 to December 2015 are signed |
| GENERAL AND IT CONTROL | ICT: Information Technology (IT) - Controls not in place (EX.59) | The lack of a dedicated IT security officer/system administrator to ensure the implementation of controls measures over financial IT systems. | IT Security Officer's duties will be delegated to the ICT Coordinator until the municipality is able to have a dedicated IT Security Officer | IT | IT | Functions and responsibilities of an IT Security Officer are currently being developed |
| | Control environment: IT related information requested that has not been submitted as per request 6 of 2015 (EX.6) | Failure by management to maintain an effective record keeping system to ensure that complete, relevant and accurate information is accessible and available for audit. | <p>Manager ICT to advice on an effective records keeping system</p> <p>Meeting to be conducted with department next week.</p> | IT | IT | The Change management policy is being implemented, Backup register is being updated, a suitable location for the storage of the backup will be finalised |

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| <p>CONTR OL ENVIRO NMENT</p> | <p>Audit Committee: Audit committee deficiencies (EX: 18)</p> | <p>The audit committee/performance audit committee did not prioritize the implementation of the compliance with laws and regulation.</p> | <p>(1) The independency of Internal Audit will be maintained as all Adhoc reviews will be approved by Audit Committee. Management will only issue out a request not an instruction to Internal Audit to perform adhoc reviews.</p> <p>(2) Audit and Performance Committee will ensure that reports are tabled before council on a regular basis as to comply with section 166 of MFMA No. 56 of 2003.</p> <p>(3) Council will be provided with the evaluation matrix tool to evaluate performance of Audit Committee.</p> <p>(4) Audit and Performance Committee to meet at least Four (04) times a year to comply with section 166 of MFMA No.56 of 2003.</p> | <p>30 June 2016</p> <p>30 June 2016</p> <p>30 March 2016</p> <p>30 June 2016</p> | <p>Internal Audit</p> <p>Internal Audit</p> | <p>(1) No Adhoc requests were made by management.</p> <p>(2) Audit Committee Report will be tabled before Council as at 22 January 2016.</p> <p>(3) Evaluation Matrix tool is readily available @ Internal Audit section. Appointment to workshop councilors thereon is still underway.</p> <p>(4) Audit Committee had three meetings for 2015/16 financial year: 26 August 2016; 29 September 2016; 30 November 2016.</p> <p>(a) Annual Risk Based Internal Audit Plan</p> |
| <p>Internal audit -</p> | <p>Deficiencies found in the internal audit working papers (EX:12)</p> | <p>Lack of oversight responsibility on the work performed by the internal</p> | <p>(1) Internal Audit disagreed with the finding:</p> | <p>There is no specific completion</p> | <p>Internal Audit</p> | <p>(a) Annual Risk Based Internal Audit Plan</p> |

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| | <p>auditors.</p> | <p>Report on the implementation of annual risk based internal audit plan was tabled before audit committee on: 26 August 2016. More reports will be tabled to management and audit committee on the implementation of annual risk based internal audit plan.</p> <p>2.1 Disagreed with the finding:</p> <p>Internal Audit is guided by the Institute of Internal Auditing South Africa, IPPF standards and practice notes issued from time to time. It does not conduct its functions/audits in terms of the International Standards on Auditing (ISA's) like Auditor General does. Internal Audit is not guided by IRBA (Independent Regulatory Board for Auditors) like Auditor General does. Internal Audit is guided by the Institute of Internal Auditing South Africa, including its practice guides issued from time to time. The population, sample and direction of testing were clearly documented in the execution working paper that was submitted to Auditor General for audit.</p> <p>(2.2) Disagreed with the finding:</p> <p>The review was performed with an extended scope. All working papers were provided. Internal Audit does not make use of Audit</p> | <p>date. Work of Internal Audit will be submitted to Auditor General in the next audit process to decide whether to make use of work of internal audit or not.</p> | <p>2015/16 financial year was developed and approved.</p> <p>(b) Report on the implementation of annual risk based internal audit plan for 1st quarter was presented before Audit Committee as at: 30 November 2015</p> <p>(c) Internal Audit Budget was compiled and communicated to audit team with assigned audit components</p> <p>(d) Internal Audit Charter and Methodology were developed and approved on: 30 November 2015.</p> <p>(e) Audit of</p> |
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| | <p>Software to conduct the audits where every link would be easily hyperlinked. Procedures on revenue were attached and sent to Auditor General.</p> <p>The number of transactions selected for audit is included in the compliance testing. Revenue is also tested in there, NERSA tariff issue is also mentioned in compliance testing. Refer to the working paper on compliance testing. Auditor General should re-asses the w/p on compliance. Assertion is clearly indicated in the w/p.</p> <p>Internal Audit has selected 30 transactions for revenue and tested the compliance and accuracy thereof. The execution w/p on compliance testing on NERSA tariffs was given to Auditor General.</p> <p>(2.3) Disagreed with the finding:</p> <p>Auditor General should differentiate between Internal Audit and External Audit. Internal Audit is testing the adequacy and effectiveness of internal controls. The risk on expenditure was more on non performance of the reconciliations. At the time of performance by internal audit against audit criteria, reconciliations were not done.</p> | | <p>Predetermined Objectives for first quarter of 2015/16 was performed and is currently at reporting stage.</p> <p>The following audits are still in progress for the 2nd quarter:</p> <p>(i) Predetermined Objectives (Sampling) (ii) Supply Chain Management (100% testing) (iii) Revenue (Sampling)</p> <p>Communication will be held with Auditor General as to the extent of testing by Internal Audit so that it can make use of work of Internal Audit. Necessary arrangements are still under way.</p> |

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| | | | <p>(2.5) Disagreed with the finding:</p> <p>This matter has already been clarified. A report on inventory was generated based on the observation that was undertaken by Internal Audit. Inventory does not form part of the internal audit plan per se. Inventory checklist was also submitted to Auditor General together with the report. Auditor General should clarify if the inventory checklist is not sufficient to test whether there are controls in place or not. To the knowledge and professional judgment made by Internal Audit, observation and inventory checklist was sufficient to come to the conclusion. Internal Audit would to a certain extent not test inventory the same way that the Auditor General is testing. Auditor General is doing a substantive test of detail. Internal Audit is assessing the controls over inventory and that was done through observation and using a checklist. Auditor General should take into account that one of the risk assessment procedures is "OBSERVATION" therefore there is nothing wrong if internal audit believes that observation and a checklist is sufficient to come to the conclusion.</p> | | | |
| | | | <p>(2.6) Disagreed with the finding:</p> | | | |