

AG AUDIT FINDINGS					
No	Nature of Audit Query	Response from management as per Final Management Letter	Management Action Plan	Target Date	Person Responsible
Annexure A: Matters Affecting The Auditor's Report					
1	AG Ref No 01: Tax matters of winning bidder not verified	During the audit we noted that the following awards were made by the municipality to persons whose tax matters have not been declared by SARS to be in good order and there was no evidence provided to indicate that the municipality checked with SARS whether the person's tax matters are in order. The details of the awards made are as follows: This will result in the municipality incurring irregular expenditure on all payments made in relation to these suppliers.	In terms of MFMA Circular 90 - The CSD and tax compliance status PIN are the approved methods to be used to prove tax compliance as the SARS no longer issues Tax Clearance Certificates. The Bid Evaluation Committee (BEC) verifies the tax compliance status via the Central Supplier Database (CSD) prior to completing their recommendation for award, the result is reflected on their report. Timobrite (Pty) Ltd During the evaluation period (17 December 2019) it was noted that the supplier was tax compliant as per the CSD tax compliance verification - attached. Refer to Annexure D. Furthermore, as per the appointment letter, a Service Level Agreement was concluded on 25 January 2021 as part of the appointment process where the tax compliance was further verified. Solo Business Consultants During the pre-evaluation period we obtained a tax clearance certificate.	BEC Report template has been amended to reflect tax status of bidders. The BEC is now saving the reports extracted from the CSD as audit evidence.	19-Apr-21 Acting: SCM Manager
2	AG Ref No 02: Tax matters not declared to be in good order at the date of the award	During the audit we noted that the award below was made by the municipality to persons whose tax matters have not been declared by SARS to be in good order and there was no evidence provided to indicate that the municipality checked with SARS whether the person's tax matters are in order. In terms of the CSD report, the tax compliance status of the supplier could not be determined until 24 July 2020. The contract was awarded on 15 June 2020. The details of the awards made are as follows: This results in irregular expenditure incurred amounting to R7 819	CSD was used by the municipality to verify the tax status of the service provider; however it was unable to verify the tax compliance. Refer to attached document.	The letter of award template is made conditional on the confirmation of proof of tax compliance.	19-Apr-21 Acting: SCM Manager
3	AG Ref No 03: Winning suppliers with no MBD 4 forms submitted	During the audit we noted that the following winning suppliers did not submit the declaration of interest. This constitute a limitation of scope as we cannot confirm whether or not the municipality complied with the above requirement prior to award: Supplier name: Description Amount: Forms not submitted Anchor Media: ACCOMMODATION FOR 380 PEOPLE FOR SALGA KZN DSR GAMES: R228 000.00 MBD 4 Jade star trading: REMEDIAL WORKS FOR THE BUILDING IN	Anchor Media: MBD 4 is attached. Jade star trading: Please find MBD 4 and MBD 8 attached. Refer to Annexure L.	These issues relate to the application of deviations. The deviations approval form has been amended to explicitly request the MBD forms as compulsory documentation.	19-Apr-21 Acting: SCM Manager
4	AG Ref No 04: Performance indicators not verifiable	During the audit of performance information, it was noted that adequate systems and processes were not established to enable consistent measurement and reliable reporting of performance against the predetermined. The indicators were not measurable as the denominator (demand) used was not verifiable and reliable. The municipality used information from Statistics South Africa to determine the demand (number of households in need of water and sanitation) without verifying the information for the accuracy and relevance for the current financial year. Furthermore, no information was provided to indicate that the data used was verified The performance indicators are not measurable and therefore we could not confirm the validity, accuracy and completeness.	The Municipality utilizes information/ data received from Stats SA, as they are regarded as the data custodian and expert in data handling and management in South Africa. The use of data from them is perceived as the best option to use as information from them is regarded as credible and supported by a comprehensive study conducted. The municipality has engaged other stakeholders such as provincial government and local municipalities to assist in identifying areas where there has been a considerable change in the number of households are in place; information gathered from that exercise has been utilised to update Stats SA data.	An email will be sent to Cogta to seek their guidance on advise to address the finding identified.	23-Apr-21 Manager: WSA
5	AG Ref No 05: Reported achievement not supported by appropriate audit evidence	The reported achievement for the following indicators was not supported by appropriate audit evidence. The auditors noted invalid indigents on the register submitted as detailed in the table below. A total of 1 184 invalid indigents were identified compared to the 3 290 indigents reported: As a result, the reported achievement is not valid.	Observations are noted. During the 2018/2019 financial year we began the process of developing a new indigent register. The first step taken was the verification of the existing listing and discovered a number of anomalies, such as invalid ID numbers, deceased persons, etc. We, thereafter, resolved to utilise EPWP to facilitate the process of registering new applicants on the indigent register. This process has not yet been completed due to disruptions emanating from the investigation by the SIU on the appointed service provider. However, it must also be noted that this item is a moving target due to constantly changing living conditions of our customers. These changes are not reported by our customers as they happen to them hence exceptions have been identified. The municipality has now enhanced the systems used to verify customers during the indigency application process	1. Full support of all local municipalities collaboration for a consolidated registration at the District development model meeting. 2. Training of EPWP workers on the indigent registration process. 3. Development of an awareness campaign for indigent communities. 4. To consider inputs from local municipalities on the indigent questionnaire. 5. Commencement of the registration process in collaboration with all local municipalities.	1. 16 April 2021 2. 30 May 2021 3. 30 April 2021 4. 30 May 2021 HO: EDP
6	AG Ref No 06: Performance targets not time bound	During the audit of predetermined objectives, it was noted that the following performance targets were not time-bound. The municipality reported all the incidents resolved during the year without tracking the number of days or timeframes it took to resolve the incidents. This results in the mistatement of the annual performance report.	Incidents are ongoing and attended to on a daily basis and this is recorded on the incident register. The municipality has a programme in place which specifies the timelines and delivery standards required. A sample of job cards which indicate the activities and timelines of incident resolutions is attached. In addition, an incident register is maintained which details the date the incident occurred as well as the date it was resolved. All incidents that occur within a quarter of the financial year must be 100% resolved within that quarter and this is reported on in the quarterly SDBIP and the target is annualised in the APR.	During the mid-term review, the SDBIP will be reviewed by PMS unit and to also ensure the findings raised by Internal Audit are implemented to ensure that targets conforms to the SMART principle.	30-Jun-21 Manager: PMS Manager: IA
7	AG Ref No 07: Reported achievement not supported by appropriate audit evidence	The reported achievements for the following indicators is not supported by appropriate audit evidence. This results in a limitation on confirming validity, accuracy and completeness of the reported achievements.	Due to the volume of information, a sample of job cards which indicate the activities and timelines of incident resolutions is attached as well as Service Level Agreement relating to water tankers. Refer to Annexure C.	Going forward a comprehensive review of the performance report submitted by departments will be conducted by PMS unit. Departmental Heads will be advised of the any outstanding information and a request for submission will be issued prior to submission to Internal Audit.	Quarter 4 and going forward Manager: PMS
8	AG Ref No 08: Reasonable steps not taken to prevent unauthorised, irregular, fruitless and wasteful expenditure	Reasonable steps were not taken to prevent the following unauthorised, irregular, fruitless and wasteful expenditure was incurred as follows: Furthermore, additional irregular expenditure was identified during the audit, due to the following non-compliance issues This results in non-compliance with section 62(1)(d) of the MFMA.	In terms of unauthorised expenditure, a comprehensive turnaround strategy has been formulated by the municipality to improve our performance and reduce our debtors book. We have ensured that our budget assumptions for the 2020/2021 financial year to enable us to fully comply with GRAP 17 and 104. Furthermore, we have subsequently submitted a budget funding plan to Provincial Treasury which is focused on revenue enhancement. In terms of irregular and fruitless and wasteful expenditure, staff members attended SCM training by Provincial Treasury to capacitate them on SCM regulations and requirements by the MFMA. Refer to Annexure N.	All internal audit reports on the review of payments whereby irregular expenditure items have been identified will be forwarded to the Chief Financial Officer and Acting SCM Manager to include on the irregular Expenditure. Further, during the Expenditure audit for the current financial year all payments that are identified to be irregular will be included on the irregular expenditure.	30-May-21 Manager: IA CFO Acting: SCM Manager