

EXTRACT OF THE MINUTES OF THE 66TH SPEC COUNCIL MEETING HELD ON 27 MARCH 2024

8.1 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC): OVERSIGHT REPORT ON THE ANNUAL REPORT FOR 2022/23 FINANCIAL YEAR.

(3/P)

Office of the Speaker

RESOLVED

1. THAT Municipal Public Accounts Committees (MPAC) recommend to Council to adopt the Annual Report with the following reservations;
2. THAT MPAC committee investigate and conclude on the historic UIFW's and present a comprehensive detailed report to Council on the committee's findings before the end of June 2024.
3. THAT Supply Chain processes are adhered to when awarding a tender to the suppliers and failure to do so, the officials implicated be subjected to DC and consequence management be followed.
4. THAT the Municipal Manager must write to the HOD Transport and request a full report on the cases in Meyerton license centers officials relating to the investigation.
5. THAT volunteers must leave in all licensing centers and EPWP's be obstructed from being exposed into licensing centers operations with immediate effect.
6. THAT contracts on the attorney's appointment of panel to be reviewed through performance assessment before being appointed.
7. THAT all Municipal contracts be monitored monthly in-order to ensure value for money.
8. THAT the key performance indicators be refined in line with SMART principles.
9. THAT Service Delivery Budget Implementation Plan (SDBIP) be revised and presented to Council for approval.
10. THAT all contracts be awarded to suppliers who qualifies in accordance with section 18(1) of the Contractors Industry Development Board (CIDB) act and CIDB regulation 17.
11. THAT the appointed Security company (JMP) submit to Council a detailed comprehensive report on the mitigation against the historic and future incidents in the municipality.
12. THAT the municipality conclude on the appointment of the remaining Senior Managers before the end of the financial year for the institutional stability.
13. THAT implicated officials who failed to honour Council resolution be subjected to disciplinary processes of the institution and a report be presented on the steps taken against the officials in question.

It is hereby certified that this is a true extract from the minutes of a meeting of the Sedibeng District Municipality.

Council held on: 27 MARCH 2024
Signed by: M. M. NGILANG
Designation: Acting District
Legal And Support Services JTM

14. THAT employees working from home due to non-availability of the space be placed in Boipatong and Sharpeville monument.
15. THAT the Municipal Manager, Executive Mayor, Speaker and MPAC performs quality assurance on the implementation of Council resolutions”

It is hereby certified that this is a true extract from the minutes of a meeting of the Sedibeng District Municipality.

Council held on: 27 MARCH 2024
Signed by: M. NGATHE
Designation: ACTING DIRECTOR
Legal And Support Services

[Handwritten Signature]

8.1. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC): OVERSIGHT REPORT ON THE ANNUAL REPORT FOR 2022/23 FINANCIAL YEAR.

(3/P)

Office of the Speaker

1. PURPOSE

To present before Council, MPAC oversight report on the Annual Report for 2022/23 Financial Year for approval.

2. INTRODUCTION

The Council's oversight function is one of the cornerstones of democracy and an indicator of good governance. Oversight is a key function of governance that is aimed at ensuring that activities are implemented as planned by providing strategic direction to principal recipients, ensuring policies and procedures are met, instituting financial controls (including independent audits), and following through with key recommendations. The oversight concept encompasses many aspects which include political, administrative, financial, ethical, legal and strategic elements. Therefore, the core function of oversight is to ensure that resources are used efficiently and effectively for the benefit of the society at large.

Legislatures exercise their oversight prerogative based upon the existence of a legal framework that guarantees their powers and independence within the political system. Oversight detects and prevents abuse, illegal and unconstitutional conduct by the executive authority and public agencies. At its core, the oversight function aims to protect the rights and liberty of citizens.

3. BACKGROUND

According to the Municipal Finance Management Act (MFMA) Act No. 56 of 2003 as well as Circular No. 63 of the National Treasury the committee has been mandated to perform oversight on public accounts of the municipality. The preparation of the draft oversight report was guided by the Treasury framework and the committee's Terms of Reference as approved by Council. These documents serve as guidelines in outlining the work of the committee. And also in the process of concluding this exercise a new reporting template issued by the National Treasury has been of great assistant.

4. DISCUSSIONS

The Annual Report was tabled before Council on 24th January 2024 and after that process it was the Annual report was referred to MPAC for the Committee conduct an oversight and submit the report after 60 days in terms of section 127/129 of the municipal finance management act. The committee will be expected to table the oversight report on the 27th of March 2024 as part of compliance.

Attached hereto find the list of the following Annexures in the separate package for 2022/23 financial year.

Annexure A- Oversight Report

Annexure B- Minutes of the meetings of the Municipal Public Accounts Committee

Annexure C - Questions compiled for the Senior Management

Annexure D- Sedibeng Senior Management Responses

Annexure E- Auditor General Report

5. FINANCIAL IMPLICATIONS

None

LEGAL AND CONSTITUTIONAL IMPLICATIONS

- Constitution of the Republic of South Africa, 1996
- Local Government: Municipal Structures Act No. 117 of 1998
- Local Government: Municipal Systems Act No. 32 of 2000
- Local Government: Municipal Finance Management Act No. 56 of 2003
- Local Government: Municipal Finance Management Act No. 56 of 2003, and Circular 63.

6. ALIGNMENT TO COUNCIL STRATEGIES

This report is aligned to the following strategies of the municipality:

- Effective management of Council Business
- Strengthening oversight and accountability

7. CONCLUSION

When conducting oversight, oversight bodies should uphold the principles of cooperative governance and intergovernmental relations. Organs of state must perform their functions in a manner that does not encroach on the terrain and functional integrity of governance in another organ of state. The Local Government government have evolved and grown tremendously since the inception of democracy. Oversight structures are continuously monitored and revised as we learn from best practice, including our own experience over the years of democracy. Public accountability and transparency are indispensable pillars of good governance which build public confidence.

8. RECOMMENDATIONS

It is therefore recommended:

- 8.1. THAT the draft oversight report on 2023/2024 be hereby approved with the following reservations;

- 8.2. THAT Municipal Public Accounts Committees (MPAC) recommend to Council to adopt the Annual Report with the following reservations;
- 8.3. THAT MPAC committee investigate and conclude on the historic UIFW's and present a comprehensive detailed report to Council on the committee's findings before the end of June 2024.
- 8.4. THAT Supply Chain processes are adhered to when awarding a tender to the suppliers and failure to do so, the officials implicated be subjected to DC and consequence management be followed.
- 8.5. THAT the Municipal Manager must write to the HOD Transport and request a full report on the cases in Meyerton license centers officials relating to the investigation.
- 8.6. THAT volunteers must leave in all licensing centers and EPWP's be obstructed from being exposed into licensing centers operations with immediate effect.
- 8.7. THAT contracts on the attorney's appointment of panel to be reviewed through performance assessment before being appointed.
- 8.8. THAT all Municipal contracts be monitored monthly in-order to ensure value for money.
- 8.9. THAT the key performance indicators be refined in line with SMART principles.
- 8.10. THAT Service Delivery Budget Implementation Plan (SDBIP) be revised and presented to Council for approval.
- 8.11. THAT all contracts be awarded to suppliers who qualifies in accordance with section 18(1) of the Contractors Industry Development Board (CIDB) act and CIDB regulation 17.
- 8.12. THAT the appointed Security company (JMP) submit to Council a detailed comprehensive report on the mitigation against the historic and future incidents in the municipality.
- 8.13. THAT the municipality conclude on the appointment of the remaining Senior Managers before the end of the financial year for the institutional stability.
- 8.14. THAT implicated officials who failed to honor Council resolution be subjected to disciplinary processes of the institution and a report be presented on the steps taken against the officials in question.
- 8.15. THAT employees working from home due to non-availability of the space be placed in Boipatong and Sharpeville monument.
- 8.16. THAT the Municipal Manager, Executive Mayor, Speaker and MPAC performs quality assurance on the implementation of Council resolutions.

**MUNICIPAL PUBLIC ACCOUNTS COMMITTEE
(MPAC) OVERSIGHT REPORT 2022/2023**

CONFIDENTIAL

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) MEMBERS

- Cllr Y. Mahomed (ANC) - Chairperson
- Cllr T. Buthongo (ANC)
- Cllr S. Sefatsa (ANC)
- Cllr R. Hlakane (ANC)
- Cllr I. Khithika (EFF)
- Cllr L. Motlounge (DA)
- Cllr T. Ramongalo (DA)
- Cllr R. Lubber (FF+)
- Cllr M. Kantso (PAC)
- Cllr S Mokgele (ACDP)
- Cllr.M Moipone (Speaker of the council, serving in ex-officio capacity)

FOREWORD BY CHAIRPERSON

The 2022/23 financial year marks the Third (3) year during the political term under the sixth administration which has started since May 2021 and it is important for council to note that this report immediately after the Annual Report was tabled to Council in 24th January 24, the report was referred to MPAC for further scrutiny and that MPAC must present the oversight report to council after sixty (60) days in terms of sec 129 of the Municipal Finance Management Act. The MPAC committee members were deployed to this important committee of council with a clear mandate that it will play oversight over the executive in terms of its terms of references adopted by Sedibeng Council.

The office of the Auditor General also presented its outcome and findings on the performance and the financial performance of the municipality on the 24 of January 2024. Sedibeng continue to receive the same outcome with an increase on matters of emphasis on the predetermined objectives/ performance and weaknesses on the three layers of assurance providers in playing oversight role over the executive. I must indicate to this august body that MPAC committee has been hard at work in trying to influence the change of attitude on how the administration should conduct its business.

The committee derives its mandate from the constitution of the republic of South Africa and other pieces of legislation, its sole purpose is that of enhancing democracy and create an environment in which accountability and transparency thrives. MPACs exist to assist Council to hold the executive or municipal entities to account, and to ensure the efficient and effective use of municipal resources and the public purse.

Functions of oversight committees are:

- To improve the transparency of government operations and enhance public trust in the government, which is itself a condition for effective policy delivery.
- To detect and prevent abuse, arbitrary behaviour or illegal and unconstitutional conduct on the part of the government and public agencies.
- At the core of this function is the protection of the rights and liberties of citizens.
- To hold the government to account in respect of how the taxpayers' money is used. It detects waste within the machinery of government and public agencies. Thus it can improve the efficiency, economy and effectiveness of government operations.
- To ensure that policies announced by government and authorised by Council are actually delivered. This function includes monitoring the achievement of goals set by legislation and the government's own programmes.

Functions of accountability include amongst the following:

- To enhance the integrity of public governance in order to safeguard government against corruption, nepotism, abuse of power and other forms of inappropriate behaviour.
- As an institutional arrangement, to effect democratic control.
- To improve performance, this will foster institutional learning and service delivery.
- To enable the public to judge the performance of the government by the government, giving account in public.
- In regard to transparency, responsiveness and answerability, to assure public confidence in government and bridge the gap between the governed and the government.

Legal Framework

Every committee of Council is guided by a legislation which the MPAC is not unique amongst those council committees when performing its oversight work. The annual oversight is compiled in terms of Section 129(1) of the Municipal Finance Management Act, No. 56 of 2003 which read as follows: "The Council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include statement whether the council-

(a) Has approved the annual report with or without reservations;

(b) Has reject the annual report; or

(c) Has referred the annual report back for revision of those components that can be revised."

The Municipal Finance Management Act (MFMA), Circular No 32, stipulate clearly the way the overall financial activities of the council should be handled and more emphasis is on the functionality of the oversight committee.

Stakeholders

The committee convened a stakeholders meeting in a form of strategic session with the office of the Auditor General , Audit committee, Treasury were invited to present before the committee its findings as part of support to the committee. The three (3) days strategic session was convened from the 6, 7 and 8th March 2024 to solicit information on the findings in order to be able to work on the draft questions to senior management for 2022/23 financial year. It must be noted by council that indeed these engagements are a necessity as they deepen and shape our thinking and understanding our democracy and its challenges.

Committee Meetings

The MPAC convened a meeting on the 12th and 20th of February 2023 and in 6, 7 and 8 March 2024 at Parys Willobanks to work on the preliminary oversight report draft and to develop a process plan as to how these meetings will be conducted and chapters as outlined in the Annual Report were assigned to individual councilors assisted by the staff on technical arrears from the office of the Speaker.

Capacity Building

Members of the MPAC are in a process of attending SALGA trainings through the welfare and support department in the office of the Speaker of Council.

Conclusion

The success in delivering a credible report to Council by the committee rest with the support given the office of the Speaker and the council. As the committee of council we did experience some challenges in relation to receiving some responses from management as the situation of the municipality has not been stable in relation to acting of senior managers and officials responsible for the responses.

Finally, I wish to congratulate the commitment, the unity and contribution made by the committee members and the MPAC administration through its Manager.

Towards enhanced service delivery and financial accountability

Clr Y. Mohamed

MPAC Chairperson

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GLOSSARY

AFS	-	Annual Financial Statements
AG	-	Auditor General
ANC	-	African National Congress
APAC	-	Association of Public Accounts Committees
EFF	-	Economic Freedom Fighters
NH	-	New Horizon
CFO	-	Chief Financial Officer

CAPEX	-	Capital Expenditure
CPIX	-	Consumer Price Index
DA	-	Democratic Alliance
E-PMS	-	Electronic Performance Management System
FF Plus	-	Freedom Front Plus
IDP	-	Integrated Development Plan
MEC	-	Member of Executive Council
MFMA	-	Municipal Finance Management Act
MPAC	-	Municipal Public Account Committee
MSA	-	Municipal Systems Act
OPEX	-	Operating Expenditure
PAC	-	Pan Africanist Congress
SDM	-	Sedibeng District Municipality

PREAMBLE

The oversight report covers the period 2022/23 financial year and this process started off with a broad outline of the objectives of the Municipal Public Account Committee (MPAC). The Sedibeng MPAC committee set out to achieve the following objectives;-

- That there is proper service delivery in all areas of our jurisdiction and always take into consideration the needs of the people, needs established through public participation.
- That the impact of our report will be of such a nature, that it is useful to council and that in the final analysis, the committee is able to advice the council correctly.
- There is no fraud or corruption in the administration or in council
- There is legal compliance whenever required
- That the municipality gets value for money whenever money is spent
- That the budget and IDP is properly aligned

Methods used by the committee in preparing the oversight report included the convening of meetings where the Annual Report, IDP, SDBIP and all supporting documentation were scrutinized.

Questions were formulated on specific areas of concern for the management to provide responses and present them back to the members of MPAC. Senior managers led by the acting Municipal Manager were invited before the committee as part of the committee's Terms of References adopted by the council and the dates for these meeting were held at Council chamber on the 07th and 08th of March 2022. All these engagements have assisted the committee in developing the final draft oversight report to be tabled to council.

Accordingly the oversight report will cover: The Integrated Development Plan, Annual Report; Service Tariffs and Auditor General's Report, Audit committee report, policies of council according to the checklist used developed by Nation and Provincial Treasury in assisting local government when performing its oversight work.

2 LIST OF DOCUMENTS

A list of documents were considered in the process of finalization of the oversight report, not all documents will be attached to the report, only those documents that had a direct bearing on the work of the committee are attached. Other documents can be found in the Office of the Speaker for inspection or perusal and for the purpose of transparency and the promotion of good governance. Attached are the following:

- Annexure A - Oversight Report
- Annexure B - Minutes of the meetings of the Municipal Public Accounts Committee
- Annexure C - Questions compiled for the Senior Management
- Annexure D- Sedibeng Senior Management Responses
- Annexure E- Auditor General Report

3 TIME FRAMES FOR ANNUAL REPORT

The following outlines the major steps in the Annual Reporting process indicating responsibilities and dates prescribed in the Municipal Finance Management Act and Municipal Systems Act.

Prescribed Dates	Actions	MFMA (MSA)	Responsibility of	Compliance
31 August	Submit municipality's AFS to Auditor-General	S126(1)(a)	Municipal Manager	Complied
31 August	Submit municipal entity AFS to parent municipality and to Auditor-General	S126(2)	Municipal Entity Accounting Officer	Complied
30 September	Submit consolidated AFS to Auditor-General (municipalities and entities)	S126(1)(b)	Municipal Manager	Complied
31 October and quarterly thereafter	Auditor-General submits to Parliament and the provincial legislature names of any municipalities, which have failed or continue to fail to submit AFS.	S133(2)	Auditor-General	Complied
Within three months of receiving AFS (30 November or 31	Audit report returned to Municipal Manager	S126(3)	Auditor-General	Complied

Prescribed Dates	Actions	MFMA (MSA)	Responsibility of	Compliance
December)				
On receipt of audit report	Municipality must address any issues raised by the Auditor-General and prepare action plans to address issues and include these in annual report. Provide copy of report to Audit Committee	S131(1)	Municipal Manager. Mayor must ensure compliance by municipality	Complied
31 December	Entity submits annual report to Municipal Manager	S127(1)	Municipal Entity Accounting Officer	Complied
31 December	Annual Reports of municipality and entities tabled in Council	S127(2)	Mayor	Complied
Immediately after annual report is tabled	Annual report made public and local community invited to submit representations.	S127(5)(a)(MSA)S21A and B	Municipal Manager	Complied
Immediately after annual report is tabled	Annual report submitted to Auditor-General, relevant provincial treasury and provincial department responsible for local government in the province.	S127(5)(b)	Municipal Manager	Complied
When meetings held to discuss the annual report	Attend meetings to respond to questions concerning	S129(2)(a)	Accounting Officer of municipality and entity	Complied
Following meetings to discuss the annual report	Submit copies of minutes of the meetings to the Auditor-General, provincial treasury and provincial department responsible for local government	S129(2)(b)	Accounting Officer of municipality and entity	Complied
Within two months of report being tabled (31 March)	Council to have considered the annual report and adopted an oversight report	S129(1)	C o u n c i l	Pending the submission of the oversight report within the prescribed time frame as outlined in the reporting cycle.
Within seven days of adoption of oversight report	Make public the oversight report	S129(3)S21A -MSA	Accounting Officer	None complied pending the adoption of the oversight report.

Prescribed Dates	Actions	MFMA (MSA)	Responsibility of	Compliance
Within seven days of adoption of oversight report	Submit to the provincial legislature, the annual report of municipality and entities and the oversight reports on those annual reports.	S132(1)& (2)	Accounting Officer	None complied pending the adoption of the oversight report.
As necessary	Monitor compliance with submission of reports to provincial legislature	S132(3)	MEC for local government in the province	Complied
Within 60 days of receiving annual reports	Report to provincial legislature any omissions by municipalities in addressing issues raised by the Auditor-General	S131(2)	MEC for local government in the province	Complied
Annually	Report to Parliament on actions taken by MEC's for local government to address issues raised by Auditor-General on municipal and entity AFS	S134	Cabinet member responsible for local government	Not applicable to municipality

4 OVERSIGHT FRAMEWORK (report)

The oversight report as attached contains the following key aspects:

4.1. Integrated Development Plan

Was the IDP tabled before the council? Yes

The Process Methodology

The current IDP 2022/23 was reviewed in line with the Sedibeng Growth and Development Strategy two (2) (SGDS 2), Five year IDP 2022 /26 will be developed in line with the National Development Plan and Gauteng TMR.

Was there any compliance with regard to the format and components and timelines?

The IDP complies with the provision made in the Municipal Systems act, s (26) with regard to the components. The MEC's comments were considered on the reviewed for the following financial year.

Alignment to the budget.

There was no alignment with regard to IDP and the Budget, evidence to that is the finding from the internal audit reports that were presented before council and how clusters could not achieve targets set during the

financial year 2022/23. The translation of the projects committed in the IDP to the SDBIP is still a challenge as misalignment more -especially under Transport, Infrastructure and Environment (TIE).

4.2. The IDP contains MEC comments for 2021/22 financial year as follows;

After the adoption of the IDP 2022/23 financial year, the Sedibeng District Municipality submitted its five year IDP to the MEC for for Local government for comments. Below are the comments from the MEC of Local Government and Housing the Sedibeng IDP.

4.3 Service Tariffs

Service tariffs were communicated to the community members through IDP public participation.

4.4. Auditor General's Report

Report is attached on Annexure E

4.5. Annual Report.

There was a general compliance with regard to the new reporting template even though there is no consistence as some arrears from the Executive Mayors foreword will need to be filled in terms of the information. The draft Annual Report was tabled from the 30th August 2023 which the municipality did comply.

According to the Oversight Report Framework, Annual reports are required in terms of s (46) of the Municipal Systems act, and s (121)and s (129) of the Municipal Finance Management Act No 56 Of 2003,the Annual Report has to comply with the following components.

- A foreword by the Mayor; an overview of the Municipality
- An organizational structure
- No report of the auditor general on the performance of the municipality
- Unaudited Financial Statements
- Unaudited Report of the financial statements; Disclosure on government grants; as well as disclosure on councillors.

4.6. Specific Grants

Restructuring grants are not applicable to the district. Grants at the level of the district are grants such as Municipal Infrastructure Grant, Governments grants and subsidies, equitable shares, Provincial grants, Neighborhood Grants and DLG Grants.

4.7. Performance management

There is a policy approved by council and it has not been reviewed. Manual performance management system has been implemented as a method to track the progress made by individual employees throughout the municipality. Draft Annual Report tabled on the 30th August 2023 was as a result of the integrated assessments by all clusters. It was identified that the challenge that the municipality must revisit the e-performance management report as the current system is prone to problems because of too many hands on it.

4.8. Circular 32.63 and 11 of National Treasury

The Municipal Public Account Committee will be guided by the above mentioned regulation in doing and completing its work and it will also expect the municipality to fully adhere as the objective is to promote good governance and enhance transparency and accountability.

4.9. Municipal Bank Account

The council is using a main account which is ABSA. And the council is also using other savings accounts for investments such as FNB and Standard bank.

4.10. Cash, Investments, and Asset Management

Cash investment policy was reviewed and tabled to council during Council 75 - 2014-05-28 as council resolution A1329 and A1330.

4.11. Debt Register

Debt register was taken care during the financial year 2021/22 financial year.

4.12. Financial Management

Sedibeng District Municipality has developed internal control measures aimed at minimising risk and keep the status stable as the institution relies on the grant received from National Treasury.

4.13. Audit Committee

Audit committee has been appointed and its term of office has expired hence a report to Council for the extension was presented to Council and in terms of their reports this committee is functional. The committee has the following members in place;

Members appointed are

-Mr Sidwell Mofokeng – Audit Committee Chairperson

-Mr Bafana Mkhwanazi– Audit committee member

-Mrs. T. Moja – Audit committee member

Mrs T. Socatsha- Audit committee member

The Audit Committee has responsibly exercised its role to provide oversight on the Municipality's control, governance and risk management. Furthermore, the Committee has provided the Accounting Officer and Council with independent counsel, advice and direction. After the term has expired a new audit committee was appointed by the municipality to take over from the previous committee. The charter amongst others specifies measures with regard to risks and it also specifies the role of the internal audit committee. The audit committee is functional and its meetings are convened as per scheduled.

4.14. Supply Chain Management

A deviation template to record all deviation has been developed. All deviations are reported to council on monthly basis and annual deviations are disclosed as a note on the annual financial statements. Sedibeng District Municipality is monitoring its internal controls to ensure that processes on procurements are undertaken properly.

Tender documents are centralized at Supply Chain Management according to the project plan, to address tendering and procurement issues. And it was emphasized that an oversight role should be played on whether the accounting officer submit the report on the implementation plan of the policy, which should take place 30 days after the end of the financial year.

4.15. Internal Audit Function

The Sedibeng district Municipality has established internal audit unit and it is fully functional with a staff compliment of five (5) members. Reports are compiled and forwarded to Audit Committee and the office of the Municipal Manager.

4.16. Credit control and debt control

Debt Management Policy with Council Resolution A1329, taken 28 May 2014 at 75th Council meeting. No debt reported during the financial year under review.

4.18. Audit Queries

The committee will look beyond what the Auditor General will raise as a root causes and perform its oversight accordingly in improving and sustaining the current outcome expressed by the office of the Audit General for the financial year

5. CONCLUSION

The Annual Report for the financial year 2021/22 complied with tabling of the Annual Report. The committee also picked grey areas to the report and advice the administration to take its work very serious as this report has to be tabled to public. The committee will ensure that the institution is geared towards sustaining the current outcome and furthermore monitor the gradually improvement of the local municipalities in attaining the clean audit through the IGR district policy framework. Municipal Public Accounts Committee advice the municipality to consider and implement the comments made by Provincial stakeholders as part of enhancing quality reporting. Inviting few clusters was as a result of improvements by other cluster which the committee applauds and wishes that all departments will follow suit in future.

RECOMMENDATION

It is therefore recommended:

THAT the draft oversight report on 2022/2023 be hereby approved with the following reservations;

Municipal Public Accounts Committees (MPAC) recommend to Council to adopt the Annual Report with the ff reservations

1. **THAT** Municipal Public Accounts Committees (MPAC) recommend to Council to adopt the Annual Report with the following reservations;
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14. **THAT** employees working from home due to non-availability of the space be placed in Boipatong and Sharpeville monument.
15. **THAT** the Municipal Manager, Executive Mayor, Speaker and MPAC performs quality assurance on the implementation of Council resolutions.

MANAGEMENT RESPONSES TO MPAC QUESTIONS – JANUARY 2024

MPAC FINDINGS QUESTIONS	MANAGEMENT RESPONSES TO MPAC
<p>1. When last did municipality approved organogram and when will be review</p> <p>- Provide organogram with names.</p>	<ul style="list-style-type: none"> • The last Organogram was adopted in 2019, and SDM is currently engaged in the review process towards a new structure. • Phase 1 – This process is set to include all employees onto the Organogram; move around some departments into appropriate Clusters as per guidelines in the new Staff Regulation; and rename some positions as per guideline. The Organogram is finalized to be tabled in Local Labour Forum (LLF), then Council. • Phase 2 - The review will continue into Job Evaluation process, thus determine correct job level and pay grade. • Find attached current reviewed Organogram.
<p>2. How management is dealing with employees that working from home and redundant.</p>	<ul style="list-style-type: none"> • A Working-From-Home Policy (WFH) has been developed, to be presented in the next Council Workshop, then tabled to Council for approval. This will be an effective tool to manage employees working from home-and-office. • Only Community Services, TIE and SPED have employees working home and office. According to the Departments, SDM has no employees working 100% from home. • Accordingly, in Phase 1 of Organogram review, SDM has identified few positions to be abolished. But such positions will be abolished when they become vacant.
<p>3. When is the accounting officer finalizing the office space for</p>	<ul style="list-style-type: none"> • Management has set up workstations at the Market and Technorama to house few remaining employees without office space. These are employees from House & Home and Ventura buildings.

MPAC FINDINGS QUESTIONS	MANAGEMENT RESPONSES TO MPAC
	<ul style="list-style-type: none"> • The fourth floor in the main building has been renovated to house various MMCs. • All employees are currently back at work, and put to perform their duties.
<p>4. Why is the insurance not fixing the building of Vereeniging licensing center and how is rental of Vereeniging licensing being paid and provide proof of payments.</p>	<ul style="list-style-type: none"> • Emfuleni is the owner of Vereeniging Licensing Centre and Sedibeng is paying a monthly rental fee. See attach the last bill paid to Emfuleni. • SDM has however engaged with ELM to refurbish the Centre in question, and others. Regulations and affordability factors are being considered. • SDM Facilities Department has conducted repair need at Licensing Centres. The next step is costing and finalise way forward with ELM. • Lesedi LM and Midvaal have committed to undertake few repairs and maintenance at Heidelberg Centre.
<p>5. How many vacant senior management post and when will this critical post be filled.</p>	<ul style="list-style-type: none"> • There are 3 Senior Managers positions that are vacant, namely CFO, ED TIE and ED Community Services. • In December 2023, SDM Council resolved to appoint the CFO, and re-advertise the other two posts. • The candidate offered the position of the CFO did not accept the offer. • SDM will therefore fill these posts in the next three months (April 2024).
<p>6. Licensing Matters</p>	
<ul style="list-style-type: none"> • Provide report on employees who were arrested at Meyerton licensing Department. • Provide progress report on securing security in all licensing department buildings for safety of public and employees. 	<ul style="list-style-type: none"> • Exactly six employees from Meyerton Licensing Centre were suspended on 25 October 2023, following RMTTC raid at the centre. • These employees were arrested and released on bail, amid further investigation.

MPAC FINDINGS QUESTIONS	MANAGEMENT RESPONSES TO MPAC
	<ul style="list-style-type: none"> In terms of clause 16 of the Disciplinary Procedure Collective Agreement, 2018, the period of suspension shall not exceed a period of three (3) months. Meaning they should be charged within that period. SDM is struggling to receive further information from RMTC, amid continuous engagement with RMTC. Thus to proceed with charging these employees and continuing with disciplinary hearing. SDM will be forced to withdraw these suspensions on 25 January 2024, if these employees are not charged.
<ul style="list-style-type: none"> Provide a detail report on why did the institution appoint unqualified examiners. 	<ul style="list-style-type: none"> The information received confirms that there are no unqualified Examiners appointed in the year under review.
<ul style="list-style-type: none"> Provide report on why do we still have 3 volunteers working at Vanderbijlpark licensing and their expose to money, how did municipality allow that. The 3 volunteer have been volunteering for the past 3 year. 	<ul style="list-style-type: none"> We do have 3 volunteers in the Vanderbijlpark center, but they are not exposed to money and also not working on the eNatis system. These 3 were part of the internship of Province to help with filing and card collection. They are now part of the current EPWP programme.
<ul style="list-style-type: none"> Provide progress report on suspended employees of licensing department. Provide detail report on cases that were awarded by bargain council, others cases still pending and the ones that were handled by public hawkers. Provide detail report with evidence on expenditure on cases that went to bargain council and some concluded with awards. 	<p>Labour Court Matters, only</p> <ul style="list-style-type: none"> Mmathola Irene Honoko: (Constructive Dismissal) The matter is being reviewed because the Arbitrator had awarded that the Applicant to be compensated for being alleged constructively dismissed. The award is not justified because what the Applicant is alleging is not true. The lawyers indicated that the Labour Court has not provided us with a date yet. There is a request for a formal report on whether the Employer can consider settling the matter and withdrawing the review application. The request has been sent to the lawyers (Cliffe Dekker Hofmeyer) to give their opinion on the matter. We are still awaiting the report from the lawyers. The employee had discussions with the MM demanding that she be compensated with R 2 000 000 (two million rand). A letter has been written to her informing

MPAC FINDINGS QUESTIONS	MANAGEMENT RESPONSES TO MPAC
	<p>her that her demand cannot be acceded to and that the Municipality is proceeding with the review application. On the 23 January 2023, the lawyers sent a candidate attorney to the Labour Court to check the progress on the matter and the report is that no set down date has been confirmed. And the legal cost so far is R147 011. 07</p> <ul style="list-style-type: none"> • Molefi Ishmael Nku: (Unfair Labour Practice) The matter is being reviewed because he Arbitrator had awarded that the Applicant a default award that he be promoted to the position of Coordinator Protocol and Events in the Office of the Executive Mayor. • The review application was lodged on the 7th December 2021 in the Labour Court. The appointed lawyers are Cliffe Dekker Hofmeyer Incorporated. This is in connection with the review of the award of Commissioner Munyai for ruling that Mr Nku should be given the position of Protocol Officer in the Office of the Executive Mayor. The latest was that the Applicant has now submitted his affidavit in support of his case. The Labour Court has issued a directive that parties must submit their heads of argument. And the legal cost so far is R93 595 .05 • Mr Mpho Khambule: (Unfair Dismissal) the Applicant's lawyers addressed the incomplete record matter and the record have now been filed with the Labour Court as unopposed because the Applicant had not filed their affidavit. They have now sent correspondence indicating their unhappiness about the matter being placed on the unopposed roll. The case is about the dismissal of the employee who assaulted a female employee at work and he was also in possession of a fraudulent Matric certificate. We will await further correspondence on the matter. Our lawyers are Cliffe Dekker Hofmeyer. And the legal cost so far is R1 787 712.73 • Pontule and Mtimkhulu: (Unfair Labour Practice) The Applicants lost the arbitration and now they are reviewing the award.

MPAC FINDINGS QUESTIONS	MANAGEMENT RESPONSES TO MPAC
	<ul style="list-style-type: none"> • The matter proceeded in the Labour Court on the 3rd August 2023. Judgement was delivered on the 14th December 2023 and was in favour of Sedibeng District Municipality. The review application was dismissed. And legal costs were R250 000 • Sakie Thakhuli: (Unfair dismissal) The Applicant lost the arbitration and now he has made an application to review the award. The applicant was dismissed for staying at home for more than two years and claimed to be sick but did not fill in the sick leave forms. • The SDM lawyers, Cliffe Dekker Hofmeyer have informed us that they are going to make an application to the Labour Court for the dismissal of the matter because of lack of progress from the Applicant to enrol the matter. The parties are still exchanging correspondences. And legal cost so far R63 123.50 • Mosotho Petlane: (Unfair dismissal) .The applicant has applied for the review of the Commissioner’s award on the reinstatement part alone. SDM has also applied for a counter review. • SDM lawyers, Cliffe Dekker Hofmeyer, have advised that we do a counter review application. The papers were served on the 14th September 2022 with a condonation application because our papers were four days out of time. The Applicant has also submitted papers indicating their intention to oppose our review application. The attorneys have asked for permission to request a copy of the recordings from the SALGBC. The rule 7(A) notice was sent to the Labour Court on the 31 January 2023. And legal costs so far R849 340.06 • T W Mokitimi: (Unfair dismissal) The Applicant has approached the Labour Court and is applying for a review of the award that confirmed his dismissal on the 31st May 2019.

MPAC FINDINGS QUESTIONS	MANAGEMENT RESPONSES TO MPAC
	<ul style="list-style-type: none"> • The case comes back from 2012 where the employee was dismissed for several charges amongst them the threatening of the Executive Director. The matter was heard in the Labour Court on the 27th June 2023. The review application was dismissed, but the Applicant was given an opportunity to reinstate the matter, should he so wish, by the 10th November 2023. He has submitted his application on the 27th October 2023. We delivered our answering affidavit on the 12th December 2023, and it was expected to be filed with the Labour Court. And legal cost so far R216 987. The matter is scheduled to sit on the 8th May 2024. • Jonas Tale and Others: (Unfair Labour Practice) Payment of Uniform allowance. The Applicants have applied for a review of the arbitration award that was ruled against them. • The Applicants have approached the Labour Court and we appointed Liz Venter Attorneys to defend the matter. The matter has not yet been allocated a date and we will be consulted with the attorneys in November 2023. • Rudolph Netshivhale: (Unfair Labour Practice) The Applicant is applying for a review of the arbitration award that was issued against him in 2019. The Applicant wanted to be reinstated on his substantive position of Manager Finance. The position has since changed to CFO, and he does not want to apply for it because it is a fixed term contract position. • The Applicant was demanding that he be placed in the position of CFO. The matter is currently in the Labour Court and the date of set down is confirmed as the 20th March 2024. And the legal cost so far R78 711.75 • -(On misconduct the matter was set down to proceed on the 22nd August 2023, but postponed because the Employer representative was booked off sick) The matter was for negligently losing wheel caps of municipal vehicle.

MPAC FINDINGS QUESTIONS	MANAGEMENT RESPONSES TO MPAC
7. Provide detail report of HAWKS visit during October 2022	<ul style="list-style-type: none"> The Hawks visited SDM with a valid search warrant, to access and take relevant tender documents related to Evaton House RDP Project and JMP Security company. Twelve member team led by Warrant Officer Baloyi, were granted permission to access SDM server and to seize ED Community Services laptop and tender documents for both projects. The process ran over a week. Awaiting further feedback from the Hawks. Still on going investigation by January 2024.
8. Provide detail report on computers that were stolen at Vereeniging Licensing center Provide report on the break in at Vanderbijlpark licensing during holidays (December 2023 & January 2024).	<ul style="list-style-type: none"> Report attached.
9. Progress report on misconducts of vehicles and overtime of VIP protectors	<ul style="list-style-type: none"> The Municipality pays an inconvenience allowance to the VIP Protection Officers who are assigned duty to the PMT, not overtime. This is the decision of Council taken in the year 2019. Waiting for policy review and anew Council resolution.
<p>10. Provide report on Disciplinary Board (DC) since their appointment, achievements and why must we renew their contract</p> <p>Why Disciplinary Board was not sitting to deal with all outstanding DC</p>	<ul style="list-style-type: none"> The Financial Misconduct and Disciplinary Board was established by Council and its terms of references were presented to Council 31-03-2021, Council Resolution A2111, Council 128. The Former Municipal Manager referred three cases to the DC board, as per Mokhari Report, and the three officials whom were implicated were as follows; Miss Dipontseng Evelyn, Mrs. R. Mhlwathika and Miss Sindiswa Mpetha. The DC board members were constituted as follows: Mr Sidwell Mofokeng as the Chairperson of the board Mr Malebo Ngake as the ordinary member from legal department Mrs Rachel Cuna our Chief Audit Excecutive from Sedibeng and Mrs Laura Mabunda as Chief Audit Executive from Emfuleni Municipality.

MPAC FINDINGS QUESTIONS	MANAGEMENT RESPONSES TO MPAC
	<ul style="list-style-type: none"> • The DC Board was revived and met on numerous occasions to attend to the alleged officials. A full report will be tabled to Council and be shared with MPAC, as the close-up meeting to present a final report will be tabled in the next meeting to be held on the 12th of January 2024. • The following meetings were convened to deliberate on this case and all affected officials were given a fair opportunity to make their representations before the ruling was made on whether they committed financial misconduct or not. <ul style="list-style-type: none"> • 12 August 2021 • 7 July 2022 • 1 June 2023 • 7 June 2023 • 27 September 2023 • 24 November 2023
11. How many cars do we have where are they allocated	<ul style="list-style-type: none"> • 27 cars (See attachment)
12. Provide a detail report of usage of petrol for each car and monthly expenditure	<ul style="list-style-type: none"> • See attachment (2023/24 Monthly Fuel Expenditure Q1 and Q2) inclusive of allocation.
13. Provide detailed report on the cellphones that were provided to employees without following supply chain procedures, how much is cost monthly and how many where distributed.	<ul style="list-style-type: none"> • The ICT department procured 21 Nokia mobile phones (outright purchase) with unlimited talk minutes RED VIP month-to-month contract at R2,030.99 a line per month • Allocated one mobile phone per department to support the telephony needs of Council as per Account Officer's instruction • The average monthly expenditure for 21 unlimited RED VIP 's is

MPAC FINDINGS QUESTIONS	MANAGEMENT RESPONSES TO MPAC																																		
	<p>R42,651.00</p> <ul style="list-style-type: none"> The month-to-month contracts were concluded under the Sedibeng District Council's Vodacom account (G0001745-6) The interim numbers were distributed to the following departments: (total 21) <table border="1" data-bbox="1055 512 1865 1203"> <tbody> <tr><td>Office of the Executive Mayor</td><td>1</td></tr> <tr><td>Office of the Speaker</td><td>1</td></tr> <tr><td>Office of the Chief Whip</td><td>1</td></tr> <tr><td>Office of the Municipal Manager</td><td>1</td></tr> <tr><td>Vanderbijlpark Licensing</td><td>2</td></tr> <tr><td>Vereeniging Licensing</td><td>2</td></tr> <tr><td>Meyerton Licensing</td><td>2</td></tr> <tr><td>Heidelberg Licensing</td><td>2</td></tr> <tr><td>ICT helpdesk</td><td>1</td></tr> <tr><td>Facilities</td><td>1</td></tr> <tr><td>Finance</td><td>1</td></tr> <tr><td>Supply chain</td><td>1</td></tr> <tr><td>Human Resource</td><td>1</td></tr> <tr><td>ED Corporate Services</td><td>1</td></tr> <tr><td>ED Tie</td><td>1</td></tr> <tr><td>ED Sped</td><td>1</td></tr> <tr><td>ED Community Services</td><td>1</td></tr> </tbody> </table>	Office of the Executive Mayor	1	Office of the Speaker	1	Office of the Chief Whip	1	Office of the Municipal Manager	1	Vanderbijlpark Licensing	2	Vereeniging Licensing	2	Meyerton Licensing	2	Heidelberg Licensing	2	ICT helpdesk	1	Facilities	1	Finance	1	Supply chain	1	Human Resource	1	ED Corporate Services	1	ED Tie	1	ED Sped	1	ED Community Services	1
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<p>14. Provide detail report why switchboard is not operation for so long.</p>	<ul style="list-style-type: none"> The tender is being finalized to accommodate the provision of switchboard and telephone system by Vodacom and should be operating soon. SCM provided update (Kajal submitted) 																																		

MPAC FINDINGS QUESTIONS	MANAGEMENT RESPONSES TO MPAC
<p>15. Provide detail report on why this shortage of resource that impact on service deliver (desktop, laptop, printer and other.)</p>	<ul style="list-style-type: none"> • The ICT Department currently supports: <ul style="list-style-type: none"> ○ 227 users ○ 7 Production servers • A great number of user devices have reached end of life and are no longer supported through software updates or replacement parts. These units' need to be replaced in-line with Council approved policy, budget permitting • Council does not have a backup server/device for data backup due to the unit being faulty and no longer supported. The unit needs to be replace at a cost of approximately R 1 million. Currently a tender process is unfolding to procure, subject to budget availability • The current budget for Capital Computers is R 800,000.00 • Currently expenditure (2023/2024) on capital computer and printer purchases are:

MPAC FINDINGS QUESTIONS

MANAGEMENT RESPONSES TO MPAC

M	Month	Budget	Movement
<input type="checkbox"/>	Jul	6 6667.00	0.00
<input type="checkbox"/>	Aug	6 6667.00	238677.40
<input type="checkbox"/>	Sep	6 6667.00	6519.13
<input type="checkbox"/>	Oct	6 6667.00	10001.74
<input type="checkbox"/>	Nov	6 6667.00	0.00
<input type="checkbox"/>	Dec	6 6667.00	40859.13
<input type="checkbox"/>	Jan	6 6667.00	0.00
<input type="checkbox"/>	Feb	6 6667.00	0.00
<input type="checkbox"/>	Mar	6 6667.00	0.00
<input type="checkbox"/>	Apr	6 6667.00	0.00
<input type="checkbox"/>	May	6 6667.00	0.00
<input type="checkbox"/>	Jun	6 6663.00	0.00
TOTAL:		800 000.00	296057.40

- Previous expenditure (2022/2023) on capital computer and printer purchases were:

MPAC FINDINGS QUESTIONS	MANAGEMENT RESPONSES TO MPAC
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M	Month	Budget	Movement
<input checked="" type="checkbox"/>	Jul	6 6667.00	45214.79
<input type="checkbox"/>	Aug	6 6667.00	60866.09
<input type="checkbox"/>	Sep	6 6667.00	157553.91
<input type="checkbox"/>	Oct	6 6667.00	14155.65
<input type="checkbox"/>	Nov	6 6667.00	0.00
<input type="checkbox"/>	Dec	6 6667.00	37389.57
<input type="checkbox"/>	Jan	6 6667.00	0.00
<input type="checkbox"/>	Feb	6 6667.00	161729.57
<input type="checkbox"/>	Mar	6 6667.00	0.00
<input type="checkbox"/>	Apr	6 6667.00	245607.91
<input type="checkbox"/>	May	6 6667.00	10261.74
<input type="checkbox"/>	Jun	6 6663.00	-70657.04
TOTAL:		800000.00	662122.19

- The ICT budget has been reduced significantly in the outlying years In support of the number of devices in use and to ensure proper replacement process, a budget of R 4 million per year would be required

16. Provide detail report how much is being spend monthly on printer, cartridges, laptop, and provide list of employees who received cartridges.

Tran Date	Debit Amt	Transaction Description
20220729	9564.35	C000002244 : APPLE MAGIC KEYBOARD AND PEN
20220729	26086.09	G000003029 : APPLE IPAD 129
20220729	9564.35	C000002244 : APPLE MAGIC KEYBOARD AND PEN
20220815	19129.57	L000010017 : HP PAVILION 14 X360 I5 8GB 512SSD
20220831	41736.52	L000010017 : LAPTOPS: FOR USER MPUMI MAKGALE SIPHO KHUMALO
20220930	13912.17	G000003029 : HP 250 15 8GB 5123SSD W10P
20220930	15651.3	L000010018 : HP I5 16GB 512SSD W10P

MPAC FINDINGS QUESTIONS	MANAGEMENT RESPONSES TO MPAC																												
	20220930	27825.22	G000003029 : IPHONE 13 PRO 512																										
	20220930	23477.39	G000003029 : SAMSUNG S22 ULTRA																										
	20220930	15651.3	L000010018 : HP 15 15GB 512SSD W10P																										
	20221014	6765.22	G000003029 : NOKIA PHONES (20)																										
	20221220	37389.57	L000010020 : APPLE IPAD KEYBOARD AND PEN																										
	20230215	139121.74	G000003029 : HP I5 8GB W10P LAPTOP																										
	20230215	22607.83	G000006007 : HP PAVILLION 14X360 I5 8GB 512SSD																										
	20230428	139121.74	G000003029 : HP I5 W10P LAPTOP																										
	20230428	37390.43	G000003031 : APPLE IPAD PRO+KEYBOARD+PEN																										
	20230531	13912.17	L000010017 : HP I5 W10P LAPTOP																										
	20230615	26086.09	G000003029 : ACER SWIFFT 5 I5 8GB 256SSD																										
	<p>Cartridges 2022/23</p> <table border="1" data-bbox="1104 762 1527 1209"> <thead> <tr> <th>Month</th> <th>Cartridges</th> </tr> </thead> <tbody> <tr> <td>July</td> <td>3,800.00</td> </tr> <tr> <td>August</td> <td>101,228.88</td> </tr> <tr> <td>September</td> <td>65,833.94</td> </tr> <tr> <td>October</td> <td>23,400</td> </tr> <tr> <td>November</td> <td>59,282.70</td> </tr> <tr> <td>December</td> <td>9,747.00</td> </tr> <tr> <td>January</td> <td>41,375.95</td> </tr> <tr> <td>February</td> <td>2,654.00</td> </tr> <tr> <td>March</td> <td>10,036.00</td> </tr> <tr> <td>April</td> <td>77,998.29</td> </tr> <tr> <td>May</td> <td>5,041.74</td> </tr> <tr> <td>June</td> <td>400,398.50</td> </tr> </tbody> </table>			Month	Cartridges	July	3,800.00	August	101,228.88	September	65,833.94	October	23,400	November	59,282.70	December	9,747.00	January	41,375.95	February	2,654.00	March	10,036.00	April	77,998.29	May	5,041.74	June	400,398.50
Month	Cartridges																												
July	3,800.00																												
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April	77,998.29																												
May	5,041.74																												
June	400,398.50																												
17. Progress on 12 missing tablets and consequence management must be implemented for misconduct.	<ul style="list-style-type: none"> 12 Tablets were delivered to a Service Provider to put software therein, they were never returned, issue of non-payment of the service. This issue is part of Mr. Makhutle's matter. 																												
18. Detail report on how to recoup money back to grand by	<ul style="list-style-type: none"> The following users were issued tablets: 																												

MPAC FINDINGS QUESTIONS	MANAGEMENT RESPONSES TO MPAC
<p>distributing to councilors and employees at a fee.</p>	<ul style="list-style-type: none"> • 61845 Cllr Sandile Mochawe • 61851 Cllr Heir Lith • 61853 Cllr Tumelo Ramongalo • 61864 Cllr Thabo Motsoane • 61849 Cllr Mmakhualo Nakana • 61848 Cllr Grace Damon • 61854 Cllr Lindiwe Tshehla • 61850 Cllr Ntshadi Mamaseli • 61858 CllrSello Mokhele • 61847 Cllr Mzwakhe Mapeyi • 61860 Cllr Isaac Motloung • 61856 Cllr Duncan Mthembu • 61862 Cllr Isaac Khithika • 61865 Cllr Prudence Hlanyane • 61910 Cllr Joshua Sefatsa • 61863 Cllr Thandi Khoza • 61912 Cllr Sehlare Mahlasola • 61808 Cllr Thandi Mthimkhulu • 61807 Cllr Simon Msibi – seiral R9TR60CP7RJ • 61809 Cllr Sibusiso Dyonase • 61911 Cllr Yongama Moti • 61844 Cllr Mamohale Moloji • 61859 Cllr Marine Kruger • 61819 Cllr Cynthia Buthongo • 61908 Cllr MV Jones • 61815 Cllr Jacob Tladi • 61813 Cllr Mathabo Dondolo •

MPAC FINDINGS QUESTIONS	MANAGEMENT RESPONSES TO MPAC
	<ul style="list-style-type: none"> • 61852 Xoliswa Ndumndum • 61846 Zodwa Mlambo • 61857 Mpho Thekiso • 62017 Anina Van Wyk • 62019 Philly Lifhungu • 62008 Phakamile Philmon • 62007 Shadrack Ramokgole • 62005 Itumeleng Magwa • 62001 Nkubi Mokoena • 61901 Kealeboga Lebelo • 64914 Dieketseng Mofokeng • 61905 Mpho Mashigo • 62101 Apple Ipad Sandile Mochawe • 61861 Busang Tsotetsi • 61903 Jeanet Maloka • 61894 Gladys Monakali • 61916 AyandaG • 61909 RefilweM • 61906 MokoenaT • 61872 NomasontoS • 61902 Mantsoaki • 62021 ICT Helpdesk • 61903 Corne Visagie • 62032 Nokuthutha Malefe • 61834 Florence Mokgobu ED: Corporate Services • 61835 Greg Makhubu ED: SPED • 62027 Neo Maloka • 62030 Benjamin Mtshilibe

MPAC FINDINGS QUESTIONS	MANAGEMENT RESPONSES TO MPAC
	<ul style="list-style-type: none"> • 62026 Lerato Nkoli • 62031 Sibngile Sithole • 61876 Noma Mnisi • 62024 Emily Mosia • 61812 Cllr Tlokwe • 61806 Moipone • 61814 Sbongile Napo • 61810 Yusuf Mahommed • 61819 Cynthia Buthongo • 61882 Cynthia Morifi • 62074 Jacky Mloi • 62075 Steve Msangweni • 62060 Disebo Masukela • 65061 Itumeleng Mokoena • 60262 Makgotla Madikgetla • 62063 Teboho Maloka • 61866 Zakes Ncayi • 61807 Thabiso Mosiane • 61869 Steven Mkhwanazi • 61816 Sarah Mothapo • 61822 Aupa Pontule • 62006 Nobel Fountain • 61868 Mpho Madayi • 61870 Matswaedi Mloi • 61820 Maditaba Sekete • 61821 Habofane Mthimkhulu • 61867 Andile Ntsinde

MPAC FINDINGS QUESTIONS	MANAGEMENT RESPONSES TO MPAC
19. Provide the names HIV/AIDS ward based personnel, EPWP how they are being paid and placed.	<ul style="list-style-type: none"> • See attached submitted data.
20. Provide detail report on dilapidated municipals building and heritage sites (Civic Theater, Mphatlalatsane, Sharpeville hall & Monument, and other heritage side)	<ul style="list-style-type: none"> • The Facilities that are owned by the Municipality are not allocated with Capital Budget for the current financial year, the specialized maintenance for arts and culture buildings such as Civic theatre should be planned and prioritized by SRAC&H. Sharpeville Hall there is no security and the building is vandalized as a result of inadequate security measures. Mphatlalatsane Theatre was closed and Special projects department in SPED took over to address the challenges (no report was submitted to Facilities). Sharpeville Monument there are repairs being done and funded by Gauteng Tourism Authority.
21. Provide detail report on NYDA partnership	<ul style="list-style-type: none"> • See attached submitted data.

ANNEXURES

- Organogram (1)
- Break-in at Vanderbijlpark Licensing (8)
- Municipal Vehicles (11)
- Fuel Consumption (12)
- HIV/AIDS and EPWP Data (19)
- NYDA Partnership (21)
- Staff Verification Report

Report of the auditor-general to the Gauteng Provincial Legislature and council of Sedibeng District Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Sedibeng District Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Sedibeng District Municipality as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practices (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2022 (Dora).

Basis for opinion

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

Material uncertainty relating to going concern

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. I draw attention to note 35 to the financial statements, which indicates that a net deficit of R4 110 760 was incurred during the year ended 30 June 2023 and, as of that date the total liabilities exceeded its total assets by R112 752 674. As stated in note 35, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the district municipality's ability to continue as a going concern.

Emphasis of matters

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

Restatement of corresponding figures

9. As disclosed in note 34 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of an error in the financial statements of the district municipality at, and for the year ended, 30 June 2023.

Material uncertainties relating to contingent liabilities

10. With reference to note 33 to the financial statements, the municipality is the defendant in a number of lawsuits. The district municipality is opposing the claims, as it believes that the claims are not valid. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

Other matter

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

Unaudited disclosure notes

12. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

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

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

Responsibilities of the auditor-general for the audit of the financial statements

15. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the annual performance report

17. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

18. I selected the following material performance indicators related to transport, infrastructure and environment key performance presented in the annual performance report for the year ended 30 June 2023. I selected those indicators that measure the district municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

- Number of expended public works programme (EPWP) beneficiaries employed
- Number of meetings held with public transport industry
- Number of reports on assessment of rural road
- Number of reports produced on the implementation of licensing services
- Number of reports produced on the ambient air quality monitoring station
- Number of environmental awareness campaigns
- Number of municipal health services reports.

19. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the district municipality's planning and delivery on its mandate and objectives.

20. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the district municipality's mandate and the achievement of its planned objectives
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements

- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any measures taken to improve performance.

21. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

22. The material findings on the reported performance information for the selected material indicators are as follows:

Various indicators

23. I could not determine how the planned indicators would be measured and what evidence would be needed to support the achievement. Evidence was not provided to confirm that processes had been established to consistently measure and reliably report on the indicators. This was due to a lack of measurement definitions and processes. Consequently, I could not confirm the reliability of the reported achievement. Furthermore, a comparison of the planned and actual performance of the year under review and that of the previous year was not included in the annual performance report. This would make it difficult to track the achievement of service delivery goals. The measures taken to improve performance against the targets were not reported in the annual performance report. This would make it difficult for users to determine what actions will be taken to improve service delivery.

Performance indicator	Target	Reported achievement
Number of expended public works programme (EPWP) beneficiaries employed	4	4
Number of meetings held with public transport industry	4	2
Number of reports on assessment of rural road	4	4
Number of reports produced on the implementation of licensing services	4	4

Performance indicator	Target	Reported achievement
Number of reports produced on the ambient air quality monitoring station	4	4
Number of environmental awareness campaigns	4	3
Number of municipal health services reports	4	3

Other matter

24. I draw attention to the matter below.

Achievement of planned targets

25. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

Report on compliance with legislation

26. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the district municipality's compliance with legislation.

27. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

28. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the district municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

29. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

30. 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 of disclosure items identified by the auditors in the submitted financial statements were

subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Strategic planning and performance management

31. The performance management system and related controls were inadequate, as it did not describe how the performance planning, monitoring, measurement, review, reporting and improvement processes should be conducted, as required by the municipal planning and performance management regulation 7(1).
32. The Service Delivery Budget Implementation Plan (SDBIP) was revised during the year without approval of the council following approval of an adjustments budget, as required by section 54(1)(c) of the MFMA.

Expenditure management

33. Reasonable steps were not taken to prevent irregular expenditure of R20 772 269 as disclosed in note 39 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with contract management processes.
34. Reasonable steps were not take to prevent unauthorised expenditure of R4 552 365, as disclosed in note 37 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by inadequate budget processes.
35. Money owed by the district municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

Consequence management

36. Unauthorised expenditure incurred by the district municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.
37. Irregular expenditure incurred by the district municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.
38. I was unable to obtain sufficient appropriate audit evidence that losses resulting from irregular expenditure were recovered from the liable person, as required by section 32(2) of the MFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.

Procurement and contract management

39. Sufficient appropriate audit evidence could not be obtained that contracts were awarded only to bidders who submitted a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.
40. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in

contravention of SCM regulation 36(1). Similar non-compliance was also reported in the prior year.

41. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.
42. Sufficient appropriate audit evidence could not be obtained that quotations were awarded to bidders that scored the highest points in the evaluation process as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and 2022 preferential procurement regulation (PPR) 4(4) and 5(4).
43. Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the Construction Industry Development Board (CIDB) act and CIDB regulation 17.
44. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.
45. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. Similar non-compliance was also reported in the prior year.

Other information in the annual report

46. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in programme presented in the annual performance report that have been specifically reported on in this auditor's report.
47. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
48. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in programme presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
49. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

50. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
51. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
52. The accounting officer did not adequately exercise their oversight responsibility for financial reporting, performance reporting, compliance with laws and regulations, and implementing consequence management for poor performance and transgressions.
53. Senior management did not ensure adequate controls were implemented for the preparation of the financial and performance reports. In addition, management did not regularly monitor compliance with laws and regulations.

Auditor - General

Johannesburg

30 November 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected material performance indicators and on the district municipality's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the district municipality's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the district municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a district municipality to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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 provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003 (MFMA)	MFMA 122(1) MFMA 122(2) MFMA 126(1)(a) MFMA 126(1)(b) MFMA 127(2) MFMA 127(5)(a)(i) MFMA 127(5)(a)(ii) MFMA 129(1) MFMA 129(3) MFMA 133(1)(a) MFMA 133(1)(c)(i) MFMA 133(1)(c)(ii) MFMA 11(1) MFMA 15 MFMA 29(1) MFMA 29(2)(b) MFMA 62(1)(d) MFMA 65(2)(a) MFMA 65(2)(b) MFMA 65(2)(e) MFMA 13(2) MFMA 14(1) MFMA 14(2)(a) MFMA 14(2)(b) MFMA 63(2)(a) MFMA 63(2)(c) MFMA 53(1)(c)(ii) MFMA 1 Definition of SDBIP MFMA 72(1)(a)(ii) MFMA 24(2)(c)(iv) MFMA 54(1)(c)

Legislation	Sections or regulations
	MFMA 1 - paragraphs (a), (b) & (d) of the definition: irregular expenditure MFMA 32(2) MFMA 32(2)(a) MFMA 32(2)(a)(i) MFMA 32(2)(a)(ii) MFMA 32(2)(b) MFMA 32(6)(a) MFMA 32(7) MFMA 170 MFMA 171(4)(a) MFMA 171(4)(b) MFMA 95(a) MFMA 112(I)(iii) MFMA 112(1)(j) MFMA 116(2)(b) MFMA 116(2)(c)(ii) MFMA 117
LG: MFMA: Municipal budget and reporting regulations, 2009	Regulations 71(1) 71(2) 72
LG: MFMA: Municipal investment regulations, 2005	Regulations 3(1)(a) 3(3) 6 7 12(2) 12(3)
LG: MFMA: Municipal regulations on financial misconduct procedures and criminal proceedings, 2014	Reg 5(4) 6(8)(a) 6(8)(b) 10(1)
LG: MFMA: Municipal supply chain management (SCM) regulations, 2017	Regulation 5 12(1)(b) 12(1)(c) 12(3) 13(b) 13(c)

Legislation	Sections or regulations
	13(c)(i) 16(a) 17(1)(a) 17(1)(b) 17(1)(c) 19(a) 21(b) 22(1)(b)(i) 22(2) 27(2)(a) 27(2)(e) 28(1)(a)(i) 28(1)(a)(ii) 29(1)(a) and (b) 29(5)(a)(ii) 29(5)(b)(ii) 32 36(1) 38(1)(c) 38(1)(d)(ii) 38(1)(e) 38(1)(g)(i) 38(1)(g)(ii) 38(1)(g)(iii) 43 44 46(2)(e) 46(2)(f)
Municipal Systems Act 32 of 2000 (MSA)	MSA 29(1)(b)(ii) MSA 27(1) MSA 29(2)(a) MSA 29(2)(c) MSA 42 MSA 25(1) MSA 26(a) MSA 26(c) MSA 26(i) MSA 26(h) MSA 41(1)(a)

Legislation	Sections or regulations
	MSA 43(2) MSA 41(1)(b) MSA 34(a) MSA 41(1)(c)(ii) MSA 34(b) MSA 38(a) MSA 93B(a) MSA 93B(b) MSA 93C(a)(iv) MSA 93C(a)(v) MSA 57(6)(a) MSA 56(a) MSA 66(1)(b) MSA 66(1)(a) MSA 67(1)(d) MSA 57(2)(a) MSA 57(4B)
LG: MSA: Municipal planning and performance management regulations, 2001	Reg 15(1)(a)(i) 2(1)(e) 2(3)(a) 9(1)(a) 10(a) 12(1) 3(4)(b) 15(1)(a)(ii) 3(5)(a) 3(3) 8 7(1)
LG: MSA: Municipal performance regulations for municipal managers and managers directly accountable to municipal managers, 2006	Regulations 2(3)(a) 4(4)(b) 8(1) 8(2) 8(3)
LG: MSA: Regulations on appointment and conditions of employment of senior managers, 2014	Regulations 36(1)(a) 17(2)

Legislation	Sections or regulations
LG: MSA: Disciplinary regulations for senior managers, 2011	Reg 5(2) 5(3) 5(6) 8(4)
Annual Division of Revenue Act (Dora)	Dora 11(6)(b) Dora 12(5) Dora 16(1) Dora 16(3)
Construction Industry Development Board Act 38 of 2000 (CIDB)	CIDB Act section 18(1)
CIDB regulations	CIDB regulation 17 CIDB regulation 25 (7A)
Municipal Property Rates Act 6 of 2004 (MPRA)	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)	PPPFA Section 2(1)(a) PPPFA Section 2(1)(f)
Preferential procurement regulations (PPR), 2011	PPR 2011 4(1) PPR 2011 4(3) PPR 2011 4(4) PPR 2011 4(5) PPR 2011 5(1) PPR 2011 5(2) PPR 2011 5(3) PPR 2011 5(5) PPR 2011 6(1) PPR 2011 6(2) PPR 2011 6(3) PPR 2011 6(5) PPR 2011 6(4) PPR 2011 7(1) PPR 2011 10 PPR 2011 11(2) PPR 2011 11(4) PPR 2011 11(5) PPR 2011 11(8)
Preferential procurement regulations (PPR), 2017	PPR 2017 5(1) PPR 2017 5(3) PPR 2017 5(6)

Legislation	Sections or regulations
	PPR 2017 5(7) PPR 2017 6(1) PPR 2017 6(2) PPR 2017 6(3) PPR 2017 6(5) PPR 2017 6(6) PPR 2017 6(8) PPR 2017 7(1) PPR 2017 7(2) PPR 2017 7(3) PPR 2017 7(5) PPR 2017 7(6) PPR 2017 7(8) PPR 2017 8(2) PPR 2017 8(5) PPR 2017 9(1) PPR 2017 10(1) PPR 2017 10(2) PPR 2017 11(1)
Prevention and Combating of Corrupt Activities Act 12 of 2004 (Precca)	Precca 34(1)



AUDITOR-GENERAL
SOUTH AFRICA

MANAGEMENT REPORT

Sedibeng District Municipality

2022-23

Date: 16 November 2023

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INTRODUCTION

1. The purpose of this management report is to communicate the outcomes of the audit for the financial year ended 30 June 2023, as well as the insights and significant matters that require the attention of the accounting officer. The report should be read with the engagement letter, which sets out our responsibilities as well as the standards and processes we apply in performing our audits.
2. 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 has been signed.
3. We communicated our audit findings and recommendations for improvement to management and obtained their responses throughout the audit. This report is a comprehensive summary of what we shared with management. In **annexure D**, we provide a summary of detailed findings communicated to management.
4. The management report is structured as follows:
 - In **section 1** we share the overall audit outcomes and the status of material irregularities. We also summarise the material irregularities in **annexure F**.
 - In **section 2** we provide the most significant matters from the audit and their impact, which we detail further in the annexures. Where appropriate, we also include:
 - significant deficiencies in internal control that caused the findings we report: significant internal control deficiencies occur when internal controls do not exist; are not appropriately designed or implemented; or are not operating as intended to prevent – or to promptly detect and correct – material misstatements, non-compliance or non-performance. In **annexure C** we expand on the state of internal control.
 - key recommendations and the responses received from management on implementing the recommendations.
 - In **section 3** we include observations on the overall internal control environment and the role of the accountability ecosystem, as well as key recommendations and responses from management.
 - In **section 4** we provide our view of the root causes of deficiencies in the overall internal control environment, as well as recommendations for the accounting officer to address the root causes.
 - We end the report with a **conclusion**.
5. We trust the insights and recommendations in this report will be of value in your pursuit towards building and leading a municipality that is accountable and transparent, has institutional integrity, and performs at a level that has a positive impact on the lives of South Africans.

SECTION 1: AUDIT OUTCOMES

OVERALL AUDIT OUTCOMES

6. The overall audit outcome of the district municipality is unqualified with findings. This is the same as the previous year's audit outcome.

Audit results per outcome area

Outcome area	Movement	2022-23	2021-22	2020-21
Financial statements	▶	■	■	■
Annual performance report				
• Transport Infrastructure and Environment	▶	■	■	■
Compliance with legislation				
• Annual financial statement	▶	■	■	■
• Strategic planning and performance management	▶	■	■	■
• Utilisation of conditional grants	▲	■	■	■
• Expenditure management	▶	■	■	■
• Consequence management	▶	■	■	■
• Procurement and contract management	▶	■	■	■
• Human resource management	▲	■	■	■
• Asset Management	▶	■	■	■

■	Unqualified / No material findings	■	Qualified	■	Adverse	■	Disclaimed	■	Material findings	■	Not audited
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▲	Improvement	▼	Regression	▶	Unchanged
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7. The overall audit outcome for the district municipality remained stagnant as unqualified with findings on the predetermined objectives and the compliance with laws and regulations. The internal control environment showed no improvement and audit action plans did not address the root causes, resulting in repeat findings on the financial statements, performance information and compliance with the legislation.
8. We provide further insight into the audit outcomes, the root causes of weaknesses and our recommendations in the rest of this report.
9. Annexure E lists matters that will affect future financial statements, annual performance reports and compliance with legislation.

SECTION 2: SIGNIFICANT MATTERS

FINANCIAL STATEMENTS

Audit results

10. The financial statements were submitted to us for auditing on 31 August 2023.
11. We identified material misstatements in the financial statements submitted for auditing. The material misstatements constitute non-compliance with the MFMA. The non-compliance will be reported as a material finding in the auditor's report.

Material misstatements not corrected

Accounting standard / legislation	Nature	Value	Description	Prior-year misstatements	
				2022-23	2021-22
None					

Uncorrected	Corrected	No prior-year misstatement
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Material misstatements corrected

Accounting standard legislation	Nature	Value	Description	Prior-year misstatements	
				2022-23	2021-22
Financial statement item					
GRAP 18 – Segment Reporting	Limitation	Unknown	<p>Segment assets and liabilities were not appropriately disclosed in note 57 of the AFS for the current and prior period. Key material disclosures are omitted from the note to the annual financial statements</p> <p>Municipality did not:</p> <ul style="list-style-type: none"> • adequately disclose the factors on how segments are identified, how segments are aggregated as well as the type of goods and/or services accounted for by the segment. • report interest revenue separately from interest expense for each segment reported where applicable. • provide information about reported segment assets, segment liabilities and the basis of measurement. • disclose reconciliations of the totals of segment revenues, reported segment surplus or deficit, segment assets, 		

Accounting standard legislation	Nature	Value	Description	Prior-year misstatements	
				2022-23	2021-22
			segment liabilities and other material segment items to corresponding entity amounts. <ul style="list-style-type: none"> disclose the nature and effect of any asymmetrical allocations to reportable segments. 		
Contingent assets	Disagreement	R2 336 132	Overpayments to senior management not recognised in the accounting records.		

	Uncorrected		Corrected		No prior-year misstatement
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12. We identified material misstatements in the previous two financial years. The following misstatements were noted in the current financial period under review:
- o The misstatements on segment reporting are due to management not reinforcing accounting disciplines in order to prepare annual statements that are free from material misstatements.
 - o The misstatement on contingent assets is due to inadequate processes to address all audit findings by adjusting financial statements.
13. **Impact:** The municipality did not have adequate standard operating procedures to identify and allocate segment assets and liabilities resulting in the material requirements of GRAP 18 – Segment Reporting not being complied with. Inadequate review processes when compiling the annual financial statements resulted in not disclosing overpayments to senior management.
14. Accountability – The municipality’s lack of financial disciplines arising from inadequate oversight provided in relation to reliable accounting of segment reporting negatively affected prescriptive reporting requirements of GRAP 18 – Segment Reporting as well as not disclosing overpayments to senior management.

Internal control and recommendations

15. We identified significant internal control deficiencies in financial recordkeeping and the financial statement preparation and related business processes. Where we identified possible improvements, we reported these to management. The inadequate review of the financial statements submitted to audit resulted in the incomplete and inadequate disclosure of segment reporting. Material required disclosures were omitted from the annual financial statements which affects both the completeness and fair presentation on the annual financial statements
16. We made recommendations to improve the financial statements preparation process to the municipal manager and chief financial officer and senior management. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – financial records and financial statements

Recommendation and management response	Year originally recommended	Status of implementation
Recommendation:	2022-23	

Recommendation and management response	Year originally recommended	Status of implementation
<ul style="list-style-type: none"> Management should perform adequate reviews performed on the annual financial statements to ensure that annual financial statement provided for audit fairly present financial performance and position of the municipality as required by GRAP 1 paragraph 17 and section 122 (1) of the MFMA. A standard GRAP disclosure checklist should be developed and used for the preparation and review of the financial statements. A comparison between what has been disclosed and what is required as per the standards can be done before the financial statements are signed off and submitted for audit. Management should reinforce proper accounting disciplines in order to prepare annual financial statements that are free from material misstatements. Management is encouraged to adjust annual financial statements in order to comply with requirements of GRAP 18. <p>Response: Management response not yet received. Agree, the note will be enhanced and information in the principle agent note will be incorporate in the segment note where applicable.</p>		In progress started

17. Some of the prior-year recommendations and management responses were not yet implemented, as we identified material adjustments on the submitted financial statements.

Information to be included in auditor's report

FINANCIAL MANAGEMENT AND PERFORMANCE

Going concern

18. Our audit included an evaluation of the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements and whether any material uncertainties exist about the municipality's ability to continue as a going concern.
19. We agreed with the disclosures made in the financial statements on the material uncertainties and the events and conditions identified by management.
20. The financial sustainability of the municipality remains concerning and requires immediate intervention. The municipality sustained a net liability position again in the current year as its liabilities exceeds its assets. In the current year the municipality has a net deficit of R4 552 365 as opposed to a net surplus of R12 704 816 in the previous year which resulted in a decrease in the net asset value. The net liability position was R112 752 674 in the current year (2022: R108 200 309). 78% of the district municipality's expenditure amounting to R295 446 067 was incurred for employee costs and remuneration to councillors. Employee cost increase year on year more than the equitable share allocation. The municipality will not be able to remunerate staff or councillors without any additional revenue sources.
21. It was noted that municipal council approved an unfunded budget in contravention with section 18 of the municipal finance management act. The adoption of an unfunded budget is indicative that the municipality will experience cash flow challenges both in current and future periods and will not be sustainable. Consequently the municipality was unable to pay its creditors with 30 days as required by section 65(2)(e) of the MFMA during the period under review. The district municipality is dependent on the Department of roads and transport (DRT) services, the municipality operates licensing departments on behalf of DRT but does not timeously pay over amount collected. As at 30 June 2023 the amount

owing to DRT by the district municipality amounted to R152 million. The district municipality only has R32 million in their bank account of which R16 million is unspent conditional grants. This is in effect a dire negative cash flow situation should the DRT request all funds owed to them.

22. The district municipality has implemented austerity measures which include performing daily, weekly and monthly cash flow reconciliations with projections to ensure that it meets its obligations. The municipality also adopted a pro-poor budgeting approach and followed National Treasury budget guide as a principle for provision on depreciation and employee cost. The district municipality is busy with a process of aligning the current powers and functions assigned to the district and the local municipalities' in order to regain sustainability within the district. Drastic saving measures are to be implemented starting with a process of restructuring the district municipality organisation based on the powers and functions.
23. **Impact:** The district municipality is dependent on grants to operate. The grants increase year on year is less than the salary increases approved and adopted by the municipality, causing the financial sustainability concerns.
24. We will include a 'material uncertainty related to going concern' paragraph in the auditor's report to draw the attention of users of the financial statements to the note included in the financial statements on the going concern material uncertainties.

Budget management

25. We tested compliance with the legislative requirements for budget management and performed tests to identify budget overspending or budgets not spent for their intended purpose. We identified findings to highlight in this area of financial management.

Budget spending

Nature	Description	Rand value		
		2023-22	2022-21	2021-20
Budget overspent	Actual expenditure exceeded budgeted revenue due to municipal council approving a n unfunded budget	R4 552 365	R2 666 659	R22 238 633
Budget not spent for intended purpose	The HIV and Aids grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of Division of Revenue Act (Act 9 of 2021).	R0	R61 891	R0
Budget not spent for intended purpose	The financial management grants was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of Division of Revenue Act (Act 9 of 2021).	R0	R492 374	R0
Budget not spent for intended purpose	The rural roads management grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of Division of Revenue Act (Act 9 of 2021).	R0	R21 406	R0

26. The unauthorised expenditure amounting to R4 552 365 (2022:R2 666 659) incurred constitutes non-compliance with section 62 (1) (d) of Municipal Finance Management Act. The non-compliance will be reported as a material finding in the auditor's report.
27. The unauthorised expenditure incurred was disclosed in the financial statements in the prescribed manner. As detailed in the section on financial statements, the material misstatement will be reported in the auditor's report.

Financial assessment and compliance

28. Our audit included a high-level assessment of the financial position and key financial ratios of the municipality based on its financial results to assess its going concern (as detailed earlier), and also to highlight to management those issues that may require corrective action to maintain financial stability. The financial ratios used for assessment include those that the National Treasury also apply when assessing whether a municipality is in financial distress. The assessment is intended to complement, rather than substitute, management's own financial assessment.
29. The detailed assessment is included in **annexure A**. We used the amounts and information in the financial statements to perform the assessment.
30. We concluded based on the assessment that the financial health of the municipality is concerning / unfavourable, which is the same as the previous year.
31. Next, we summarise the key matters identified through the assessment that require attention to improve the financial health.

Financial assessment – key matters

Area – creditors payment period
<p>This indicator shows the average number of days taken for creditors to be paid. For the 2022-23 financial year the payment period is calculated at 883 days in comparison to the prior year of 846 days. A period of longer than 30 days indicates that the auditee may not be adequately managing its working capital and that effective controls are not in place to ensure prompt payments.</p> <p>In addition, a period of longer than 30 days to settle creditors is normally an indication that the municipality is experiencing cash flow problems, which are indicative of the going concern/ financial viability difficulties.</p>
Area – Surplus / (deficit) for the year (total expenditure exceeded total revenue)
<p>Total expenditure exceed total revenue by R4 553 000, resulting in unauthorised expenditure.</p> <p>Since total expenditure exceeds total revenue it implies that the municipality is operating at a deficit and that it may be unable to fund monthly operational expenditure and to continue rendering services. This negatively impact on the municipality's financial viability and its ability to continue operating optimally at its current capacity or as a going concern. Continued operations may have to be funded by some other means.</p> <p>A deficit may signify debt collection problems, which show that the way the municipality creates and manages its revenue may not provide it with sufficient cash to cover all operational expenses. If total expenditure exceeds total revenue it also correlate to an over-spending of the auditee's operating expenditure budget. Consequently, measures must be implemented to address this situation to ensure sustainable service delivery and financial viability.</p>
Area - Total debt/borrowings vs total revenue for the year
<p>The indicator's objective is to provide information on whether the municipality is generating revenue that is sufficient to repay liabilities. Alternatively, the ratio assesses the affordability level of a municipality to service debt from own generated revenue.</p>

The threshold for total borrowing is 45 per cent of the total operating revenue. The municipality's outcome of 59.1% is above the 45 per cent norm and indicates that the municipality does not possess the capacity to take up additional funding from borrowings.

Area - A net current liability position was realised (total current liabilities exceeded total current assets)

A net current liability position of R199 912 000 exists for 2022-23 financial year.

The indicator is used to assess the auditee's ability to pay back its short-term liabilities (debt, payables, etc.) with its short-term assets (cash, inventory, receivables, etc.). A net current liability position suggests that the municipality may be unable to pay all its current or short-term obligations if they fall due at any specific point.

When current liabilities exceed current assets, it high-lights financial challenges and likely liquidity problems i.e. insufficient cash to meet short-term financial obligations. Thus, there a risk that that non-current assets will need to be liquidated to settle current liabilities or that additional external financing or government funding may be required. A net current liability position therefore are indicative of the municipality's financial viability and its ability to continue operating optimally at its current capacity or as a going concern.

Grant management

32. The district municipality received grants totalling R17 023 490 to fund its programmes and projects in the current year. We audited compliance with the Division of Revenue Act and the use of the HIV and AIDS, EPWP, Rural Roads, Financial Management, Sport and recreation and Aerotropolis grants.
33. We did not identify findings to highlight in this area of financial management.

Information to be included in auditor's report

34. We may communicate in the auditor's report matters relating to the audit, the auditor's responsibilities and the auditor's report that are important for users of the financial statements to know about. The following matter will be included as 'other matters' in the auditor's report:
 - Unaudited disclosure notes (MFMA 125) - In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.
35. We can include an 'emphasis of matters' paragraph in the auditor's report to draw the attention of users of the financial statements to important disclosures in the financial statements. The following matters that relate to the financial performance of the municipality will be emphasised:
 - Restatement of corresponding figures - As disclosed in note 34 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2023.
 - Material uncertainties relating to contingent liabilities - With reference to note 33 to the financial statements, the municipality is the defendant in various lawsuits. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

PERFORMANCE PLANNING, MANAGEMENT AND REPORTING

Overall performance planning and management

36. We tested whether the municipality's performance planning and management processes, integrated development plan (IDP) and service delivery and budget implementation plan (SDBIP) complied with the key requirements from legislation.
37. We identified findings. The findings on material non-compliance with legislation will be reported in the auditor's report.

Findings on performance planning and management

Finding	Material non-compliance	Prior years reported	
		2022-23	2021-22
The revised SDBIP for the 2022/23 financial year was not approved by council in line with section 54 (1)(c) of the MFMA.	Yes	√	No

38. The material non-compliance was identified in the 2022-23 financial year. The revised SDBIP was not approved by council as required with section 54(1)(c) of the MFMA.
39. **Impact:** The non-compliance is scoped into the audit and is material and will be reported in the audit report. As the adjusted SDBIP did not serve before council, council were not aware of the changes to the performance requirements of the municipality and the impact of the changes on the approved adjusted budget.

Audit of annual performance report

40. The SDBIP and annual performance report were submitted to us for auditing on 25 August 2023.
41. As detailed in the engagement letter, we undertook a findings engagement on specific development priorities selected for auditing. We will report only the material findings in the auditor's report and not the audit opinion as included in **section 1**.
42. We selected the following development priority for auditing:
 - Transport, Infrastructure and Environment
43. The selected programme is aligned to the service delivery mandate of the district municipality.
44. We evaluated the reported performance information for the selected development priority against the criteria developed from the performance management and reporting framework. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users of the report on the municipality's planning and delivery on its mandate and objectives.
45. We performed procedures to test whether:
 - the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives

- the indicators are well defined and verifiable to ensure that they are easy to understand and consistently applied, and that we can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance, as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner
 - there is adequate supporting evidence for the achievements reported and for the measures included that are taken to improve performance .
46. We also performed procedures to test whether:
- the overall presentation of the performance information in the annual performance report is comparable and understandable
 - the indicators used for planning and reporting are complete by considering the core functions of the municipality as defined by its mandate, the prioritisation for delivery on those core functions and any applicable standardised indicators.
47. We will not report material findings on these matters in the current year's auditor's report, but such findings will be included from **2023-24**.
48. We also conducted a proactive review of the 2023-24 SDBIP.
49. The audit process for performance information went well. Requested information was received within the agreed turnaround time.

Audit results

50. We did not identify findings on the completeness of indicators.
51. We identified material findings on the overall presentation of performance information in the annual performance report. Actual performance was not comparable to prior year annual performance achievements as comparative actual performance achievements have not been reported in the annual performance report provided for audit.
52. We identified material misstatements in the reported performance information in the annual performance report submitted for auditing.

Material misstatements not corrected

Description	Prior-year misstatements	
	2022-23	2021-22
Finding affects the following indicators:		
<ul style="list-style-type: none"> • Number of Expended Public Works Program (EPWP) beneficiaries employed) 		

Description	Prior-year misstatements	
	2022-23	2021-22
<ul style="list-style-type: none"> • Number of meetings held with Public Transport Industry • Number of reports on assessment of rural road • Number of reports produced on the implementation of Licensing Services • Number of reports produced on the Ambient Air Quality monitoring station • Number of Environmental Awareness Campaigns • Number of Municipal Health services reports 		
Performance indicator is not time bound as required by FMPPI.		
<p>Finding affects the following indicators:</p> <ul style="list-style-type: none"> • Number of meetings held with Public Transport Industry • Number of reports on assessment of rural road • Number of reports produced on the implementation of Licensing Services • Number of reports produced on the Ambient Air Quality monitoring station • Number of Environmental Awareness Campaigns • Number of Municipal Health services reports 		
Performance indicators are not measurable as required by FMPPI		
<p>Finding affects the following indicators:</p> <ul style="list-style-type: none"> • Number of meetings held with Public Transport Industry • Number of reports on assessment of rural road • Number of reports produced on the implementation of Licensing Services • Number of reports produced on the Ambient Air Quality monitoring station • Number of Environmental Awareness Campaigns • Number of Municipal Health services reports 		
Performance indicator's not well defined as required by FMPPI		
<p>Finding affects the following indicators:</p> <ul style="list-style-type: none"> • Number of meetings held with Public Transport Industry • Number of reports on assessment of rural road • Number of reports produced on the implementation of Licensing Services • Number of reports produced on the Ambient Air Quality monitoring station • Number of Environmental Awareness Campaigns • Number of Municipal Health services reports 		
Performance indicator's not well defined and measurable as required by FMPPI		
<ul style="list-style-type: none"> • Number of Expended Public Works Program (EPWP) beneficiaries employed) 		

Description	Prior-year misstatements	
	2022-23	2021-22
The following findings affect the indicator:		
<ul style="list-style-type: none"> Performance indicator is not time bound as required by FMPPi Performance indicators are not measurable as required by FMPPi Performance indicator's not well defined as required by FMPPi 		

	Uncorrected		Corrected		No prior-year misstatement		Indicator not audited/included in annual performance report
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53. The material misstatements that were not corrected will be reported in the auditor's report. These misstatements formed the basis for the material findings.

Information to be included in auditor's report

54. We may communicate in the auditor's report matters about the audit, the auditor's responsibilities and the auditor's report that are important for users of the annual performance report to know about. We will include information on the corrections to the material misstatements in the submitted annual performance report in the 'other matters' section in the auditor's report.

Proactive review of service delivery budget implementation plan

55. We reviewed the draft SDBIP for the 2023-24 financial year to alert management of any potential shortcomings.

56. We did not identify material shortcomings in the draft SDBIP for 2023-24.

OTHER INFORMATION IN ANNUAL REPORT

57. We did not audit the information in the annual report except for the financial statements and the development priority in the annual performance report selected for auditing.

58. However, the auditing standards require us to read the unaudited information and consider whether it is materially inconsistent with the information we audited or the knowledge we obtained during the audit, or otherwise appears to be materially misstated.

59. The annual report was not received in time for us to perform this procedure. We will report this in the auditor's report and indicate that any material misstatements identified when we receive it that are not corrected might result in us retracting the auditor's report and reissuing an amended report.

HUMAN RESOURCE MANAGEMENT

We audited compliance with legislation on human resource management and assessed the processes in place to ensure adequate and sufficiently skilled resources are in place.

We did not identify findings.

PROCUREMENT AND CONTRACT MANAGEMENT

60. Section 217(1) of the Constitution envisages supply chain management systems that are fair, equitable, transparent, competitive and cost effective to achieve optimal value for public money spent and ensure equitable opportunities for suppliers to participate in government business. Meticulous contract management and rigorous payment control mechanisms should be in place to ensure that payments are made only upon the supplier's timely delivery, agreed-upon pricing is adhered to and specified quality standards are complied with.
61. We continued to focus on procurement and contract management processes, recognising that public procurement is the area at greatest risk of fraud, financial loss and irregular practices. We identified findings. The findings on material non-compliance with legislation will be reported in the auditor's report.
62. Next, we summarise the areas in procurement and contract management processes where we identified findings – these are the areas at greatest risk of fraud and financial loss. Details on the findings are included in **annexure B**.

Findings on procurement and contract management

Area	Findings		
	2022-23	2021-22	2020-21
Audit limitations			
Deviations			
Conflict of interest			
Non-compliance: competitive bidding process			
Non-compliance: quotation process			
Contract management			

	Material non-compliance with legislation	Findings	No findings
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63. **Impact:** The findings identified resulted in material non-compliance as well as additional irregular expenditure identified.
64. The material non-compliance identified is of a similar nature as in prior years. The control environment within procurement is not improving as additional irregular expenditure was identified as a result of the audit process.

65. Some of the findings on procurement and contract management indicate a disregard for sound procurement internal control measures as well as poor procurement planning. In addition there is inadequate record keeping to justify non-compliance and a lack of monitoring of service level agreements and performance of contractors. Irregular expenditure
66. Non-compliance with legislation resulted in irregular expenditure incurred of R20 772 269 (2022: R28 439 424). The irregular expenditure incurred constitutes non-compliance with competitive bidding, deviations and contract management. The non-compliance will be reported as a material finding in the auditor's report.
67. Only some of the irregular expenditure incurred was disclosed in the financial statements. Additional irregular expenditure amounting to R3 898 488 was identified during the audit of procurement and contract management.
68. The municipality continues to incur irregular expenditure for appointing the accounting officer on a scale higher than the maximum legislated. The required permission was not obtained for the appointment on the current salary scale. The irregular expenditure incurred was disclosed in the financial statements.

CONSEQUENCE MANAGEMENT

69. Legislation stipulates that matters such as incurring unauthorised, irregular, and fruitless and wasteful expenditure; the possible abuse of the supply chain management system, including fraud and improper conduct; and allegations of financial misconduct should be investigated. Disciplinary steps should be taken based on the results of these investigations. Our audit included an assessment of the municipality's management of consequences.
70. We identified findings. The findings on material non-compliance with legislation will be reported in the auditor's report.

Findings on consequence management

Finding	Material non-compliance	Value/instances	Prior years reported	
			2022-23	2021-22
Investigations				
No investigations were conducted for identified instances of irregular expenditure , thus non-compliance with section 32(2)(a) of the municipal finance management act	Yes	R42 308 948	√	√
No investigations were conducted for identified instances of unauthorised expenditure , thus non-compliance with section 32(2)(a) of the municipal finance management act	Yes	R2 666 659	√	√
No investigations were conducted for identified instances of irregular expenditure for the 2020/21 balances, , thus non-compliance with section 32(2)(a) of the municipal finance management act	Yes	R16 259 393	√	√
No investigations were conducted for identified instances of unauthorized expenditure for the 2020/21 balances, ,	Yes	R23 485 418	√	√

Finding	Material non-compliance	Value/instances	Prior years reported	
			2022-23	2021-22
thus non-compliance with section 32(2)(a) of the municipal finance management act				
Measures to manage consequences				
No disciplinary steps taken against liable officials as required by Mokhare investigation report	Yes	3	√	√

71. During prior-year audits, we reported findings on transgressions by officials or other role players for management to investigate. During the current year's audit, we performed follow-up tests to determine whether management has dealt with these matters. None of the reported transgressions were investigated and resolved.

FRAUD RISK

72. Our auditing standards define fraud as an intentional act by one or more individuals who are employees, management, those charged with governance or third parties, and that involves the use of deception to obtain an unjust or illegal advantage.
73. We are required to evaluate whether the information obtained during our audit indicates whether there are any fraud risk factors present at the municipality and consider its impact on the audit. Fraud risk factors are events or conditions that indicate an incentive or pressure to commit fraud or that provide an opportunity to commit fraud (e.g. inadequate controls to prevent or detect fraud). We did not identify fraud risk factors.

SECTION 3: CONTROL ENVIRONMENT

OVERALL CONTROL ENVIRONMENT

74. The significant internal control deficiencies as reported in **section 2** were caused by weaknesses in the overall control environment, for which the accounting officer and senior management are responsible.
75. The following are the main weaknesses that need urgent attention to improve the overall control environment:

Significant internal control deficiencies – overall control environment

Internal control deficiency	Prior years reported	
	2023-22	2021-22
<p>Oversight responsibility</p> <p>The accounting officer did not fully exercise effective oversight to ensure that the AFS are properly reviewed by senior management. Commitments were made in prior year; however they were not implemented as evidenced by repeat audit findings on non - compliance with applicable laws and regulations.</p> <p>Human resource management</p> <p>Key vacancy are one of the root causes for the significant internal control deficiencies noted.</p> <p>A significant staff vacancy were noted in the following divisions:</p> <ul style="list-style-type: none"> Finance division: Chief Financial Officer <p>Audit action plans</p> <ul style="list-style-type: none"> Audit action plans were not fully implemented resulting in material findings being reported on expenditure management, consequence management and material misstatements in the submitted AFS There were no improvement in the reported performance information and the municipality continues to craft targets that are not smart. <p>Policies and procedures</p> <p>The municipality has approved policies however, the implementation and monitoring of policies continues to be a concern for the municipality. For example:</p> <ul style="list-style-type: none"> The SCM policies and procedures were not implemented as some deviations from competitive bidding processes were not in accordance with SCM regulations. The investment policy does not prescribe adequate levels of approval for transfer of funds between bank accounts. <p>Record keeping</p> <p>In terms of our engagement letter, we agreed that all information requested for audit purposes would be submitted within three working days of the request by the auditors. Substantive information key material areas of the audit were not submitted timeously, including information to resolve CAATs exceptions reported on revenue as well as supporting evidence for GRAP 18 – Segment Reporting was</p>	√	√

Internal control deficiency	Prior years reported	
	2023-22	2021-22
<p>Controls over daily and monthly processing and reconciling of transactions</p> <p>Management did not always implement adequate controls to ensure the financial statements and the annual performance report were supported by accurate, complete and reconciled supporting schedules. Material differences were noted on the financial statements submitted for audit.</p> <p>Compliance monitoring</p> <p>Policies and procedures to ensure compliance with laws and regulations were not always adequately monitored. This resulted in material non-compliance with key laws and regulations, as reported in this report. Action plans and commitments made were not implemented by leadership.</p>		

76. The tone at the top is poor and none of the previous commitments made were implemented. Laws and regulations are not followed, resulting in material non-compliance being identified. UIFW keeps on increasing due to poor budget management, excessive spending and not following proper procurement processes. Creditors are not paid within the agreed times. There are no consequence management applied as none of the UIFW identified were investigated.

77. In **annexure C** we provide a more detailed view of the overall state of internal control.

GOVERNANCE AND COORDINATING MINISTRIES

78. Our audit included an assessment of councillor's and premier's roles and responsibilities, in the municipality, using the relevant acts and regulations relating to municipal council and how the council responds to work done by the AGSA. We have also assessed the role of coordinating ministries such as treasury and COGTA in providing the support to the municipality.

79. The objective of this assessment is to ensure that there is clear and defined mandate of each coordinating department and effective collaboration between them to effect improvement in provincial and local government; and to ensure that there is effective accountability ecosystem where all role players understand their roles and how they complement each other.

80. We identified the following finding:

Finding on coordinating ministries

Finding	Prior years reported	
	2021-22	2020-21
The approved budget for the financial year was not fully funded	√	√

ACCOUNTABILITY ECOSYSTEM

81. The accountability ecosystem is the collection of role players that have a part to play in enabling and institutionalising a culture of performance, transparency, accountability and integrity at the

municipality. These role players include the officials, senior management and accounting officer, supported by the internal audit unit and the audit committee.

82. We observed strengths and weaknesses in the contributions to the ecosystem by leadership, management and the governance structures of the municipality. We share our observations with the intention to contribute to strengthening the overall control environment, performance and accountability.

Accounting officer and senior management

83. Material findings were reported on the annual financial statements and material instances of non-compliance with laws and regulations were noted. This indicates that internal controls may not be adequate to detect and prevent non-compliance with laws and regulations.
84. A key vacancy, the Chief Financial Officer, existed during the period under review, creating instability in finance unit of the municipality. The appointment of persons to act in this position for periods of time that contravene the HR policy may hinder accountability for the improvement in audit outcomes.

Audit committee

85. The effectiveness and influence provide by the audit committee was assessed based on the following critical role the audit committee plays in providing an oversight role:

Effectiveness

86. The audit committee did perform, amongst others, the following key functions in line with its charter:
- Review the financial statements before their submission to the external auditors.
 - Monitor compliance with legislation based on reports provided by management and internal auditors.
 - Provide guidance to management on addressing internal control deficiencies.
 - Monitor the implementation of internal and external audit recommendations.
 - Timeous approval of risk based internal audit plan, focused on assisting the department with improvement in the control environment.
 - Review the AGSA's audit strategy for an audit relating to a particular financial year and make recommendations where deemed necessary.
87. The audit committee is encouraged to continuously advocate for change for a municipality that is well governed and delivering on its mandate.
88. The audit committee failed to meet the required number of times in the year.
89. Since there are numerous repeat findings at the municipality, the oversight function of the audit committee may lack the required impact on:
- Tracking of internal and external audit findings and resolutions made,
 - Review of annual financial statements,
 - Performance information that adheres to the FMPPI principals.

Internal audit unit

90. The internal auditors have fulfilled certain key responsibilities as outlined in the approved charter:

- Submit, at least annually, to senior management and the audit committee a risk-based internal audit plan for review and approval.
 - Communicate to senior management and the audit committee the impact of resource limitations on the internal audit plan.
 - Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
91. The auditing standards allow us to use the work of internal audit units for external audit purposes and for direct assistance. We have used internal audit work as part of our risk assessment procedures.
92. In some instances, reports were not made available to the audit committee timeously due to delays where management's inputs were required.

Oversight and monitoring interventions

93. MFMA Circular No. 89 from National Treasury issued 08 December 2017, reminded municipalities to adhere to tabling and adopting funded budgets and that, in the event the municipality is unable to comply with this requirement, to further demonstrate recovery of operational deficits through compiling and tabling a plan to Council on how and by when the budget will improve from an unfunded to a funded position. The National and Provincial treasuries will assess the budget together with the plans and support the municipality accordingly. It is however noted that the municipality continue to be in an unfunded budget situation with no effective turnaround strategy that can remedy the situation.
94. As per the financial recovery plan, the municipality need assistance from CoGTA to determine the role and responsibilities of the district. Current discussions with CoGTA are taking place in order to get clarity. Furthermore, a letter was sent to the MEC Cooperative Governance and Traditional Affairs requesting assistance related to unfunded mandates. This process is not currently yielding any success and it is therefore essential to escalate this matter further.

Developments and progress on the District Development Model (DDM)

95. The District Development Model (DDM) is an operational model for improving cooperative governance aimed at building a capable, ethical and developmental State. It embodies an approach by which the three spheres of government and state entities work collaboratively in an impact-oriented way, and where there is higher performance and accountability for coherent service delivery and development outcomes.
96. The DDM is aimed at transforming the economy and improving the quality of life of people by enhancing cooperative governance and overall state coherence and performance.
97. ONE PLAN as outlined in the DDM have set of the objectives, outputs, roles and responsibilities, and commitments from all spheres government and departments with strategic partners who will have to act and prioritization of resources and delivering results. To seek and utilize the existing legal framework and implementation machinery, and informed by the Intergovernmental Relations (IGR) Framework Act which provides for the Minister (and department) responsible for cooperative governance and to provide "a framework for coordination and alignment, as well as defining the powers and functions of the district
98. Sedibeng One Plan was approved by council as the centre of development approach in line with Section 47 of the Intergovernmental Relations (IGR) Framework Act (Act No 13 of 2005). It is also derived from Section 154 of the Constitution and further seeks to enhance the existing implementation

machinery by facilitating and institutionalizing joint planning, implementation as well as monitoring and evaluation across the three spheres of government within a district.

- Reconstruction and Development Plan & White Paper: Local Government provision of services as economic driver.
- Constitution of the Republic: Local Government as Centre of governance & promotes integrated development planning.

99. The main objective of the first generation "One Plans" was to package intergovernmental programmes, projects and budgets aimed at growing the economy, improving service delivery and promoting institutional stability with nine clear objectives as outlined in Chapter One of this IDP 2022/27, and do planning according to the One Plan Process & Content Guidelines issued by DCOG as part of the DDM Implementation Framework Circular. Circular No. 1 of 2021, issued by DeCOG provides for the establishment of technical and political structures for the purpose of implementing the DDM including formulation, implementation and monitoring of the One Plan;
100. The DDM`s One Plan as part of a long-term planning tool, and its implementation, monitoring is under review towards development of Second-Generation Sedibeng DDM One Plan.
101. DDM review process is also aligned with the IDP process plan and final document will probably be concluded and submitted to Council by September 2023, subject to availability of latest STATS SA datasets or information in June/July 2023 and National DeCOG approval.
102. Equally important to note that not all projects will form part of the One Plan, a matrix will need to be developed for purposes of weighing impact of the projects, only projects with maximum impact into abovementioned sectors will be considered.
103. 14 key Priority and catalytic projects were both agreed upon by Sedibeng District municipality and three (3) local municipalities (Emfuleni, Midvaal and Lesedi), Gauteng and National DCoG.
104. These projects are deemed as pivotal towards changing the current socio-economic impasse of the region. The projects would both impact locally in the province in line with the National Development Plan, Gauteng City Region vision, TMR strategy, Sedibeng GDS 03 and council approved first generation Sedibeng District One Plan with its six development strategies.
105. Based on the assessment the one plan was approved however implementation of the one plan projects has not commenced.

RECOMMENDATIONS AND RESPONSES

106. We made recommendations to improve the overall control environment to the position(s) in senior management. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – control environment

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: Implement and improve controls to prevent and detect non-compliance with laws and regulations.</p> <p>Response: Review processes will be enhanced to improve controls to prevent and detect non-compliance with laws and regulations.</p>	2021-22	In progress

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: Key vacant positions should be filled to avoid non-compliance with the municipality's HR policy</p> <p>Response: Key positions were filled</p>	2022-23	In progress
<p>Recommendation: Timeous implementation of action plans to address audit issues.</p> <p>Response: Audit action plans will be implemented timeously</p>	2021-22	In progress
<p>Recommendation: Correct the performance indicators and targets to meet the SMART criteria as required by the FMPPi.</p> <p>Response: Awaiting response</p>	2021-22	In progress

107. The recommendations have not been fully implemented evidenced by repeat audit findings. For the improvement in the control environment the accounting officer needs to expedite the filling of key vacancies and provide adequate oversight over senior manager deliverables and planned actions.

SECTION 4: OVERALL RECOMMENDATIONS

108. We provided recommendations to senior management to rectify the weaknesses identified in financial management, compliance with legislation and service delivery. Our recommendation for the accounting officer is to focus on addressing the underlying root causes of these weaknesses, which stem from deficiencies in the overall control environment and failures in the accountability ecosystem.
109. In our view the main root causes that needs attention are as follows:
- Slow implementation of action plans on effectively addressing significant internal control deficiencies on financial reporting and compliance with legislation.
 - Lack of consequence management, particularly in relation to irregular expenditure incurred in previous years.
110. Addressing these root causes requires a focused and systematic approach. We have found that an action plan that is focused on addressing root causes, with SMART targets and disciplined monitoring and implementation, is fundamental to success.
111. The following are our three main recommendations to address the identified root causes. We have shared some of these before and ask for urgent action to ensure their implementation.

Overall recommendations

	Recommendation	Year originally recommended	Status of implementation
1.	Stabilisation of the critical posts: Ensure that key vacancies are filled within the 2023-24 financial year.	2022-23	Not started
2.	Ensure that the action plan to address significant internal controls deficiencies about financial reporting and compliance with laws and regulations is implemented timeously.	2020-21	In progress
3	Implementation of consequence management against officials who have contravened the applicable laws and regulations as well as those officials who continue to produce poor performance.	2020-21	In progress
4	Correct performance information to adhere to the SMART principles as required by the FMPPi.	2020-21	Not started

Consequence management needs to be implemented timeously against relevant officials for all instances of poor performance and contravention of applicable legislation to improve the performance, accountability, transparency and institutional integrity of the municipality.

CONCLUSION

112. In 2023 the AGSA started with the implementation of the culture shift strategy 2030, in the current financial year that is driven by insights, influence and enforcement elements. Engagements were held throughout the period under review with roles players in the accountability ecosystem with the aim of sharing the insights on performance information, oversight within the district management area and the progress made on the district development model (DDM). Through this process we were able to share the challenges experienced by the municipality during the audit which are negatively impacting on the lived realities of citizens.
113. The accounting officer should exercise oversight and hold the heads of departments accountable for service delivery failures under their control through alignment of performance contracts to the key strategic priorities and planned targets of the municipality and monitor progress to detect areas of non adherence to policies and procedures, and take necessary corrective measures.
114. The municipality's irregular expenditure (IE) continues to increase as a result of non-compliance with procurement processes, for example deviations and contract management. The municipality has continuously incurred IE for a number of years with limited investigation processes being undertaken which resulted in lack of implementation of consequence management.
115. Although the municipality is on a financial recovery plan and grant dependent, UIFW is still being incurred. The previously identified UIFW have not been investigated, resulting in a lack of consequence management in the municipality. The financial sustainability of the municipality is not improving as well, The municipality continues to budget for a deficit that contribute to the unauthorised expenditure being incurred year on year.
116. There are no movement on performance information and the outcome stagnated compared to previous years. The indicators are not meeting the SMART criteria as required by the FMPPi.

In conclusion, we advocate for the implementation of preventative controls to improve the processes for procurement and budgeting which in turn will have a positive impact on the lived realities of the citizens. We remain committed in assisting the municipality in influencing the culture shift to address the significant deficiencies within the control environment of the municipality. Lastly we would like to extend our appreciation to the accounting officer and senior management for the assistance offered during the audit.

Yours sincerely

Nerosen Venketsamy

Senior manager

16 November 2023

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ANNEXURE A: FINANCIAL ASSESSMENT

We included a summary of the financial assessment we did as part of the audit in the section on financial performance. This annexure includes the detailed ratios and information used for the assessment.

Financial health assessment

		Current year	Previous year
Expenditure management			
1.1	Creditor-payment period	883 Days	1004 Days
1.2	Deficit was realised for the year (total expenditure exceeded total revenue)	Yes	No
	Amount of surplus / (deficit) for the year	-R4 552 365	R12 704 816
Revenue management			
2.1	Debt-collection period (after impairment)	3 Days	14 Days
	<ul style="list-style-type: none"> Amount of debtor's impairment provision Amount of accounts receivable 	R1 138 000 R1 819 000	R0 R2 843 000
2.2	Debt-impairment provision as a percentage of accounts receivable	63%	0%
	<ul style="list-style-type: none"> Amount of debt-impairment provision Amount of accounts receivable (before impairment) 	R1 138 000 R1 819 000	R0 R2 843 000
Asset maintenance and renewal			
3.1	Percentage spending on repairs and maintenance	2.6%	5%
	<ul style="list-style-type: none"> Amount of expenditure on repairs and maintenance Amount of property, plant and equipment (carrying value) 	R2 096 000 R81 529 000	R4 732 948 R88 482 981
3.2	Total capital expenditure as percentage of total expenditure	0.5%	1.2%
	<ul style="list-style-type: none"> Amount of capital expenditure Amount of total expenditure (operating + capital) 	R2 096 000 R401 791 000	R4 732 948 R395 804 000
3.3	Asset renewal / rehabilitation expenditure as a percentage of total capital expenditure	100%	100%
	<ul style="list-style-type: none"> Amount of asset renewal / rehabilitation expenditure 	R2 096 000	R4 732 948
3.4	Asset renewal / rehabilitation expenditure as a percentage of total depreciation and impairment	23.7%	41%
	<ul style="list-style-type: none"> Amount of depreciation and impairment 	R8 840 000	R11 611 257

		Current year	Previous year
Asset and liability management			
4.1	Total debt / borrowings vs total revenue for the year	59.1%	55.5%
	<ul style="list-style-type: none"> Amount of debt / borrowings Amount of revenue for the year 	R233 376 000 R395 142 000	R224 071 458 R403 776 000
4.2	Current liabilities as a percentage of next year's budgeted resources	56%	56%
	<ul style="list-style-type: none"> Amount of current liabilities Total budgeted income for the next year, excluding employee costs and remuneration of councillors 	R233 376 189 R417 997 840	R224 071 458 R400 344 000
4.3	Net current liability position was realised (total current liabilities exceeded total current assets)	Yes	Yes
	<ul style="list-style-type: none"> Amount of net current asset / (liability) position 	(R199 912 195)	(R202 799 176)
4.4	Net non-current liability position was realised (total non-current liabilities exceeded total non-current assets)	No	No
	<ul style="list-style-type: none"> Amount of net non-current asset / (liability) position 	R87 159 521	R94 599 867
4.5	Net liability position was realised (total liabilities exceeded total assets)	Yes	Yes
	<ul style="list-style-type: none"> Amount of net asset / (liability) position 	(R112 752 674)	(R108 200 309)
4.6	Liquid assets as a percentage of total current liabilities (acid test percentage)	14.3%	9%
	<ul style="list-style-type: none"> Amount of liquid assets 	R33 463 994	R21 272 282
4.7	Current ratio	14.3%	9%
	<ul style="list-style-type: none"> Amount of current assets 	R33 463 994	R21 272 282
4.8	Total debt to total assets ratio	193%	190%
	<ul style="list-style-type: none"> Amount of debts Amount of assets 	R233 376 189 R120 623 515	R224 071 458 R115 871 149
Cash management			
4.9	Year-end bank balance was in overdraft	No	No
	<ul style="list-style-type: none"> Amount of year-end bank balance (cash and cash equivalents) / (bank overdraft) 	R32 783 122	R18 428 534
4.10	Cash plus investments less applications	R32 783 122	R18 428 534

		Current year	Previous year
	<ul style="list-style-type: none"> Amount of year-end bank balance (cash and cash equivalents) Amount of total investments (short and long term) Less: amount of cash applications/ commitments 	R32 783 122 R0 (R0)	R18 428 534 R0 (R0)
4.11	Cash coverage	1 month	1 month
	<ul style="list-style-type: none"> Amount of monthly expenditure 	R33 308 000	R32 589 000

ANNEXURE B: PROCUREMENT AND CONTRACT MANAGEMENT

1. We included a summary of our findings and their impact in the section on procurement and contract management. This annexure provides the detailed findings.

Audit limitations

2. Not all information we required to perform our audit of procurement processes, contract management and payments was provided.

Information not provided for auditing

Item selected for auditing	Information not provided	Value	Reason provided by management	Material non-compliance
Pricewaterhouse Coopers: Baud Asset Management System	Contract	N/A	None	Yes
Rafique Baba Attorney: Verifications, registration and transfers of individual ervens in Sebokeng and Evaton	Contract	R2 736 for verifications per property R2 052 for registration and transfer per property	None	Yes
Quidity	Monthly registers to monitor contract performance	R11 365.40 monthly license fee	None	Yes
Amysa Stationers	Monthly registers to monitor contract performance	On-demand budget R800 000	None	Yes
Palmerton Cartridges	Monthly registers to monitor contract performance	On-demand budget R800 000	None	Yes
Mulilavhathu Trading	Monthly registers to monitor contract performance	On-demand budget R800 000	None	Yes
Diamond Corner	Monthly registers to monitor contract performance	On-demand budget R400 000	None	Yes
Futuris Security Monitoring Systems	Monthly registers to monitor contract performance	R27 780.00	None	Yes
Silver Lake Trading 305 (PTY) LTD T/A Oplulentia	Monthly registers to monitor contract performance	R1 530 865.00 VAT Included	None	Yes

Item selected for auditing	Information not provided	Value	Reason provided by management	Material non-compliance
PricewaterhouseCoopers	Monthly registers to monitor contract performance	Based on quotation if the system requires maintenance	None	Yes
TS4 Innovations (PTY) LTD	Monthly registers to monitor contract performance	R480 000	None	Yes
Freshmark Systems	Monthly registers to monitor contract performance	Rates based	None	Yes
Rafique Baba Attorneys	Monthly registers to monitor contract performance	R2 736 for verifications per property R2 052 for registration and transfer per property	None	Yes
Futuris Security Monitoring Systems	Monthly registers to monitor contract performance	R27 780.00	None	Yes
JMP Security Solutions	Monthly registers to monitor contract performance	R8 907 858.96	None	Yes
Vaal Triangle Fire Services	Monthly registers to monitor contract performance	Price per item as needed as per SLA	None	Yes

- Impact:** The non-submission of the required information place a limitation of scope on the audit and may result in material non-compliance to be reported in the audit report.
- The procurement and contract management remains concerning at the municipality as the same findings repeat year on year and irregular expenditure increasing for existing and new contracts awarded. A further concern is the lack of consequence management within the municipality as the UIFW identified are not being investigated.

Deviations

- Supply chain management legislation and policy prescribe the processes that apply when procuring specific goods and services as well as their threshold values, including competitive bidding, obtaining quotations or participating in transversal contracts. It also defines the requirements for deviating from the prescribed processes. We identified deviations where the stipulated requirements for such deviations were not complied with.

Findings on deviations from prescribed procurement processes

Contract/quotation	Value and date of award	Finding	Material non-compliance
Supply Of Sleeveless Jackets for HIV Wbe	Value: R53 680 Date: September 2023	The procurement of goods was deliberately split into parts or items of lesser value merely to avoid complying with the requirements of the SCM policy/ SCM regulations.	Yes

Contract/quotation	Value and date of award	Finding	Material non-compliance
Supply And Delivery Of Mens And Female Feltongolfers For HIV Wbe	Value: R69 440 Date: September 2023	The procurement of goods was deliberately split into parts or items of lesser value merely to avoid complying with the requirements of the SCM policy/ SCM regulations.	Yes
Supply And Delivery Of Back Packs For HIV Wbe'S	Value: R34 018 Date: September 2023	The procurement of goods was deliberately split into parts or items of lesser value merely to avoid complying with the requirements of the SCM policy/ SCM regulations.	Yes
Hydro Flask Water Bottle For HIV Wbe'S	Value: R16 100 Date: September 2023	The procurement of goods was deliberately split into parts or items of lesser value merely to avoid complying with the requirements of the SCM policy/ SCM regulations.	Yes
Sun Hat For HIV Wbe'S	Value: R21 850 Date: September 2023	The procurement of goods was deliberately split into parts or items of lesser value merely to avoid complying with the requirements of the SCM policy/ SCM regulations.	Yes
Supply Plastic Name Tags For HIV	Value: R4 140 Date: September 2023	The procurement of goods was deliberately split into parts or items of lesser value merely to avoid complying with the requirements of the SCM policy/ SCM regulations.	Yes
Advert : senior manager ,CFO and ED: comsize: 20*4black and white	Value: R24 196 Date: April 2023	The procurement of goods was deliberately split into parts or items of lesser value merely to avoid complying with the requirements of the SCM policy/ SCM regulations.	Yes

Competitive bidding and quotation processes

6. Supply chain management legislation and policy prescribe the manner in which bidding and quotation processes should be performed to enable fair, competitive and equitable procurement. We identified non-compliance with the requirements for the competitive bidding process.

Findings on competitive bidding process

Finding	Value	Instances	Material non-compliance	Prior years reported	
				2022-23	2021-22
Management did not implement effective controls to ensure that the bidding process was fair, transparent, and competitive as non-compliant bidders were not disqualified from the bidding process, thus non-compliance with section 112 (1) of the Municipal Supply Chain Management Act (MFMA)	As per pricing schedule	1	No	√	N/A
Management did not implement effective controls to ensure that the bidding process was fair, transparent, and competitive as non-compliant bidders were not disqualified from the bidding process, thus non-	R279 777	1	No	√	N/A

Finding	Value	Instances	Material non-compliance	Prior years reported	
				2022-23	2021-22
compliance with section 112 (1) of the Municipal Supply Chain Management Act (MFMA)					
Management did not implement effective controls to ensure that the bidding process was fair, transparent, and competitive as non-compliant bidders were not disqualified from the bidding process, thus non-compliance with section 112 (1) of the Municipal Supply Chain Management Act (MFMA)	R512 401	1	No	√	N/A

Findings on quotation process

Finding	Value	Instances	Material non-compliance	Prior years reported	
				2022-23	2021-22
None					

7. **Impact:** The findings identified resulted in irregular expenditure.
8. The procurement and contract management remains concerning at the municipality as irregular expenditure is increasing for existing and new contracts awarded. A further concern is the lack of consequence management within the municipality as the UIFW identified are not being investigated.

Contract management

9. Supply chain management legislation and policy prescribe the manner in which contracts should be managed to ensure that payments are only made for goods and services that have been received and that have been delivered at the right quality. We identified non-compliance with these requirements.

Findings on contract management

Finding	Value	Instances	Material non-compliance	Prior years reported	
				2022-23	2021-22
The performance of the contractor/ provider was not monitored on a monthly basis and therefore non-compliance with MFMA sec 116(2)(b).	Rate and fixed amounts	14	Yes	√	√
There are no contract performance measures in place to ensure effective contract management and therefore non-compliance with MFMA sec 116(2)(c)(ii).	Rate and fixed amounts	14	Yes	√	√

10. **Impact:** The findings identified resulted in material non-compliance that will be reported in the audit report.
11. The procurement and contract management remains concerning at the municipality as irregular expenditure is increasing for existing and new contracts awarded. A further concern is the lack of consequence management within the municipality as the UIFW identified are not being investigated.

Conflict of interest

12. We assessed the interests of officials and councillors and other persons in service of the state in the suppliers to the municipality. The supply chain management regulations prohibit awards to suppliers where there could be conflict of interest. We identified such interests.

Interests identified

Type of interest	Value of awards made	Instances	Prior years reported	
			2022-23	2022-2021
Awards made to supplier in service of the state – No MBD forms obtained, thus non-compliance with supply chain management regulation 13 (c)	R22 181	1	√	√

13. We did not identified further non-compliance in the procurement process for the identified awards.
14. We also assessed the interests of close family members of officials and councillors in the suppliers to the municipality. Procurement legislation does not prohibit awards to such suppliers, but we performed testing to ensure that conflicts of interest did not result in contracts being unfairly awarded or in unfavourable price quotations being accepted, and to share the information with management as potential risks. We did not identify such interests.

Interests identified

Type of interest	Value of awards made	Instances	Prior years reported	
			2022-23	2022-2021
None				

Internal control and recommendations

15. We identified significant internal control deficiencies, which caused the weaknesses in the procurement and contract management processes as reported.

Significant internal control deficiencies – procurement and contract management

Internal control deficiency	Prior years reported	
	2022-23	2021-22
Management did not adequately review and monitor compliance with applicable laws and regulations. As a result, irregular expenditure was incurred by the municipality.	√	√

Internal control deficiency	Prior years reported	
	2022-23	2021-22

16. We made recommendations to improve the procurement and contract management process to the accounting officer and CFO in senior management. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – procurement and contract management

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: The Accounting officer should ensure that relevant officials of the municipality are adequately trained and made aware of all the applicable laws and regulations that need to be complied with.</p> <p>Response: Management agrees with the recommendation</p>	2020-21	In progress
<p>Recommendation: Management should ensure that contract performance measures are in place to ensure effective contract management and develop a compliance checklist in order to ensure that all compliance criteria are monitored and tracked during the contract management.</p> <p>Response: Management agrees with the recommendation</p>	2020-21	In progress
<p>Recommendation: Management should ensure that bids are evaluated in accordance with the terms of reference.</p> <p>Response: Management agrees with the recommendation</p>	2022-23	In progress

17. Investigations on irregular expenditure incurred by the district municipality have not been initiated for a number of years. This has led to the increase in irregular expenditure over the years as no official is held accountable.

ANNEXURE C: ASSESSMENT OF INTERNAL CONTROL




- This annexure provides our assessment of the main internal controls in the areas of **leadership, financial and performance management**, and **governance** that should enable credible financial statements and performance reports and compliance with legislation.
- The assessments are rated as follows:

	The required preventative or detective controls were in place.
	Progress was made in implementing preventative or detective controls, but improvement is still required or actions taken were not sustainable.
	Internal controls were 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.

- Movement from the previous year is shown as follows:

	Improvement		Regression		Unchanged
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Internal control assessment

	Financial statements		Performance reporting		Compliance with legislation	
	Current	Previous	Current	Previous	Current	Previous
Leadership						
Provide effective leadership based on a culture of honesty, ethical business practices and good governance, and protect and enhance the interests of the entity						
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						

	Financial statements		Performance reporting		Compliance with legislation	
	Current	Previous	Current	Previous	Current	Previous
Establish and implement an information technology governance framework that supports and enables the business, delivers value and improves performance					N/A	N/A
Financial and performance management	▶		▶		▶	
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 of 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						
Design and implement formal controls over information technology systems to ensure the reliability of the systems and the availability, accuracy and protection of information relating to user access management, programme change control and service continuity			N/A	N/A	N/A	N/A
Governance	▶		▶		▶	
Implement appropriate risk management activities to ensure that regular risk assessments, including considering information technology risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored						
Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively						
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						

ANNEXURE D: SUMMARY OF DETAILED AUDIT FINDINGS

1. This annexure summarises the findings that were communicated to management during the audit. The detailed findings are available on request.
2. The findings are rated as follows:

	Matters that will be reported in the auditor's report and should be addressed urgently
	Matters that should be addressed to prevent material misstatements in the financial statements or material findings on the annual performance report and compliance with legislation in future; also includes matters that significantly affected auditee performance
	Matters that do not have a direct impact on the audit outcome or a significant impact on auditee performance, but were communicated to assist with improving processes and mitigating risks

Summary of audit findings

Finding	Rating	Classification					Number of times reported in previous two years
		Financial	Performance	Compliance	Internal control	Delivery	
Financial Statements							
Differences noted on the annual financial statements – CoAF No.09		√					2
Non-compliance with Circular 68 – CoAF No.10		√					2
Non-compliance with disclosure requirements of GRAP 24 – CoAF.12		√					0
Incomplete disclosure of Contingent Assets based on recommendations as required by Mokhare investigation report – CoAF No.14		√					1

Finding	Rating	Classification					Number of times reported in previous two years
		Financial	Performance	Compliance	Internal control	Delivery	
Usefulness of the receivables from exchange transactions note and overstatement of contingent assets – CoAF No.15		√					1
Risk Management – CoAF No.16		√					0
Disclosure of accounting policy – CoAF No.21		√					0
Expenditure recognised in the incorrect accounting period – CoAF No.24		√					0
Non-compliance with GRAP 18 segment reporting disclosure requirements – CoAF No.27		√					2
Contingent liabilities – CoAF No.35		√					0
Audit of Predetermined Audit Objectives							
Material misstatements identified in the annual performance report – CoAF No.01			√				2
Performance indicator is not time bound as required by FMPPi – TIE cluster - CoAF No.01			√				2
Performance indicators are not measurable as required by FMPPi – TIE cluster - CoAF No.01			√				2
Discrepancies not in line with Section 46 of Municipal System Acts relating to presentation and disclosure of reported performance information – TIE cluster - CoAF No.01			√				2
Performance indicator's not well defined and measurable as required by FMPPi – TIE Cluster - CoAF No.01			√				2

Finding	Rating	Classification					Number of times reported in previous two years
		Financial	Performance	Compliance	Internal control	Delivery	
Compliance							
Revised SDBIP not approved by council – CoAF No.02				√			1
Unfunded budget – CoAF No.03				√			2
Expenditure management (Unauthorised expenditure) – CoAF No.04				√			2
Expenditure management (Irregular expenditure) – CoAF No.05				√			2
The audit committee did not meet at least four times a year – CoAF No.06				√			0
Audit Committee - Non-compliance with Circular 65 – CoAF No.07				√			2
SCM Supplier in Service of State – CoAF No.08				√			2
No investigations were conducted for identified instances of unauthorized and irregular expenditure – CoAF No.11				√			2
No investigations were conducted for identified instances of unauthorized and irregular expenditure for the 2020/21 balances – CoAF No.13				√			2
Non-compliance with MFMA sec 112 – Competitiveness – CoAF No.17				√			2
Utilisation of conditional grant management – CoAF No.18				√			2
No disciplinary steps taken against liable officials as required by Mokhare investigation report – CoAF No.19				√			2
Non - Compliance with MFMA sec 112- Fairness – CoAF No.20				√			2
Risk committee – CoAF No.22				√	√		0

Finding	Rating	Classification					Number of times reported in previous two years
		Financial	Performance	Compliance	Internal control	Delivery	
Expenditure Management - Payments not made within 30 days – CoAF No.23				√			2
Misstatement of the deviations register – CoAF No.29				√			2
Non-compliance with CIDB Regulations – CoAF No.31				√			0
Contract Management - Expenditure identified as a result of inadequate and ineffective contract management – CoAF No.32				√			0
Deviations – CoAF No.33				√			2
Non-compliance with SCM (PPR -2022) – CoAF 36				√			0

ANNEXURE E: UPCOMING CHANGES

1. This Annexure lists upcoming changes and events that will potentially affect the preparation of financial statements and annual performance report and compliance with legislation.
2. The municipality should ensure that systems and controls are in place to implement upcoming changes in the accounting standards that could have an impact on future audit outcomes.

Upcoming changes

Description	Audit outcome area	Effective date
GRAP 1 on Presentation of Financial Statements (revised)	Financial statements	1 April 2023
GRAP 25 on Employee benefits (revised)	Financial statements	1 April 2023
GRAP 103 on Heritage assets (revised)	Financial statements	To be determined
GRAP 104 on Financial instruments (revised)*	Financial statements	1 April 2023
IGRAP 7 on The limit on a defined benefit asset, minimum funding requirements and their interaction (revised)	Financial statements	1 April 2023
IGRAP 21 on The effect of past decisions on materiality	Financial statements	1 April 2023
Guideline on Accounting for landfill sites	Financial statements	1 April 2025

* GRAP 104 (revised) was substantially changed. As a result, an entity may not use the revised version to formulate accounting policies alone. GRAP 104 (revised) must be adopted and applied in totality, partial adoption or application is not permitted.

ANNEXURE F: LEGISLATION

1. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003 (MFMA)	MFMA 122(1) MFMA 122(2) MFMA 126(1)(a) MFMA 126(1)(b) MFMA 127(2) MFMA 127(5)(a)(i) MFMA 127(5)(a)(ii) MFMA 129(1) MFMA 129(3) MFMA 133(1)(a) MFMA 133(1)(c)(i) MFMA 133(1)(c)(ii) MFMA 11(1) MFMA 15 MFMA 29(1) MFMA 29(2)(b) MFMA 62(1)(d) MFMA 65(2)(a) MFMA 65(2)(b) MFMA 65(2)(e)
	MFMA 13(2) MFMA 14(1) MFMA 14(2)(a) MFMA 14(2)(b) MFMA 63(2)(a) MFMA 63(2)(c) MFMA 53(1)(c)(ii) MFMA 1 Definition of SDBIP MFMA 72(1)(a)(ii) MFMA 24(2)(c)(iv)

Legislation	Sections or regulations
	MFMA 54(1)(c) MFMA 1 - paragraphs (a), (b) & (d) of the definition: irregular expenditure MFMA 32(2) MFMA 32(2)(a) MFMA 32(2)(a)(i) MFMA 32(2)(a)(ii) MFMA 32(2)(b) MFMA 32(6)(a) MFMA 32(7) MFMA 170 MFMA 171(4)(a) MFMA 171(4)(b) MFMA 95(a) MFMA 112(I)(iii) MFMA 112(1)(j) MFMA 116(2)(b) MFMA 116(2)(c)(ii) MFMA 117
LG: MFMA: Municipal budget and reporting regulations, 2009	Regulations 71(1) 71(2) 72
LG: MFMA: Municipal investment regulations, 2005	Regulations 3(1)(a) 3(3) 6
	7 12(2) 12(3)
LG: MFMA: Municipal regulations on financial misconduct procedures and criminal proceedings, 2014	Reg 5(4) 6(8)(a) 6(8)(b) 10(1)
LG: MFMA: Municipal supply chain management (SCM) regulations, 2017	Regulation 5 12(1)(b) 12(1)(c) 12(3)

Legislation	Sections or regulations
	13(b) 13(c) 13(c)(i) 16(a) 17(1)(a) 17(1)(b) 17(1)(c) 19(a) 21(b) 22(1)(b)(i) 22(2) 27(2)(a) 27(2)(e) 28(1)(a)(i) 28(1)(a)(ii) 29(1)(a) and (b) 29(5)(a)(ii) 29(5)(b)(ii) 32 36(1) 38(1)(c) 38(1)(d)(ii) 38(1)(e) 38(1)(g)(i) 38(1)(g)(ii) 38(1)(g)(iii) 43
	44 46(2)(e) 46(2)(f)
Municipal Systems Act 32 of 2000 (MSA)	MSA 29(1)(b)(ii) MSA 27(1) MSA 29(2)(a) MSA 29(2)(c) MSA 42 MSA 25(1) MSA 26(a) MSA 26(c) MSA 26(i)

Legislation	Sections or regulations
	MSA 26(h) MSA 41(1)(a) MSA 43(2) MSA 41(1)(b) MSA 34(a) MSA 41(1)(c)(ii) MSA 34(b) MSA 38(a) MSA 93B(a) MSA 93B(b) MSA 93C(a)(iv) MSA 93C(a)(v) MSA 57(6)(a) MSA 56(a) MSA 66(1)(b) MSA 66(1)(a) MSA 67(1)(d) MSA 57(2)(a) MSA 57(4B)
LG: MSA: Municipal planning and performance management regulations, 2001	Reg 15(1)(a)(i) 2(1)(e) 2(3)(a) 9(1)(a) 10(a) 12(1) 3(4)(b)
	15(1)(a)(ii) 3(5)(a) 3(3) 8 7(1)
LG: MSA: Municipal performance regulations for municipal managers and managers directly accountable to municipal managers, 2006	Regulations 2(3)(a) 4(4)(b) 8(1) 8(2) 8(3)
LG: MSA: Regulations on appointment and conditions of employment of senior managers, 2014	Regulations 36(1)(a)

Legislation	Sections or regulations
	17(2)
LG: MSA: Disciplinary regulations for senior managers, 2011	Reg 5(2) 5(3) 5(6) 8(4)
Annual Division of Revenue Act (Dora)	Dora 11(6)(b) Dora 12(5) Dora 16(1) Dora 16(3)
Construction Industry Development Board Act 38 of 2000 (CIDB)	CIDB Act section 18(1)
CIDB regulations	CIDB regulation 17 CIDB regulation 25 (7A)
Municipal Property Rates Act 6 of 2004 (MPRA)	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)	PPPFA Section 2(1)(a) PPPFA Section 2(1)(f)
Preferential procurement regulations (PPR), 2011	PPR 2011 4(1) PPR 2011 4(3) PPR 2011 4(4) PPR 2011 4(5) PPR 2011 5(1) PPR 2011 5(2) PPR 2011 5(3) PPR 2011 5(5) PPR 2011 6(1)
	PPR 2011 6(2) PPR 2011 6(3) PPR 2011 6(5) PPR 2011 6(4) PPR 2011 7(1) PPR 2011 10 PPR 2011 11(2) PPR 2011 11(4) PPR 2011 11(5) PPR 2011 11(8)
Preferential procurement regulations (PPR), 2017	PPR 2017 5(1) PPR 2017 5(3)

Legislation	Sections or regulations
	PPR 2017 5(6) PPR 2017 5(7) PPR 2017 6(1) PPR 2017 6(2) PPR 2017 6(3) PPR 2017 6(5) PPR 2017 6(6) PPR 2017 6(8) PPR 2017 7(1) PPR 2017 7(2) PPR 2017 7(3) PPR 2017 7(5) PPR 2017 7(6) PPR 2017 7(8) PPR 2017 8(2) PPR 2017 8(5) PPR 2017 9(1) PPR 2017 10(1) PPR 2017 10(2) PPR 2017 11(1)
Prevention and Combating of Corrupt Activities Act 12 of 2004 (Precca)	Precca 34(1)