

# APPENDICES

## APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2012/2013

Municipal Audit Committee Recommendations		
Date of Committee	Committee Recommendation during the year	Recommendations adopted (enter yes), If not adopted (provide explanations)
17 August 2012	2	Yes
30 November 2012	5	Yes
18 January 2013	3	Yes
22 March 2013	5	Yes
26 April 2013	2	Yes
31 May 2013	2	Yes
30 June 2013	3	Yes

27 January 2014

The Speaker

Buffalo City Metro Municipality

East London

Dear Speaker

**Audit Committee Report to Buffalo City Metropolitan Council**

I am pleased to present the report of the Audit Committee for your review.

The Audit Committee as appointed by the Council has met *9 times* since our last report to you. The information contained in this report was derived from the actions and activities of the Audit Committee during this period.

The audit committee is concerned about the slow pace that has been followed by the institution in filling the vacancies in the committee.

We thank management and staff for the assistance afforded to us in providing information that we have used in preparing this report. If you have any queries pertaining to the content of this document, or any other matter, please do not hesitate to contact me.

Yours faithfully

A handwritten signature in black ink, appearing to be 'V Pangwa', with a large, stylized flourish at the end.

**Mr V Pangwa CA (SA)**  
Chairperson  
Audit Committee  
Buffalo City Metro Municipality

## **1. PURPOSE:**

The main aim of this report is to inform and advise the Council as required in terms of S166 of the Municipal Finance Management Act (MFMA)

## **2. INTRODUCTION.**

The Audit Committee is an independent advisory body to the Council. The submission of this report is to enable the Audit Committee to engage with Management on the issues raised in the report for the purpose of providing Council with input in terms of S 166(2) (c) of the MFMA.

The committee has considered the Report of the Auditor General on the Consolidated Financial Statements and Performance information of Buffalo City Metro Municipality for the year ended 30 June 2013, as read with the report of the City Manager to the Audit Committee meeting held on 22 January 2014. The committee has noted the absence of a detailed action plan that allocates responsibility and timeframes.

The Auditor General (AG) report indicates a Qualified opinion and it should be noted that this report reflects an improvement compared to the previous financial period as there are fewer issues that gave rise to this opinion this year compared to last year.

## **3. CONSIDERATION OF THE AG REPORT**

The Committee has noted the improved audit opinion although it is still unimpressive for the Metro and records a concern regarding the findings of the AG.

The main issues that have resulted in the Qualified opinion are set out hereunder:

1. Property Plant and Equipment
2. Irregular Expenditure

## **4. ROOT CAUSES OF THE QUALIFIED OPINON**

The committee has noted that the main reasons for the Qualified opinion are the following:

1. Inadequate internal control process and Inadequate implementation of internal control processes.
2. Lack of timeous implementation of resolutions taken.
3. Lack of implementation of the municipality's Supply Chain Management (SCM )policy
4. Lack of stability in senior leadership and the poor relationship between political and administrative leadership.
5. Inadequate capacity and skills especially in SCM

## 6. Lack of Commitment and Performance Management Culture

### **4.1.1. Inadequate internal control process and inadequate implementation of internal control processes**

Internal controls are vital organs of any healthy institution hence its of vital importance that systems be set up to record and monitor all legal and compliance matters on a continuous basis. Regular reconciliations and reporting are some of the control mechanisms that assist in detecting and rectifying problems early. Of concern to the committee is the irregular expenditure. It's necessary that a system be developed to record and report on this regularly and appropriate action taken to deal with any non-compliance identified.

Most of the findings of the AG are as a result of the inability of the municipality to develop monitor and implement the internal control system.

### **4.1.2. Lack of timeous implementation of resolutions taken.**

A council resolution was taken to operationalize the BCDA and more than two years later this has not happened.

The audit committee has a vacancy that has not been filled for more than a year.

### **4.1.3 Lack of implementation of the municipality's SCM policy**

Irregular expenditure was not adequately disclosed, however it should be noted that an effort was done to manually identify this irregular expenditure at year end although it is advisable that this be done on a continuous basis. In addition the municipality was unable provide sufficient appropriate evidence to confirm compliance with its SCM requirements. It's of material concern to the committee that management has not been able to act prudently in this regard.

### **4.1.4 Lack of stability in senior leadership**

The inability to permanently fill the key leadership positions is a challenge that must be immediately addressed. The vacancies contribute towards the weakening of the internal control environment in the municipality. There seems to be a very poor working relationship between the political and administrative leadership which must be urgently addressed.

### **4.1.5 Inadequate skills, Capacity and Performance management culture.**

There seems to be lack of necessary capacity and skills in the SCM departments as evidenced by the AG report The institution has outside consultants that have assisted to achieve the current audit opinion however there are still vacancies in the organogram hence the skills transfer will be impractical.

The institution has no performance contracts for senior managers as required by section 57(2) (a) of MSA.

#### **4.2. Emphasis of matter**

The committee has noted with concern the matters raised by the AG that may affect the opinion if they are left unattended going forward.

#### **4.3 Predetermined Objectives**

The presentation and reporting on performance information is of great concern to the committee although the AG has not started to express an opinion on this. The council is advised that issues that have been raised by the AG need to be attended to, to avoid any negative opinion from the AG especially in the 2013/2014 financial year

### **5. RECOMMENADTIONS**

Aftercare full consideration of the matters that have been raised above the Committee  
Recommends the following:

1. The report of the AG on the Consolidated Financial Statements of the Buffalo City Metropolitan Municipality for the year ended 30 June 2013 be accepted by Council
2. The Council must note with concern the Qualified opinion as contained in the Report of Auditor General
3. That the Council notes the comments by management as set out in the report to the Audit committee held on 22 January 2014 and in noting the comments record that a detailed action plan has not been presented to the audit committee hence it must be submitted as a matter of urgency.
4. MPAC together with the, Executives , AG in liaison with the Internal Audit and Audit Committee monitor the implementation of the actions to be put in place by management in dealing with the AG report and report to council on a regular basis.
5. Each directorate that has contributed in the qualified opinion must be part of a team that will assist in resolving the issues as raised by the AG especially in supply chain and irregular expenditure.
6. That the internal control system within the Metro be reviewed with supervision and monitoring controls enforced and appropriate action taken for non-compliance
7. That the process used to record and identify irregular, fruitless and wasteful expenditure, be reviewed and corrective action taken.
8. That the AG will be expressing an opinion on the performance information in 2013/2014 hence a need to adequately put the necessary systems in place now to effectively report the information correctly.
9. The council should consider a detailed forensic investigation for supply chain and revenue management.
10. A skills and competence assessment must be undertaken to assist management in capacitating those that have gaps and the institutional organogram be finalised and filled with the relevant skilled personnel.

11. Implementation of a technology system that is configured with a checklist that will proactively prevent incurring any wasteful expenditure.
12. A clear and final decision must be taken around the entity BCDA.
13. A Concerted effort by Council to take resolutions with clear time frames to deal with the above recommendations.

ou	Finding	Number of times reported in previous 3 years	Status of implementation of previous year(s) recommendation	Audit finding	Internal Control Deficiency	Recommendation	Management Response	Action Plan	Action Date	Responsible Official	Responsible Senior Official
<b>Cash and cash equivalents</b>											
315	Cash and cash equivalent: No supporting evidence for cash on hand disclosed in the Annual Financial Statements (EX.104)	Year 1	In progress	There is not supporting evidence for cash on hand disclosed in the AFS amounting to R3 338 127. No supporting schedules or evidence was provided as part of the working paper file when the annual financial statements were submitted for audit. On discussion with management different explanations were given by different parties and no supporting evidence could be provided.	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	Management should ensure that proper recording and filling of records supporting the amounts disclosed on the annual financial statements.	Exception 104 is interlinked to exception 45. The corrections done in exception 45 will also correct the cash on hand balance. The balance of cash on hand will represent petty cash.	Work performed prior to finalisation of the AFS. The audit finding of the cash and cash equivalent was a result of incorrect classification. An adjustment will be done to the 2013/14. The action plan is to review the disclosure with Asset and Risk.	30-Aug-14	V. Mbatha - (General Manager: LED, Tourism and Rural Development)	N. Mbuli-Majeng - (Director: Land Development and Planning)
<b>Commitments</b>											
317	Capital commitments: Inaccurate calculation of commitment (EX 112)	All three years	In progress	During the audit of commitments disclosure for the financial year 30 June 2013 the following was noted. 1) The following cross casting errors were noted on the commitment register. 2) The following duplicate commitments were noted on the commitment register. 3) The following duplicated commitment was not with a difference commitment value. 4) The following commitments were recalculated based on the contract value and payments made and voted the following differences.	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.	Internal controls must be developed to govern the monitoring and managing of the contract register and resulting commitments	With regard to items where management has agreed with the findings, it should be noted that management continually strives to improve internal controls wherever a control deficiency may be detected. Management has noted the recommendation regarding the development of improved internal controls that govern the monitoring and managing of the contract register and resulting commitments register. Management is in a process of setting the process and strives to implement the allocation and monitoring of responsibilities, initiatives to automate tracking of procurement (through the Project Tracker Projects) processes within EP/IO and Supply Chain Management, together with EDM/S should go a long way to improvements being made in this regard.	AO: 1 Management is implementing the new procurement system which address monitoring and management of the contract and commitment registers	1-Apr-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (GFO).
325	Operating lease liability: Amount paid to lessor does not match the amount stipulated in lease agreement (EX 77)	Year 1	In progress	The amount paid to the lessor (R6, 319,50) is not the amount stipulated in the lease agreement (R12, 602,11), however the smoothing of the lease was calculated using the correct amount on the lease agreement resulting in no misstatement in the financial statements.	Leadership: Exercise oversight responsibility regarding financial and performance reporting and related internal controls	Management should ensure that correct amounts as stipulated in the agreements are paid to the lessor.	Management agrees with the finding. However Buffalo City Metropolitan Municipality paid the amount of R6 319.50 as per the invoice received from the lessor (ECDC). The difference has been queried with the lessor.	To liaise with end-user department and query the difference with the lessor and amend accordingly	Ongoing	E.L. Mqonywa - (GM: Asset and Risk)	V. Pillay - (GFO).
<b>Contingent liabilities</b>											
326	Contingent assets: Incorrect valuation of a contingent assets and unconfirmed values (EX 79)	All three years	In progress	During the audit of contingent assets the following misstatements were identified: 1) The following contingent assets were not accurately disclosed.	Leadership: Exercise responsibility regarding financial and performance reporting and compliance and related internal controls. Financial and performance management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	The municipality should revise their contingent assets disclosure note to ensure that it is accurate. The municipality should ensure that they improve the process of identifying contingent assets. The amounts in the financial statements should be supported by sufficient and appropriate supporting evidence. The costs versus benefit analysis should always be performed when disclosing the contingent assets.	Management does not agree that contingent assets were not accurately disclosed for the simple reason that the amount quoted is based on the value that was paid by the municipality on date of purchase of the asset. The reference to the R2, 5 million relates to legal costs which, in our understanding has no relation to the contingent asset, but constitutes an estimated value for an unrelated item. On review, Management concedes that the R50 000 is for projected legal fees to be incurred as and when incurred therefore not a contingent asset and that the claim of R 515 943, 58 is a contingent asset. The entry was done in error.	Amount of R515 945,58 to be corrected and included within note 47 of the 2013 Annual Financial Statements.	6-Dec-13	Z. Vumazonke - (Legal Advisor)	M. Motlana - (Senior Legal Advisor)

330) Contingent liability: Amount disclosed is not accurate (EX 80)	All three years	In progress	Management have not reviewed all contingent liabilities disclosed for accuracy and included legal fees where necessary.	Financial and performance management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	Management should review the contingent liability note for accuracy and to ensure that amounts disclosed reflect the true nature and extent of the contingent liability.	<p><b>Evaluations Enhanced Property Appraisals (PTY) Ltd/ BCM, Primeland Properties &amp; Others</b></p> <p>The Application proceedings seek to set aside an award for a project with a value as indicated in the reporting schedule. Whilst the Court has not made a decision on the matter, this project value remains a possible liability against the municipality, especially if the Court was to decide to retain the award.</p> <p><b>5-8 (Ex-employee disputes) :</b> The Finance Directorate will be advised to make the necessary adjustments to the contingent liability amounts in the Annual Financial Statements.</p>	<p>Insurance Section to forward a list of all contingent liabilities recorded in the AFS to Legal Services in order for Legal Services to verify and provide any changes.</p> <p>Insurance Section to liaise with Legal Services to establish any contingent liabilities that have arisen during the current financial year.</p> <p>Legal Services to provide insurance Section with a complete list of contingent liabilities.</p>	7 February 2014  Ongoing  Ongoing	Z. Vumazonke (Legal Advisor)	M. Motlana (Senior Legal Advisor)
334) Contingent Liabilities : Contingent liabilities disclosed in the AFS not complete (EX 90)	All three years	In progress	As per the review of the attorney confirmation the following claims/legal fees were not disclosed in the AFS by the municipality. The following contingent liabilities required settlement documents (including proof of payment) to be deemed resolved as disclosed in the financial statements. Management did not reconcile the contingent liability schedule to the legal confirmation.	Leadership: Exercise of responsibility regarding financial and performance reporting and compliance and related internal controls. Financial and performance management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	Management should reconcile the list of contingent liabilities to support documentation and request their own lawyer's confirmation at year end to ensure the completeness of the contingent liabilities disclosed.	<p>The management does not agree that the R60 000 is a contingent liability. The management does not agree that the R40 000 is a contingent liability. The management does not agree that the R300 000 is a contingent liability. The management does not agree that the R120 000 is a contingent liability. The management does not agree that the R20 000 is a contingent liability. The management does not agree that the R120 000 is a contingent liability. The management does not agree that the R50 000 is a contingent liability. The management does not agree that the R1 531,00 is a contingent liability. The management does not agree that the R300 000 is a contingent liability. The management does not agree that the R6 000 is a contingent liability. 13. Etinger and Others- Ratepayers/ The management does not agree that the R1, 5 million is a contingent liability.</p>	<p>Insurance Section to liaise with Legal Services to ensure that Legal Services obtain all lawyers confirmation to ensure completeness of contingent liabilities.</p>	7-Feb-14	Z. Vumazonke - (Legal Advisor)	M. Motlana - (Senior Legal Advisor)
<b>Employee costs</b> 46) Employee related costs: No signed performance agreements for staff other than MM and s57 managers (EX 72)	All three years	In progress	The COGTA/SALGA Guidelines for the Development of a PMS policy Framework in Municipalities issued in August 2011 for employees other than municipal managers and managers directly accountable to municipal managers states that there must be a signed performance agreement by all staff employed by the municipality. There are no signed performance agreements for municipal staff other than the municipal manager and managers directly accountable to municipal managers. The municipality has not yet implemented the COGTA/SALGA Guidelines for the Development of a PMS policy Framework in Municipalities for staff other than municipal manager and section 57 managers. This results in non-compliance with the requirements of COGTA/SALGA Guidelines for the Development of a	Leadership: Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.	Management of the municipality should develop and implement a performance management system for all other employees other than the city manager and section 57 managers and ensure that every employee employed by the municipality signs a performance agreement	<p>The finding of the AG is agreed. However, it is advised that an Employee PMS Framework/Policy was approved by Council on 11 June 2013. A copy of the framework and policy is attached hereto as Annexure D. The implementation of such Employee Performance Management Framework/Policy has commenced within the 2013/14 financial year as a three year project to be implemented as follows:</p> <ul style="list-style-type: none"> <li>• 2013/14: Task grades 15 and upwards</li> <li>• 2014/15: Task grades 8 to 14</li> <li>• 2015/16: Task grades 2 to 7</li> </ul> <p>The abovementioned project will ensure compliance with the requirements of the COGTA/SALGA guidelines so that all employees sign performance agreements.</p>	<p>1) Performance agreements for task grades 15 on wards to be rolled out.</p> <p>2) 1st assessment of 1st 6 months carried out for task grades 15 upwards.</p> <p>3) Roll-out preparation for implementation of performance agreements for task grades 8-14.</p>	1) 31 January 2014 2) 28 February 2014 3) 30 May 2014	M. Mashiya - (Acting GM: Human Resources)	L. Wulff - (Acting Director of Corporate Services)



344	Employee related costs: Incorrect calculation of overtime (EX 115)	All three years	In progress	Differences were found on recalculating overtime hours and amounts paid using attendance registers and pre-approvals	Financial and Performance Management: Implement controls over daily and monthly processing and reconciling of transactions	<p>Management should ensure that:</p> <ol style="list-style-type: none"> <li>1. All attendance controllers and reviewers of overtime are trained in/made aware of the requirements of the BCEA- how overtime hours are calculated.</li> <li>2. When monthly spot checks are performed, hours worked per exception reports are compared to attendance registers and pre-approvals and it is ensured overtime hours are calculated accurately.</li> <li>3. Reviewers of overtime ensure for every hour overtime on the exception report, there is pre-approval. Prior to correcting the factual misstatement, management must implement controls to examine the whole population to identify any further errors relating to incorrect calculation of overtime. Correcting journals must then be processed to ensure that the all errors have been corrected in the population.</li> </ol> <p>To ensure that this finding is not:</p> <ol style="list-style-type: none"> <li>1. Proper planning of overtime is done whereby all staff in the section/directorate is involved and ensure an even spread of overtime throughout the week, limiting overtime to 10 hours per week.</li> <li>2. Hours of more than the allowed 10 hours per week are not automatically treated as emergency overtime; there should be a real emergency.</li> <li>3. Line managers consider shift work in an effort to reduce overtime.</li> </ol>	<p>In order to rectify these problems identified, the additional actions that will be taken are as follows:</p> <ol style="list-style-type: none"> <li>1. A memo will be circulated to all staff whereby they will be reminded of the process to be followed and will be instructed to ensure that all of the prior and/or emergency approval forms as well as the Attendance Registers are attached. They will also be instructed to comply with the calculations of overtime as per the Basic Conditions of Employment Act (a summary of how overtime is to be calculated will be attached).</li> <li>2. Human Resources officials will spot check each month by performing a reconciliation of overtime submitted for payment for different employees from each Department. The reconciliation will determine if the hours have been correctly calculated and if all of the necessary forms have been attached. HR will not submit overtime for payment for those employees where a discrepancy is found but will return the claims to the relevant department to rectify.</li> <li>3. The reconciliations will be checked each month by a senior official in HR and a report will be submitted to Management and the Human Resources Department is currently conducting workshops with all Line Managers and this particular aspect of the difference between planned and emergency overtime is being explained to them. In addition to this, a memorandum will be circulated to all staff to remind them of the process and what can be deemed as emergency overtime. Line Managers will also be advised to ensure that overtime is properly planned, that it is spread amongst employees and that they should consider shift work wherever applicable. The Director of Engineering Services has confirmed that for Mr. Zakhe, this was an administrative error whereby the overtime was submitted on the incorrect form. The District Engineer will ensure more rigorous screening of overtime form submissions to ensure that they are captured on the correct form when they are submitted.</li> </ol> <p>The other three employees mentioned are in the Community Services Directorate. The relevant Line Managers have been advised to ensure that overtime is properly planned and that they must comply with the definition of emergency overtime.</p>	<p>HR will undertake a project to assist departments in recalculating overtime paid to employees over the past three years</p>	Finalisation date : 30 June 2014.	M. Mashiya - (Acting GM: Human Resources)	L. Wulff - (Acting Director of Corporate Services)
349	Employee related costs: Emergency overtime worked that could have been planned (EX 116)	Year 1	In progress	The following employees worked emergency overtime, although the reasons indicated for emergency overtime suggest that this could have been planned overtime:	Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	<p>To ensure that this finding is not:</p> <ol style="list-style-type: none"> <li>1. Proper planning of overtime is done whereby all staff in the section/directorate is involved and ensure an even spread of overtime throughout the week, limiting overtime to 10 hours per week.</li> <li>2. Hours of more than the allowed 10 hours per week are not automatically treated as emergency overtime; there should be a real emergency.</li> <li>3. Line managers consider shift work in an effort to reduce overtime.</li> </ol>	<p>The Human Resources Department is currently conducting workshops with all Line Managers and this particular aspect of the difference between planned and emergency overtime is being explained to them. In addition to this, a memorandum will be circulated to all staff to remind them of the process and what can be deemed as emergency overtime. Line Managers will also be advised to ensure that overtime is properly planned, that it is spread amongst employees and that they should consider shift work wherever applicable. The Director of Engineering Services has confirmed that for Mr. Zakhe, this was an administrative error whereby the overtime was submitted on the incorrect form. The District Engineer will ensure more rigorous screening of overtime form submissions to ensure that they are captured on the correct form when they are submitted.</p> <p>The other three employees mentioned are in the Community Services Directorate. The relevant Line Managers have been advised to ensure that overtime is properly planned and that they must comply with the definition of emergency overtime.</p>	<p>Additional follow up workshops will be conducted with Line Managers from all Directorates</p>	31-Jan-14	M. Mashiya - (Acting GM: Human Resources)	L. Wulff - (Acting Director of Corporate Services)

353	Employee related costs: Over/underpayments upon death (EX 144)	Year 1	<p>In progress</p> <p>The following over- and underpayments after death were included through recalculation of salary (including long service allowance) to be paid in the month of death per calculation and information on termination forms, employee files and calculation sheets from salaries and wages section:</p> <ol style="list-style-type: none"> <li>The employee was paid 23 days instead of 22 days in the month he died. (refer point 1 in table below)</li> <li>The employee was not paid the nine days in the month he died. (Refer point 2 in table below)</li> <li>The employee was not paid the one day in the month he died. (Refer point 3 in table below)</li> <li>The 13 days the employee did not work, to be deducted in the month he died, were incorrectly calculated. (Refer point 4 in table below)</li> <li>The employee was paid nine instead of 8 days in the month he died. (refer point 5 in table below)</li> </ol>	<p>Financial and Performance Management: Implement monthly processing and reconciling of transactions</p> <p>1. The review of termination documents is enhanced, for instance, redesign the termination and calculation forms so that reviewers must sign and date that calculations were reviewed and correct and that date of death was compared to death certificate.</p> <p>2. HR and salaries and wages sections are timeously informed of deaths.</p> <p>3. Salaries are only taken off the system after all steps and procedures relating to the death were finalised (management could consider creating a checklist of all that must be done before salary can be taken off the system, and only once all steps on checklist were done should salary be removed from the system)</p> <p>For the overpayments identified, debtors should be raised and the money be recovered.</p>	<p>Management should implement controls to ensure that:</p> <p>1. The review of termination documents is enhanced, for instance, redesign the termination and calculation forms so that reviewers must sign and date that calculations were reviewed and correct and that date of death was compared to death certificate.</p> <p>2. HR and salaries and wages sections are timeously informed of deaths.</p> <p>3. Salaries are only taken off the system after all steps and procedures relating to the death were finalised (management could consider creating a checklist of all that must be done before salary can be taken off the system, and only once all steps on checklist were done should salary be removed from the system)</p> <p>For the overpayments identified, debtors should be raised and the money be recovered.</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p> <p>In terms of section 14.6 of the South African Local Government Bargaining Code Collective Agreement (SALGBCCPCA):</p> <p>The suspension or utilisation in another capacity of the employee shall be for a fixed and pre-determined period and shall not exceed a period of three (3) months.</p> <p>The following suspension cases were not finalised within three months:</p>	<p>In order to rectify these errors the following actions will be taken:</p> <ol style="list-style-type: none"> <li>The termination form will be amended so that senior officials in both Human Resources and Finance will be required to confirm that the date of death corresponds to the death certificate and that the employee has been paid correctly up to the date of death.</li> <li>A checklist will be attached to the termination form whereby officials will be required to check and sign to confirm that the salary has only been removed after the employee's salary has been calculated up to the date of death and that the payment has been correctly calculated</li> <li>The identified overpayments will be recovered and payments will be made to those employees who have been underpaid</li> <li>Human Resources is currently conducting workshops with all Line Managers and the importance of immediately notifying HR of all employee terminations has been emphasized. A memorandum will also be circulated to all Line Managers to remind them that they are required to do this and that they may be liable for any irregular expenditure that may arise from such non-compliance should they fail to comply with the 3 month timeframe set in the SALGBCC disciplinary code is agreed. It is, however, advised that the non-compliance is due to factors largely beyond the control of management, such as participants in the hearing process booking off sick, requests for disclosure of information by unions or accused which have to be actioned before cases can commence or continue, a need for further investigation of facts surrounding the case in order to prosecute such case successfully etc. With regards to the AG's recommendations, it is advised that the above factors effectively prevent management from compliance in all cases. Disciplinary action is a precautionary step taken by management with a view to, inter alia: <ol style="list-style-type: none"> <li>Protection of Council's witnesses and evidence</li> <li>Protection of council's assets from further theft or harm</li> <li>Facilitate further investigation of possible charges without interference</li> </ol> Due to its precautionary nature, it is not always possible to only suspend staff once sufficient evidence to secure a dismissal has been </li> </ol>	<p>New termination process to be followed and monitored by HR</p>	<p>1) Termination process to be implemented by 31 January 2014. 2) Recoveries to commence by 28 February 2014.</p>	<p>M. Mashiya - (Acting GM: Human Resources)</p>	<p>L. Wulff - (Acting Director of Corporate Services)</p>
356	Employee related costs: Compliance- suspensions not finalised within 90 days (EX 146)	Year 2	<p>In progress</p>	<p>Management should ensure that suspension do not go unresolved for periods longer than three months by prioritising the disciplinary hearings and ensuring that employees are only suspended if they have sufficient evidence to ensure an eventual dismissal. The suspensions listing needs to be reviewed regularly to ensure any unnecessary delays are identified to ensure corrective actions can be put in place.</p>	<p>The finding of the AG regarding non-compliance with the 3 month timeframe set in the SALGBCC disciplinary code is agreed. It is, however, advised that the non-compliance is due to factors largely beyond the control of management, such as participants in the hearing process booking off sick, requests for disclosure of information by unions or accused which have to be actioned before cases can commence or continue, a need for further investigation of facts surrounding the case in order to prosecute such case successfully etc. With regards to the AG's recommendations, it is advised that the above factors effectively prevent management from compliance in all cases. Disciplinary action is a precautionary step taken by management with a view to, inter alia: <ol style="list-style-type: none"> <li>Protection of Council's witnesses and evidence</li> <li>Protection of council's assets from further theft or harm</li> <li>Facilitate further investigation of possible charges without interference</li> </ol> Due to its precautionary nature, it is not always possible to only suspend staff once sufficient evidence to secure a dismissal has been </p>	<p>1). Suspensions will be monitored on a month to month basis in order to ensure that they do not exceed 90 days. 2). Labour Relations Improvement Project has been implemented and whereby 2 LR Practitioners and an Admin Assistant have been appointed from September 2013 to assist with the backlog for the period of 12 months.3). Suspension cases will be prioritized to ensure that employees are charged within the 1st month of suspension and delays identified are recorded. 4). All Labour Relations Practitioners will be attending Payday HR Module training which will ensure integration and proper management of disciplinary cases.5) Labour Relations will be implementing the Outlook reminder system whereby all these current suspensions will be registered to show the status of the suspension from 30 days and 90 days and more.</p>	<p>On-going</p>	<p>M. Mashiya - (Acting GM: Human Resources)</p>	<p>L. Wulff - (Acting Director of Corporate Services)</p>		

358	Employee related costs: Compliance- MEC approval not obtained for acting periods exceeding 6 months (EX 147)	Year 2	In progress	<p>In terms of section 56(1)(c) of the Municipal Systems Act (MSA):</p> <p>(c) A person appointed in terms of paragraph (a) (i) may not be appointed to act for a period that exceeds three months; Provided that a municipal council may, in special circumstances and on good cause shown, apply in writing to the MEC for local government to extend the period of appointment contemplated in paragraph (a), for a further period that does not exceed three months.</p> <p>The necessary approval was not obtained from the MEC for local government for the following acting senior managers who were appointed for periods exceeding six months:</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p> <p>Management should ensure that approval is obtained, as a matter of urgency, from the MEC for local government for instances where acting senior managers were appointed for periods exceeding six months.</p>	<p>The letter to the MEC for Local Government and Traditional Affairs was prepared whereby it was requested for approval to be granted for the acting appointments in the Section 57 posts up to 30 June 2013. A copy of this letter dated 25 February 2013 is attached hereto for ease of reference. The letter was submitted by the City Manager's Office to the Office of the Executive Mayor in order for this to be signed and sent to the MEC. Unfortunately no proof of submission of the letter to the MEC or a response from the MEC to confirm that the approval was granted is available.</p> <p>A revised, updated letter will be prepared and submitted to the MEC to request approval for these acting appointments in Section 57 posts. It will be ensured that confirmation is received from the Office of the MEC that approval has been granted for such periods of acting. It also advised that the metro is in the process of recruiting section 57 managers in line with its approved macro structure.</p>	<p>HR to follow up with the Office of the Executive Mayor for copy of the letter submitted to MEC</p>	31-Dec-14	M. Mashiya - (Acting GM: Human Resources)	L. Wulff - (Acting Director of Corporate Services)
360	Employee related costs: Outstanding debts not recovered from employees on termination of services (EX 171)	Year 1	In progress	<p>Section 62(1)(c)(i) of the MFMA states that, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains an effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>Paragraph 10 (4) (c) of the Buffalo City Metropolitan Municipality Credit Control Policy states that the City Manager must establish effective administration mechanisms, processes and procedures to collect money that is due and payable to the municipality</p> <p>The following employees who were dismissed during the financial year had outstanding debts on the date of their dismissal. The debt was not raised and as a result the amounts owing were not recovered.</p>	<p>Management should ensure that employee exit controls and termination controls are monitored and implemented throughout the financial year.</p>	<p>The established process that should occur when an employee is terminated is as follows:</p> <ol style="list-style-type: none"> <li>1. - Finance calculates the final amount owing to an employee or the amount the employee owes to BCMM after calculating final salary, leave pay, unpaid leave or any other amounts due to or by the employee.</li> <li>2. - Finance submits the Salaries termination form to Human Resources which reflects if monies need to be recovered from ex-employees</li> <li>3. - For all of those instances when monies are owed by ex-employees, Human Resources write letters to the ex-employees to advise of the debt and submits a memo with the relevant information to Finance, in order for sundry debtors to open the accounts</li> <li>4. - The Sundry Debtors Department opens an account and is then responsible to ensure the recovery of the debt from the ex-employee</li> <li>5. - If these accounts are not paid, they are handed over to Debt Management who in turn will refer the matter to attorneys should they still not be settled</li> </ol> <p>However, during the period under review, it</p>	<p>New termination process to be monitored by HR to ensure compliance</p>	31-Jan-14	M. Mashiya - (Acting GM: Human Resources)	L. Wulff - (Acting Director of Corporate Services)

363	<p>Employee related costs: Employees that resigned were not included in the list of terminations (EX 172)</p>	Year 1	<p>In progress</p> <p>Section 62(1)(c) of the MFMA states that, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains an effective, efficient and transparent systems of financial and risk management and internal control. Employees that have resigned during the financial year were not included in the list of terminations for the year. Furthermore, the employees' personnel file did not indicate that the employees' services were terminated during the financial year. Termination was however effected on the PAYDAY system. The details are as follows:</p>	<p>Financial and performance management: Implement controls over daily and monthly processing and reconciling of transactions</p>	<p>Management should ensure that the internal controls put in place relating to terminations are adhered to and implement throughout the financial year.</p>	<p>We will take the following actions to ensure that all terminations are accurately recorded on the termination register:</p> <ol style="list-style-type: none"> <li>1. payroll practitioners will keep their own termination registers that will be updated daily as terminations are received by them. These registers will then be submitted to the Principal Personnel Practitioner (PPP) on a monthly basis so that they can be checked and verified against the control register kept by the PPP</li> <li>2. An audit trail is submitted to Human Resources on a monthly basis and this report indicates all terminations that have been processed on the payroll. The PPP will check each month to ensure that the termination register corresponds with the information thereon. This audit trail will be checked and signed off each month by the Personnel Manager</li> </ol>	<p>Termination process to be monitored by HR and PM to check that the audit trail is verified each month</p>	31-Jan-14	M. Mashiya - (Acting GM: Human Resources)	L. Wulff - (Acting Director of Corporate Services)
365	<p>Employee Related Costs: Performance agreements not signed within required timeframe (EX 27)</p>	Year 3	<p>In progress</p> <p>Section 57(2) of the Municipal Systems Act (MSA) states that performance agreements should be concluded within 60 days after the person was appointed as municipal manager or managers that are directly accountable to the municipal manager and annually thereafter, within one month after the beginning of each financial year of the municipality. The 2012/2013 performance agreements of the following employees were not signed within the timeframes as required by the MSA:</p>	<p>Financial and performance management: Review and monitor compliance with applicable laws and regulations.</p>	<p>Management should implement controls to ensure the SDBIP is finalised timeously in order to allow enough time for the individual performance agreements to be aligned to the SDBIP and be signed within the legislative timeframes.</p>	<p>Management acknowledges the non-compliance: on the 7th June 2012 Council adopted a new structure which necessitated the review of the SDBIP to align with the adopted structure. Adoption of a Macro Structure required a restructuring of the Functions under each Head of Department which indeed resulted in delays in the completion of the Service Delivery and Budget Implementation Plan (SDBIP). During the current financial year, this matter has been addressed as the 2013/14 SDBIP and performance agreements were signed in July 2013, which was within the first month of the new financial year.</p>	<p>The revised IDP/Budget Process Plan has aligned the signing of performance Agreements with the finalisation of the SDBIP which is within 28 day after the approval of the budget.</p>	30-Jun-14	N. Sidukwana - (GM IDP/PMS/BI and GIS)	O Mahlangu - (Acting Director: Executive Support Services)
367	<p>Employee related costs: Management of vacancies: Positions vacant for more than 12 months (EX 58)</p>	Year 3	<p>In progress</p> <p>Section 62(1)(c) of the MFMA prescribes that the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> <ol style="list-style-type: none"> <li>1. Positions in senior management were vacant for more than 12 months.</li> <li>2. Positions in finance department were vacant for more than 12 months.</li> <li>3. Positions in internal audit were vacant for more than 12 months.</li> <li>4. Positions in the electricity department were vacant for more than 12 months.</li> <li>5. Positions in the water department were vacant for more than 12 months.</li> <li>6. Positions in the engineering department were vacant for more than 12 months.</li> <li>7. Positions in the SCM department were vacant for more than 12 months. The details are</li> </ol>	<p>Leadership: Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored</p>	<p>Management should monitor staff vacancies and actively seek a staff replacement as soon as a vacancy arises to ensure service delivery and efficient operations.</p>	<p>It is acknowledged that there are a number of funded vacant posts but this is due to the fact that the Municipality is currently undergoing a major restructuring exercise with the establishment of a Metropolitan Municipality. Due to the pending implementation of the new micro organizational structure, vacant funded positions have not been automatically filled when they become vacant. This has only occurred upon specific application from the relevant Director for critical positions. The remaining posts have not been filled due to the possibility that the funding for such posts may be reallocated to other necessary new positions in the proposed new structure. It is not agreed that these vacancies would necessarily have a negative impact on service delivery as in many instances employees are acting in such posts or temporary employees have been appointed in order to ensure that the necessary duties are still performed. Once the micro structure is finalized, appointments to the new organizational structure will commence and the funded vacant positions will then also be filled.</p>	<p>The recruitment process for the filling of the vacant funded posts can now commence in order for the vacancy rate to be reduced.</p> <ol style="list-style-type: none"> <li>1) 30 June 2014 via migration process.</li> <li>2) 28 February 2014.</li> <li>3) 30 April 2014.</li> </ol>	1) 30 June 2014 via migration process. 2) 28 February 2014. 3) 30 April 2014.	M. Mashiya - (Acting GM: Human Resources)	L. Wulff - (Acting Director of Corporate Services)

373	Employee related costs: Vacation leave approved after it was taken (EX 69)	Year 3	In progress	<p>Section 62(1)(c) of the MFMA states as follows:62. General financial management functions:—</p> <p>(1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure—</p> <p>(c) that the municipality has and maintains effective, efficient and transparent systems—</p> <p>(i) of financial and risk management and internal control; and</p> <p>(ii) of internal audit operating in accordance with any prescribed norms and standards.</p> <p>Paragraph 6 of the Buffalo City Metropolitan Municipality leave policy states: line managers are to authorise the leave prior to the leave being taken (whenever possible). Should this not be possible then the line managers are to indicate on the leave form the reasons for such and that there was prior approval for the leave</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.</p> <p>Management should emphasise to line managers the importance of approving vacation leave before the leave is taken or indicate on the application why leave was approved late in order to comply with the BCMM leave policy. Where line managers repeatedly approve vacation leave after it was taken without indicating a reason on the application, this should be addressed with the applicable line managers and connective measures should be put in place to ensure that the problem does not recur.</p>	<p>Management response</p> <p>The finding of the AG is agreed. These leave forms have been checked and the details are provided below of the approval dates of both the direct supervisors and the relevant managers for each one. In many instances employees are required to take leave at short notice but verbal prior approval is granted before the employee proceeds on leave.</p> <p>A number of leave forms are received on a daily basis which does not have the required reasons provided for the late approval. It would not be practical for Human Resources to not accept these forms and to return them as the leave will then only be captured much later and there will be a risk of leave being overstated whilst the return of such forms is awaited. Human Resources will further be taking the following actions:</p> <ol style="list-style-type: none"> <li>1. A memorandum will be circulated to all employees to remind them to submit leave forms as soon as they intend to request leave. Supervisors will be advised that they are required to provide a reason for late approval and that non-compliance of such will be reported to Senior Management</li> </ol>	<p>31-Jan-14</p>	<p>M. Mashya - (Acting GM: Human Resources)</p>	<p>L. Wuiff - (Acting Director of Corporate Services)</p>
377	Employee related costs: (Compliance) Vacant posts (EX 73)	Year 2	In progress	<p>Section 62(1)(c)(i) of the MFMA prescribes that the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> <ol style="list-style-type: none"> <li>1. The overall vacancy rate of the municipality increased from 11% in the prior year (2011/12) to 12.9% in the current year (2012/13).</li> <li>2. The senior management vacancy rate increased from 38% in the prior year (2011/12) to 44.4% in the current year (2012/13).</li> <li>3. The vacancy rate for the internal audit department is 20%.</li> <li>4. The vacancy rate for finance department is 14.7%</li> </ol>	<p>Leadership: Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored</p> <p>Management should monitor staff vacancies and actively seek a staff replacement as soon as a vacancy arises to ensure service delivery and efficient operations.</p>	<p>The finding of the AG is noted but it is not agreed that service delivery is necessarily negatively affected in all cases. The vacancy rates are acknowledged but this is due to the fact that the Municipality is currently undergoing a restructuring exercise with the establishment of a Metropolitan Municipality. Due to the pending implementation of the new micro organizational structure, vacant funded positions have not been automatically filled when they become vacant. This has only occurred upon specific application from the relevant Director for critical positions. The remaining posts have not been filled due to the possibility that the funding for such posts may be reallocated to other necessary new positions in the proposed new structure.</p> <p>It is not agreed that the vacancy rate would necessarily have a negative impact on service delivery as in many instances employees are acting in such posts or temporary employees have been appointed in order to ensure that the necessary duties are still performed and the vacancy rate is therefore not strictly as reflected.</p> <p>The Municipal Manager and Chief Financial</p>	<p>1) 30 June 2014 via migration process. 2) 28 February 2014. 3) 30 April 2014.</p>	<p>M. Mashya - (Acting GM: Human Resources)</p>	<p>L. Wuiff - (Acting Director of Corporate Services)</p>

379 Employee related costs: Organisational Structure (EX 74)	Year 3	In progress	<p>Section 66(1) of the MSA states that a municipal manager, within a policy framework determined by the municipal council and subject to any applicable legislation, must -</p> <p>(a) develop a staff establishment for the municipality, and submit the staff establishment to the municipal council for approval;</p> <p>(b) provide a job description for each post on the staff establishment;</p> <p>(c) attach to those posts the remuneration and other conditions of service as are determined in accordance with any applicable labour legislation; and</p> <p>(d) establish a process or mechanism to regularly evaluate the staff establishment and, if necessary, review the staff establishment and the remuneration and conditions of service."</p> <p>In the prior year, it was reported that the development of the structure was done by Council and not by the Accounting Officer as required by</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.</p>	<p>Management of the municipality should develop and implement procedures to ensure adherence to the requirements of the MSA.</p>	<p>It is acknowledged that the new organizational structure was not effective during the 2012/13 financial year. However, the Municipality has continued to operate according to the existing organizational structure and has taken the following measures to ensure compliance with the required legislation:</p> <ol style="list-style-type: none"> <li>1. The macro structure was approved by Council on 11 June 2013 (copy of the Council minutes attached hereto as Annexure E)</li> <li>2. The trade unions were consulted and the new micro structure was agreed to in February 2013 (copy of the minutes of the Local Labour Forum dated 25 February 2013 is attached hereto as Annexure F)</li> <li>3. The micro structure is currently being finalized and will be submitted to Council for approval on 30 October 2013.</li> </ol> <p>The Municipality has developed procedures to ensure compliance with the Municipal Systems Act and there is an established Compliance and Risk Section which checks that the Municipality complies with the relevant legislation.</p>	<ol style="list-style-type: none"> <li>1) Finalise micro- structure.</li> <li>2) Action Transfer and Migration of staff.</li> <li>3) Evaluate all positions on new structure.</li> </ol>	<ol style="list-style-type: none"> <li>1) 28 December 2013.</li> <li>2) 30 June 2014.</li> <li>3) 30 June 2015</li> </ol>	S. Mxunyelewa - (Acting GM: Organisational Support)	L. Wulff - (Acting Director of Corporate Services)
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381	<p>Employee related costs – Management of vacancies: Vacant positions not advertised within six months (EX B1)</p> <p>In progress</p> <p>Year 1</p> <p>Section 62(1)(c) of the MFMA prescribes that the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>a) Vacant positions in senior management were not advertised within six months. b) Vacant positions in the finance department were not advertised within six months. c) Vacant positions in the internal audit department were not advertised within six months. d) Vacant positions in the electricity department were not advertised within six months. e) Vacant positions in the water department were not advertised within six months f) Vacant positions in the engineering department were not</p>	<p>Leadership: Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.</p> <p>Management should monitor staff vacancies and ensure that the vacant posts are advertised as soon as a vacancy arises to ensure service delivery and efficient operations.</p> <p>The finding of the AG is partially agreed. However, while it is acknowledged that there are a number of funded vacant posts, this is due to the fact that the Municipality is currently undergoing a major restructuring exercise with the establishment of a Metropolitan Municipality. This restructuring has firstly affected the filling of the 8 new senior management posts, as Council has only approved the macro – structure containing such posts in June 2013. The Municipal Manager and Chief Financial Officer Posts had already been filled and the remaining Head of Department (s57) positions were advertised in August 2013. The recruitment process of filling these positions has commenced and these remaining appointments to the macro structure will be completed in due course. Due to the pending implementation of the new micro organizational structure, vacant funded positions have not been automatically filled when they become vacant. This has only occurred upon specific application from the relevant Director for critical positions. The remaining posts have not been filled due to the possibility that the funding for such posts</p>	<p>M. Mashiya - (Acting GM: Human Resources)</p> <p>1) 30 June 2014 via migration process. 2) 28 February 2014. 3) 30 April 2014.</p>	<p>L. Wuiff - (Acting Director of Corporate Services)</p>	
382	<p>General IT controls</p> <p>386 Security management (EX 222)</p> <p>All three years</p> <p>Not addressed</p> <p>Security management ensures that security controls are implemented to prevent unauthorised access to the network and information systems that generate the information used to prepare financial statements.</p> <p>Key audit findings identified:</p> <ul style="list-style-type: none"> <li>The metro was in the process of implementing the Drivelock antivirus solution and was therefore vulnerable to virus infiltration until such time as the installation had been completed.</li> <li>There metro did not have access to audit logs on the databases with the result that the activities of database administrators were not monitored.</li> <li>Due to the lack of capacity planning, system performance was not monitored.</li> <li>The Venus system did not have a functionality to prevent the editing of banking details and amounts on the exported data files used for processing payments. Similarly, the Business Online system did not have a functionality to prevent or detect any</li> </ul>	<p>The internal control deficiencies identified were categorised as financial and performance management deficiencies and could be ascribed to the following:</p> <ul style="list-style-type: none"> <li>ICT management failed to test the new antivirus software before implementation, with the result that technical difficulties were experienced during the implementation of the new software.</li> <li>Audit logs had not been enabled for the databases as the metro's staff did not have adequate skills to monitor logs.</li> <li>ICT was not adequately resourced to perform all IT-related tasks as the current structure did not include resources that could assist in performing tasks such as</li> </ul>	<p>Management should ensure that the following is prioritised:</p> <ul style="list-style-type: none"> <li>The monitoring and swift completion of the Drivelock antivirus installation project</li> <li>Training of current ICT personnel in monitoring audit logs</li> <li>Addressing resource capacity issues and filling critical positions – in the interim ICT management should assign important tasks such as system monitoring and capacity planning to current employees and monitor the implementation of these tasks.</li> <li>Management should ensure that financial data transmitted between systems is encrypted to prevent editing of data files.</li> <li>Management should also undertake a full review of the security requirements of critical financial data and formalise, communicate and implement the required procedures within the metro. Accountability for the security of the data standing areas should be assigned to the</li> </ul>	<p>M. Mashiya - (Acting GM: Human Resources)</p> <p>1) 30 November 2013 redevelop and log. 2) Venus enhancement project to be launched by february 2014.</p>	<p>L. Wuiff - (Acting Director of Corporate Services)</p>

388) User access management (EX 223)	All three years	Not addressed	<p>User access control is the systematic process of managing the access of users to an application. The process includes the creation, review, disabling and removal of user accounts.</p> <p>Key audit findings identified:</p> <ul style="list-style-type: none"> <li>The user account management policies and procedures for PayDay, Venus and the network had not been documented.</li> <li>No forms were completed and authorised to create users on PayDay.</li> <li>There was no formal process in place to remove terminated employees from PayDay.</li> <li>Although monthly verifications were undertaken to remove terminated employees from Venus, it was noted that Connie Carney, whose services were terminated on 30 April 2013, still appeared as an active user on the Venus system (employee number: 8210; user ID: FINCC).</li> <li>An account with administrator privileges on the network (Username: IT) service continuity is the process of managing the availability of hardware, system software, application software and data to enable an organisation to recover/re-establish information systems services in the event of a disaster. The process includes IT continuity planning, disaster recovery plans and backups.</li> </ul> <p>Key audit findings identified:</p> <ul style="list-style-type: none"> <li>The disaster recovery plan (DRP) had not been documented.</li> <li>Backup management procedures had not been documented.</li> <li>Backups were taken, but audit logs were not kept to verify that backups had been completed successfully and were being taken consistently.</li> <li>Backups were not restored and tested.</li> </ul> <p>The municipality might consequently not be able to recover normal business operations following a disastrous event or major disruption of its information-processing facilities.</p>	<p>The internal control deficiencies identified were categorised as financial and performance management deficiencies and could be ascribed to the following:</p> <ul style="list-style-type: none"> <li>Due to a change in ICT management the security policy, which incorporated user access management, was still being reviewed.</li> <li>Due to the lack of formal processes, management did not monitor and enforce the consistent use of forms, the regular removal of terminated users from the systems, or the review of user access rights and system administrator activities and accounts. The use of and access to the system administrator's account and the review of access and logon violations were consequently also not monitored.</li> </ul> <p>Management should prioritise the completion of the security policy implementation thereof. In addition, management should monitor adherence to the security policy.</p>	<p>Management agrees with the finding. The user account management policy and procedures will be finalised by 31 December 2013. Users on the PayDay system were created and authorised via the email system. This will be rectified with immediate effect and an authorisation form will be instituted by 1 October 2013.</p> <p>2. Management agrees with the finding. A formal process to remove terminated employees from PayDay will be implemented with effect from 1 October 2013.</p> <p>3. Management agrees with the finding. Connie Carney was retained on the system as she was employed further to 30 April 2013. Carney's name has been removed as an active user from the Venus system. The account of "Director" will be terminated with immediate effect and all other accounts will be properly identified.</p> <p>4. Management agrees with the finding. ICT will be running a security log system as a pilot as of 1 October 2013 and this will extract administrative access and all other rights in all of the municipality's servers, lock them down and inform users that they have to re-apply for a project will be initiated to draft the DRP document in the 2013-14 financial year.</p> <p>2. Management agrees with the finding. Audit logs will be retained for all backups performed with effect from 1 October 2013.</p> <p>3. Management agrees with the finding. The following steps are being taken to rectify these findings:</p> <ol style="list-style-type: none"> <li>The DRP project is underway; tapes to be moved to the DRP site, which is 12 km from the core site</li> <li>Restoration and backup by 15 December 2013</li> </ol>	<p>1. Internal auditing has offered to assist to improve the current state. The policy therefore is sent to them for their perusal.</p> <p>2) Thereafter approval by council and implementation shall commence.</p> <p>3) Adding and removal of users on the Payday system, the procedure shall be formulated from the policy, when it has been vetted by internal auditing (PWC).</p> <p>4) The report will be presented to Acting ICT Manager on the 04th of Feb 2014.</p> <p>5. The Report will be further presented to the Director and pave a way forward. ICT will be able to remove access rights that are not appropriate from the environment thereof.</p>	<p>1. 27 January 2014.</p> <p>2. 17 February 2014.</p>	<p>M. Mashiya - (Acting GM: Human Resources)</p> <p>L. Wulff - (Acting Director of Corporate Services)</p>
390 Information Technology Service Continuity (EX 224)	All three years	Not addressed	<p>The internal control deficiencies identified were categorised as financial and performance management deficiencies and could be ascribed to the following:</p> <ol style="list-style-type: none"> <li>The metro had outsourced the development of the DRP and the DR site to a service provider, but there was no formal agreement to govern the relationship. As a result the service provider had not delivered the required output.</li> <li>Due to a change in ICT management, the security policy, which incorporated backup procedures, was still being reviewed.</li> <li>Backups were not tested due to the lack of a testing environment for backups, which was exacerbated by the fact that the municipality did not have an adequate</li> </ol> <p>Management should ensure that the following is prioritised:</p> <ul style="list-style-type: none"> <li>formalising the terms of reference for the disaster recovery project and monitoring of the performance of the service provider to ensure that all outputs stipulated in the contract are delivered to the municipality</li> <li>Review, approval and implementation of the security policy and monitoring of adherence to the policy</li> <li>ascertaining whether the existing Venus test environment can be used to test backup tapes for other systems</li> </ul>	<p>Management should ensure that the following is prioritised:</p> <ul style="list-style-type: none"> <li>formalising the terms of reference for the disaster recovery project and monitoring of the performance of the service provider to ensure that all outputs stipulated in the contract are delivered to the municipality</li> <li>Review, approval and implementation of the security policy and monitoring of adherence to the policy</li> <li>ascertaining whether the existing Venus test environment can be used to test backup tapes for other systems</li> </ul>	<p>27/11/2014 - ICT did not meet the desires that were set due to completion of the DR site negotiations and server space challenges.</p> <p>A project has been initiated and a disaster recovery plan has been drafted. The logs need a server space and procurement of servers was initiated and is currently facing challenges. The DRP site is still under negotiation, the final meeting will be on the 20th of February 2014.</p> <p>The activities unfolds as follows:</p> <ol style="list-style-type: none"> <li>Final decision from IDZ</li> <li>Procurement of servers</li> <li>Setup of servers</li> <li>Move tapes to off site</li> <li>Schedule the backup and restore</li> <li>Report on logs</li> </ol>	<p>1. 20th of February 2014</p> <p>2. 10th of March 2014</p> <p>3. 24th of March 2014</p> <p>4. 30th of March 2014</p> <p>5. 01st of April 2014</p> <p>6. 30th of April 2014</p>	<p>M. Mashiya - (Acting GM: Human Resources)</p> <p>L. Wulff - (Acting Director of Corporate Services)</p>	

**Leadership**



96	Leadership: Prior period irregular expenditure not corrected (EX 51)	All three years	Not addressed	<p>The MFMA, Section 62(1)(c) prescribes that "the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards."</p> <p>The MFMA, Section 122(1)(a) prescribes that "Every municipality and every municipal entity must for each financial year prepare annual financial statements which— fairly presents the state of affairs of the municipality or entity, its performance against its budget, its performance of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year."</p>	<p>Leadership: Develop and monitor the implementation of action plans to address internal control deficiencies</p>	<p>Management should implement a system to monitor and review operating and capital expenditure in order to identify and disclose irregular expenditure. In addition, management should assess irregular expenditure reported on in previous years and disclose irregular expenditure identified.</p>	<p>Management has recognized that in their focus to correct the prior year irregular expenditure and report the items to the Municipal Public Accounts Committee and Council, it inadvertently did not adjust the disclosure in the Annual Financial Statements. This was because, adjustments of the financial statements (without exception on which items) during the audit process has been allowed by AG in the past, and has never been raised as an internal control deficiency. In order to improve transparency and disclosure, a formal request was made to the Auditor General to allow for the restatement of the prior year irregular expenditure and request the Auditor General to re-perform an audit of this restated figure. This request has been agreed to by the Auditor General. The formal request is attached hereto together with the approval received from the Auditor General.</p>	<p>1-Apr-14</p> <p>T. Sali - (GM: Supply Chain Management)</p> <p>V. Pillay - (GFO).</p>
98	Leadership: Journal entry control findings (EX 105)	Year 1	In progress	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p>	<p>Management should ensure that where the supporting documentation is in pile of files, a remark is written on the journal so that the pile can be requested or inspected where it is available. Management should ensure that the narration of the journal is clearly stated and specific not see attached. Management should ensure that the vote number written on the journal is referenced to the account that is affected in the financial statements.</p>	<p>Control aspects relating to journals were discussed in prior years with the AG. As a result of these discussions, Standard Operating Procedures (SOP's) in respect thereof were prepared which were accepted by the AG. A copy of these SOP's including procedures for preparing, reviewing, and authorising and processing general ledger journals was handed to the AG and a copy is again attached hereto. Further to the implementation of these SOP's, the journal template was also redesigned to provide additional information and improve control aspects pertaining thereto. Once again this was accepted by the AG and the same journal template is still being used.</p> <p>The statement within the audit finding that, "The journals that were submitted for testing had insufficient documentation attached to them," was discussed with the AG whereby it was explained to the AG that in many instances it is not possible and/or practical to attach all the documentation due to the confidentiality and/or bulkiness thereof. However, where possible and/or practical, sufficient documentation is attached to</p>	<p>31-Jan-14</p> <p>E.L.Mngonywa - (GM: Asset and Risk)</p> <p>V. Pillay - (GFO).</p>	

401 Leadership: Fraud declaration responses not received (EX 156)	Year 1	In progress	<p>Section 74(1) of the MFMA, states that the accounting officer of a municipality must submit to the national treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required. International Standard on Auditing 240: Paragraph 39 Written Representations</p> <p>The auditor shall obtain written representations from management and, where appropriate, those charged with governance that:</p> <p>(a) They acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</p> <p>(b) They have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;</p> <p>(c) They have disclosed to the</p>	<p>Leadership: Provide effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the best interests of the entity</p>	<p>Although alternative procedures have been performed, requests such as these from the auditors should be responded to in order to avoid unnecessary time and costs being incurred.</p>	<p>Although alternative procedures have been performed, requests such as these from the auditors should be responded to in order to avoid unnecessary time and costs being incurred.</p>	30-Jun-14	L. Valeta - (Programme Manager: Compliance)	A. Fani - (City Manager)
405 Leadership: control deficiencies (Ex.2)	All three years	In progress	<p>The MFMA, Section 62(1)(c)(i) prescribes that "the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."</p> <p>The following control environment weaknesses have been identified:</p> <p>1) Employees are not regularly asked to state explicitly whether they comply with the entity's code of conduct or similar entity pronouncements of expected employee behaviour. With specific reference to:</p> <ul style="list-style-type: none"> <li>• Personnel do not periodically acknowledge compliance with the code of conduct</li> <li>3) Management does not appropriately address intervention of</li> </ul>	<p>Management should ensure that an adequate control environment exists within the organisation and that the deficiencies acknowledged above are appropriately dealt with.</p>	<p>Audit Committee will be required to submit Fraud Management does not agree with the finding.</p> <p>a. Code of Conduct: There is no requirement in the Municipal Systems Act 32 of 2000 or any other legislation specifying that employees are required to state explicitly whether they comply with the entity's code of conduct or similar entity pronouncements of expected employee behavior. The Municipal Systems Act 32 Of 2000 (MSA), in fact, specifies at Sect 70 as follows:</p> <p>"70 (1) The municipal manager must--</p> <p>a. Provide a copy of the code of conduct to every member of staff of the municipality</p> <p>b. Provide every staff member with any amendment of the code of conduct.</p> <p>70 (2) The municipal manager must ----</p> <p>(a) Ensure that the purpose, contents and consequences of the code of conduct are explained to staff members who cannot read."</p> <p>The MSA thus only requires communication of the code of conduct and its explanation to those staff who cannot read, not confirmation of compliance by all staff members as referred to by the Auditor General.</p>	<p>1) New employees are inducted and provided with code of conduct.</p> <p>2) Annual Road shows will be conducted across the Directorates to ensure that all employees are aware of the Code of conduct.</p> <p>3) Annually the same document is circulated to all users. There is a standard of conduct that is updated periodically and whereby line managers are advised to adhere to it. Such documents include the code of conduct as per schedule 2 of Municipal Systems Act.</p>	Ongoing	M. Mashiya - (Acting GM: Human Resources)	L. Wulff - (Acting Director of Corporate Services)

410 Leadership: Minutes of meetings (Ex.23)	Year 1	In progress	<p>The MFMA, Section 62(1)(c)(i) prescribes that "the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."</p> <p>It was identified that the minutes of the meetings were inadequately documented and summarised with the following factors:</p> <ol style="list-style-type: none"> <li>1) No evidence of apologies for members who are not able to attend meetings documented &gt;&gt;&gt; Development Support meeting held on the 12th of February 2013</li> <li>2) Minutes just noted issues and no elaboration were recorded.</li> <li>3) The number of members not constituting a quorum.</li> </ol> <p>Lack of management review on</p>	<p>Financial and performance management</p> <p>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.</p>	<p>1) Management should ensure that minutes of the meetings properly documented.</p> <p>2) Management should ensure that minutes of the meetings are reviewed prior to submission to the auditors.</p>	<p>Minutes of the previous meeting are confirmed by the next meeting of the Portfolio Committee. The Chairperson of the Portfolio Committee then signs confirmation of the minutes. The minutes in question were signed by the Chairperson at the time and are attached hereto as ANNEXURE H.</p>	<p>To confirm what has been indicated in the management response, minutes of the previous meeting are confirmed by the members of the committee at the next meeting. The Chairperson of the Portfolio Committee signs the confirmed minutes. The quorum at meetings is key and if the meeting fails to make the quorum the discussions thereof become informal and cannot be regarded as minutes. Apologies tendered by Councillors and Officials are recorded for each and every meeting.</p>	Ongoing	M. Mashiyah - (Acting GM: Human Resources)	L. Wulff - (Acting Director of Corporate Services)
392 Leadership: Policies and procedures (Ex.24)	All three years	Not addressed	<p>The MFMA, Section 62(1)(c)(i) prescribes that "the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."</p> <p>The MFMA, Section 64. Revenue management—(1) The accounting officer of a municipality is responsible for the management of the revenue of the municipality.</p> <p>(2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure—(a) that the municipality has effective revenue collection systems consistent with section 95 of the MSA and the municipality's credit control and debt collection policy;</p> <p>The MFMA, Section 65. Expenditure</p>	<p>Leadership: Establish and communicate policies and procedures to enable and support understanding and execution of internal controls, processes and responsibilities.</p>	<p>All policies and procedures that are in draft format and have not been approved should be submitted to council for approval.</p> <p>It is however not agreed that there is a lack of guidance on the processes or procedures to be followed as employees are advised of the Council policies during the induction process and are again regularly reminded of such by notices that are circulated to all staff and by means of roadshows which are conducted with employees on an annual basis. The recommendations by the AG are however agreed to in order to further strengthen the internal controls and the following actions will be taken:</p> <ol style="list-style-type: none"> <li>1. The draft policies will be finalized and submitted to Council for approval</li> <li>2. Policies and procedures that are older than five years will be reviewed and if necessary, amended and submitted to Council for the necessary approval</li> </ol>	<p>It is acknowledged that many of the policies have not been reviewed or submitted to Council for approval.</p> <p>It is however not agreed that there is a lack of guidance on the processes or procedures to be followed as employees are advised of the Council policies during the induction process and are again regularly reminded of such by notices that are circulated to all staff and by means of roadshows which are conducted with employees on an annual basis. The recommendations by the AG are however agreed to in order to further strengthen the internal controls and the following actions will be taken:</p> <ol style="list-style-type: none"> <li>1. The draft policies will be finalized and submitted to Council for approval</li> <li>2. Policies and procedures that are older than five years will be reviewed and if necessary, amended and submitted to Council for the necessary approval</li> </ol>			S. Mxunyelwa - (Acting GM: Organisational Support)	L. Wulff - (Acting Director of Corporate Services)

416 Leadership: Monitoring (Ex.4)	All three years	<p>In progress</p> <p>In terms of the MFMA, as amended, Section 62(1)(i) states that "the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."</p> <p>It was noted that communications from vendors and monthly statements of accounts payable are not used as control monitoring techniques, as not all suppliers supply statements in order for payment to be made.</p> <p>Although the municipality has taken steps to contact suppliers in order to obtain monthly statements, the controls is not yet operating effectively.</p>	<p>Leadership: Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities.</p>	<p>Management should ensure that adequate monitoring of controls occurs in the organisation.</p>	<p>The Metro is aware that the emerging contractors do not provide monthly statements because their business with the Metro is often on an ad hoc basis. As soon as the goods and services are rendered and the invoice is paid they conclude that the business is complete and do not bother providing statements. Based on the fact that the Metro is dealing more and more with the emerging suppliers it was decided during May 2013 that a Notice be sent to all service providers requesting them to provide statements recording all transactions undertaken with the Municipality</p>	<p>Suppliers to be informed to submit supplier statements before payment can be made</p>	1-May-13	E.L. Mngonywa - (GM: Asset and Risk)	V. Pillay - (CFO),
622 Service delivery - No provision for 100% access to basic water and sanitation by 2014 (Ex 230)	In progress	<p>This may result in material</p> <p>1. Government's delivery agreement for outcome 9, output 2 are to improve access to basic services. In this regard the following sub-outputs were identified: improve universal access to basic services by 2014 as follows:</p> <ul style="list-style-type: none"> <li>a) Water from 92% to 100%</li> <li>b) Sanitation from 69% to 100%</li> </ul> <p>2. Page 19 of the 2012/13 IDP review indicates that the municipality intends to provide clean water to all in the province and eliminate sanitation problems by 2014.</p> <ul style="list-style-type: none"> <li>a) The target for sanitation in 2011/12 and 2012/13 financial years were not achieved.</li> <li>b) The municipality did not set targets to achieve 100% access to basic water and sanitation by 2014. The targets set for water and sanitation are 98% and 90% respectively.</li> </ul> <p>This is due to budgetary constraints.</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p>	<p>Recommendation Management should ensure that adequate budgeting is carried out and that sufficient funding is obtained from the appropriate sources to implement National outcomes.</p>	<p>Management is in agreement with the Auditor General's observation that the municipality will not achieve the target of 100% access to basic water and sanitation by 2014; indeed, this is disclosed in the Integrated Development Plan. The targets for water and sanitation for 2013/14, as agreed by Council are 98% and 90% respectively. The municipality, being aware of the above, has developed plans to achieve the targets and these are set out in the Integrated Development Plan as follows:</p> <ul style="list-style-type: none"> <li>• 100% access to basic water is planned to be achieved by 2015/2016 as indicated on page 186 of 2013/14 Integrated Development Plan.</li> <li>• 100% access to basic sanitation is planned to be achieved by 2017/2018.</li> </ul>	<p>Designs and bid documents for the outstanding villages have been completed.</p> <p>Have requested additional funding in order to eradicate the water backlogs by 2015/2016 as planned</p>	17-Jan-14	M. Westerberg - (Acting GM: Water & Wastewater)	N.Ncunyana - (Director: Engineering Services)
<b>Compliance</b>									

48) Compliance: Oversight report not adopted within two months after adoption of annual report (Ex 165)	Year 1	In progress	<p>In terms of section 129 (1) of the MFMA, 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.</p> <p>The oversight report on the annual report 2011/12 was adopted on 30 April 2013 -- more than two after the annual report was tabled in Council (30 January 2013).</p> <p>This is due to lack of management oversight to ensure compliance with section 129 (1) of MFMA.</p> <p>Non compliance with section 129(1) of MFMA.</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p> <p>Management must ensure that legislated deadlines are met to ensure compliance.</p>	<p>The finding of the Auditor General is acknowledged. However the oversight process referred to in the finding is a competence of the Municipal Public Accounts Committee and Council and not Management. It should also be reported that the MPAC requested Council for an extension of time and Council by resolution approved the request.</p>	<p>31-Mar-14</p>	<p>L. Valeta - (Programme Manager: Compliance) A. Fani - (City Manager)</p>
418	Compliance: Section 32 (4) Reports (EX 109)	Year 3	In progress	<p>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</p> <p>According to section 32(4) of the MFMA, the accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of:</p> <p>(a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;</p> <p>(b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and</p> <p>(c) the steps that have been taken:</p> <p>(i) To recover or rectify such expenditure; and</p> <p>(ii) To prevent a recurrence of such expenditure.</p> <p>Section 125(2)(d) of the MFMA states that the notes to the annual financial statements of a municipality must disclose the following information particulars of any material losses and any material irregular or fruitless and wasteful expenditures, including in the case of</p>	<p>Management should:</p> <ol style="list-style-type: none"> <li>1. Improve its monitoring of policies and procedures to ensure that the MFMA is adhered to.</li> <li>2. Ensure a system is in place to accurately identify and record all unauthorised expenditure incurred on a monthly basis.</li> <li>3. Ensure the municipality complies with the reporting requirements in terms of sections 32 (4) and 125 (2) of the MFMA.</li> <li>4. Ensure that the committee established to investigate fruitless and wasteful, irregular and unauthorised expenditure convenes regularly to ensure the committees purpose and objectives are implemented.</li> </ol>	<p>Management disagrees with the finding, as the processes were followed by taking the irregular expenditure report to Council. Council resolved that the MPAC (Municipal Public Accounts Committee) must interrogate and investigate the irregular expenditure report and revert their conclusion to Council. Management is of the view that only thereafter would the report be submitted to the various stakeholders mentioned above. Furthermore, further actions arising from the work of the committee (e.g. recoveries, criminal proceedings etc) can only be effected after Council has considered the MPAC recommendations.</p>	<p>1-Apr-14</p> <p>T. Sali - (GM: Supply Chain Management) V. Pillay - (CFO)</p>

Immovable assets

50	Infrastructure Assets: Wastewater - Existence and valuation (EX 174)	All three years	In progress	<p>In terms of section 63(1) and (2) of the MFMA, "the accounting officer of a municipality is responsible for the management of (a) the assets of the municipality, including the safeguarding and the maintenance of those assets; (2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure (a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality; (b) that the municipality's assets and liabilities are valued in accordance with the standards of generally recognized accounting practice; and (c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed."</p> <p>During the physical verification of wastewater infrastructure assets, the</p>	<p>Financial and Performance Management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>Management should ensure that the asset register is adequately detailed to ensure all assets can be traced and that values are appropriately assessed in order to determine whether any discrepancies exist.</p>	<p>Item 1 The asset could not be physically verified. Management is in agreement with the AG's finding. The register will be rectified in 2013/14 financial year.</p>	<p>Department will request Asset Management to remove asset via FAR Certificate.</p>	31-Mar-14	M. Westenberg - (Acting GM: Water & Wastewater)	N. Ncunzana - (Director: Engineering Services)
52	Infrastructure Assets: Electricity - Existence and completeness (EX 175)	All three years	In progress	<p>In terms of section 63(1) and (2) of the MFMA, "the accounting officer of a municipality is responsible for the management of (a) the assets of the municipality, including the safeguarding and the maintenance of those assets; (2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure (a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality; (b) that the municipality's assets and liabilities are valued in accordance with the standards of generally recognized accounting practice; and (c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed."</p> <p>The following errors relating to electrical assets were identified:</p>	<p>Financial and Performance Management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>Management should ensure the description of infrastructure assets in the fixed asset register is sufficiently detailed to allow the verification thereof.</p>	<p>Item 1 Asset could not be physically verified. Management is in agreement with the AG's finding. The register will be rectified in 2013/14 financial year. The item of electrical meters was captured as a global figure of Prepaid Electricity Meters in the Fixed Asset Register based on the number and unit costs at the time.  Item 2 Management is in disagreement with the AG's finding. The item has been located and identified the Circuit Breaker with Serial No 3FALM445 has been incorrectly captured the correct serial number is 3FSALM444) with ASSET NUMBER 77855.</p>	<p>The department needs to revisit its full asset register as numerous errors have been found in the original asset register that was completed. The electricity department in conjunction with the finance department are implementing a project to re assess the electricity departments asset register. Internally the department are investigating the assets highlighted in the Audit report.</p>	30-Jun-15	R. Ferrier - (Acting General Manager: Electricity)	N. Ncunzana - (Director: Engineering Services)

54	Infrastructure Assets: Water - Additions Valuation (EX 176)	All three years	In progress	<p>In terms of section 63(1) and (2) of the MFMA, "the accounting officer of a municipality is responsible for the management of (a) the assets of the municipality, including the safeguarding and the maintenance of those assets; (2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure (a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality; (b) that the municipality's assets and liabilities are valued in accordance with the standards of generally recognized accounting practice; and (c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed."</p> <p>The value of the following addition to water infrastructure assets did not</p>	<p>Financial and Performance Management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>Management should ensure that regular records are kept of all additions to ensure that accurate amounts are reported in the asset register.</p>	<p>Management does not agree that water infrastructure assets are understated by R8 143 950 as the correct value of the supporting documents is R425 871,81, the difference of R 15 869,54 was due to two additional invoices with similar amounts, which were erroneously submitted when the supporting documents were provided to AG. These two similar invoices belong to Pump 1, which was installed at the same time as this one (Please see the attached similar invoices, which should be removed from the submitted supporting documents).</p>	Monthly Vote Recons are submitted with invoices that agree to the total expenditure	Ongoing	M. Westenberg - (Acting GM: Water & Wastewater)	N. Ncunzana - (Director : Engineering Services)
56	Infrastructure Assets: WIP - Incorrect classification & valuation (EX 177)	All three years	In progress	<p>In terms of section 63(1) and (2) of the MFMA, "the accounting officer of a municipality is responsible for the management of (a) the assets of the municipality, including the safeguarding and the maintenance of those assets; (2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure (a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality; (b) that the municipality's assets and liabilities are valued in accordance with the standards of generally recognized accounting practice; and (c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed."</p> <p>The following findings were noted during the performance of the audit of</p>	<p>Financial and Performance Management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p> <p>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</p>	<p>Management should implement controls to allow for regular review of items which are allocated to WIP to ensure that they should not be capitalised.</p>	<p>Item 1 Management agrees with this finding. As discussed with the auditors, this asset has been correctly captured as an intangible asset, it was however incorrectly included in WIP and not capitalised. This will be corrected in the 2013/14 financial year.</p> <p>Item 2 Management agrees with this audit finding. As discussed with the auditors, this WIP amount was erroneously not capitalised. As also discussed, this does not have any effect on the statement of financial position as the asset would merely be transferred from WIP (which is included in PPE) to PPE. The only effect would be the depreciation expense for the year, which due to the lifespan of infrastructure assets, would be immaterial.</p> <p>Item 3 Management agrees that there is no specific or single invoice for R73 812,19, but however there are supporting documents to indicate that the reported amount is made up of two separate invoices, and a portion from a third invoice with a global amount of R143 769,77.</p>	Assets and Risk Section to capitalize as per the Data submitted by Water Supply Services	1-Jun-14	L. Mbula - (Acting GM: Construction, Roads, & Projects)	N. Ncunzana - (Director : Engineering Services)

58	Infrastructure Assets: Prior year errors (EX 183)	Year 2	In progress	<p><b>Audit finding</b> The MFMA, Section 62(1)(c) prescribes that "the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards."</p> <p>The MFMA, Section 122 (1) (a) prescribes that "Every municipality and every municipal entity must for each financial year prepare annual financial statements which — fairly present the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year."</p>	<p><b>Financial and performance management:</b> Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.</p>	<p>1. Management should ensure all assets owned by the municipality are included on the fixed asset register</p>	<p>1. Department clarification Ben Schoeman Switch Chamber On private property and was not captured during the original asset inspections.  Gompo Switch House On private property and was not captured during the original asset inspections.  These are bulk supply connections, which require the applicant to construct and maintain the said buildings. The facades of these buildings are in some cases designed to appeal to the rest of the development and were therefore not captured during the original asset inspections.  The process followed to correct these errors: The Electricity Department have conducted a verification exercise of all Switch Houses by comparing the FAR with single line Operating diagrams as well as onsite inspection. The single line Diagrams are the backbone of the 11kV Electrical Network, no switching can take place on the Network without these. These diagrams are updated on a daily basis if required, all equipment on the network or being required, all equipment on the network or being required, all equipment on the network or being required.</p>	<p>28-Feb-14</p>	<p>L. Mbula - (Acting GM: Construction, Roads, &amp; Projects)</p>	<p>N. Ncunzana - (Director : Engineering Services)</p>
420	Land and Buildings: Limitation Misstatement (EX 166)	Year 1	In progress	<p>Section 74 (1) of the Municipal Finance Management Act 56 of 2003 states that, "The accounting officer of a municipality must submit to the National Treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required".</p> <p>Supporting documentation was not submitted for the following Land additions, as requested in RFI 93, as follows:</p>	<p>Financial and performance management - Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.</p>	<p>Management should ensure that appropriate supporting documentation to evidence the transactions in the records of the municipality are maintained, and supplied in a timely manner to the auditors, when requested.</p>	<p>1. The supporting documentation for the amount of R441,881.71 is as follows: Service Provider Document Reference Amount (Incl Vat) Vat Amount (excl Vat) Bax Kaplan Attorneys 138800 4914.90 593.60 4,321.30 Abdo &amp; Abdo Attorneys 139321 6608.60 811.58 5,797.02 Bax Kaplan Attorneys 139747 23779.87 2812.95 20,966.92 Bax Kaplan Attorneys 140457 468188.89 57392.42 410,796.47 TOTAL AMOUNT PER FAR 441,881.71</p> <p>The supporting invoices are attached as annexures</p>	<p>Asset Section to forward a memo to all Directorates (including Land Administration) indicating the importance of each Department maintaining audit files with all supporting documentation so that the Department can provide this supporting documentation for each asset addition.</p>	<p>E.L. Mngonywa - (GM: Asset and Risk)</p>	<p>V. Pillay - (CFO).</p>
				<p># Asset ID Description Carrying Value per FAR 1 BLD_LND_LAND24876_LAN_LAN.43 21 Land 441 881.71</p>						



422	Heritage assets: Completeness (EX 168)	Year 1	In progress	<p>Section 62(1)(b) of the MFMA 56 of 2003 requires that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards</p> <p>The following heritage assets belonging to BCMM, were not found to be recorded on the fixed asset register for the 2013 year.</p> <p># Asset Name Rand Value  1 WAR MEMORIAL TABLETS: 34.1.  EAST LONDON CITY HALL 1  2 TINDALE ROAD CEMENTARY 1  3 CENOTAPH – KING WILLIAMS TOWN 1</p>	<p>Financial and performance management - Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.</p>	<p>Management should ensure that all properties in the name of BCMM are recorded on the fixed asset register at year end.</p>	<p>Management agrees with this finding. These properties have not been included in the Heritage Asset Register and the required adjustments will be made and the Register will be updated.</p>	<p>To investigate the reasons for non reporting of the following assets:  # Asset Name Rand Value  1 WAR MEMORIAL TABLETS: 34.1.  EAST LONDON CITY HALL 1  2 TINDALE ROAD CEMENTARY 1  3 CENOTAPH – KING WILLIAMS TOWN 1</p>	31-Mar-14	<p>A. Mshumpela - (GM: Development Planning) / L. du Preez (Acting Culture &amp; Heritage Co-ordinator)</p> <p>N Mbali-Majeng - (Director: Land Development and Planning)</p>
423	Land and Buildings: Disagreement/Misstatement (Classification) (EX 170)	Year 1	In progress	<p>Section 63 (1)(a) and (2)(a) of the MFMA, as amended, prescribes that the accounting officer of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets and that they should take all reasonable steps to ensure that the municipality has and maintains a management accounting and information system that accounts for the assets and liabilities of the municipality.</p> <p>For the following property sample item selected from the Maintenance listing, it was identified that the asset was incorrectly classified as Land on the fixed asset register, and should have been recorded and revalued as a community building. The details of the property are as follows:</p> <p># Asset description ERF # Value that should have been attributed to property</p>	<p>Financial and performance management - Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.</p>	<p>Management should ensure that all assets are correctly classified and valued on the fixed asset register.</p>	<p>Management agrees with the finding. This property was recognised as Land and the Wellness Centre was not included in the Community Facility Register. Subsequent to this finding, the ENTIRE POPULATION relating to Land has been re-assessed to ensure that no other occurrences of this nature exists. This information has been made available to the Audit Team,Dropbox Link <a href="https://www.dropbox.com/sh/vc8fhw19z77ien/XhLJjJiNKt">https://www.dropbox.com/sh/vc8fhw19z77ien/XhLJjJiNKt</a>. No further anomalies were identified</p> <p>In addition, the Wellness centre has been surveyed and componentised. (Refer to Annexure B attached). The necessary adjustments relating to this property will be effected in the FAR and financial statements. The Depreciated Replacement Cost of this property amounted to R1 575 338 at 30 June 2013</p>			<p>A. Mshumpela - (GM: Development Planning)</p> <p>N Mbali-Majeng - (Director: Land Development and Planning)</p>

425 Infrastructure Assets: WIP - Control Weaknesses (179)	Year 1	In progress	<p>In terms of section 63(1) and (2) of the MFMA, "the accounting officer of a municipality is responsible for the management of (a) the assets of the municipality, including the safeguarding and the maintenance of those assets, (2) the accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure (a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality, (b) that the municipality's assets and liabilities are valued in accordance with the standards of generally recognized accounting practice; and (c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.</p> <p>During audit work performed on the invoices relating to WIP projects, it</p>	<p>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</p>	<p>Management should ensure that information supporting account balances are clearly identifiable.</p>	<p>Management agrees with the audit finding. Controls will be put in place by the Directorate of Finance (Assets &amp; Risk) to ensure that invoices without project specific references are not paid until Departments make proper submissions when processing payments to ensure that all documentation is correctly referenced to specific projects.</p>	<p>Memos to be written to all departments to clearly indicate on the invoice the projects being undertaken in addition to the vote quoted on the cheque requisition</p>	31-Jan-14	E.L. Mqonywa - (GM: Asset and Risk)	V. Pillay - (CFO).
427 Assets: Asset register not timeously updated with changes to water assets (Ex. 33)	All three years	In progress	<p>In terms of the MFMA, section 62(1) (c) "the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards."</p> <p>During the performance of completeness and existence of unsold water inventory and assets, the following was noted:</p> <p>1. The following reservoir appeared on the fixed asset register (FAR), but was excluded from the unsold water inventory listing:</p>	<p>Financial and performance management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>Management in each department should ensure that the assets within that department are updated regularly on the FAR through the FAR certificate process.</p>	<p>Point 1: Management disagrees with the audit finding as the reservoir was included in the unsold water inventory listing. The name in the unsold Reservoir 2. Therefore there is no error in the unsold water calculation as suggested in the above finding.</p> <p>Point 2 &amp; 3: Management disagrees with the audit finding as unsold Water inventory calculations were correctly calculated based on the correct volumes as per the Water Department's list of assets. These volumes were however not updated on the Asset Register during the FAR Certificate process. In order to clarify, the fixed assets were recorded in the fixed asset register however the volumes were not reflected correctly. This is considered to be a housekeeping issue which will be corrected during the 2012/13 financial year.</p> <p>This has no impact on the values or calculation of unsold water, but is merely a description error which will be adjusted on the Asset Register for 2012/13.</p>	<p>Updated Water Asset Register will be submitted to Assets and Risk with FAR Certificates</p>	1-Mar-14	M. Westenberg - ( Acting GM: Water & wastewater)	N. Ncunyana - (Director : Engineering Services)

**Intangible assets**

430	Prior period errors: Intangible assets (EX 113)	Year 3	In progress	<p>The MFMA, Section 62(1)(c) prescribes that "the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards."</p> <p>The MFMA, Section 122 (1) (a) prescribes that "Every municipality and every municipal entity must for each financial year prepare annual financial statements which — fairly present the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year."</p>	<p>Leadership: Develop and monitor the implementation of action plans to address internal control deficiencies</p> <p>Management should consider the errors relating to comparatives during the financial year and revisit populations were necessary.</p>	<p>Management acknowledges and accepts the findings relating to the prior financial years errors. Recommendations by AG will be taken into considered and corrected where necessary by 30 November 2013. ICT will further ensure that assets are accurately disclosed in the Fixed Asset Register Certificate (FAR) on a monthly basis.</p>	<p>Applications / systems audit has been done for the entire institution for the period ending 30 November 2013. It has been apparent during the submission that the assigned amounts to each asset are not assisting asset and Risk to capitalise and assign a value for each system. ICT is currently assigning values to the systems / application and the challenge is that some of systems were procured in 1999 and beyond and getting the figures is not challenging.</p> <p>Outstanding items to complete the task are as follows: 1. Finalising the procurement figure amounts for the intangible asset list. 2. Submit to Asset and risk for processing the FAR certificate.</p>	31st of January 2014 03rd of February 2014	T. Siswana - (Acting GM: ICT)	L. Wuiff - (Acting Director of Corporate Services)
433	Intangible assets: Information requested not submitted on time (EX 44)	Year 3	In progress	<p>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.</p>	<p>Management should implement appropriate controls to ensure that information is provided timeously to the Auditor General.</p>	<p>The Auditors finding are noted and accepted. Management will ensure that responses to request for information are attended to in accordance to the agreed turn-around times. Further to this management will ensure that prior errors are corrected in order to disclose accurate information in the Fixed Asset Register Certificate (FAR). ICT is currently interacting with the Asset and Risk department to ensure that the intangible assets are disclosed with accurate data.</p>	<p>Applications / systems audit has been done for the entire institution for the period ending 30 November 2013. It has been apparent during the submission that the assigned amounts to each asset are not assisting asset and Risk to capitalise and assign a value for each system. ICT is currently assigning values to the systems / application and the challenge is that some of systems were procured in 1999 and beyond and getting the figures is not challenging.</p> <p>Outstanding items to complete the task are as follows: 1. Finalising the procurement figure amounts for the intangible asset list. 2. Submit to Asset and risk for processing the FAR certificate.</p>	31st of January 2014 03rd of February 2014	T. Siswana - (Acting GM: ICT)	L. Wuiff - (Acting Director of Corporate Services)

The following information, as requested in RF177, requested on the 30/09/2013 and due on the 02/08/2013, discussed again on the 04/10/2013 via email and in the technical meeting and followed up again on the 08/10/2013 via email, has not been submitted by the due date:

- In the prior financial year, errors were identified with regards to computer software not being included in the list of intangible assets and computer software on the register not having registration documentation.

<p>435] Intangible assets: Software appearing on the fixed asset register which is no longer in use (Ex. 65)</p>	<p>Year 1</p>	<p>In progress</p>	<p>In terms of the Municipal Finance Management Act No. 56 of 2003, as amended, Section 62(1)(c) "the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards."</p> <p>During the audit of intangible assets, established that the following PALS library software still appears on the fixed asset register but is no longer in use:</p> <p>Component ID Descriptor: General Carrying value - closing 14384 Computer Software (PALS - Central Library) 1.00</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p>	<p>Management should ensure that assets no longer in use are disposed of and removed from the fixed asset register.</p>	<p>The Auditors findings are noted and accepted. Management will employ stringent measures to ensure that assets are verified and are disclosed correctly. ICT will ensure that it conducts a systems audit to ascertain the status of software(s) by 31 December 2013. This process will drive towards taking correct steps in addressing the weaknesses: i.e. through the software audit, depleted software will be uncovered and disposed accordingly. Management will further interact with the asset and risk department to correct such errors before the end of the financial year.</p>	<p>Applications / systems audit has been done for the entire institution for the period ending 30 November 2013. It has been apparent during the submission that the assigned amounts to each asset are not assisting asset and Risk to capitalise and assign a value for each system. ICT is currently assigning values to the systems / application and the challenge is that some of systems were procured in 1999 and beyond and getting the figures is not challenging.</p>	<p>31st of January 2014</p> <p>03rd of February 2014</p>	<p>T. Siswana - (Acting GM: ICT)</p> <p>L. Wuif - (Acting Director of Corporate Services)</p>
<p>Inventory 437] Inventory: insufficient controls over safeguarding, count procedures &amp; subsequent reconciliation (EX 16)</p>	<p>All three years</p>	<p>In progress</p>	<p>Section 63 (1)(a) and (2)(a) of the MFMA, as amended, prescribes that the accounting officer of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets and that they should take all reasonable steps to ensure that the municipality has and maintains a management accounting and information system that accounts for the assets and liabilities of the municipality.</p> <p>a) Upon attendance of the year end inventory count, the following was noted:</p> <ol style="list-style-type: none"> <li>there were insufficient controls surrounding the safeguarding of inventory</li> <li>there were no gate controls, and that anyone could simply enter and leave the premises</li> <li>our motor vehicles were not checked when we arrived at or left the</li> </ol>	<p>A review of the control environment should be regularly performed by the Municipality and weaknesses addressed timeously. Policies and procedures should be put in place to address the control weaknesses identified such as the following:</p> <ol style="list-style-type: none"> <li>the fencing surrounding the premises should be inspected to ensure that there are no damaged or weak areas that could lead to easy, unauthorised access to the premises.</li> <li>access rights of former employees must be removed as soon as employment is terminated.</li> <li>guards at the gate should physically inspect all vehicles for stock belonging to the Municipality.</li> <li>inventory count instructions should be extended tailored specifically to include procedures for identification and treatment of damaged stock items</li> <li>spot checks should be performed on the inventory listings by</li> </ol>	<p>Access to the SCM premises is through the gate with security and boom gates and this is regulated to monitor entrance and there is a 24hr surveillance system. Authorization through strategic areas such as SCM main building (biometric thumb access system) and stores (cameras and lockable access) is restricted and controlled.</p> <ol style="list-style-type: none"> <li>No former employee can access the premises and access restricted areas as these are managed as stated above.</li> <li>Guards do spot checks on vehicles as all stores material withdrawn are accompanied with issue slips and municipal vehicles are therefore searched.</li> <li>All damaged stock/goods are considered during the stock take period.</li> <li>This function is performed by internal audit (test counts) during audits and daily stock counts are performed on a continuous basis.</li> <li>Stock figures are indicated in the stock sheets for the purposes of counter-checkers (supervisors) and the stock counters have no access to these sheets during counting.</li> </ol> <p>(b) There is no recount conducted or done. The discrepancies highlighted have not been</p>	<p>CK comments - Mercy to guide this project. EDMS engagement is revived for SCM but needs input from all SCM units to define scope of work. Security to also include Risk Management recommendations for Access into main SCM building. MF-1) The weaknesses in the fencing are known but mitigated through ongoing security monitoring. Further progress to be completed by 24 Jan 2014 MF-2) In progress to be completed by 24 Jan 2014 MF-3) Ongoing but funding required to strengthen control MF-4) Ongoing MF-5) 1 March 2014 MF-6) Immediate MF-7) As and when</p>	<p>Work in progress up until 2014/06/31</p>	<p>T. Sali - (GM: Supply Chain Management)</p> <p>V. Pillay - (CFO).</p>	

443	Inventory: Selected missing supporting documents and control deficiencies (Ex. 26)	All three years	In progress	<p>Section 63 (1)(a) and (2)(a) of the MFMA, as amended, prescribes that the accounting officer of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets and that they should take all reasonable steps to ensure that the municipality has and maintains a management accounting and information system that accounts for the assets and liabilities of the municipality.</p> <p>1. The following orders obtained for inspection were not signed as certification of goods received. Per discussion with management it was noted that if the order has the GRN number filled in, it is not always signed as certification of goods received, but they will ensure that in future all signature areas will be completed.</p> <p>2. For the following inventory purchases no official orders could be obtained. We</p>	<p>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</p>	<p>Recommendation 1. Management should review documents supporting all orders to ensure that all sections of the orders are adequately completed when goods are received into stock. 2. Missing documents in a sequence should be followed up on to ensure that all documents are adequately retained and filed for future reference. 3. Invoices captured should be inspected before being updated to the system to ensure that the correct details have been loaded. Creditors' reconciliations should be performed monthly to help identify and rectify any errors made when capturing amounts onto the system. 4. Departments should be supplied with all equipment necessary to perform their daily functions. 5. Stamping of invoices at stores should be implemented to ensure that the procedure is being followed throughout the entity.</p>	<p>Management does not agree that there is lack of quality control as all the orders have been shown to AG to have GRN numbers, which are captured after delivery of goods and these are signed for by the clerk responsible for creating GRN's (who is a goods receiving clerk). The clerk reflects GRN on the order and certifies that the goods have been received. Management does however note the recommendation from the Auditor-General that in the future orders must also be signed under the goods received area at least by the Supervisor.</p> <p>2. MANAGEMENT RESPONSE Management disagrees with the audit finding that there was a break in the chain of custody of control of documents when transferred from the Supply Chain Management Department to the Finance Directorate for filing in this regard. The reasons are that all supporting documents backing each payment in the form of part delivery order were shown to the Auditors. Order Number 135 4930 made to Sinoyolo is hereby attached (Annexure A) as it is a</p>	EDMS Project under the way	E.L. Mngonywa - (GM: Asset and Risk)	V. Pillay - (GFO).
448	Inventory: RDP houses (EX 82)	All three years	In progress	<p>Section 63 (1)(a) and (2)(a) of the MFMA, as amended, prescribes that the accounting officer of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets and that they should take all reasonable steps to ensure that the municipality has and maintains a management accounting and information system that accounts for the assets and liabilities of the municipality.</p> <p>1. Upon recalculation of the costing of selected houses categorised as work-in-progress, it was noted that these houses had not been costed in accordance with the agreements and addenda. The actual error related to the following houses and amounted to R572,751, the projected error was R7,399,157. It was further noted that tick sheets prepared by the Housing Directorate could not be relied upon to recalculate</p>	<p>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</p>	<p>1. Costings performed should be reconciled to the agreements, addenda and invoices from the contractors. Details of costs allocated to particular houses should be recorded to ensure that these costs can be recalculated in the future. 2.3, 5 &amp; 7. Staff within the Housing Directorate should ensure that the housing stock listing is continually updated with all relevant information. 4. Transfers should be performed timely by the Land Administration Directorate and the erf numbers sent to the Housing Directorate to ensure that houses transferred are removed from the housing stock listings. 6. BCMM should ensure that handovers occur timely after the completion of houses to decrease the chances of illegal occupation occurring.</p>	<p>Management has identified that the figures that were disclosed in the Annual Financial Statement were incorrect as there were items that were not included that were part of the construction cost on Work in Progress (WIP) attached is a corrected figures based on the additional items (see Annexure A). This could be attributed to an input error. 2. Management has noted that Z Soga project is completed and houses are occupied by approved and rightful beneficiaries. However the Department has included the project as working progress which is not the case, the department has since excluded the project in the corrected disclosure (refer to Annexure A) 3. The department appointed a contractor to build 81 houses on sites that were left vacant by the previous contractors that were appointed by implementing Agent (Thubelisha Homes). During construction the department was informed by the ward committee members and community members that there were beneficiaries that were demolishing their incomplete houses that were left in various stages by the previous implementing Agent</p>	S. Kondile - (PM: Housing)	T. Matlwane - (Acting Chief Operations Officer)	

66	Investment property; Understatement (EX 214)	All three years	In progress	<p>In terms of section 63(1) and (2) of the MFMA, "the accounting officer of a municipality is responsible for the management of (a) the assets of the municipality, including the safeguarding and the maintenance of those assets; (2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure (a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality; (b) that the municipality's assets and liabilities are valued in accordance with the standards of generally recognized accounting practice; and (c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.</p> <p>During the performance of audit work it was noted that the following</p>	<p>Financial and performance management - Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.</p>	<p>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</p>	<p>Management agrees with the audit finding. As per agreement with the Auditor General the total Lease register was analysed against the properties recorded in the Annual Financial Statements. This process identified 3 further investment properties in King Williamstown. Due to the lack of the lease information at the time, these properties were not considered as investment properties and now needs to be recognized as such. A professional valuer has assessed the valuation of these properties for an adjustment to be processed to the Annual Financial Statements. The exercise has been performed on the complete population and as such it is deemed to be a factual error which requires correction. It should further be noted that the listing of maintenance transactions was reconciled against properties recorded in the Annual Financial Statements. This process also identified properties where there was a lack of lease agreements supplied at the time and therefore not considered investment properties. The total correction required arising from the above exercises totals R23 810 000 and is analysed in the below table:</p>	<p>Land Administration to advise Asset Section of all changes to Investment Properties as reflected within the Financial Fixed Asset Register/AFS. Asset Section to forward memo to Land Administration in respect of the errors detected during the 2012/13 audit so that Land Admin can provide the necessary adjustments to Investment Properties and in order for the AFS to be adjusted.</p>	<p>Ongoing 28 February 2014</p> <p>EL Mqonywa - (GM: Asset and Risk) V. Pillay - (GFO).</p>
Lesses	454 Finance lease obligation; Lack of management review on reconciliations (EX.20)	Year 1	In progress	<p>In terms of the MFMA, Section 62(1)(c)(i) "the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."</p> <p>It was noted that reconciliation performed between amounts as per invoices and the centralised lease register are not reviewed by senior management</p> <p>Lack of review of reconciliations by senior management and therefore errors might not be detected.</p> <p>Finance lease obligation and finance charges may be misstated.</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p>	<p>Management should ensure that all reviews are evidenced by a signature; further spot checks should be performed to ensure such reviews are occurring to avoid the non detection of errors.</p>	<p>Management disagrees with the finding, as the review of the reconciliation was performed and signed off by the senior accountant on a quarterly basis. It was indicated to the auditors that the signed review was in the office of the senior accountant, and could be provided if required however, no further request was received. Attached hereto are the copies of the signed quarterly reviews, as requested by auditors. In future further spot checks will be performed on a monthly basis as recommended.</p>	<p>Reconciliation on financial leases are performed quarterly and reviewed and signed off by the Senior Accountant. Monthly spot check have been introduced</p>	<p>31-Jan-14 EL Mqonywa - (GM: Asset and Risk) V. Pillay - (GFO).</p>

<p>456 Leases: Terms as per the lease agreement differ from the lease register (EX 29)</p>	<p>Year 2</p>	<p>In progress</p>	<p>MFMA 62 (1) (c) states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems</p> <p>(i) of financial and risk management and internal control; and</p> <p>(ii) of internal audit operating in accordance with any prescribed norms and standards.</p> <p>The lease terms per the lease register do not agree with the lease agreement</p> <p>No. Lessee Erf nr Address 1 United Rugby Football Club 25087 Buffalo Flats As per the lease agreement, the lease period commenced on 1 May 1994 and terminated on 31 March 2004 but as per the lease register the lease</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting, and compliance and related internal controls</p> <p>Financial and Performance Management: Prepare regular, accurate and complete financial and performance reports that are supported by reliable information</p>	<p>The management should ensure that the lease register is reconciled on a monthly basis with lease agreements and it is reconciled a senior official.</p>	<p>Sikhulile Daycare centre (New Rest Creche): Management disagrees with the finding, on the lease register the escalation has been clearly stated as 12.5% this is on the lease register which was given to the auditors (see attached register)</p> <p>United Rugby Football Club: Management agrees with the finding. The lease expired on the 31 March 2004 and was not renewed; therefore no current lease exists on the property either on a month to month basis or by any other arrangement. The lease was erroneously included in the lease register. The correction will be made to the register</p> <p>Hamilton Club: The rental amount has not been captured onto the register and this will be corrected. However, management disagrees with the finding; the straight-lining has been performed using the correct amount and escalation (straight line calculations attached)</p> <p>Abbotsford Sports Club: Management agrees with the finding, however, the straight-lining has been performed on the R2107,00, though it has been erroneously not captured onto the</p>	<p>The lease register is being and compared against the lease agreements, and new agreements are inspected at inception</p>	<p>On going to be completed by financial year end.</p>	<p>E.L.Mqonywa - (GM: Asset and Risk)</p> <p>V. Pillay - (CFO).</p>
<p><b>Movable assets</b> 458 Prior period error: Movable assets (EX 114)</p>	<p>Year 3</p>	<p>In progress</p>	<p>The MFMA, Section 62(1)(c) prescribes that "the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards."</p> <p>The MFMA, Section 122 (1) (a) prescribes that "Every municipality and every municipal entity must for each financial year prepare annual financial statements which — fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year."</p>	<p>None</p>	<p>None</p>	<p>Asset Section to distribute the Fixed Asset Register (FAR) as at 30 June 2013 to all Directorates/Departments. Directorates/Departments to thoroughly analyse their FAR to ensure that all assets under their control are recorded correctly and provide the Asset Section with all changes to be made to the FAR.</p> <p>Asset Section to adjust the FAR with all changes received from the Directorates/Departments.</p>	<p>31 December 2013</p> <p>31 March 2014</p> <p>31 July 2014</p>	<p>E.L.Mqonywa - (GM: Asset and Risk)</p> <p>V. Pillay - (CFO).</p>	

468 Movable assets: Physical verification of assets (Ex. 54)	Year 3	In progress	<p>In terms of the MFMA, Section 62(1)(c) "the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards."</p> <p>1. During the audit of movable assets, the following assets could not be physically verified as they did not have barcodes or unique identifiers:</p> <p>No Asset number Item description Value per FAR Audited rand value Misstatement 1.225807 Radio - Hand Held 321.00 2 OTA_OPE_BINS94_NA_INA4 Recycling Bin 23 980.55 23 980.55</p>	<p>Financial and Performance Management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>Management should ensure that movable assets are adequately bar-coded and uniquely identifiable, that an up to date asset register is maintained with asset barcode numbers so that assets can be easily and uniquely identifiable and that assets are reviewed at least on an annual basis to consider possible impairment.</p>	<p>Point 1 Management disagrees with the audit finding as these movable assets were physically verified by the audit staff together with SCMM staff during the physical verification of movable assets. However, the audit finding is noted that these assets did not have unique identifiers on them. Departments, as part of the FAR Certificate process in the 2013/14 financial year, will be requested to update the asset details to show the unique identifiers.</p> <p>Point 2 Management disagrees with the audit finding as these movable assets were physically verified by the audit staff together with SCMM staff during the physical verification of movable assets. However, the audit finding is noted that these assets did not have unique identifiers on them. Departments, as part of the FAR Certificate process in the 2013/14 financial year, will be requested to update the asset details to show the unique identifiers.</p> <p>Point 3 Management disagrees with the audit finding. Impairment is a loss in the future economic Management agrees with the finding. This is a known error and the take-on date and depreciation will be adjusted in the 2012/13 financial year.</p>	<p>Point 1: Asset Section to contact the relevant Department for the assets identified in the audit finding to ensure that the assets are bar-coded or the Department provides a unique identifier for each of these assets to enable the FAR to be updated.</p> <p>Asset Section to distribute the Fixed Asset Register (FAR) as at 30 June 2013 to all Directorates/Departments.</p> <p>Directorates/Departments to thoroughly analyse their FAR to ensure that all assets under their control are recorded correctly and provide the Asset Section with all changes to be made to the FAR including any additional unique identifiers.</p> <p>Asset Section to adjust the FAR with all changes received from the Directorates/Departments.</p> <p>Point 2: Asset Section to adjust the FAR and prepare the necessary journals.</p>	<p>28 February 2014</p> <p>31 December 2013</p> <p>31 March 2014</p> <p>31 July 2014</p> <p>28 February 2014</p> <p>31-Mar-14</p>	<p>E.L.Mngonywa - (GM: Asset and Risk)</p> <p>V. Pillay - (CFO).</p>	<p>E.L.Mngonywa - (GM: Asset and Risk)</p> <p>V. Pillay - (CFO).</p>
471 Movable assets: Incorrect take on date used for asset and incorrect depreciation on fixed asset register (Ex. 56)	Year 3	In progress	<p>Section 62(1)(c)(i) of the MFMA states that, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains an effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>During the audit of assets, established that the incorrect take on date was used for the following asset:</p> <p>No Asset number Item description Take on date per FAR Date per invoice 1 OTA_OPE_HORT11889_MMOW_243 5.17 Machine - Mower 30/06/2013 16/05/2013</p> <p>This has resulted in a depreciation difference of R171.86.</p> <p>The cause of the audit finding is a</p>	<p>Financial and Performance Management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>Management should ensure that the correct take on dates are used for assets in the fixed asset register and that depreciation is correctly calculated.</p>	<p>Management disagrees with the audit finding. This is a known error and the take-on date and depreciation will be adjusted in the 2012/13 financial year.</p>	<p>Asset Section to adjust the FAR and prepare the necessary journals.</p>	<p>31-Mar-14</p>	<p>E.L.Mngonywa - (GM: Asset and Risk)</p> <p>V. Pillay - (CFO).</p>	<p>E.L.Mngonywa - (GM: Asset and Risk)</p> <p>V. Pillay - (CFO).</p>



473	Movable assets: Assets not on asset register (Ex. 57)	Year 3	In progress	<p>Section 62(1)(c) of the MFMA states that, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains an effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>During the physical verification of assets, the following assets were selected from the floor and could not be traced back to the fixed asset register:</p> <p>No Details Asset barcode number Room barcode number Audited rand value 1 CPU F3292 R4 123 1 166.23 2 Monitor F1234 R4 123 309.13 3 Air Conditioner D3778 R1 244 2 011.09 4 Printer A1663 R2 148 3 947.72 5 Chair G3646 R1 550 486.48</p>	<p>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.</p>	<p>Management should ensure that an up to date and complete asset register is maintained. An assessment should be performed whereby all movable assets are traced to the fixed asset register, any missing assets should be added to the register.</p>	<p>Management agrees with the finding. The audited fixed asset register is distributed to all Departments as part of the FAR Certificate process whereby Departments check all assets within their custodianship and provide changes to be made to the asset register. These FAR Certificates are signed off by the Departments indicating that they confirm that they have "reviewed the physical verification of the assets register to floor" and "floor to register" and confirm the physical verification of all assets. The FAR Certificate process will be reviewed in 2013/14 to ensure that all movable assets can be traced to the fixed asset register and any adjustments received from the Departments from this process will be made to the asset register in 2013/14. The department responsible for asset management will also ensure that an assessment is performed whereby all movable assets are traced to the fixed asset register.</p>	<p>Asset Section to contact the relevant Department for the assets identified in the audit finding to ensure that the relevant assets are barcoded or the Department provides a unique identifier for each of these assets to enable the FAR to be updated.</p> <p>Asset Section to distribute the Fixed Asset Register (FAR) as at 30 June 2013 to all Directorates/Departments.</p> <p>Directorates/Departments to thoroughly analyse their FAR to ensure that all assets under their control are recorded correctly and provide the Asset Section with all changes to be made to the FAR including any assets on the floor not included in the FAR.</p> <p>Asset Section to adjust the FAR with all changes received from the Directorates/Departments.</p>	28 February 2014	E.L. Mngonywa - (GM: Asset and Risk)	V. Pillay - (GFO).	
475	Fixed assets: Findings on the fixed asset register (EX 66)	Year 3	In progress	<p>In terms of the Municipal Finance Management Act No. 56 of 2003, section 63(2), the accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure:</p> <p>(a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;</p> <p>(b) that the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and</p> <p>(c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.</p> <p>In terms of the Municipal Finance Management Act No. 56 of 2003, as amended, Section 62(1)(c) the accounting officer of the municipality is responsible for managing the</p>	<p>Financial and Performance Management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>1. Management should ensure all appropriate information relating to an asset (i.e. physical location, take on date and accumulated impairment) is disclosed in the fixed asset register and regular reviews should be performed of the fixed asset register to ensure all required information is included therein.</p> <p>2. and 3. Management should compare the figures in the trial balance, annual financial statements and fixed asset register to identify any variances, these should be subject to review by a senior official.</p> <p>4. Reconciliations of the general ledger and fixed asset register should be performed on a monthly basis.</p>	<p>Point 1 Management agrees with the finding. The affected assets are the restated assets (Roads, Stormwater, Heritage Assets and Municipal Properties) that were part of the metro's asset management project in the year under review. The take on dates were erroneously omitted from the asset register when these assets were restated. These will be updated in the revised 2012/13 financial statements.</p> <p>Point 2 RESOLVED Other Properties - This error was identified by BCM and discussed with the Auditor-General when the revised financial statements incorporating the asset restatements given to the Auditor-General. This relates to the provision for the rehabilitation of landfill sites which were erroneously written off in the general ledger when municipal properties were restated. This will be adjusted in the revised 2012/13 financial statements.</p> <p>Capital Work in Progress - As part of the comprehensive asset management project to restate PPE, this included WIP. The difference relates to workings/calculations which will be</p>	<p>Point 1: FAR to be updated with take-on dates.</p> <p>Point 2: Asset Section to prepare a letter for CFO signature for onward submission to SACN who need to investigate and provide details of the difference in WIP of R2 213 315.04 so that this can be corrected in the 2013/14 FAR.</p> <p>Point 3: Asset Section to ensure that the bus's correct value is recorded in the FAR and where necessary, the relevant journals have been processed.</p> <p>Asset Section to liaise with Mechanical Workshops to establish disposal date, which have been deregistered.</p>	31 March 2014	E.L. Mngonywa - (GM: Asset and Risk)	V. Pillay - (GFO).	
<b>Operating expenditure</b>												

481	Expenditure: Inadequate controls (Ex.6)	Year 2	<p>In progress</p> <p>In terms of the MFMA No. 56 of 2003, Section 112(1) "the supply chain management policy of a municipality or municipal entity must be fair, equitable, transparent, competitive and cost-effective and comply with a prescribed regulatory framework for municipal supply chain management".</p> <p>Inadequate controls were identified as follows:</p> <ol style="list-style-type: none"> <li>1. Amendments to supplier database are not recorded on pre-numbered amendment forms. All amendments to supplier may not be captured on the system as there is no sequence of the forms. This may further lead to manipulation of supplier's details and errors and omissions may not be detected timeously.</li> <li>2. There is no integrated supplier database; therefore requesting from unauthorised suppliers could occur thus resulting in irregular expenditure and paying unnecessarily high prices for goods resulting in overspending on contracts. There is a risk of increase</li> </ol>	<p>Leadership: Develop and monitor the implementation of action plans to address internal control deficiencies.</p> <p>Management should ensure that controls to address the deficiencies identified above are implemented.</p>	<p>Management disagrees with the findings. In respect of the first (1) finding, all suppliers that submit supplier forms are recorded on a spreadsheet with reference numbers irrespective of whether they qualify to be included on the list of accredited database or not.</p> <p>All amendments are recorded on the initial spreadsheet and changes are reviewed and approved.</p> <p>Subsequent changes on the list of accredited supplier database are effected accordingly. In response to the second finding (2), supplier databases are intended to record screened and vetted supplier information but not to regulate overspending of expenditure on contracts.</p> <p>In light of the above responses we therefore request both findings to be reviewed.</p>	<p>NL: 1 Management is implementing a new eProcurement system that addresses the concerns regarding supplier master information and internal controls</p> <p>1-Mar-14</p> <p>T. Sali - (GM: Supply Chain Management)</p> <p>V. Pillay - (CFO).</p>
Payable	71	All three years	<p>In progress</p> <p>Section 65(2)(e) of the MFMA states: "The accounting officer must take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure."</p> <p>Per inspection of the creditors listing the invoices below which were long outstanding were only paid after the 30 June 2013.</p> <p>Further it was noticed that some invoices are not stamped as received in order to be able to identify invoice receipt date.</p> <p>This is caused by invoices due for payment not being reviewed and followed up on timeously. The creditors days being 63 days this in the prior year was 35 days.</p> <p>This is non-compliance with the MFMA. Late payment could also</p>	<p>Financial and performance management: Review and monitor compliance with applicable laws and regulations.</p> <p>Management should ensure that all invoices are timeously reviewed by the relevant municipal officials to ensure that payments are made within the required 30 days. The creditor's payment days should be reduced to 30 days.</p>	<p>PE YMA/ Smith Tabata/ Sizwe paints/ Vaduba Investments.</p> <p>During a review exercise of invoices for payments, the above invoices were found to have disputes/ discrepancies. Only after the investigation and correction of the invoice, can the payments be processed to avoid fruitless and wasteful expenditure in effecting payments without ensuring that goods or services have been actually received, hence the invoices were not paid within 30 days of receipt.</p> <p>Abs Travel</p> <p>The payment of Travel agents is a lengthy process as all invoices are delivered at a central point (Salary office). These invoices are then sorted per Directorate and attached to a summary sheet and forwarded to the various Directorates for authorization. Only once the authorized schedules are returned by the directorates can payment be processed. A tender has since been awarded and the payment process through Supply Management will speed up the process.</p>	<p>31-Jan-14</p> <p>E.L. Mhonywa - (GM: Asset and Risk)</p> <p>V. Pillay - (CFO).</p>

69) Payable: Material under spending of resources (EX 95)	All three years	<p>In progress</p> <p>Section 21 of DORA Act states that any conditional allocation that is not spent at the end of a financial year reverts to the National Revenue Fund, unless the relevant receiving Officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identified projects.</p> <p>The Statement of Comparison of Budget and Actual Amounts indicate that the municipality has only spent 62% of its capital budget. This is a material under spending of capital budget, by R373 869 499.</p> <p>As disclosed in note 23 to the financial statements, the municipality has materially under spent conditional grants to the amount of R 251,735,169 million, and unconditional grants of R198,413,440. As a consequence, there will be a direct impact on service delivery, infrastructure development and maintenance.</p>	<p>Leadership: Exercise oversight responsibilities regarding financial and performance reporting and compliance and related internal controls.</p>	<p>Management should allocate resources to planned projects and monitor spending in accordance with allocated funds. This should be reported on monthly with reference to planned service delivery and actual outcomes. Therefore this will be included in the management report.</p>	<p>The unspent conditional grant funding of R203.2 million is committed to contracts on tenders that have been awarded in the 2012/13 financial year and are being implemented in the 2013/14 financial year. Included in the R251.7 million unspent conditional grant is R33.7 million funding for Public Transport Infrastructure Systems Grant received for a Bus Rapid Transport project which is on hold due to litigation.</p> <p>The unspent conditional grant funding of R198.4 million includes an amount of R135.8 million transferred from Department of Land Affairs for East Bank and West Bank Restitution projects. The funding will be spent on housing top structures which are subject to construction/availability of bulk infrastructure which is currently under procurement this Financial Year 13/14 for West Bank Restitution whilst land is being sort for East Bank development.</p> <p>As part of the Turnaround Initiative, an Enterprise Programme Management Office (EPMO) was established in the Office of the City Manager to provide support and oversight</p>	<p>Monthly</p>	<p>R. Pritorius - (Assistant Manager: Enterprise Project Management)</p>	<p>L. Valeta - (Programme Manager: Compliance)</p>
483 Consumer deposits: Control Weakness (Ex.11)	All three years	<p>In progress</p> <p>Section 62(1)(c) of the MFMA states that, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains an effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>The following weaknesses were identified:</p> <ol style="list-style-type: none"> <li>1. Resolved</li> <li>2. There is no evidence that the monthly BP317 reports are generated and reviewed monthly in order to detect anomalies (accounts without deposits) and errors.</li> </ol> <p>Management stated that the reports are only printed on request as they are too large to print and kept by the municipality therefore the auditors (AG) could not test the reports as they were not available.</p>	<p>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</p>	<p>1. Management should ensure that all reports are reviewed and a follow-up on any errors is done. 2. Management should print and review the reports monthly to detect anomalies that occurred during the month as a control measure.</p>	<p>The current procedure of review does not include a physical printing and sign off due to the volume of transactions. The BP114 is run regularly and the data on the Service Agreements are checked by the Department. Any anomalies found are corrected on the Financial System in the review process. The recommendation made by the Auditor General is acknowledged as an additional control measure and the Department has incorporated a sign off process in the procedure to ensure completeness.</p> <p>2. Finding on BP317: The Department did not produce the BP317 for the period under review. The Department agrees with the recommendation of the Auditor General that the BP317 report be run monthly and be reviewed as an additional control measure. Name: S. Peter</p>	<p>1-Jan-14</p>	<p>S. Peter - (Acting GM: Revenue Management)</p>	<p>V. Pillay - (CFO),</p>

496 Creditors: Disclosure note 57 (EX 155)	All three years	In progress	<p>In terms of Grap 1 paragraph 35, an entity shall prepare its financial statements, except for cashflow information, using accrual basis of accounting.</p> <p>Further paragraph 36 states that when the accrual basis of accounting is used, items are recognised as assets, liabilities, net assets, revenue and assets (the elements of financial statements) when they satisfy the definition and recognition criteria for those elements in the Framework for the Preparation and Presentation of Financial Statements.</p> <p>The amounts in the table below were shown as outstanding in creditors however per note no. 57 in the AFS the amounts were shown as paid even though they were only paid after the financial year on the 7th of July.</p> <p>No Item Description Amount shown as other creditor in AFS Amount shown as a creditor in Note 57 Difference</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.</p>	<p>Management should ensure that financial statements are prepared using the accrual basis of accounting per Grap 1 and that proper interpretation of s. 125 should be obtained and applied</p>	<p>The disclosure note has been amended to state that amounts deducted in respect of June are paid on 7 July 2013 as per legislation.</p>	<p>Work performed prior to finalisation of the AFS. Amount to be corrected and included within note 57 of the 2013 Annual Financial Statements.</p>	6-Dec-13	E.L. Mngonywa - (GM: Asset and Risk)	V. Pillay - (CFO).
485 Payables: Direct Control is not effectively implemented(Ex.9)	All three years	In progress	<p>Section 62(1)(c) of the MFMA states that, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains an effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>1. The municipality has no direct/indirect control that is designed and implemented to mitigate the risk of misplacing or losing invoices when they are delivered by the driver from the Expediting section in Chislehurst to the Old mutual building: Finance Department where the invoices are processed for payments.</p> <p>2. The invoice no: B02752 for Bespoke seal solutions on the 10/01/13, Reg no. P328075, for ordering of goods to the total value of R2 970,00 was not registered as received in the register used to</p>	<p>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</p>	<p>1. Management should ensure that a record of movement of invoices from the Expediting section in Chislehurst to Old mutual building in town is kept and monitored by a senior official at the Finance section.</p> <p>2. Management should design and implement controls to mitigate the risk of unauthorised price change that could occur as a result of evidence that is destroyed after the corrections have been done. These reports could be printed to PDF and save the H1350 reports in that format.</p> <p>3. Management should ensure that the Creditor's reconciliation are prepared and reviewed on a monthly basis.</p>	<p>Finding No 1 The orders together with invoices; GRN's from the Expediting section of supply chain unit are delivered to the Creditors Section in a sealed envelope. The sealed envelopes are opened by the responsible official. Management is not aware of instances where items were reported as missing. In the current financial year the signed register by both the SCM and Creditors Section shall be implemented as proof of orders sent to the Finance-Creditors Section as an improvement to the existing control measures.</p> <p>Finding No 2 Regarding invoice no: B02752 for Bespoke seal solutions Reg no. P-328075, Management notes the recommendation from AG and a register will be developed for transit documentation from expediting (Chislehurst) and expenditure (Old Mutual) to ensure improved controls.</p> <p>Finding No 3 The HT 340 is utilised as a working document for the Principal Accounts Clerk to authorise payments before a print out of cheques is</p>	<p>Tempo have been appointed To appoint permanent employees and subject them to vigorous training</p>	27-Nov-13	E.L. Mngonywa - (GM: Asset and Risk)	V. Pillay - (CFO).

<p>488] Creditors: Reconciliations are not appropriately performed (Ex.91)</p>	<p>All three years</p>	<p>In progress</p>	<p>In terms of the Municipal Finance Management Act No. 56 of 2003, Section 62(1)(c) "the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards."</p> <p>The following differences were identified between the amount per Creditors Listing, and the amount confirmed by the Supplier:</p> <p>No Name of Supplier Amount Per Creditors Listing Amount Per Confirmation Difference  1 PE YMCA 152 490.00 185  610-10 -33 120.10  2 Smith and Tabata -257 358.50</p>	<p>Financial and performance management:  Controls over daily and monthly processing and reconciling of transactions not implemented.</p>	<p>Management should ensure that reconciliations prepared and reviewed and an appropriate and sufficient supporting document is attached.</p>	<p>PE YMCA:  BCMM has not been invoiced by the supplier for the amount R33120.10 which represents a difference between creditors listing and the amount as per creditor's confirmation.</p> <p>Smith and Tabata:  invoice no194639 for R 40,036.80 and no200675 for R2, 793.37 are not included in the suppliers' statement for June 2013 though it appears in the creditors listing, resulting to an understatement of R42, 830.17  Matter no 33E044052 for Kokose Disciplinary enquiry has been invoiced at an amount of R1, 048.80 but shown on supplier's Statement as R15, 631.68, overstated by R14, 582.88.  Matter no 33E044662 for Mangashe legal opinion has been invoiced at R8, 949.00 but on supplier's statement it has been shown as R19, 680.36 overstated by R10, 731.36.  The invoices for matters no33E04456 for R34, 086.00 and no46E044668 for R 958.10 had not been received by BCMM as at 30 June 2013, but are included on supplier's Confirmation = 35,044.10.  When considering the above discrepancies, from the point of view of the supplier the end Management disagrees with the audit finding, the reconciliations are properly prepared; the balance per creditor's statement is reconciled against the Creditors Ledger, therefore the difference between the supplier's statement and outstanding invoices is equal to zero on the reconciliation as per the Trade Creditors reconciliation statement form.  Reconciliations prepared at the end of each month and a comparison is made between the items or amounts appearing in the statement against the individual creditor's ledger. This process is done on a month to month basis. At the year-end invoices received and whereby goods and services have been certified as received are accrued automatically by the system in respect of orders for goods or services where a GoodReceived Note (GRN) was issued. This process has to be undertaken during what is called "calendar monthend closure" and the system does not allow any further transaction thereafter. Afterwards manual accruals are prepared which stay alive as long as the ledger is still open.</p>	<p>Suppliers to be informed to submit supplier statements before payment can be made</p>	<p>1-May-13</p>	<p>E.L.Mngonywa - (GM: Asset and Risk)</p>	<p>V. Pillay - (GFO),</p>
<p>491] Creditors: There are differences between the creditors balances per reconciliation and creditors balances per creditors listing (EX 93)</p>	<p>All three years</p>	<p>In progress</p>	<p>In terms of the Municipal Finance Management Act No. 56 of 2003, Section 62(1)(c) "the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards."</p> <p>They are differences between the balances of creditors in the creditor's reconciliation as at 30 June 2013 and the creditor's balances per creditors listing as at 30 June 2013.  Reconciliations are prepared exactly at 30 June 2013 while invoices which relate to the financial year are received after the year end and as a result may not be accrued on the system and are manually accrued</p>	<p>Financial and performance management:  Controls over daily and monthly processing and reconciling of transactions not implemented.</p>	<p>Management should ensure that the amount per creditor's reconciliation agrees to creditors listing by preparing the creditors listing from creditors reconciliations.  Further the municipality should keep a separate creditors listing for creditors which does not include outstanding amounts in relation to a specific creditor in terms of creditors reconciliations.</p>	<p>Management should ensure that reconciliations prepared and reviewed and an appropriate and sufficient supporting document is attached.</p>	<p>Accounts Manager and Financial Accountant to be relocated from SCM Chisehurst to Asset &amp; Risk, Old Mutual Building</p>	<p>9-Jan-14</p>	<p>E.L.Mngonywa - (GM: Asset and Risk)</p>	<p>V. Pillay - (GFO),</p>

494 Creditors: Reconciliations are not prepared for certain suppliers and the municipality does not prepare reconciliations between (EX 94)	All three years	In progress	<p>In terms of the Municipal Finance Management Act No. 56 of 2003, Section 62(1)(c) "the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards."</p> <p>-Creditors reconciliations are not prepared for the following suppliers:</p> <ul style="list-style-type: none"> <li>• PriceWaterhouse Coopers</li> <li>• Ubizo Agencies</li> </ul> <p>- Further an incorrect reconciliation was submitted which shows a reconciliation between creditors listing (report number HR150) and general ledger in RFI 52 instead of a</p>	<p>Financial and performance management:</p> <p>Controls over daily and monthly processing and reconciling of transactions not implemented.</p>	<p>Management should ensure that they prepare creditors reconciliations for all major suppliers.</p>	<p>Management disagrees with the audit finding that the following supplier reconciliations are not prepared namely: Price Waterhouse Coopers and Ubizo agencies; in essence the fact is that the supplier's reconciliations are prepared on a monthly basis. We attach copies of prepared creditor's reconciliation in support of our statement.</p>	On going	E.L.Mngonywa - (GM: Asset and Risk)	V. Pillay - (GFO).
<p><b>Predetermined objectives</b></p> <p>107 Predetermined objectives: targets achieved could not be measured (EX 138)</p>	Year 1	In progress	<p>The Municipal Finance Management Act No. 56 of 2003, Section 62 (1) (b), (c) state that,</p> <p>(1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure -</p> <p>(b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;</p> <p>(c) that the municipality has and maintains effective, efficient and transparent systems -</p> <p>(i) of financial and risk management and internal control; and</p> <p>(ii) of internal audit operating in accordance with any prescribed norms and standards;</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p>	<p>As the various indicators appear to have the same supporting documentation, it is suggested that Management revisit the indicators and consider combining indicators that have the same theme and supporting documentation, as this will possibly solve the "double accounting" of supporting documentation.</p>	<p>The finding is noted.</p> <p>Management agrees that the three targets are interlinked and should in fact ideally be a single target.</p>	31 Jan - 29 May 2014	N. Sikuwana - (GM: IDP, PMS,BIGS AND KM)	O Mahangu - (Acting Director: Executive Support Services)

103	Predetermined objectives: Not all job cards are captured on the system (EX 139)	Year 1	In progress	<p>Section 62 (1)(c) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>Job cards with control numbers listed below have not been captured at year end</p> <p>No Suburb Control Number 1 Chiselhurst 360263 2 Mdantsane 384197 3 KIWANE 377676</p> <p>Control number 298317 per the original finding was replaced with 377676 as it relates to the prior year (22 Sept 2011). Similarly control number 366431 was replaced with 360263 because it relates to</p>	<p>Financial and Performance Management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>Management should: a) ensure that all outstanding job cards relating to the year under review are captured to determine and report on the accurate number of interruptions exceeding 24 hours. b) consider reallocating responsibilities to existing staff (where possible) as a temporary measure to clear remaining backlogs (if necessary) c) ensure regular maintenance of the system to ensure that work done is captured on time.</p>	<p>Management is not in agreement that unplanned water interruptions exceeding 24 hrs cannot be verified due to non capturing of data into the water management systems. Job cards not captured on the system are manually verified and attended to on daily basis by maintenance team. Hard copies of all job cards are filed and available for inspection. The job cards are not falling into the category of those exceeding 24hrs (see attached evidence).</p>	M. Wiesterberg - (Acting GM: Water & Wastewater)	N Ncunuyana - (Director: Engineering Services)
538	Predetermined objectives: no reliance placed on targets achieved (EX 153)	Year 1	In progress	<p>In terms of section 62(1)(c) of the MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>Based on an inspection of supporting documentation, relating to the Annual Report, instances were noted where the same supporting documentation had been used, as evidence to support the target achieved for different indicators. As a result of the aforementioned, no reliance could be placed on the targets as reported on in the annual report, as there was a duplication of supporting documentation. The following extract serves as example: No Area House Number Date Comment</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p>	<p>It is suggested that management reassess the indicators in terms of the required inputs and outputs as this will assist in reducing indicators that have the same supporting evidence.</p>	<p>The finding is noted. Management agrees that various targets are interlinked and should in fact be a single target.</p>	N. Siukwana - (GM: IDP, PMS, BI, GIS AND KW)	O Mahlangu - (Acting Director: Executive Support Services)

84	Predetermined objectives: measurable performance targets not set for all priorities (EX-41)	Year 1	In progress	<p>In terms of the Municipal Systems Act, 32 of 2000, section 41 being Core Components (1) - a municipality must in terms of its performance management system and in accordance with any regulations and guidelines that may be prescribed:</p> <p>(a) set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its integrated development plan;</p> <p>(b) Set measurable performance targets with regard to each of those development priorities and objectives</p> <p>The Municipal Planning and Performance management Regulations, 2001, section 12 - Setting of Performance Targets - states that:</p> <p>(1) A municipality must, for each financial year, set performance targets for each of the key performance indicators set by it.</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p>	<p>It is suggested that the various directorates be made aware, and guided on the requirements of the legislators in terms of setting appropriate targets. All targets that are presented by the directorates in compiling the IDP must be subjected to quality control prior to the consideration thereof.</p>	<p>The Annual Report has been prepared strictly in accordance with the requirements of MFMA Circular No 63. National Treasury advises that the revised template included with MFMA Circular No 63 replaces the Performance Report referred to in the Local Government Municipal Systems Act. [The Performance Report in terms of the Local Government Municipal Systems Act includes a section on the performance of external service providers which is not covered in the revised circular.] It is accordingly not agreed that the non inclusion of the performance information referred to above is non compliance, as National Treasury has made it clear that the revised template is to be used. Such template does not include the performance of external service providers. If there is a conflict in this matter, it should be addressed with the National Treasury as the author of the MFMA Circular No 63.</p> <p>The conclusion that the performance of service providers had not been monitored for effectiveness in terms of their service level agreements cannot be supported by the mere failure to include the performance report in the</p>	O Mahlangu - (Acting Director: Executive Support Services)	N. Sikuwana - (GM: IDP, PMS, BI, GIS AND KW)	31 Jan - 29 May 2014	Targets set in the IDP and SDBIP will be subjected to intense quality control measures to ensure that they are realistic and they are set for each priority in the IDP. The matter of the service provider performance has been addressed in the Framework that is currently under revision. The service provider performance was however included in the 2012/13 Annual Report.
522	Predetermined objectives: SDBIP targets not consistent with Annual Report targets.(EX-59)	Year 1	In progress	<p>In terms of the Municipal Systems Act (MSA) of 2000, section 46, Annual performance reports—(1) A municipality must prepare for each financial year a performance report reflecting—</p> <p>(a) the performance of the municipality and of each external service provider during that financial year;</p> <p>(b) a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and</p> <p>(c) measures taken to improve performance.</p> <p>(2) An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act.</p> <p>1. From an inspection of the SDBIP and the annual report, it was noted that when comparing the planned and reported targets, that there were inconsistencies between the two</p>	<p>Financial and Performance Management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>It is recommended that all avenues be investigated to ensure that all officials who are involved in the collating, recording and reporting of performance information, are adequately trained in their respective fields and responsibilities.</p> <p>It is further suggested that management conduct a quality review on the SDBIP and the annual report, as this will assist in identifying and correcting inconsistencies</p> <p>The number of beneficiaries relocated should be recorded under "top structures" as beneficiaries who are allocated houses are relocated.</p>	<p>The finding is agreed.</p> <p>This appears to arise from two [2] separate issues. Firstly, differing reporting formats e.g. "Number of households provided with access to Free Basic Electricity", where the target for the year is effectively to increase the number by 5760 to 64 000.</p> <p>Beneficiaries relocation is linked to the completion of top structure as beneficiaries who are allocated houses are relocated. Due to this the department has since eliminated this target in the 2013/2014 SDBIP as it is in line with the completion of top structures.</p> <p>Secondly, it arises from the accidental omission of the Service Delivery and Budget Implementation Plan tables from the Annual Report.</p> <p>This latter matter has been dealt with through the inclusion of these documents into the Draft Annual Report. The matters are accordingly report on in the Annual Report.</p> <p>The mere fact that there are an inconsistency</p>	O Mahlangu - (Acting Director: Executive Support Services)	N. Sikuwana - (GM: IDP, PMS, BI, GIS AND KW)	31-Aug-14	All indicators in the 2013/14 SDBIP will be reported on in the 2013/14 Annual Report.



88	Year 1	In progress	<p>In terms of the Municipal Planning and Performance Management Regulation of 2001, section 12 - Setting of performance targets</p> <p>(1) A municipality must, for each financial year, set performance targets for each of the key performance indicators set by it.</p> <p>(2) A performance target, set in terms of sub-regulation (1) must—</p> <p>(a) Be practical and realistic;</p> <p>(b) Measure the efficiency, effectiveness, quality and impact of the performance of the municipality, administrative component, structure, body or person for whom a target has been set;</p> <p>(c) Be commensurate with available resources;</p> <p>(d) Be commensurate with the municipality's capacity; and</p> <p>(e) Be consistent with the municipality's development priorities and objectives set out in its integrated development plan.</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p>	<p>It is suggested that management address the staff shortages, which relate to service delivery, as this will assist in reaching the required targets within the specified time frames.</p>	<p>It is conceded that certain of the vacancies have the potential to impact on service delivery. Efforts are being made to fill critical vacancies as soon as is practical. However, the overall vacancy and staff turnover rate is not considered to be excessive.</p> <p>Regarding the specific concern raised, that the main driver of the IDP, being housing settlements, had not been achieved indicating a lack of capacity is not supported. Largely, these delays arise from delays in obtaining the required clearances as well as contract related performance issues.</p>	S. Kondile - (PM: Housing)	T. Matwane - (Acting Chief Operations Officer)
89	Year 1	In progress	<p>From the inspection of the targets in delivery and budget implementation plan:— The municipal manager must in accordance with section 21A of the Municipal Systems Act make public the approved service delivery and budget implementation plan within ten working days after the mayor has approved the plan in terms of section 53 (1) (c) (ii) of the Act.</p> <p>20. Submission of approved annual budget and other documents.—(1) the municipal manager must comply with section 24 (2) of the Act within ten working days after the municipal council has approved the annual budget.</p> <p>(2) The municipal manager must submit to the National Treasury and the relevant provincial treasury, in both printed and electronic form—</p> <p>(a) The supporting documentation within ten working days after the municipal council has approved the annual budget;</p> <p>(b) the approved service delivery and</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p>	<p>It is suggested that management ensure a timely submission of all documentation, as this will assist in adhering to the required time lines in terms of the regulation.</p>	<p>Requirement Finding Comments</p> <p>The municipal manager made public the approved SDBIPs within 10 working days after they were approved by the mayor. In spite of the fact that the SDBIP had been advertised in terms of the MSA sec.21 and 21A, it would appear that the SDBIP had not been made public 10 days after the approval thereof by the Mayor. In this regard evidence suggests that the Mayor approved the SDBIP on 21 June 2012, however only advertised it on 29 Oct 2012, being 120 days after the due date.</p> <p>From the aforementioned it would appear that the Local Government Municipal Budget and reporting regulations (GN 393 of 2009) Reg 19 had not been complied with in all respects. It is factually correct that the SDBIP was not advertised within the prescribed time frame.</p> <p>This was occasioned by the intervention of the Council, which declined to adopt the SDBIP as approved by the Executive Mayor.</p> <p>It was considered not prudent to publish a document known to be under dispute.</p>	N. Sikuwana - (GM: IDP,PMS,BIGS AND KM)	O Mahlangu - (Acting Director: Executive Support Services)

<p>97 Predetermined objectives: Measurability of indicators and related targets (EX 89)</p>	<p>All three years</p>	<p>In progress</p> <p>In terms of section 41 (1) of the Municipal Systems Act a municipality must in terms of its performance management system and in accordance with any regulations and guidelines that may be prescribed:</p> <p>(a) set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its integrated development plan;</p> <p>(b) set measurable performance targets with regard to each of those development priorities and objectives</p> <p>The basis for measuring the following indicators and related targets are not well defined to enable objective measurement.</p> <p>No Indicator Target</p> <p>1 Number KWH produced by alternative energy sources</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p>	<p>Items 1 - 2</p> <p>Management should clearly specify how the indicators and related targets would be measured including the time period for measurement</p> <p>Item 3.</p> <p>Management should allocate cost and related percentage to the various stages targeted for the year. Quarterly performance should then be measured in terms of actual cost incurred versus budgeted for each stage. This will assist in reporting accurate actual achievements</p>	<p>No Indicator Target Management Comment</p> <p>1 Number KW produced by alternative energy sources 12 It is not agreed that this is not measurable. It is possible to obtain these readings from known sources of alternative energy through meter and machine readings.</p> <p>While it is not within the responsibility of the municipality itself, it is necessary to obtain an understanding of alternative energy generation.</p> <p>Accurate measurement is not an important issue in such an indicator. The indicator is purely to obtain this understanding.</p> <p>2 Number of Service delivery systems interfaced 1 (BOP for road and storm water and solid water collection) The intention here is to integrate the work of different operating units so that there are synergies.</p> <p>By and large, it takes place in the form of informal discussions so that the parties understand the constraints of the other.</p> <p>It is conceded that as there is no tangible</p>	<p>A template has been developed which requires Directorates to provide a definition for each indicator. This is aimed at clarifying the measurability of the indicators and related targets in the reviewed 2014/15 IDP and SDBIP</p>	<p>2 Jan - 29 May 2014</p>	<p>N. Siqukwana - (GM: IDP, PMS, BI, GIS AND KW)</p>	<p>O Mahlangu - (Acting Director: Executive Support Services)</p>
<p>531 Predetermined objectives: inadequate controls over certificates of compliance (EX 120)</p>	<p>All three years</p>	<p>In progress</p> <p>The Municipal Finance Management Act No. 56 of 2003, Section 62 (1) (b), (c) state that,</p> <p>(1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure -</p> <p>(b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;</p> <p>(c) that the municipality has and maintains effective, efficient and transparent systems -</p> <p>(f) of financial and risk management and internal control; and</p> <p>(ii) of internal audit operating in accordance with any prescribed norms and standards;</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p>	<p>It is suggested that Management ensure that there are procedures in place that will address all internal control deficiencies, and that the responsibility be allocated to a specific official, who must assume responsibility for this task.</p>	<p>The mere absence of a signature does not imply that the measurement is unreliable, or that an electrical meter was not installed.</p> <p>Added measures are a close out report with all meter numbers and even numbers verified by the contractor and BCMM project supervisor. This information is forwarded to the Finance Directorate and all meter numbers are then captured on the Contour system. This does not make the measurement itself, which is the matter under consideration here, unreliable.</p> <p>It is, however, accepted that this is a control issue requiring improvement.</p>	<p>As stated in Management's response, the mere absence of a signature does not imply that the measurement is unreliable. Management will ensure that each Project Manager takes responsibility to ensure all relevant documentation is signed prior to acceptance</p>	<p>With immediate effect</p>	<p>R. Ferrier - (Acting General Manager : Electricity)</p>	<p>N. Ncunyana - (Director: Engineering Services)</p>

533	<p>Predetermined objectives: Reported target different from list submitted for audit (EX 140)</p>	All three years	In progress	<p>Section 62 (1)(c) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>The reported target achieved on the indicator "Number of new households (RDP) provided with water connections" is 1 543 however the list provided as supporting evidence per RFI 123 shows 1 548.</p> <p>This is due to inadequate review of information prior to inclusion in the annual report.</p> <p>The reported number of households provided with water connections is understated.</p>	<p>Financial and Performance Management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>Management should re-examine the list with all relevant supporting documents and if satisfied adjust the reported information to reflect the actual performance.</p>	<p>Management agrees that the correct information is 1548, as per the list submitted for the RFI report, and this was a result of a capturing error. This has not affected on the performance of the Directorate as it is further above the target for the year.</p>	<p>31-Mar-14</p>	<p>N. Situkwana - (GM: IDP, PMS, BI, GIS AND KM)</p>	<p>O Mahlangu - (Acting Director: Executive Support Services)</p>
535	<p>Predetermined objections: applications for free basic electricity do not support the target achieved (EX 148)</p>	All three years	In progress	<p>In terms of section 62(1)(c) of the MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>1) Based on the results of the tests that had been conducted, it was noted that the applications forms for free basic electricity, were not in all instances valid and accurate, and as a result did not support the target achieved for free basic electricity, as disclosed in the Annual Report. The following extract serves as example of deviations that were noted.</p> <p>2) From further tests that were conducted, instances were also noted where selected applications forms could not be reconciled to the data base, for consumers receiving free basic electricity. As a result of the</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p>	<p>It is suggested that management make all effort to ensure that internal control measures are formulated, and communicated to all persons concerned. It is further suggested that all applications for free basic electricity are subjected to internal control inspections, to ensure that they are complete and adequately authorised, before they are processed.</p> <p>It is further suggested that management ensure that all applications in the archives, have in fact been captured on the data base, thereby insuring the completeness of records.</p> <p>With further reference to the aforementioned, it is also suggested that internal checks be conducted to evaluate the effectiveness of the internal control measures, as this will allow management to implement corrective actions where applicable.</p>	<p>Management agrees with the recommendations of the AGSA, hence internal control measures have been formulated and put into place with effect from October 2013 and are being applied retrospectively to all applications received since the beginning of July 2013.</p> <p>These procedures, processes, filing system and control measures have been designed to, and are particularly aimed at, remedying the matters relating to incomplete forms and poor filing methods.</p> <p>All forms received from 01 July 2013 are receiving an identifying reference number which can be linked to both the Billing System and Prepayment system. All forms to be processed then are checked by a supervisor for both completeness and for accuracy of file referencing in each of the three main areas (Coastal, Midland and Inland) All Coastal indigent staff have already been consulted with the new procedures referred to above and the procedure has been rolled out to the other areas.</p>	1-Oct-13	<p>S. Peter - (Acting General Manager: Revenue Management)</p>	<p>V. Pillay - (CFO)</p>

498	<p>Predetermined objectives: Development priorities with no budget allocations (Ex 32)</p>	All three years	In progress	<p>Section 38(a) and (c) of the MSA, prescribes that the municipality must establish a performance management system that is commensurate with its resources; best suited to its circumstances and in line with the priorities, objectives, indicators and targets contained in its integrated development plan and as well administer its affairs in an economical, effective, efficient and accountable manner.</p> <p>No budget allocation or an indication of the source of funding is indicated in the 2012/13 IDP review for the following development priorities: his is due to inadequate review of the IDP for accuracy and completeness of information included therein. Development priorities will not be achieved without the required budget allocation.</p> <p>The information relating to the funding of development priorities in the 2012/13 IDP review is misleading.</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.</p>	<p>Management should ensure that each development priority is allocated the required budget and that budget allocation or source of funding for each priority is included in the annual IDP review.</p> <p>The IDP should be adequately reviewed for accuracy and completeness of information prior to printing.</p>	<p>The programmes listed are all funded. For ease of reference, the funding is as indicated in the table hereunder. The SDBIP only indicates a linkage to Capital and Operating Projects, but not where funds are sourced from the general operational budget (i.e. within a Directorate's normal activities).</p> <p>Each development priority in the Integrated Development Plan is allocated a budget and this is indicated in the SDBIP for all Capital and Operating Projects. This is being extended in the new financial year to cover those activities funded within the operational budget where applicable.</p>	29-May-14	N. Sidukwana - (GM: IDP, PMS, BIGIS AND KM)	O Mahlangu - (Acting Director: Executive Support Services)
508	<p>Predetermined objectives: No approved standard operating procedures in place (EX 37)</p>	All three years	In progress	<p>In terms of section 62(1)(c)(i) of the MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>According to the National Treasury Framework for Managing Programme Performance information chapter 5 paragraphs 5.2.1, the accounting officer or head official of an institution is responsible for ensuring that the institution has documentation addressing among others the processes for identifying, collecting, collating, verifying, and storing information.</p> <p>There are no approved standard operating procedures to ensure consistent collecting, collating, recording, analysis of performance</p>	<p>Leadership: Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities</p>	<p>Management should ensure that the process of initiation, processing, recording and reporting of information is documented, approved, communicated to relevant staff and adequately monitored at regular intervals for all indicators and/or implementation of controls and ensure that reported information is valid, accurate and complete.</p>	<p>Management does not agree with the finding. Standard Operating Procedures do exist for the collecting, collating, recording, analysis and reporting of performance information. Many of the procedures occur within other activities of the Municipality i.e. there may be no separate procedures specifically for an indicator, but the information is gathered within other related activities. If this were not so, it is submitted that it would not be possible to report on those indicators. Statistics are maintained as necessary; in other cases it is a simple case of e.g. attendance registers. These do not require complex Standard Operating Procedures as the details are kept by those performing the actual work. All performance information is signed off by the relevant Director.</p>	31-Jul-14	N. Sidukwana - (GM: IDP, PMS, BIGIS AND KM)	O Mahlangu - (Acting Director: Executive Support Services)

518	<p>Predetermined objectives: Happy letters not signed to confirm quality control check prior to hand over (Ex 38)</p>	All three years	<p>In progress</p> <p>Section 62 (1)(c) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>The Happy letters for beneficiaries with ID numbers 5512215228080 and 8012270958082 allocated off-site numbers 5341 and 5552 respectively in Potdam Unit P Stage 2 were not signed by the following signatories as evidence that the houses handed over were constructed according to the required specification:</p> <ol style="list-style-type: none"> <li>1. Project manager (BCMM)</li> <li>2. Quality control inspector (BCMM)</li> <li>3. Provincial housing department representative</li> </ol> <p>This is due to the absence of approved documented procedures to</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p>	<p>Management should ensure that a documented procedure relating to the indicator is formulated, approved, communicated to all relevant staff/stakeholders and monitored to ensure its effective implementation.</p>	<p>It's been noted and agreed that proper oversight has not taken place in this instance; this however is an isolated matter and has been rectified by the approval of the Housing Standard Operating Procedure 2012 / 13 Financial Year.</p> <p>Happy letters / hand over certificates are not the final notification of a hand over for a property and alternative measures can be taken in order to verify if a property has been constructed and handed over, e.g. site visits in order to verify the house in person. An alternative is the Consultants payment certification.</p>	S. Kocalle - (PM: Housing)	T. Matiwane - (Acting Chief Operations Officer)
520	<p>Predetermined objectives: Reports not prepared and reviewed timeously (Ex 39)</p>	All three years	<p>In progress</p> <p>Section 62 (1)(c) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>The monthly sanitation statistical report for September 2012 was only compiled by Technician; information management on 3/4/2013 and signed as evidence of review by the manager (Sanitation) and General manager - Water, Waste Water and Scientific Services on 16/4/2013.</p> <p>This is due to the following:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> inadequate human resource capacity to cope with increased reporting requirements.</li> <li><input type="checkbox"/> the time period in restructuring the organogram to reflect the metropolitan status has impacted on</li> </ul>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p>	<p>Management should:  <ul style="list-style-type: none"> <li>• consider reallocating responsibilities to existing staff (where possible) as a temporary measure to ensure that internal control functions are performed within the required timeframes.</li> <li>• ensure that the organogram is finalised in time and that suitably qualified candidates are employed to manage the volume of work and meet reporting requirements.</li> </ul> </p>	<p>The monthly statistical report is prepared by the Department to monitor targets, trends and compliance. The process for the review of the report does not only get done by the General Manager as it has to be verified and authenticated by the Program Manager and the Senior Engineer Sanitation. The General Manager becomes the final reviewer of the document.</p>	M. Westerberg - (Acting GM: Water & Wastewater)	N. Ncunyana - (Director : Engineering Services)

524	Predetermined objectives: Not all test results captured to determine effluent quality (EX 60)	All three years	In progress	<p>Section 62 (1)(c) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>The report sheet for 16 June 2013 relating to West Bank treatment works had not been captured onto the data sheet to determine the final percentage to be reported in the annual report.</p> <p>This is because the information for the fourth quarter was required to be submitted by 25 of June at a time the test results from scientific services had not been received for capturing onto the data sheet.</p> <p>The reported target achieved is misstated as it does not include all</p>	<p>Financial and Performance Management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>1. Management should ensure that the outstanding information is captured and provide evidence that all test results used to determine the final effluent quality have been captured.</p>	<p>Management is aware that the single stated weekly report sheet was missing from the summarized spreadsheet used to determine compliance for the West Bank treatment works. This was due to the raw data from the West Bank Treatment Works not being timously included in the summarized spreadsheet. The sample had been collected and the analyses carried out. However, due to the week turnaround time required for water quality monitoring, the raw data had not been timously included in the summarized spreadsheet for the SDBIP/Performance report.</p> <p>Internal investigations confirmed that correction of compliance spreadsheet to include the missing 1 week of data did not affect the final percentage outcome for compliance calculated for the 2012/13 financial year hence it was never taken further in the process when the results were made available. See attached corrected the results inclusive of the one week report sheet for west bank.</p>	M. Westberg - (Acting GM: Water & Wastewater)	N. Ncunanya - (Director: Engineering Services)
526	Predetermined objectives: set targets are unrealistic.(EX 84)	All three years	In progress	<p>In terms of the Framework for Managing Programme Performance information, section 3.3 being the setting of targets, it is indicated that a performance indicator should be:</p> <p>(a) Reliable: the indicator should be accurate enough for its intended use and respond to changes in the level of performance.</p> <p>(b) Well-defined: the indicator needs to have a clear, unambiguous definition so that data will be collected consistently, and be easy to understand and use.</p> <p>(c) Verifiable: it must be possible to validate the processes and systems that produce the indicator.</p> <p>(d) Cost-effective: the usefulness of the indicator must justify the cost of collecting the data.</p> <p>(e) Appropriate: the indicator must avoid unintended consequences and encourage service delivery improvements, and not give managers incentives to carry out activities simply to meet a particular target.</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p>	<p>It is recommended that when the targets are set, that inputs are received from the operational centres, as this will assist in determining if the target set can be measured and achieved. It is further suggested that management consider re-evaluating all the targets that had been set, in terms of the requirements. It is also suggested that all targets be subjected to quality controls, to avoid an occurrence of this nature.</p>	<p>Targets set in the IDP and SDBIP will be subjected to the SMART principles prior to approval of the documents.</p>	N. Sdukwana - (GM: IDP, PMS,BI,GIS AND KW)	O Mahangu - (Acting Director: Executive Support Services)

<p>94) Predetermined objectives: Indicators and targets not reported on (EX.88)</p>	<p>All three years</p>	<p>In progress</p> <p>Section 46 (1) of the MSA states that a municipality must prepare for each financial year a performance report reflecting—</p> <p>a) The performance of the municipality and of each external service provider during that financial year;</p> <p>b) A comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and</p> <p>c) Measures taken to improve performance</p> <p>1. The original 2012/13 annual report submitted for audit purposes does not include the following indicator and target as specified in the adjusted SDBIP.</p> <p>This indicator was subsequently reported in the revised annual report. The target achieved and related source documents are the same for the indicator "reduction in water backlog and increase in the number of</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p>	<p>Management should: 1. Adjust the annual performance report to include the indicator and target not reported and address the other findings noted above to ensure consistency between planned and reported performance information. 2. In future subject the annual report to adequate quality review to ensure the accuracy and completeness of information reported therein.</p>	<p>1. The 2012/13 annual report submitted for audit purposes does not include the following indicator and target as specified in the adjusted SDBIP. Development priority four - Water &amp; Sanitation Indicator: target per adjusted SDBIP Backlog in the number of consumer units with access to a free basic levels of portable water 769 The finding is not agreed. The annual report does not include the details of the "Backlog in the number of consumer units with access to a free basic levels of portable water" being covered under "Reduction in the water backlog in the number of consumer units with access to at least portable water". 2. The target for "% reduction of unaccounted for water in terms of system losses" is recorded in the adjusted SDBIP as from 40% - 35%, however in the annual report submitted for audit (page 77) it is reflected as from 47% - 40%. The finding is correct. The correct statistics are</p>	<p>All indicators in the 2013/14 SDBIP will be reported on in the 2013/14 Annual Report</p>	<p>31-Aug-14</p>	<p>N. Sidukwana - (GM IDP/PMS/BI and GIS)</p>	<p>O Mahangu - (Acting Director: Executive Support Services)</p>
<p>Provisions 540) Provision: Non compliance with permit (EX 18)</p>	<p>All three years</p>	<p>In progress</p> <p>The Municipal Finance Management Act, 2003 (Act No. 56 of 2003), section 62(1) (c) (i) prescribes that, "the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."</p> <p>As per S20 (1) of the Environment Conservation Act, 1989 (Act 73 of 1989), "No person shall establish, provide or operate any disposal site without a permit issued by the Minister of Water Affairs and that Minister may (a) issue a permit subject to such conditions as he may deem fit".</p> <p>During the audit of provisions the following issues were identified:</p>	<p>Financial and Performance Management: Review and monitor compliance with applicable laws and regulations</p>	<p>Management should ensure that controls are in place ensure compliance with laws and regulations. A chairperson should be appointed that would assist in the appointment of internal and external auditors to assess the municipalities' compliance with the Act. The management should ensure that monitoring committees meets regularly in order to comply with the conditions of the permit.</p>	<p>Management agrees with the findings. However the following inputs are to be noted: 1. It is realized that the report submitted by Bosch Munitech on " Landfill Sites requiring Closure" includes Roundhill and King Williams Town landfill sites. This should not include these sites as these are permitted and are still in operation. In Roundhill Landfill site, only cells need to be rehabilitated at this stage, not the entire site. 2. The number of unpermitted landfill sites in BCMM is to be verified and confirmed by the municipality and will be available before 31 January 2014, and such will be readily available in the next audit.</p>	<p>Solid Waste Management Dept. has drafted and submitted the terms of reference for the Verification and Assessment of all illegal/unlicensed landfill sites in BCMM.</p>	<p>31-Aug-14</p>	<p>N. Daniel - (GM: Solid Waste Management Services Department)</p>	<p>Z. Gijana - (Acting Director - Community Services)</p>

542	Employee Costs : Leave pay accrual (EX.22)	All three years	In progress	<p>Section 62(1)(C) of the MFMA No. 56 of 2003, "the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards."</p> <p>The memorandum approving the year end leave accrual provision was not evident that the Acting Director of Corporate Services had the capacity to sign and approve the year end leave accrual provision reconciliation. The acting director was capable of acting from the 01 to 02 August 2013, however the approved memorandum is dated the 27 July 2013. It is therefore not clear when the acting director actually approved the memorandum.</p>	<p>Leadership: Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities</p>	<p>Management should ensure every memorandum allows the authoriser to include a date next to the signature</p>	<p>The finding is accepted. It was accepted practice for authorizing managers to sign memoranda typed prior to signature without placing an annotation to the memorandum indicating the actual date of signature. It is however accepted that this needs to be corrected and an administrative directive will be forwarded to all Directors correcting such and requiring the authorizer to reflect the date of signature on all correspondence.</p>	M. Mashiywa - (Acting GM: Human Resources)	L. Wuiff - (Acting Director of Corporate Services)	
544	Provision: Two landfill sites be treated as prior period year (EX.50)	All three years	In progress	<p>In terms of section 62(1)(C)(i) of the MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>For each class of provision, an entity shall disclose: Paragraph 92</p> <p>(a) the carrying amount at the beginning and end of the period;</p> <p>(b) additional provisions made in the period, including increases to existing provisions;</p> <p>(c) reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period;</p> <p>(d) reductions in the carrying amounts of provisions resulting from remeasurement of the estimated</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.</p>	<p>Management should ensure that the landfill sites are visited to ensure if they exist before they are provided for rehabilitation and prior period error adjustment is adjusted in the financial statements.</p> <p>The following adjustment should be passed:</p> <p>Dr Provision 14 129 183.41 Cr Accumulated Surplus - 11/12 - 1 592 722.67 Cr Accumulated Surplus - 10/11 AND BEFORE -12 536 460.60</p> <p>Due to the fact that this is a prior period adjustment, there will be additional disclosure required relating to the adjustment to accumulated surplus in terms of GRAP 3.</p> <p>In addition to this, the financial statement disclosure in note 21 should be adjusted as below:-</p> <p>Prior period error adjustment</p>	<p>1) An adjustment in respect of the above audit finding will be made to the final 2013 revised annual financial statements (AFS) as follows: Dr: Provision in respect of 2012 comparative amount 14 129 183.41 Cr:PPE - 11/12 -1 592 722.67 Cr:PPE - 10/11 AND BEFORE -12 536 460.74</p> <p>2) Note 21 with the final 2013 revised AFS will be adjusted to include the following: Prior period error adjustment 2012 2013 Opening balance 165 884 948.45 192 973 783.37 Opening balance of the 2 sites no longer in existence (12 536 460.74) (14 129 183.41) Restated opening balance 153 348 487.71 178 844 605.36 Additions as initially disclosed 27 088 840.92 (25 593 668.65) Adjustment to movement (1 592 722.67) 14 129 183.41 Restated additions 25 496 118.25 (11 464 485.24)</p>	E.L.Mqonywa - (GM: Asset and Risk)	6-Dec-13	Amount to be corrected and included within note 21 of the 2013 Annual Financial Statements.

Related parties



548	Related parties: No service level agreement in place for transactions with BCDA (Ex. 185)	Year 2	In progress	<p>The MFMA, Section 62(1)(c), prescribes that "the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards."</p> <p>It was noted that there is no service level agreement in place for transactions with BCDA, although these transactions have been disclosed in the AFS as related party transactions.</p> <p>This is caused by a lack of controls over the monitoring of agreements.</p> <p>The impact of this finding is that there is a risk that the terms and conditions of the contract are not being adhered</p>	<p>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</p>	<p>A SLA for transactions with BDA should be drawn up and signed by both parties. This SLA should specifically include terms and conditions of transaction entered into between the parties.</p>	<p>Management does not agree with the Auditor General's finding. There is a Memorandum of Understanding (MoU) between BCMM and BCDA (see attached). The agreement was in place between BCDA and BCMM when it was operational. The MoU with accompanying sub-agreements (such as Service Delivery Agreement and Land Availability Agreement) will be reviewed in line with the process of reviving the BCDA.</p>	S. Moore - (Acting GM: Budget & Treasury)	V. Pillay - (CFO)
Revenue	567	Year 1	In progress	<p>Section 97 of the MFMA states that the accounting officer of a municipal entity must take all reasonable steps to ensure that all money received is promptly deposited in accordance with this act into the municipal entity's bank accounts.</p> <p>In addition, the Receiving Control Procedures of the Buffalo City Metropolitan Municipality states that chief cashier or supervisor of each area is responsible to ensure that banking has to be performed daily and latest by the end of the next working day in accordance with the requirements of the MFMA.</p> <p>The following receipts were deposited later than the specified requirements:- No Date Source of income Manual Receipt # Amount per till slip Amount of deposit Date per deposit slip Receipt number Date Days lapsed from receipt to deposit 1 2013/05/26 Pools and beaches Z1-</p>	<p>Financial and performance management: implement controls over daily and monthly processing and reconciling of transactions.</p>	<p>Management should develop, implement controls and monitor controls relating to banking of municipal funds. Management should ensure that deposits are done daily to avoid theft or loss.</p>	<p>1. * Community Services: Amenities / Pools 2. * Bus Depot The findings are agreed. Management is taking steps to rectify the challenges and improve the control environment in the pools sections.</p>	K. Tapie - (GM: Amenities, Arts & Cultural Services)	V. Pillay - (CFO)

569	<p>Revenue Service Charges: Consumer incorrectly charged on sewerage availability.(Ex.107)</p>	Year 2	<p>In progress</p> <p>Section 62(1) of the MFMA states that the accounting officer of a municipality is responsible for managing the administration of the municipality, and must for this purpose take all reasonable steps to ensure, that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. In terms of section 64 (1) of the MFMA, the accounting officer of a municipality is responsible for the management of the revenue of the municipality.</p> <p>a) It was noted that the following accounts were double charged from July 2012 to October 2012. The charges were rectified on the 07 &amp; 08th November 2013.</p> <p>Sewerage Availability</p> <p>Consumer Account Number Charged per month Months Total Amount</p> <p>Memani N 10100844 R 73 4 R 291</p> <p>Balani N 101008441 R 73 4 R 291</p>	<p>Financial and performance management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.</p> <p>Management should implement internal controls that will ensure that consumers are charged accurately for services provided and ensure that municipal employees adhere to related internal controls.</p>	<p>Management agrees with the recommendation of the Auditor General. The properties in the table below are shared houses owned by the Municipality. There are two accounts for each house and each service should be raised on each account. However 2 charges for Sewerage was raised on the one account, but has subsequently been corrected. This finding only relates to Shared properties and controls have been put in place to ensure that the charges are raised correctly.</p> <p>Sewerage Availability</p> <p>Consumer Account Number Charged per month Months Total Amount</p> <p>Memani N 10100844 R 73 4 R 291</p> <p>Balani N 101008441 R 73 4 R 291</p> <p>Quntiana TR 10108519 R 73 4 R 291</p> <p>Total R 874</p> <p>With regards to the account below, the Refuse and Fire Levy services were transferred from the previous owner to the new owner, but the new owner was not charged for the period as indicated below for sewerage. However the new owner has subsequently been charged for the period under review.</p> <p>Management agrees with the recommendation of the Auditor General. The debt impairment allowance for 2012/2013 amounted to R565,116,082. This figure is calculated based on an approved methodology and takes into account consumers who are likely to be unable to pay their accounts, based on the methodology applied. However each account has to be subjected to full applicable debt collection actions prior to write off. Although an account may be impaired, the final determination of recoverability can only be established after actually subjecting the account to these processes.</p> <p>The increase in the contributions to debt impairment allowance is as a result of the increase in the debt book, which can be contributed to annual tariff increase as well as non-payment of arrear debt. The municipality is implementing its credit policy and is also dealing with theft of consumable services.</p>	<p>30-Jun-14</p>	<p>S. Peter - (Acting General Manager: Revenue Management)</p>	<p>V. Pillay - (CFO)</p>
105	<p>Revenue and Receivables: Significant impairments and material losses (EX 108)</p>	All three years	<p>In progress</p> <p>In terms of section 62(1)(a) of the MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically.</p> <p>The following significant impairments have been disclosed on the annual financial statements for the year ended 30-June 2013:</p> <ol style="list-style-type: none"> <li>As disclosed in note 7 to the financial statements are impairments of R 375 million that were recognised in respect of trade receivables from exchange transactions.</li> <li>As disclosed in note 8 to the financial statements are impairments of R 189 million that were recognised in respect of receivables from non-exchange transactions.</li> <li>As disclosed on note 36 to the financial statements is debt impairment which has increased from</li> </ol>	<p>Financial and Performance Management: implement controls over daily and monthly processing and reconciling of transactions</p> <p>Management should put in place reasonable controls to ensure that distribution losses are reduced to a minimum level.</p>	<p>Management should put in place internal controls that will ensure that consumers are charged accurately for services provided and ensure that municipal employees adhere to related internal controls.</p>	<p>Ongoing</p>	<p>S. Peter - (Acting General Manager: Revenue Management)</p>	<p>V. Pillay - (CFO)</p>

572	Revenue: Service Charges: No meter reading and no estimated consumption for the month (EX 118)	Year 2	In progress	<p>The MFMA section 64(2) (a) and 9(f) requires the accounting officer to take all reasonable steps to ensure that the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy and that the municipality has and maintains a system of internal control in respect of debtors and revenue, as may be prescribed.</p> <p>Section 4.5(b) of the Buffalo City Metropolitan Municipality Credit Control Policy (2012) states that, if for any reason the credit electricity and water meters cannot be read, Council will render an account based on estimated consumption.</p> <p>1. Water meter reading was not done and an estimated consumption was not raised for the following account.</p> <p>No Account number Name ERF No Category Property address Month</p>	<p>Financial and performance management: Implement controls over daily and monthly processing and reconciling of transactions</p> <p>Management should ensure that interim indicators have been set up for all new meters captured on the Venus system.</p>	<p>Management agrees with the finding and recommendation of the Auditor General. The reason for estimates not raised is that currently this is a manual process within the system. As the other municipalities who are users of the financial do not use estimates charges, the indicator which activates the estimates defaults to "N" (No). Therefore the system will be programmed to default the estimates to a "Y" (Yes) as a "site specific" amendment, for use by Buffalo City Metropolitan Municipality. This will eliminate the need for human intervention.</p>	28-Feb-14	S. Peter - (Acting General Manager: Revenue Management)	V. Pillay - (CFO)
574	Revenue: Service Charges: Electricity estimate charged incorrect (EX 119)	Year 2	In progress	<p>Section 64(2)(a) and 9(f) of the MFMA requires the accounting officer to take all reasonable steps to ensure that the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy and that the municipality has and maintains a system of internal control in respect of debtors and revenue, as may be prescribed.</p> <p>Estimated consumption per the Venus system for electricity differs to the recalculated consumption for electricity. Differences were identified in terms estimated units charged and the amount billed on the consumer statement.</p> <p>The details relating to the differences in estimated units for account no 20070174 are as follows:</p> <p>Account No: 20070174 Aug-12 Sep-12 Oct-12 Nov-12 Dec-12 Jan-13 Feb-</p>	<p>Financial and performance management: Implement controls over daily and monthly processing and reconciling of transactions:</p> <p>Electricity estimates on the system should be reviewed and updated once a year to ensure that the estimate reflects the recent average consumption of the consumer.</p>	<p>Account: 20070174</p> <p>Management agrees with the recommendation that estimates should be reviewed once a year to ensure that estimates reflect the recent average consumption. However, an estimate will not match an actual reading. There will either be an over or under estimate. In this instance, the variance is not considered to be material as the difference was only 10%. The actual readings subsequent to the estimates will automatically correct the charge raised.</p> <p>Account: 10182697</p> <p>Management agrees with the recommendation that estimates should be reviewed once a year to ensure that estimates reflect the recent average consumption. In this instance the estimate amount which was captured by the Billing Official was incorrect, as an estimate of 213kwh instead of 2133 would have been more realistic. As part of the operating procedure, an actual reading will correct the processed estimates. The Municipality is busy implementing a "season control" table within the Billing system that will identify summer and</p>	28-Feb-14	S. Peter - (Acting General Manager: Revenue Management)	V. Pillay - (CFO)

577	<p>Revenue: Service charges Water: Limitation: Water meter readings not taken for the financial year: under review. (Ex.25)</p>	Year 2	<p>In progress</p> <p>Section 64(2)(a) of the MFMA requires the accounting officer to take all reasonable steps to ensure that the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy.</p> <p>There were no water meter readings that were taken for period of more than ten months in financial year under review as a result, no assurance was obtained on the accuracy of estimated amount charged in account no 10362601. Meter reading for water was last taken in July 12, for the 11 months no water reading was done.</p> <p>No Account no Amount charged 1. 10362601 R7 631.76</p> <p>The property was transferred to a different owner and the new owner is busy with renovations and the water</p>	<p>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</p>	<p>The municipality should come up with the system where a consumer will be held responsible for more than three unsuccessful attempts to read the meter, so that a mutual agreement is reached between the consumer and the municipality.</p>	<p>Management agrees that the meter was not read for the period mentioned. However, management disagrees with the projected limitation which amounts to R17 163 445 in that the reason for non-reading of the meter was as a result of an isolated incident as the meter was covered with building material due to the renovations. This results in the Municipality raising an estimated monthly consumption based on past trends until such time the actual reading becomes available. It is important to note that a charge is being raised monthly to the consumers account. These interim charges are based on a period of actual past consumption. When an actual reading is taken the interims are reversed and the actual reading is charged.</p>	Ongoing	S. Peter - (Acting General Manager; Revenue Management)	V. Pillay - (CFO)
579	<p>Revenue: Service charges; Disagreement: Electricity not correctly calculated (Ex.30)</p>	Year 2	<p>In progress</p> <p>The MFMA section 64(2)(a) and 9(f) requires the accounting officer to take all reasonable steps to ensure that the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy and that the municipality has and maintains a system of internal control in respect of debtors and revenue, as may be prescribed.</p> <p>The municipality has not correctly applied the electricity tariffs, as per National Electricity Regulator and the Buffalo City Metropolitan Municipality tariffs when charging billed electricity for scale 1A and scale 2A consumers. The basic charge per month which is payable whether or not electricity is used has not been taken into account when calculating the amount billed per month. The municipality has only applied the basic charge as a minimum charge where a meter reading was not taken.</p>	<p>Financial and Performance Management: Review and monitor compliance with applicable laws and regulations.</p>	<p>The engineering department should update the billing section regularly on developments in their department which has an effect on the billing section. Furthermore, the municipality should ensure that tariffs as per the tariff book are applied.</p>	<p>Management concurs with the finding raised above. As a result the Finance Directorate is currently reversing the minimum charge and raising the basic charge to the relevant consumer accounts for the period under review. This process has been undertaken by reviewing the entire population and determining those consumers which had been incorrectly charged. This process has identified a misstatement of R7, 107,491. As this is the actual error arising from process undertaken on the entire population of 1A and 2A consumers, no further extrapolation is required. The entire population is available for review and testing</p>	Annual Matter	S. Peter - (Acting General Manager; Revenue Management)	V. Pillay - (CFO)

582: Revenue: Service charges: water consumption on the meter book does not agree to the consumption on the account statement. (Ex.31)	Year 2	In progress	<p>Section 64(2)(a) of the MFMA requires the accounting officer to take all reasonable steps to ensure that the municipality has effective revenue collection systems consistent with section 95 of the Municipality's credit control and debt collection policy.</p> <p>The water consumption as per meter reading book does not agree to the consumption as per account statement. The details are as follows:</p> <p>Account No: 20072157 July 12, Aug 12 Oct Nov  Water consumption as per statement 415 619 119 0  Water consumption as per meter readings 94 94 188 94  Variance between meter book and statement 321 525 -69 -94</p> <p>The effect of the above is the overcharge of the account. The details are as follows:</p>	<p>Financial and performance management: implement controls over daily and monthly processing and reconciling of transactions.</p>	<p>An exception report should be generated by the system for all unusual and unrealistic meter readings brought by meter readers and these should be investigated and cleared timeously.</p>	<p>Management agrees with the finding and recommendation of the Auditor General. The meter reading error was identified on the meter reading exception report. The exception report was generated and the reading was amended accordingly. This therefore automatically adjusted the consumption on the financial system. A procedure is in place whereby, when readings are amended by the relevant Billing Official s/he should also manually correct the rand value, commensurate with the adjusted consumption. In this instance, the follow through of the procedure was not done, resulting in the overstatement of the debtor. The individual debtor's account was subsequently corrected and credited with the overstated amount.</p> <p>In order to automate the control in the Financial System, the system will be programmed to generate an automatic adjustment when the processed reading has been changed.</p>	<p>Monthly review of implementation of procedure.</p>	Monthly	S. Peter - (Acting General Manager: Revenue Management)	V. Pillay - (CFO)
584: Revenue: Property Rates: Manual valuation roll does not agree to the electronic valuation roll (Ex.34)	Year 1	In progress	<p>The Municipal Property Rates Act (MPRA) section 77(a) and (b) states that a municipality must regularly, but at least once a year, update its valuation roll by causing a supplementary valuation to be prepared or the valuation roll to be amended.</p> <p>It was identified that the following properties appeared on the manual supplementary valuations SV05 and SV06 and not on the electronic consolidated valuation roll submitted to the auditors.</p> <p>No Account Nr Name of Consumer Erf number  1. 10358604 East London Own haven 08333  2. 10308456 East Coast Surveyors &amp; Nahoon Shop 70000  3. 10361788 Maxhakana N 71542</p> <p>Problems occurred during transfer of information to excel spreadsheet</p>	<p>Financial and Performance Management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>Management should ensure that all information provided to the auditors is complete and accurate. Furthermore regular reconciliations should be performed between the electronic versions of the valuation roll and the manual valuation roll.</p>	<p>Management notes the finding raised. The signed hard copy which was submitted to the Auditor-General is the official valuation roll for the municipality. This document has been signed by the Municipal Valuer and City Manager which was utilised as the values on which rates tariffs were determined within the financial system.</p> <p>Management notes the concerns of the AG that an electronic copy that supports the hard copy must be maintained. This process shall be performed going forward however it should be noted that the VENUS financial system contains property registry that can be downloaded and be made available to the Auditor General if required.</p>	<p>Reconciliation between the electronic version and the hard copy will be performed for each supplementary and general valuation roll implemented.</p>	On going.	S. Peter - (Acting General Manager: Revenue Management)	V. Pillay - (CFO)

585	Revenue: Service charges; Limitation: Electricity meter readings not taken for period under review (Ex.40)	Year 1	In progress	<p>Section 64(2)(a) of the MFMA requires the accounting officer to take all reasonable steps to ensure that the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy.</p> <p>There were no electricity meter readings that were taken for financial year under review. Therefore no assurance was obtained on the accuracy of estimated amount charged on the following account as only the basic charge was billed. Furthermore, there was no estimated consumption for the account list below.</p> <p>No Account no Amount charged Basic charge 1. 10118533 R6 736.72 R6 736.72</p> <p>The meter is read by a contractor employed by the engineering department. The readings are sent to</p>	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	Management should implement internal controls for meter readings performed by contractors to ensure accuracy and completeness of spreadsheets submitted by the contractors	Management agrees with the finding and recommendation of the Auditor General. From the available records the consumption for the meter under review was not billed. The procedural issue has been corrected as a reading has been obtained and will be raised with the next billing cycle. An Automated Meter Reading (AMR) unit has been installed to prevent the reoccurrence of the issue raised above. This reading will automatically be filtered into the billing system.	A meter register has been developed and will be used on a monthly basis to ensure that readings are received.	Monthly	S. Peter - (Acting General Manager; Revenue Management)	V. Pillay - (CFO)
587	Revenue: Compliance; Property Register (EX 47)	Year 1	In progress	<p>Section 23 of Municipal Property Rates Act states that a municipality must draw up and maintain a register in respect of properties situated within that municipality, consisting of a Part A and a Part B. Part A of the register consists of the current valuation roll of the municipality, including any supplementary valuation rolls of the municipality prepared in terms of section 78. Part B of the register must specify which properties on the valuation roll or any supplementary valuation rolls are subject to an exemption from the rate in terms of section 15; a rebate on or a reduction in the rate in terms of section 15; a phasing-in of the rate in terms of section 21; or an exclusion referred to in section 17 (1) (a), (e), (g), (h) and (i).</p> <p>The register must be open for inspection by the public during office hours. If the municipality has an official website or another website available to it, the register must be displayed on that website.</p>	Financial and performance management: Review and monitor compliance with applicable laws and regulations.	Recommendation A. property register that comply with section 23 of municipal property rates act should be compiled and made available for public inspection.	Management does not agree with the finding of the Auditor General. Part B of the register is available for inspection in an electronic format. Both Part A and Part B is available at any time in both electronic or hard copy. In terms of the MPRA in Section 49, it specifies as to how Part A of the Register should be published to which BCMMI fully complied with. Section 23(4) of the MPRA however, states that Part B must be made available and that is currently available. The municipality will however, in future ensure that the property register consisting of Part A and B is also available on its official website.	A hard copy of Part B of the register will be printed and made available to the public.	On going.	S. Peter - (Acting General Manager; Revenue Management)	V. Pillay - (CFO)

588	Year 1	In progress	<p>Section 78 of Municipal Property Rates Act states that a municipality must, whenever necessary, cause a supplementary valuation to be made in respect of any rateable property incorrectly omitted from the valuation roll, included in a municipality after the last general valuation, subdivided or consolidated after the last general valuation, of which the market value has substantially increased or decreased for any reason after the last general valuation and that must be revalued for any other exceptional reason, or of which the category has changed.</p> <p>The following property improvements were not timely updated on the supplementary valuation roll 07 and supplementary valuation 08 resulting in property rates revenue relating to the financial year under review not being billed.</p> <p>New and improvements building plan</p>	<p>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</p>	<p>More resources should be allocated to the revaluation department so as to ensure that properties are revalued timely as municipality is losing revenue that could be charged on the properties.</p>	<p>Management agrees with the finding of the Auditor General that the properties listed above did not form part of SV 07 and SV08. However, all the properties in the above sample have been valued on SV09 that will be implemented on 1 December 2013. However, where applicable the rates will be charged with effect from the official date of completion as advised by the Building Inspector, therefore there will be no loss of revenue.</p> <p>Management therefore does not agree with the projected misstatement of R40 418 314, as there is no Supplementary Valuation that has ever generated an amount over R4 million.</p>	<p>Currently conducting a general valuation (GV), which will incorporate new properties and improvements on existing properties. Any new properties and improvements after the implementation of the GV will be placed in a supplementary roll as and when they are completed.</p>	Ongoing.	S. Peter - (Acting General Manager: Revenue Management)	V. Pillay - (CFO)
591	All three years	In progress	<p>The MFMA, Section 62(1)(c) prescribes that "the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards."</p> <p>The MFMA, Section 122 (1) (a) prescribes that "Every municipality and every municipal entity must for each financial year prepare annual financial statements which— fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, financial results, and its financial position, as at the end of the financial year."</p>	<p>Financial and Performance Management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>Management must ensure that all corrections made to the prior year balances are disclosed in the annual financial statements.</p>	<p>As per discussions with the Auditor General (AG), this is not a prior period error but an incorrect mapping within Caseware of one account in 2012. As agreed with the AG, this mapping will be corrected which will result in the amendment of note 31 within the final revised 2013 annual financial statements.</p>	<p>Amount to be corrected and included within note 31 of the 2013 Annual Financial Statements.</p>	6-Dec-13	E.L Mngonywa - (GM: Asset and Risk)	V. Pillay - (CFO)

550 Revenue: Property transfers (EX.67)	All three years	<p>In progress</p> <p>Section 64(2)(a) and 8(f) of the MFMA requires the accounting officer to take all reasonable steps to ensure that the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy and that the municipality has and maintains a system of internal control in respect of debtors and revenue, as may be prescribed.</p> <p>1. A rates clearance certificate was issued on 28 August 2012 but property has not yet been registered into new owner. The details are as follows:</p> <p>Date Attorney Names Transferred to Address Owner Account Number</p> <p>28-Aug-12 Bay Kaplan Inc DT Hudson Christian Eco village Trust Gonubie Kwelera 10363294</p>	<p>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</p>	<p>Management should implement controls to ensure that upon transfer of property the new owner is charged and the previous owner is not charged. Management mentioned that they will ensure that the previous owner signs the termination form and the new owner signs the connection form and opens an account.</p>	<p>Management does not agree with all the findings of the Auditor General for the reasons as stated in the Management Comment column in the tables below. However, procedures have been put in place to ensure that all applicable charges are raised on the correct accounts for the correct billing period.</p>	<p>A new process has been implemented from July 2013 where at the point the Clearance certificate is issued, the connection and termination forms are completed. Thereby ensuring that the details for the purchasers account are obtained so the new owner can be billed.</p>	On going.	S. Peter - (Acting General Manager; Revenue Management)	V. Pillay - (GFO)
553 Revenue: Interest on arrear debtors charged at the incorrect rate (EX 83)	Year 1	<p>In progress</p> <p>The Municipal Ordinance no. 20 of 1974 states that standard rate in relation to interest means the rate of interest which is one percent higher than the rate of interest payable by a council to its bank in respect of an overdraft.</p> <p>The following errors were identified:</p> <p>No Account number Consumer's name Balance outstanding in March 2013 Balance outstanding in April 2013 Interest rate charged by auditee Interest charged by the auditee Correct Interest rate Recalculated amount Difference</p> <p>1 Interest charged on rates 10290811 PACIFIC COAST INV 97 (PTY)LTD 783 032,16 822 538,41 7.50% - 10 034,82 8.00% 10 703,80 668,99</p> <p>2 10336257 SUN TRAIL RESORTS</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.</p>	<p>Management should adjust the interest rate charged on arrear debts to reflect the overdraft rate used by ABSA. Furthermore, the disclosure on note 50 should be adjusted to include the change in interest rate during the financial year.</p>	<p>Management agrees with the finding and recommendation of the Auditor General. The Municipality should have changed the interest rate to 8% with effect from the date its new banker commenced. A control has been put in place that when the parameters for each account run are determined, the Asset &amp; Risk Department (Bank Control) will be required to indicate the prevailing rate of interest and sign off accordingly prior to the actual billing and interest run.</p> <p>The Interest Rate disclosure on Note 50 of the AFS has been amended accordingly to reflect the following:</p> <p>Interest rate: 1 July 2012 to 31 January 2013 - 7,5% 1 February 2013 to 30 June 2013 - 8%</p>	<p>Work performed prior to finalisation of the AFS. A control has been implemented whereby Bank Control Section confirms the rate of interest on the Billing Parameters Control Document prior to the processing of the Billing Run every Month.</p>	Monthly	S. Peter - (Acting General Manager; Revenue Management)	V. Pillay - (GFO)



597	Revenue Service Charges: Consumers were not charged for refuse for six months (Ex.92)	Year 1	In progress	<p>Section 64(2)(a) of the WfMA requires the accounting officer to take all reasonable steps to ensure that the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy</p> <p>Refuse</p> <p>It was noted that the following consumer accounts were not charged for refuse from 01 January to 30 June 2013. The charge was then raised in October 2013.</p> <p>Consumer Account Number Not Charged Months Amount</p> <p>Kewute L.20443845 R123 6 R 737</p> <p>Mame A 20447656 R123 6 R 737</p> <p>Layifi ML 20450673 R123 6 R 737</p> <p>Total R 2 211</p> <p>This is due to poor internal controls within the billing system.</p>	<p>Financial and Performance Management: Implement controls over daily and monthly processing and reconciling of transactions</p>	<p>Management should implement internal controls that will ensure that consumers are charged accurately for services provided and ensure that municipal employees adhere to related internal controls.</p>	<p>The reason why the accounts that were sampled above were not charged for refuse for the period as indicated was due to the fact that the "termination date" field was populated within the system instead of the "installation date" field, resulting in the service not being charged. The accounts have been rectified and audit trails are being verified to ensure that accounts are charged accurately.</p> <p>Management therefore does not agree with the projected misstatement of R8, 368,208 as material variances will be identified in the monthly balancing of the control account. The monthly variances in the amount billed for refuse is less than 2%.</p>	Supervisory Control Implemented.	Monthly	S. Peter - (Acting General Manager: Revenue Management)	V. Pillay - (CFO)
<b>Taxes</b>											
599	Vat Receivable: Control Deficiency (EX 78)	Year 1	In progress	<p>The Municipal Finance Management Act No. 56 of 2003, Section 62 (1) (b), (c) state that:</p> <p>(1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure -</p> <p>(b) That full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;</p> <p>(c) That the municipality has and maintains effective, efficient and transparent systems -</p> <p>(i) of financial and risk management and internal control; and</p> <p>(ii) of internal audit operating in accordance with any prescribed norms and standards;</p>	<p>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</p>	<p>Management should ensure that there are adequate controls in place to ensure that vat reconciliations are prepared consistently throughout the year.</p>	<p>VAT reconciliations are prepared by the VAT Accountant and reviewed by the VAT Senior Accountant on a monthly basis. Although the sundry income output VAT for the above three months is journalized late but it is accounted for in the reconciliation of the following months whether it is journalized timeously or late. Therefore the VAT reconciliations are prepared consistently throughout the year. (See the attached VAT reconciliations).</p> <p>In order to account for sundry income output VAT, the VAT is manually calculated and included in the VAT 201 returns and then processed to the general ledger by means of a journal. All the returns were correctly submitted with the output VAT on sundry income in the correct months (see attached VAT 201 returns).</p> <p>The journals for the months of September 2012, December 2012 and March 2013 were not processed on time and were therefore reflected as processed in the succeeding months. In order to ensure that future journals are processed timeously throughout the year, a further control will be implemented whereby the journal and the return will be submitted at the same time.</p>	Sundry income output vat journals to be processed at the same date the vat 201 return is submitted.	Implemented	E.L. Mngonywa - (GM: Asset and Risk)	V. Pillay - (CFO)
<b>Procurement and contract management</b>											

134	Procurement: Tender advertised for less than 7 days on the website (EX 123)	All three years	In progress	<p>In terms of Supply Chain Management Regulation 18(a) a supply chain management policy must determine the procedure for the procurement of goods or services through written or verbal quotations of formal written price quotations, and must stipulate that all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of regulation 17, be advertised for at least seven days on the website and an official notice board of the municipality or municipal entity.</p> <p>Tenders advertised for less than 7 days on the website:</p> <p>No. Contract No. Bidder's Name Amount (R)</p> <p>1. IT/DAC/2012/31 Inlambiso Projects and Trading 89,297.00</p> <p>2. IT/DDP/2013/06 Songelwa Dlamini GT 38,416.46</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p>	<p>Management should ensure that advertisements are placed on the municipal website in accordance with regulation 18.</p>	<p>Management disagrees with the finding:</p> <ul style="list-style-type: none"> <li>IT/DAC/2012/31 – the tender file does contain the tender advert.</li> <li>IT/DDP/2013/06 – the tender file does contain the tender advert.</li> </ul> <p>Both these advert copies had been submitted with RFI 59.</p> <p>On checking the BCMM website, it is also evident that the above tenders were advertised on the website (BCMM website page on informal adverts for September 2012 is attached and the website can be visited to verify this submission).</p> <p>Based from the above responses, management requests the AG to withdraw this finding with its associated irregular expenditure.</p>	On-going	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)
136	Procurement: Incomplete tender register (EX 125)	All three years	In progress	<p>Regulation 16(d) of the Municipal Supply Chain Management Regulation states that the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices.</p> <p>For contract number IT/PPM/2012/36 the tender register contained the name of the following supplier:</p> <ul style="list-style-type: none"> <li>RMN Business Dimension</li> </ul> <p>However tender documents were received from the following suppliers:</p> <ul style="list-style-type: none"> <li>RMN Business Dimension</li> <li>Alex Construction and maintenance</li> </ul> <p>Thus Alex Construction and maintenance had not been included in the tender register.</p> <p>All tender documents received were not recorded on the tender register on the closing date of the tender.</p> <p>Not all tender documentation may be evaluated, if management uses the tender register as a control sheet.</p>	<p>Financial and Performance Management: Implement controls over daily and monthly processing and reconciling of transactions</p>	<p>Management should ensure that on the closing date of the tender, all tenders received on time are captured in the tender register before being filed for assessment.</p>	<p>Management agrees with this finding as this was an oversight, and an explanatory note was written on top of the tender register. Both tenders received were considered and evaluated therefore no prejudice was suffered by any of the bidders. Management does not recommend it.</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)

138	Procurement: Informal tenders - evaluation of B-BBEE points (EX 126)	All three years	In progress	<p>Regulation 5(1)(g) states that the following formula must be used to calculate the points for price in respect of tenders (including price quotations) with a Rand value equal to, or above R30 000 and up to a Rand value of R1 000 000:  <math>P_s = 80 \times \{1 - (P_s - P_{min})\}</math></p> <p>In terms of Preferential Procurement Regulations 5(2) points must be awarded to a tenderer for attaining the B-BBEE status level of contributor in accordance with the table given in terms of Preferential Procurement Regulations 10 Broad-Based Black Economic Empowerment Status Level Certificates:</p> <p>(1) Tenderers with annual total revenue of R5 million or less qualify as Exempted Micro Enterprises (EMEs) in terms of the Broad-Based Black Economic Empowerment Act and must submit a certificate issued by a registered auditor, accounting officer (as contemplated in section 60 (4) of the Close Corporation Act, 1984</p> <p>In terms of SCM Regulation 13 a written quotation or bid may not be considered unless the provider who submitted the quotation or bid has indicated –</p> <p>i. whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;</p> <p>ii. if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or</p> <p>iii. whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (i) is in the service of the state, or has been in the service of the state in the previous twelve months.</p> <p>The declaration of interest form was not submitted for audit for the below listed supplier.</p>	<p>Financial and Performance Management: Implement controls over daily and monthly processing and reconciling of transactions</p> <p>Supplier's tender documents should be scrutinised to ensure that B-BBEE certificates are assessed so that points can be correctly awarded and ensure that an evaluation is done for each tender and included in the file</p> <p>Management disagrees with this finding and the following are the reasons:  IT/DICT/2012/23 – there is no price and BBEE points scoring sheet in file. The information had been submitted with RFI 97 with a price BBEE sheet, however a copy with scoring formsheets was found and is attached hereto.</p> <p>IT/DIPO/2012/23 (Henque 1018 CC) – It is disputed that this supplier did submit a valid BBEE certificate. It claimed BBEE points in the tender document, but did not in fact submit a supporting certificate; therefore it was not allocated points for BBEE contribution.</p> <p>IT/DFM/2012/36 (Ajax Construction &amp; Maintenance) – the tender was not awarded to Ajax Construction. Prior to award of the tender, SCM officials would have insisted on a certified or original BBEE certificate should Ajax Construction have scored the highest points (note that this copy may have been submitted as an oversight as documents are copied, as the original is available). Based on the above, the awarded amounts cannot be considered as irregular expenditure as no Management disagrees with this finding as the informal tender file(s) for IT/DAC/2012/31 (Inambiso Trading &amp; Projects) was submitted with RFI 59 – the tender document contained a compulsory enterprise questionnaire on page 14-15. Section 6 of the questionnaire required bidders to indicate if any sole proprietor, partner in a partnership or director, manager, principal shareholder or stakeholder in a company or close corporation is currently or has been within the last 12 months in the service of the state.</p> <p>Section 7 of the questionnaire requires bidders to indicate if any spouse, child or parent of a sole proprietor, partner in a partnership or director, manager, principal shareholder or stakeholder in a company or close corporation is currently or has been in the last 12 months in the service of the state.</p> <p>The compulsory enterprise questionnaire is in itself a declaration of interest. Therefore, Inambiso Trading &amp; Projects declared falsely. The steps recommended by National Treasury (Circular 62), the SCM Regulations and the PPPFA regulations will be enforced against the</p>	<p>Supplier's tender documents should be scrutinised to ensure that B-BBEE certificates are assessed so that points can be correctly awarded and ensure that an evaluation is done for each tender and included in the file</p> <p>1) Declaration of interest forms should incorporate all the requirements of the SCM Regulations.</p> <p>2) and 3) Declarations of interest forms should incorporate all the requirements of the SCM Regulations.</p> <p>4) Vetting of suppliers against the CIPC database should be performed to ensure that awards are not made to suppliers who have members in service of the state.</p>	<p>Management disagrees with this finding and the following are the reasons:  IT/DICT/2012/23 – there is no price and BBEE points scoring sheet in file. The information had been submitted with RFI 97 with a price BBEE sheet, however a copy with scoring formsheets was found and is attached hereto.</p> <p>IT/DIPO/2012/23 (Henque 1018 CC) – It is disputed that this supplier did submit a valid BBEE certificate. It claimed BBEE points in the tender document, but did not in fact submit a supporting certificate; therefore it was not allocated points for BBEE contribution.</p> <p>IT/DFM/2012/36 (Ajax Construction &amp; Maintenance) – the tender was not awarded to Ajax Construction. Prior to award of the tender, SCM officials would have insisted on a certified or original BBEE certificate should Ajax Construction have scored the highest points (note that this copy may have been submitted as an oversight as documents are copied, as the original is available). Based on the above, the awarded amounts cannot be considered as irregular expenditure as no Management disagrees with this finding as the informal tender file(s) for IT/DAC/2012/31 (Inambiso Trading &amp; Projects) was submitted with RFI 59 – the tender document contained a compulsory enterprise questionnaire on page 14-15. Section 6 of the questionnaire required bidders to indicate if any sole proprietor, partner in a partnership or director, manager, principal shareholder or stakeholder in a company or close corporation is currently or has been within the last 12 months in the service of the state.</p> <p>Section 7 of the questionnaire requires bidders to indicate if any spouse, child or parent of a sole proprietor, partner in a partnership or director, manager, principal shareholder or stakeholder in a company or close corporation is currently or has been in the last 12 months in the service of the state.</p> <p>The compulsory enterprise questionnaire is in itself a declaration of interest. Therefore, Inambiso Trading &amp; Projects declared falsely. The steps recommended by National Treasury (Circular 62), the SCM Regulations and the PPPFA regulations will be enforced against the</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (GFO)	
141	Procurement: Informal tenders - declaration of interest (EX 129)	All three years	In progress	<p>In terms of SCM Regulation 13 a written quotation or bid may not be considered unless the provider who submitted the quotation or bid has indicated –</p> <p>i. whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;</p> <p>ii. if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or</p> <p>iii. whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (i) is in the service of the state, or has been in the service of the state in the previous twelve months.</p> <p>The declaration of interest form was not submitted for audit for the below listed supplier.</p>	<p>Financial and Performance Management: Review and monitor compliance with applicable laws and regulations</p> <p>1) Declaration of interest forms should incorporate all the requirements of the SCM Regulations.</p> <p>2) and 3) Declarations of interest forms should incorporate all the requirements of the SCM Regulations.</p> <p>4) Vetting of suppliers against the CIPC database should be performed to ensure that awards are not made to suppliers who have members in service of the state.</p>	<p>Supplier's tender documents should be scrutinised to ensure that B-BBEE certificates are assessed so that points can be correctly awarded and ensure that an evaluation is done for each tender and included in the file</p> <p>Management disagrees with this finding as the informal tender file(s) for IT/DAC/2012/31 (Inambiso Trading &amp; Projects) was submitted with RFI 59 – the tender document contained a compulsory enterprise questionnaire on page 14-15. Section 6 of the questionnaire required bidders to indicate if any sole proprietor, partner in a partnership or director, manager, principal shareholder or stakeholder in a company or close corporation is currently or has been within the last 12 months in the service of the state.</p> <p>Section 7 of the questionnaire requires bidders to indicate if any spouse, child or parent of a sole proprietor, partner in a partnership or director, manager, principal shareholder or stakeholder in a company or close corporation is currently or has been in the last 12 months in the service of the state.</p> <p>The compulsory enterprise questionnaire is in itself a declaration of interest. Therefore, Inambiso Trading &amp; Projects declared falsely. The steps recommended by National Treasury (Circular 62), the SCM Regulations and the PPPFA regulations will be enforced against the</p>	<p>Supplier's tender documents should be scrutinised to ensure that B-BBEE certificates are assessed so that points can be correctly awarded and ensure that an evaluation is done for each tender and included in the file</p> <p>1) Declaration of interest forms should incorporate all the requirements of the SCM Regulations.</p> <p>2) and 3) Declarations of interest forms should incorporate all the requirements of the SCM Regulations.</p> <p>4) Vetting of suppliers against the CIPC database should be performed to ensure that awards are not made to suppliers who have members in service of the state.</p>	<p>Management disagrees with this finding and the following are the reasons:  IT/DICT/2012/23 – there is no price and BBEE points scoring sheet in file. The information had been submitted with RFI 97 with a price BBEE sheet, however a copy with scoring formsheets was found and is attached hereto.</p> <p>IT/DIPO/2012/23 (Henque 1018 CC) – It is disputed that this supplier did submit a valid BBEE certificate. It claimed BBEE points in the tender document, but did not in fact submit a supporting certificate; therefore it was not allocated points for BBEE contribution.</p> <p>IT/DFM/2012/36 (Ajax Construction &amp; Maintenance) – the tender was not awarded to Ajax Construction. Prior to award of the tender, SCM officials would have insisted on a certified or original BBEE certificate should Ajax Construction have scored the highest points (note that this copy may have been submitted as an oversight as documents are copied, as the original is available). Based on the above, the awarded amounts cannot be considered as irregular expenditure as no Management disagrees with this finding as the informal tender file(s) for IT/DAC/2012/31 (Inambiso Trading &amp; Projects) was submitted with RFI 59 – the tender document contained a compulsory enterprise questionnaire on page 14-15. Section 6 of the questionnaire required bidders to indicate if any sole proprietor, partner in a partnership or director, manager, principal shareholder or stakeholder in a company or close corporation is currently or has been within the last 12 months in the service of the state.</p> <p>Section 7 of the questionnaire requires bidders to indicate if any spouse, child or parent of a sole proprietor, partner in a partnership or director, manager, principal shareholder or stakeholder in a company or close corporation is currently or has been in the last 12 months in the service of the state.</p> <p>The compulsory enterprise questionnaire is in itself a declaration of interest. Therefore, Inambiso Trading &amp; Projects declared falsely. The steps recommended by National Treasury (Circular 62), the SCM Regulations and the PPPFA regulations will be enforced against the</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (GFO)

<p>144 Procurement: Non-disclosure of nature of deviations in the AFS (EX 130)</p>	<p>All three years</p>	<p>In progress</p> <p>SCM regulation 36(a) states that the accounting officer may dispense with the official procurement processes and procure any required goods or services through any convenient process, which may include direct negotiations, but only (i) in an emergency; (ii) if such goods or services are produced or available from a single provider only; (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile; (iv) acquisition of animals for zoos and/or nature and game reserves; or (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes</p> <p>SCM Policy par. 36(a) states that the accounting officer may dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient</p>	<p>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</p>	<p>1) A table should be included in note 59 which discloses the nature of the deviation, number of contracts and total value of the deviation.</p> <p>No Type of deviation No of contracts Value of contracts 1 Emergency 3 12 541 744,76 2 Sole supplier 1 80 000,00 4 Exceptional case 4 3 560 538,51 16 182 283,27</p>	<p>Management does not agree with the finding that this is an internal control deficiency, and it is not clear what the legislative basis from which this finding is raised, as there is no known format prescribed for reporting of deviations.</p> <p>It is also understood by management that not all deviations may relate to contracts or any of the classifications mentioned in the above table, as they may belong to a number of other classifications or forms.</p> <p>Based on the above, management requests that this finding be reconsidered by AG, as management has complied with reporting of deviations as envisaged by the SCM Regulations and the disclosures in the AFS.</p>	<p>TS: 1 Management will develop a deviations register which categorises the deviation, notes the number of deviations and total value per category as per AG recommendation.</p>	<p>1-Feb-14</p>	<p>T. Sali - (GM: Supply Chain Management)</p>	<p>V. Pillay - (GFO)</p>
<p>146 Procurement: Invalid deviation disclosed (EX 131)</p>	<p>All three years</p>	<p>In progress</p> <p>SCM reg 36(a) states that an SCM policy may allow accounting officer to dispense with the official procurement processes established by the policy to procure any required goods or services through any convenient process, which may include direct negotiations, but only (i) in an emergency; (ii) if such goods or services are produced or available from a single provider only; (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile; (iv) acquisition of animals for zoos and/or nature and game reserves; or (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes.</p> <p>SCM Policy par. 36(a) states that the accounting officer may dispense with the official procurement processes established by this Policy and to procure any required goods or</p>	<p>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.</p>	<p>The total amount disclosed as a deviation in the financial statements must be adjusted by the derecognition of R18 675 as a deviation and the recognition of R18 675,00 as irregular expenditure. Management must implement proper internal controls to ensure completeness information of the tenders and action plans must be developed and monitored to address internal control deficiencies.</p>	<p>Management disagrees with the assertion from the AG which in all fairness is subjective in nature. Proper processes as allowed in the legislation were followed in respect of this transaction and a process for a deviation was followed, which included the following steps:</p> <ul style="list-style-type: none"> <li>• Deviation requests is made by the department and sent to SCM for comments and support.</li> <li>• SCM supported or indicated otherwise and the report was sent to the Accounting Officer for approval.</li> <li>• The Accounting Officer approved the report and I was submitted both Council and BAC for noting.</li> <li>• The deviation was recorded as notes in the AFS and reported as such.</li> </ul> <p>All the above processes were followed in relation to this deviation and application of mind was done throughout the process. The merits used by the AG in determining the timing and what could have been the appropriate period to advertise this informal tenders is considered subjective. The fact that this process ended up as a deviation could not have been anticipated or was planned, and therefore cannot be subjected to different</p>	<p>TS: 1 Management will ensure that it will only recommend for approval by the City Manager, deviation requests that comply with requirements of regulation 36. SCM unit will guide User Departments on an ongoing basis regarding proper basis for deviations being compliant with regulation 36</p>	<p>1-Feb-14</p>	<p>T. Sali - (GM: Supply Chain Management)</p>	<p>V. Pillay - (GFO)</p>

148	Procurement: Deviations register does not agree to supporting documentation (EX 132)	All three years	In progress	<p>Section 62(1)(b) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.</p> <p>The amounts detailed in the deviations register do not agree to payments extracted from Venus on the value of the order, resulting in an understatement of the deviations of R918,481.</p> <p>No Supplier Name Contract Description Supporting document Contract Value (AFS) Payments made per Venus Difference 1 Imvusa Trading 337 CC Provide low cost houses at Potediam Unit P for beneficiaries from zones 1-6 within Mdanisane for residents who are living in shared houses</p>	<p>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</p> <p>Management should ensure that a comparison is made between the deviations register and the value of the contract or payments made against the quotation.</p> <p>Management agrees with the AG finding and the following is an account for both instances Imvusa Trading 337 CC: Management submits that the deviation request to Council was based on projected figures for the remaining units of houses in the contracts. It therefore could not have known with certainty before-hand what the exact total figures would have been due to items that might be required or not required on the implementation of the project. It should further be noted that the figure that were provided were estimated figures, as the critical issue at the time was the approval of a deviation with indications of funding availability and the quantum for the works outstanding. The final bill on the project then reflected a less amount than was estimated. Whether the deviation register and the amounts reflected would have mattered at the stage of the deviation register is not clear as the value reflected is that which was approved by council. In future the budgeted and actual values will be shown in the register to assist this exercise.</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)
151	Procurement: Supplier not on the supplier database (EX 135)	All three years	In progress	<p>SCM reg 17(b) states that the an conditions for the procurement of goods or services through formal written price quotations, which must include conditions stating that quotations may be obtained from providers who are not listed, such providers meet the listing criteria in the supply management policy required by regulation 14(1)(b) and (c).</p> <p>MFMA sec 62(b) states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.</p> <p>Saramic Supermarket cc t/a Sutton Square Spar could not be traced to the BCMM's supplier databases.</p>	<p>Management should create a listing and evaluation criteria against which all suppliers are assessed before being captured on the procurement programme. The procurement programme should include specified fields that need to be completed before a supplier can be captured on the system. Once the supplier information should be captured by one user and approved by a second user after verifying the captured information against the supplier amendment form.</p> <p>Management disagrees with this finding as this was an annual contract awarded to the supplier and this was not a quotation. There is no legislative requirement for tender awards to be made only to registered suppliers, save only to say the listing criteria requirements must be met (MFMA regulation 17(b)). In this instance, the bidder had tendered for annual contract number 99 and went through all the bid committee processes, and met all the requirements of an open bid tender process, hence the award of the tender. A copy of the award letter and a contract for annual contract 99 to the above service provider (Saramic Supermarket cc t/a Sutton Square Spar) is attached for ease of reference. Based on the above submission, management requests that this finding be reconsidered with its associated irregular expenditure.</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)

153	Procurement: Input VAT amount claimed which was previously not paid (EX 137)	All three years	In progress	<p>Section 1 of the VAT Act states that input tax can be claimed on VAT fraction that was paid to a VAT vendor for the supply of goods and services.</p> <p>Section 11(2)(c) of the VAT Act states that the transport of goods is zero-rated.</p> <p>1) BCMM claimed input VAT on the delivery fee which they never paid</p> <p>2) BCMM claimed input VAT on a transaction with a non-VAT vendor</p> <p>No Supplier name Order number Total invoice amount. Delivery fee Total VAT amount charged Total VAT claimed VAT error</p> <p>1 Zama's Goal trading 1348518 122,734.39 7,500.17; 182.81 18,232.81 1,050.00</p> <p>2 The Venue 1355035 29,850.00 - 3,665.79 3,665.79 3,665.79</p> <p>4,715.79</p> <p>Non-compliance with the VAT Act.</p>	Financial and Performance Management: Implement controls over daily and monthly processing and reconciling of transactions	Management should verify that the ultimate amount of VAT input claimed from SARS is the correct amount that should be claimed.	Parts 1 of the finding relates to Zama Goal Trading order no 1348518 and not to the Venue order no 1355035. Input vat of R17 182.81 on supply of fencing and building materials of R 122 734.39 was correctly claimed however it was not picked up that the delivery fee of R7 500.00 was part of the same invoice thereby resulting in an amount of R1 050.00 being incorrectly claimed. Therefore only the amount of R1 050.00 and not the amount of R18 232.81 is overstated as input vat. To mitigate the risk of this happening in the future, all invoices with more than one component will be reviewed by the VAT section. <p>Order no 1355035 relates to supplier - The Venue and not to Zama Goal Trading (order no 1348518). As the order was incorrectly coded as a vat vendor, the input vat amounting to R3 667.79 was incorrectly claimed. Therefore an amount of R3 667.79 and not R4 179.00 was incorrectly overstated as input vat. The existing internal controls will be enhanced by the vat section by reviewing all payments processed for non-vat vendors.</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)
605	Procurement: Management of consultants (EX 150)	Year 1	In progress	<p>In terms of Section 111 of the MFMA, each municipality and each municipal entity must have and implement a supply chain management policy.</p> <p>In terms of Section 3 of the Supply Chain Management Regulations, the accounting officer of a municipality or municipal entity must promptly prepare and submit a draft supply chain management policy complying with regulation 2 to the council of the municipality or the board of directors of the municipal entity for adoption.</p> <p>In terms of Section 5.3.4 of the SCM Guide for Municipal Accounting officers, when appropriate, the accounting officer may include under the special conditions of contract, the following or similar condition: "A service supplier may not recruit or shall not attempt to recruit an employee of the principal for purposes of preparation of the bid or for the duration of the execution of this contract or any part thereof"</p>	Leadership: Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities	The current supply chain management policy should be updated, or a policy drafted specifically relating to the appointment of consultants. This policy should: 1. define the main purposes and objective for appointing consultants; 2. include measures to address over reliance on consultants Management should ensure that a review, at least annually, whether the objectives of the institution are better achieved through use of consultants or permanent staff, and prepare a report as such. Consultants should be made aware that they cannot attempt to recruit employees of the municipality during preparation of the bid for contract and also during execution of such contract.	Management disagrees with the finding as the BCMM Supply Chain Management policy has been developed from the MFMA; SCM regulations. The MFMA is the primary legislation and its regulations (including the SCM regulations) govern the Local Government Supply Chain Management Systems. The BCMM SCM policy (2012 revision, see the website) does acknowledge in its Objectives (paragraphs 1.2.4 and 1.2.4.6) other pieces of legislations and instruments which complement and articulate other matters not reflected in the policy, including the management of consultants. Consultants are dealt with in detail in the 'Guidelines for the Accounting Officers on the Implementation of the Supply Chain Management' and this practice note does not supersede the MFMA, but supports and complements it. BCMM is compliant with Section 65(2)a of the MFMA in that BCMM has an "an effective system of expenditure control, including procedures for the approval, authorization, withdrawal and payment of funds..."	1-Nov-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)

608	Procurement: Incomplete deviations disclosure (EX 152)	All three years	In progress	<p>SCM reg 36(2) states that the accounting officer must record reasons for any deviation in terms of sub regulation 36(1)(a) and (b) and report them to the next meeting of the Council, and include as a note to the annual financial statements.</p> <p>While testing supporting documentation pertaining to financial statements disclosed in the annual financial statements, a report from the City Manager to Council dated 30 January 2013 was identified. Deviations listed in this report were not disclosed in the deviations register or the notes to the annual financial statements.</p> <p>Emergency Repairs: Electricity Services Deviation from SCM Policy and Tender Procedures</p> <p>No Description Value 1.33 KV Oil Pressurized Cables 485,339.53</p> <p>2 Woodbrook Substation -</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p> <p>User departments should submit deviations to the SCM division as soon as they are approved by the Accounting Officer.</p>	<p>The finding is noted and acknowledged by the institution. The accidental omission of listed deviations is a known error to the annual financial statements will be adjusted accordingly.</p>	<p>TS: 1 Management will continue to strive in improvements of its internal controls regarding the Deviation Register and will make efforts to engage with User Departments to update the Deviations Register as per the requirements of the AG</p>	1-Mar-14	T. Sai - (GM: Supply Chain Management)	V. Pillay - (CFO)
155	Procurement: Invitations to tender were not advertised in the CIDB website (EX 159)	All three years	In progress	<p>In terms of CIDB regulation 24: Every client or employer who is inviting calls for expression of interest or soliciting competitive tenders without first calling for expressions of interest in the construction industry must publish that invitation to tender on the CIDB's website and that solicitation must be in accordance with In terms of the CIDB regulation 24 publish that invitation to tender on the CIDB's website and that solicitation must be in accordance with</p> <p>(b) if applicable, the Municipal Supply Chain Management Regulations, published by Government Notice No. 868 of 2005, in Gazette number 27636 of 30 May 2005; and</p> <p>(c) the Standard for Uniformity in Construction Procurement, published by CIDB Notice No. 62 of 9 June 2004 in Gazette No.26427 of 9 June 2004.</p>	<p>Financial and Performance Management: Review and monitor compliance with applicable laws and regulations</p> <p>The management should ensure that all construction contracts are advertised on the CIDB website.</p>	<p>Management disagrees with the finding as all the contracts listed were advertised on the CIDB website (proof attached), save for Contract No. 2953 which is not CIDB related. Contract 2953 is a tender for the performance of the BCMM General Valuation for 2013 and is not CIDB related.</p> <p>Contract No. BCC/DDP/SR/160/2011 did not have to be registered and advertised on the CIDB website. This is a tender for a cadastral survey of Fynbos Phase 1, Fynbos Phase 2, 3, 4 &amp; Ndancama Phase 1. It does not involve any construction works. According to the CIDB i-tender form, any construction works project which exceeds the value of R200 000 (incl VAT) needs to be registered on the CIDB website.</p> <p>A construction works contract means a contract for the provision of a combination of goods and services arranged for the development, extension, installation, repair, maintenance, renewal, removal, renovation, alteration, dismantling or demolition of a fixed asset, including building and engineering infrastructure. It is clear that</p>	<p>NL: 1 Management has trained staff on how to use CIDB website called iTender. All CIDB tenders will therefore be advertised in accordance with the prescribed timeframes.</p>	1-Feb-14	T. Sai - (GM: Supply Chain Management)	V. Pillay - (CFO)

159	Procurement: Incorrect awarding of the B-BBEE points (EX 160)	All three years	In progress	<p>In terms of PPR 10: Broad-Based Black Economic Empowerment Status Level Certificates:—(1) Tenderers with annual total revenue of R5 million or less qualify as Exempted Micro Enterprises (EMEs) in terms of the Broad-Based Black Economic Empowerment Act, and must submit a certificate issued by a registered auditor, accounting officer (as contemplated in section 60 (4) of the Close Corporation Act, 1984 (Act No.69 of 1984)) or an accredited verification agency.</p> <p>(2) Tenderers other than Exempted Micro-Enterprises (EMEs) must submit their original and valid B-BBEE status level verification certificate or a certified copy thereof, substantiating their B-BBEE rating.</p> <p>(3) The submission of such certificates must comply with the requirements of instructions and guidelines issued by the National Treasury and be in accordance with notices published by the Department.</p> <p>In terms of the following sections in CIDB's Standard for Uniformity in Construction Procurement:</p> <p>4.2.1.4 states that advertisements for tenderers to submit tender offers in respect of engineering and construction works contracts, shall be placed on the CIDB web site using the CIDB's i-Tender@cibb service at least 10 working days before the closing date for tenders and at least 5 working days before any compulsory site meeting.</p> <p>4.2.1.5 states that advertisements for the submission or expressions of interest in respect of engineering and construction works contracts in terms of the P4 Qualified Procedure shall be placed on the CIDB web site using the CIDB's i-Tender@cibb service at least 10 working days before the closing date for submissions of interest and at least 5 working days before any compulsory clarification meeting.</p> <p>The following contracts were not</p>	<p>Financial and Performance Management: Review and monitor compliance with applicable laws and regulations.</p>	<p>The management should ensure that a certified copy of B-BBEE certificate is submitted before B-BBEE points are awarded to each prospective supplier.</p>	<p>Management disagrees with the finding as the following contracts appear in the Irregular expenditure schedules because of incomplete documentation:</p> <ul style="list-style-type: none"> <li>Annual contract 05</li> <li>Valid BBEE certificate was submitted by ZATACHECH (which is a division of OMNIA group), hence the certificate in the file (a copy of the certificate is attached for ease of reference). Annual contract 147</li> <li>A copy of an accredited verification agent on BBEE certificate for Bono Electronic Solutions is attached for ease of reference, and was submitted with the contract file.</li> <li>BCMM/DMS/PMS/1200/2011</li> <li>Copy of BBEE certificate for Ludumo Trading cc is attached</li> <li>Exemption Micro Enterprise Certificate for RSV Development Agency is attached.</li> <li>Payment made against the service providers for, 2012/13 was R915 209,80</li> <li>ED 368:</li> <li>The winning bidder for the tender (Bankro Projects BK CC) submitted the valid BBEE certificate and was awarded the contracts accordingly.</li> </ul> <p>It is not clear how the AG makes a finding on Management disagrees with the finding of non-compliance in all other seven instances except for two contracts (BCC/DES/PIU/1090/2009 and BCC/DE/MIG/1162/2012), as these adverts were accepted for advertising on the CIDB. It is not clear if the interpretation of the CIDB is understood in context both at parties as CIDB would have advised had BCMIM been non compliant (as the dates are within the stipulated period).</p> <p>Moreover, the CIDB website has a function which does not allow the input information if it is not complaint and the six other instances were accepted on i-tender on that basis. In future, BCMIM will develop a register to record all instances of non-compliance, as was the case with the other two instances. AG has to note that contract 2953 is not a construction contract and would not have required a CIDB website registration.</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)
163	Procurement: Invitation for tenders not advertised for at least 5 working days before any compulsory site meetings (EX 161)	All three years	In progress	<p>In terms of PPR 10: Broad-Based Black Economic Empowerment Status Level Certificates:—(1) Tenderers with annual total revenue of R5 million or less qualify as Exempted Micro Enterprises (EMEs) in terms of the Broad-Based Black Economic Empowerment Act, and must submit a certificate issued by a registered auditor, accounting officer (as contemplated in section 60 (4) of the Close Corporation Act, 1984 (Act No.69 of 1984)) or an accredited verification agency.</p> <p>(2) Tenderers other than Exempted Micro-Enterprises (EMEs) must submit their original and valid B-BBEE status level verification certificate or a certified copy thereof, substantiating their B-BBEE rating.</p> <p>(3) The submission of such certificates must comply with the requirements of instructions and guidelines issued by the National Treasury and be in accordance with notices published by the Department.</p> <p>In terms of the following sections in CIDB's Standard for Uniformity in Construction Procurement:</p> <p>4.2.1.4 states that advertisements for tenderers to submit tender offers in respect of engineering and construction works contracts, shall be placed on the CIDB web site using the CIDB's i-Tender@cibb service at least 10 working days before the closing date for tenders and at least 5 working days before any compulsory site meeting.</p> <p>4.2.1.5 states that advertisements for the submission or expressions of interest in respect of engineering and construction works contracts in terms of the P4 Qualified Procedure shall be placed on the CIDB web site using the CIDB's i-Tender@cibb service at least 10 working days before the closing date for submissions of interest and at least 5 working days before any compulsory clarification meeting.</p> <p>The following contracts were not</p>	<p>Financial and Performance Management: Review and monitor compliance with applicable laws and regulations.</p>	<p>Management should ensure that advertisements for tenderers to submit tender offers be placed on the CIDB website within the stipulated timeframes.</p>	<p>Management disagrees with the finding of non-compliance in all other seven instances except for two contracts (BCC/DES/PIU/1090/2009 and BCC/DE/MIG/1162/2012), as these adverts were accepted for advertising on the CIDB. It is not clear if the interpretation of the CIDB is understood in context both at parties as CIDB would have advised had BCMIM been non compliant (as the dates are within the stipulated period).</p> <p>Moreover, the CIDB website has a function which does not allow the input information if it is not complaint and the six other instances were accepted on i-tender on that basis. In future, BCMIM will develop a register to record all instances of non-compliance, as was the case with the other two instances. AG has to note that contract 2953 is not a construction contract and would not have required a CIDB website registration.</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)



166	Procurement: Limitation: Evaluation committee attendance register (EX 163)	All three years	In progress	<p>In terms of 4.3.5 of the CIDB's Standard for Uniformity in Construction Procurement: Quality criteria should wherever appropriate be rated as "poor", "satisfactory", "good" or "very good" in terms of qualitative criteria that is communicated to tenderers. Fixed scores should be assigned against each of these ratings.</p> <p>Evaluation committee attendance registers for the following contracts were not obtained for testing whether the quality evaluation involved expertise:</p> <p>Contract number Contract name Supplier name CE119 (RFI 61) Provision of ablution facilities for a three year period Amanzabantu Services East London Sewer Diversion: Rotary Drilling Contract (290 m) Geomech Africa (Pty) Ltd</p> <p>BCMMDMS/PMS/1200/2011 Coastal Africa (Pty) Ltd</p>	<p>Financial and Performance Management: Review and monitor compliance with applicable laws and regulations</p>	<p>All the files should include the register of all the meetings held by the bid committees.</p>	<p>Contract number Contract name Supplier name CE119 Provision of ablution facilities for a three year period Amanzabantu Services Attendance register for the BEC meeting is attached BCC/DES/MIG/1162/2012 East London Sewer Diversion: Rotary Drilling Contract (290 m) Geomech Africa (Pty) Ltd Attendance register for the BEC meeting is attached BCMMDMS/PMS/1200/2011 Coastal Region: Rural Sanitation Backlog Eradication Project Leko/Ludumo/RVS JV Attendance register for the BEC meeting is attached BCC/DES/PMU/1045/2008 Extension to Reeston Wastewater Treatment Works: Civils Randivile JV Mamiambo Construction Attendance register for the BEC meeting is attached BCC/DDP/SR/1160/2011 Cadastral Survey of: Fynbos Phase 1, Fynbos Phase 2, 3, 4 and Ndancama Phase 1 Molheo Construction Group Attendance register for the BEC meeting is attached BCMMD/DES/HM/1216/2011 Construction of 988 Storm Damaged Low Cost Housing Units in Buffalo City Municipal Area Molheo Construction Group (Pty) Ltd Attendance register for the BEC meeting is attached</p>	<p>1-Jun-14</p>	<p>T. Sali - (GM: Supply Chain Management)</p>	<p>V. Pillay - (CFO)</p>
169	Procurement: Suppliers not registered with CIDB (EX 164)	All three years	In progress	<p>Financial and Performance Management: Review and monitor compliance with applicable laws and regulations</p>	<p>The management should ensure that contracts are registered on the CIDB database as soon as they are accepted.</p>	<p>The management disagrees with the finding and the following are the reasons: o Geomech Africa is registered with CIDB and proof of registration of the contract on the website is also attached on Exception 148. o Primeland Properties did not tender for a construction related tender and should not have been included in the finding as this was a General Valuation tender. Based on the above, management requests AG to reconsider the above finding and the associated irregular expenditure.</p>	<p>TTS: 1. In respect of all CIDB tenders, management will ensure that in order to be considered for an award of a construction works related contract that a service provider meets the minimum CIDB grading as specified in the tender document. Management will ensure that service providers submit proof of their CIDB grading</p>	<p>1-Feb-14</p>	<p>T. Sali - (GM: Supply Chain Management)</p>	<p>V. Pillay - (CFO)</p>

171	Procurement: Suppliers did not declare interest (EX 186)	All three years	In progress	<p>In terms of SCM reg 13 (j)(iii), a supply chain management policy shall state that the municipality may not consider a written quotation or bid unless the provider who submitted the quotation or bid has declared.</p> <p>The following suppliers have no declaration of interest in their bid documents:</p> <p>No Contract number Project Description Supplier Amount  1 BCC/DESMIG/1162/2012 East London Sewer Diversion: Rotary Drilling Contract (290 m) Goba Consulting Engineers 1 167 571.19  2 BCM/DM/PIU/1251/2012 (ELECTRICAL) Construction of Bisho, King Williams Town and Zwelitsha Bulk Regional Sewerage Scheme- Phase 2 Fast Move Electrical cc 113 430 736.00  3 BCM/DM/PIU/1251/2012 (MECHANICAL) Construction of Bisho, King Williams Town and Zwelitsha Bulk Regional Sewerage</p>	<p>Internal control deficiency 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</p>	<p>Management should ensure that no bids are accepted that have no declaration of interest completed in the bid document and they should make sure that all the bid documents issued to all prospective suppliers have declaration of interest page included.</p>	<p>Management disagrees with this finding for the following reasons:  1. Goba Consulting Engineers (BCC/DESMIG/1162/2012)  The contract was declared as irregular of the challenges for this tender.  2. Declaration forms for Fast Move Electrical (BCM/DM/PIU/1251/2012 (ELECTRICAL)) is provided in the tender file (submitted on Exception 24).  3. BCC/DESMIG/1162/2012 (Khula Naftu Construction cc). The Compulsory Enterprise Questionnaire form was used and performs the function as the declaration of interest form, and a copy of this form is attached with the original copy in the contract file.  Based on the above response, management requests AG to withdraw this finding and the associated irregular expenditure accordingly.</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (GFO)
173	Procurement: Assessment of functionality inadequately documented (EX 188)	All three years	In progress	<p>In terms of SCM reg. 28(1) (b), a bid evaluation committee must evaluate each bidder's ability to execute the contract.  PER 4(1), an organ of state must indicate in the invitation to submit a tender if that tender will be evaluated on functionality.  PPR 3(1), an organ of state must, prior to making an invitation for tenders-  (a) properly plan, for, and estimate the cost of the provision of services, works or goods for which an invitation for tenders is to be made.  (b) determine and stipulate the appropriate preference point system to be utilized in the evaluation and adjudication of the tenders; and  (c) determine whether the services, works or goods for which an invitation for tenders is to be made has been designated for local production and content in terms of regulation 9.</p>	<p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p>	<p>Management should ensure compliance with all applicable regulations in relation to the evaluation of bids.</p>	<p>CE 137  Management disagrees with this finding. The tender document contained clear functionality evaluation criteria as follows –  Description Points  Solution proposition on project implementation approach (Annexure C) 10  Solution proposition on supply of Integrated Fuel Management System, must meet minimum requirements (Annexure D) 40  Solution proposition on supply of fuel (petrol and diesel), must meet minimum requirements (Annexure E) 40  Solution proposition on three (3) year maintenance and support (Annexure F) 10  TOTAL 100  Bidders were required to score a minimum score of 70% on functionality in order to be evaluated further. Extracts of the tender document are attached for verification. Based on the above, management requests that the above finding be withdrawn.</p>	1-Mar-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (GFO)

CE2968

177	Procurement: Contract not cancelled and re-advertised (EX 189)	All three years	In progress	<p>In terms of SCM reg. 21(b), the bid documentation must include evaluation and adjudication criteria, including any criteria required by other applicable legislation</p> <p>In terms of PPR 3(b), an organ of the state must, prior to making an invitation for tenders, determine and stipulate the appropriate preference point system to be utilized in the evaluation and adjudication of the tenders.</p> <p>The following contract was not cancelled and re-advertised:</p> <p>Contract name Contract Description Supplier name Amount Explanation CE 2968 Supply, Delivery, of Material and Construction of Hydroponics at Dimbaza Happyveg Trading 2,897,604.21 The bid specification document specifies that the criteria is 90/10 PPS. Losing bidders files state 80/20PPS. Advertisement in the Daily Dispatch states 80/20 PPS will be utilised.</p>	<p>Financial and Performance Management: Review and monitor compliance with applicable laws and regulations</p> <p>Management should ensure that whenever the contract evaluation criteria's are changed for a particular contract such contract is cancelled and re-advertised.</p>	<p>Management disagrees with the finding as an erratum was placed on the website and newspaper advising of the correction to the evaluation criterion once it had been picked up while the tender was still opened. Copies of the advert and the erratum are attached for ease of reference.</p> <p>Management requests AG to withdraw the finding with the associated irregular expenditure.</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)
179	Procurement: Minimum grading requirement not stipulated in the bid invitation (EX 192)	All three years	In progress	<p>In terms of CIDB regulation 25 (1), no person shall undertake to carry out and complete any construction works unless he is registered with the Lembanga and holds a valid certificate of registration issued by the Lembanga.</p> <p>CIDB standard for uniformity (SFU) 4.5.4 The following wording shall be included in the Notice and Invitation to Submit an Expression of Interest in respect of engineering and construction works, where the contractor grading designation is based on the estimated value of a tender that may arise: Respondents must have a contractor grading designation of:....or....or higher.</p> <p>The following contracts did not have minimum grading requirement in the bid invitation:</p> <p>No Contract number Contract Description Supplier name Amount (R) 1 BCC/DES/MIG/1162/2012 East</p>	<p>Management should ensure that all bid invitations clearly state the minimum grading requirement which the bidder must be registered at with the CIDB in order to qualify evaluation.</p>	<p>Management disagrees with this finding as this tender was for the consultancy component of the contract and no CIDB grading would be required, information provided in the contracts/commitment register for the award of the this contracts shows Goba Consulting as having been awarded the consultant's part of this contracts. This contract has been declared as irregular expenditure as it had amongst the challenges incomplete documentation. Based on the above response, management requests that the finding be withdrawn.</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)

181	Procurement: Invitations to tender were not advertised in the CIDB website (EX 193)	All three years	In progress	<p>In terms of CIDB regulation 24: Every client or employer who is inviting calls for expression of interest or soliciting competitive tenders without first calling for expressions of interest in the construction industry must publish that invitation to tender on the CIDB's website.</p> <p>In terms of the CIDB regulation 24: publish that invitation to tender on the CIDB's website.</p> <p>The following tenders were not advertised on the CIDB website:</p> <p>No Contract number Contract description Supplier name Amount  1 BCM/DMG/PIU/1249/2013 Construction of Bhisho, KWT and Zwellitsha bulk regional sewerage scheme phase 2 - Civil works Civcon Construction (Pty) Ltd  232 586 735.73  2 BCC/DES/COO/HM/1068/2009 Construction of Internal Engineering Services and Construction of Top Structures for 265 Low Cost Housing</p>	<p>Financial and Performance Management: Review and monitor compliance with applicable laws and regulations</p> <p>The management should ensure that all construction contracts are advertised on the CIDB website.</p>	<p>Management agrees with this finding. As of August 2013, all tenders required by CIDB regulations and guidelines to be advertised on tender have been advertised accordingly by BCM/SCM staff required to work with i-tender have been trained on how to use the website for advertising and registration purposes.</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (GFO)
183	Procurement: Invitation to tenders not advertised 5 days before any compulsory site meeting (EX 194)	All three years	In progress	<p>In terms of the following sections in CIDB's Standard for Uniformity in Construction Procurement:</p> <p>4.2.1.4 states that advertisements for tenders to submit tender offers in respect of engineering and construction works contracts, shall be placed on the CIDB web site using the CIDB's i-Tender@cibb service at least 10 working days before the closing date for tenders and at least 5 working days before any compulsory site meeting.</p> <p>4.2.1.5 states that advertisements for the submission of expressions of interest in respect of engineering and construction works contracts in terms of the P4 Qualified Procedure shall be placed on the CIDB web site using the CIDB's i-Tender@cibb service at least 10 working days before the closing date for submissions of interest and at least 5 working days before any compulsory clarification meeting.</p> <p>The following tenders were not</p>	<p>Management should ensure that invitation to every construction tender is advertised at least 5 days before any compulsory site meeting.</p> <p>Leadership: Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p> <p>Management disagrees with this finding in respect of Contracts CE 119 and ED368. Stronger internal controls have been implemented by SCM with regard to observance of CIDB timelines for the advertising of tenders on i-tender. SCM staff required to work with i-tender have been trained on how to use the website for advertising and award registration purposes.</p> <p>Management disagrees with this finding in respect of BCM/DMG/PIU/1251/2012 (ELECTRICAL AND MECHANICAL) and BCC/DES/PIU/HOUS/1122/2010. These tenders did not have a compulsory briefing session requirement. A copy of each tender advert has been attached for verification. It is therefore requested that this aspect of the finding be withdrawn.</p>	<p>Management agrees with this finding in respect of Contracts CE 119 and ED368. Stronger internal controls have been implemented by SCM with regard to observance of CIDB timelines for the advertising of tenders on i-tender. SCM staff required to work with i-tender have been trained on how to use the website for advertising and award registration purposes.</p> <p>Management disagrees with this finding in respect of BCM/DMG/PIU/1251/2012 (ELECTRICAL AND MECHANICAL) and BCC/DES/PIU/HOUS/1122/2010. These tenders did not have a compulsory briefing session requirement. A copy of each tender advert has been attached for verification. It is therefore requested that this aspect of the finding be withdrawn.</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (GFO)

185	<p>Procurement: Contractors not registered on the CIDB website (EX 196)</p>	All three years	In progress	<p>In terms of section 18(1) of the CIDB Act an employer must, within 21 working days from the date on which a contractor's offer to perform a construction works contract is accepted in writing by the employer, apply on the approved form to the CIDB for the registration of every project, consisting of a single construction works contract, of which the contract value exceeds a value determined by the Minister by notice in the Gazette.</p> <p>The following suppliers are not registered in the CIDB website:</p> <p>No Contract number Contract Description Supplier name Contract value</p> <p>1 BCM/DMSPMS/1203/2011 Ncera Backlog Eradication Projects. Deedscon Consortium</p>	<p>Financial and Performance Management: Review and monitor compliance with applicable laws and regulations</p>	<p>Management should ensure that contracts are registered on the CIDB database as soon as they are accepted.</p>	<p>Management disagrees with this finding and the following responses are given for each of the items</p> <p>1. BCM/DMSPMS/1203/2011-Deedscon was a consortium formed by the following companies: Name of company Nature of involvement in the consortium Comment Deedscon Consult Training and development consulting services Project Managers No CIDB required Luqaambo Civil Construction cc Construction Lead Contractor CIDB level 6CE PE Kungawe Development Research Training Institution and Social Development Social Facilitator No CIDB required Fanaka Construction and Engineering Construction and Built Environment Professional Services Learner Contractor CIDB level 1CE GB</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)
618	<p>Procurement: Contractors' grading is not suitable for the value of the contract (EX 197)</p>	All three years	In progress	<p>In terms of CIDB regulation 11: The contractor grading designation of a contractor is determined by – (a) the financial capability of the contractor in accordance with subregulation (2); and (b) the works capability of the contractor in accordance with subregulation (5).</p> <p>(2) The financial capability of a contractor is determined either in accordance with method A, as set out in subregulation (2A) or in accordance with method B (2B), but method B may not be applied to an application for registration in grades 2 to 4. In terms of CIDB regulation 11(2B), but method B may not be applied to an application for registration in grades 2 to 4.</p> <p>The following suppliers' gradings are not suitable for the value of the contract:</p>	<p>Financial and Performance Management: Implement controls over daily and monthly processing and reconciling of transactions</p>	<p>Management should ensure that awards are made to contractors who have the grading required by the CIDB.</p>	<p>From above it can be seen that the main contractor in the consortium was Luqaambo Management disagrees with this finding and the following are the responses</p> <p>1. BCC/COO/HM/998/08- As discussed and agreed with AG; this was procured through a deviation as a subcontractor (which BCM had no role in) which had been appointed by the Main Contractor (Khumbula Properties) registered at CIDB subcontracted the above (possibly with a lower grade). It had been agreed with AG in the discussion held at SCM on 13th November 2013 that queries relating to the above contract will be removed as this had been explained as a deviation. Information relating to this transaction was submitted on RFI 135.</p> <p>2. Regarding the other contracts in the COF, the following table provides a response thereto.</p> <p>No Contract number Contract Description Supplier name Contract value CIDB grading of winning bidder CIDB grading contract value capable of performing</p> <p>2 BCM/DMSPMS/1203/2011 Ncera 3, Ncera 2 and Ncera 1, Sanitation Backlog Eradication Projects. Deedscon Consortium 4 637 505,18</p> <p>Luqaambo Civils Construction as lead contractor has a 6CE PE grading R13M to R40M</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)

188	Procurement: Projects not registered on the CIDB website within 21 working days (EX 198)	All three years	In progress	<p>In terms of CIDB act Section 22 (3): All construction contracts above the prescribed tender value must be recorded in the register.</p> <p>CIDB regulation 18(1A), (1) Despite the values determined in Government Notice No. 692 of 9 June 2004, every project consisting of a single construction works contract- (a) for the public sector of which the value exceeds R200000,00; or (b) for the private sector and a public entity listed in Schedule 2 of the MFMA, of which exceeds the value exceeds R10 million, must be registered in accordance with this part.</p> <p>(1) An employer must employ must, within 21 working days from the date on which a contractor's offer to perform a construction works contract is accepted in writing by the employer, apply on the approved form to the CIDB for the registration of every project, consisting of a single construction works contract, of which the contract value exceeds a value</p> <p>CIDB inform PN 5 par 3.6: Confirm that the highest ranked or scoring tenderer:</p> <ul style="list-style-type: none"> <li>• has legal capacity to enter into a contract;</li> <li>• is not insolvent, in receivership, bankrupt or being wound up, or has its affairs administered by a court or a judicial officer, has suspended its business activities, or is subject to legal procedures in respect of any of the foregoing;</li> </ul> <p>The winning bidder did not supply evidence of its solvency for the tenders listed below:</p> <p>No Contract number Contract description Supplier name Amount 1 BCC/COO/HM/998/08 Postdam Unit P Stage 2: Provision of 2003 Top Structure - completion of 371 Units Imvusa Trading 337 cc 10 618 641,00 2 BCC/DES/MIG/1100/4/2009 Bulk Water Supply to Coastal Areas -Phase 1D Simunye Developers cc 231,507,969.82 3 BOM/ID/MS/PIU/1251/2012</p>	Financial and Performance Management: Review and monitor compliance with applicable laws and regulations	Management should ensure that the requirements of the CIDB regulations are complied with by ensuring that all construction contracts are registered on the CIDB website within 21 working days after the date of award.	Management disagrees with this finding. All tenders listed above were registered on the CIDB website and proof of such registration, printed off the CIDB website, is attached for verification.  Management requests that this finding be withdrawn	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)
191	Procurement: Limitation- No evidence to support solvency of bidders (EX 199)	All three years	In progress	<p>Management should ensure that sufficient evidence is attached in all the bid documents for construction contracts to comply with the CIDB inform PN 5.</p> <p>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</p>	Management should ensure that sufficient evidence is attached in all the bid documents for construction contracts to comply with the CIDB inform PN 5.	1. Imvusa Trading cc (BCC/COO/HM/998/08) This was a deviation which had been as a result of work performed by a sub-contractor (Imvusa Trading cc) which had been appointed by the main contractor that had been awarded the contract (Khumbula Properties), and had not performed, resulting in the contract being terminated. There was no formal appointment for Imvusa Trading cc by BCMM through the normal open bidding process, except that the sub-contractor had continued building houses and monies were due to it (an accrued benefit for the municipality) and a deviation had to be arranged to facilitate the payment. With regard to BCC/COO/HM/998/08, please note that the contract with Imvusa Trading, as a result of being a deviation, the CIDB inform PN 5 would not apply and it is therefore recommended that this finding be withdrawn. 2. With regard to Contract 2953, This tender is not CIDB related and therefore CIDB Inform PN 5 would not apply. It is recommended that the finding in respect of Contracts 2953 and BCC/COO/HM/998/08 be withdrawn 3. Regulation 21(d) requires the submission of audited annual financial statements of the	NL: 1 Management will ensure that the AG recommendations are noted through Bid Committee System to prevent any non compliance together with management ensuring that contract files for awarded contracts are complete with the required information in the contract file.	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)

195	Procurement: Contractors not registered in correct class of construction works (EX.200)	All three years	In progress	<p>In terms of CIDB regulation 17: A contractor registered in a contract grading designation indicated in column 1 of the table found in this regulation is considered to be capable of undertaking a contract in the range of tender values indicated in table 3 and 4 of the same table in the class of the construction works to which the category of registration of that contractor relates.</p> <p>Performed a search function in the CIDB website, and the following contractors were not found in the registered suppliers with CIDB:</p> <p>No Contract number Contract Description Supplier name Amount  1 BCC/DES/MI/G/1162/2012 East London Sewer Diversion; Rotary Drilling Contract (290 m) Goba Consulting Engineers/Geomach Africa (Pty) Ltd 1,167,571.00  2 BCC/MI/DMS/SP/MS/1203/2011 Ncera 3, Ncera 2 and Ncera 1, Sanitation Backlog Eradication Projects.</p>	<p>Financial and Performance Management: Review and monitor compliance with applicable laws and regulations</p>	<p>Bid evaluation committee should make sure that the prospective suppliers are registered on the CIDB website before they are considered for any construction contracts.</p>	<p>Management disagrees with this finding and the following reasons are provided:  1. Goba Consulting Engineer is a consulting company and not required to be CIDB registered, and the finding is not applicable to this contract from a CIDB point of view.  2. BCC/MI/DMS/SP/MS/1203/2011-Deedscon was a consortium formed by the following companies:  Name of company Nature of business Nature of involvement in the consortium Comment  Deedscon Consult Training and development  Consulting Services Project Managers No CIDB required  Luqaqambo Civil Construction cc Construction Lead Contractor CIDB level 6CE PE  Kungawe Development Research training Institution and Social Development Social Facilitator No CIDB required  Fanaka Construction and Engineering Construction and Built Environment  Professional Services Learner Contractor CIDB level 1CE GB</p>	1-Feb-14	T. Saij - (GM; Supply Chain Management)	V. Pillay - (GFO)
198	Procurement: Limitation: Winning supplier's bid not supplied (EX.201)	All three years	In progress	<p>In terms of CIDB regulation 25 (5): Subject to sub regulation (1), joint ventures are eligible to submit tender offer or expressions of interest if:  (a) every member of the joint venture is a registered contractor in terms of these Regulations and the lead partner has a contractor grading designation in the class of construction works under consideration and possesses the required recognition status; and  (b) the category of registration specified in accordance with sub regulation (6) is equal to or higher than the category of registration specified in accordance with sub regulation (3).</p> <p>Winning bidder's information was not filed in the tender documents submitted for audit thus an assessment of whether the entity is a joint venture could not be performed.  Contract number Contract description Supplier name Amount  BCC/DDP/SR/1160/2011 Cadastral</p>	<p>Financial and Performance Management: Implement controls over daily and monthly processing and reconciling of transactions</p>	<p>The bid evaluation committee should make sure that for all contracts winning bidder is established in terms of the SCM policy and CIDB regulation requirements.</p>	<p>From above it can be seen that the main contractor in the consortium was Luqaqambo  Management disagrees with the finding as there was no formal request to provide this information in any of the RFIs. The file has however been located and shown to AG in their position and AG can confirm the submission.  While the information has now been located, management is concerned that it will be prejudicial to BCMM to start auditing this information and make a determination at this stage and time of the audit. In view of this submission, management requests that this finding be withdrawn with its associated irregular expenditure.</p>	1-Feb-14	T. Saij - (GM; Supply Chain Management)	V. Pillay - (GFO)

200	<p>Procurement: Tender value exceeded is more than 15% (EX.202)</p>	<p>All three years</p>	<p>In progress</p> <p>An organ of state may subject to its procurement policy and notwithstanding anything to the contrary contained in this regulation, evaluate and award a tender offer from a tenderer who is registered outside of his or her tender value range as contemplated in regulation 17, provided that:</p> <p>(a) the margin with which the tenderer exceeded his or her tender value range contemplated in regular 17, is reasonable;</p> <p>(b) the award of the contract does not pose undue risk to the organ of the state;</p> <p>(c) the tender offer in all aspects comply with these Regulations; and</p> <p>(d) the report referred to in regulation 21 or 38(5) and (6) indicates whether sub regulation was applied in the award of the tender.</p> <p>In terms of Information Practice Note 3 par. 3.3, Regulation 25(7A) allows an employer to evaluate tenders received from registered contractors</p>	<p>Financial and Performance Management: Review and monitor compliance with applicable laws and regulations</p> <p>Bid evaluation committee should ensure that all prospective suppliers are registered on the CIDB before they are considered for evaluation and that tender value exceeded is not more than 15%.</p>	<p>Management disagrees with the finding as the companies of CIDB's for all the applicable winning bidders.</p> <p>1. Jimusa Trading cc was a deviation and no CIDB grading would have been required as there was no formal procurement which took place. The service provider had been sub-contracted by the main contractor (Khumbula Properties, which had met the tender requirement at the time of the award), an arrangement for which BCMIM had played no part.</p> <p>2. Deedson was a consortium formed by the following companies: Name of company Nature of business Nature of involvement in the consortium Comment Deedson Consult Training and development consulting services Project Managers No CIDB required Lugaqambo Civil Construction cc Construction Lead Contractor CIDB level 6CE PE Kungawe Development Research Training Institution and Social Development Social Facilitator No CIDB required Fanaka Construction and Engineering Construction and Built Environment</p> <p>Management provides the following table to summarize the responses to the findings</p> <p>No Contract no Contract Description Supplier Amount Reason information submitted</p> <p>1 CE 61 Installation and Commissioning of Electric Poles GR Shone and AJ Shone T/A Shones Electrical 15,427.00 Uncertified BEE certificate (R9 061 215,46 payment made) Certified copy attached 2 CE 137 Supply, Installation, Maintenance and Support of Integrated Electric Fuel and Management for BCMIM Automated Fuel Systems Group (PTY) LTD 5,443,125.00 Non-submission A certified copy is attached. No payment was made in 2012/13 FY(payment copy attached) 3 BCC/DES/MIG/1162/2012 East London Sewer Diversion: Rotary Drilling Contract (290 m) Goba Consulting Engineers 1 167 571,19 Non-submission Contract declared as irregular expenditure 4 BCMIM/DMS/PMS/1203/2011 Ncera 3, Ncera 2 and Ncera 1, Sanitation Backlog Eradication Projects. Deedson Consortium 4,637,505.16 Not consolidated BEE certificate (R981 538,44 payment made) Bidders submitted separate</p>	<p>1-Mar-14</p> <p>TS: 1 Management undertakes for BEC to perform the required checks regarding CIDB requirements for construction related works</p>	<p>T. Saij - (GM: Supply Chain Management)</p>	<p>V. Pillay - (GFO)</p>
203	<p>Procurement: B-BBEE points not awarded correctly (EX.205)</p>	<p>All three years</p>	<p>In progress</p> <p>PPR 6(2) states that points must be awarded to a tenderer for attaining their B-BBEE status level of contributor in accordance with the table below:</p> <p>(a) B-BBEE Status Level of Contributor Number of Points</p> <p>1 10 2 9 3 8 4 5 5 4 6 3 7 2 8 1</p> <p>Non-compliant contributor 0</p> <p>PPR 10 states that Broad-Based Black Economic Empowerment Status Level Certificates, --- (1) Tenderers with annual total revenue of R5 million or less qualify as Exempted Micro Enterprises (EMEs) in terms of the Broad-Based Black Economic Empowerment Act, and must submit a certificate issued by a registered auditor, accounting</p>	<p>Financial and Performance Management: Review and monitor compliance with applicable laws and regulations</p> <p>Management should develop and monitor the implementation of action plans to address internal control deficiencies to ensure that no suppliers are awarded points if original B-BBEE certificates or certified copies.</p>	<p>TS: 1 Senior contracts coordinator to formally track and monitor that certificates / original copies of BBBEE are received before awarding BBBEE points.</p>	<p>1-Feb-14</p>	<p>T. Saij - (GM: Supply Chain Management)</p>	<p>V. Pillay - (GFO)</p>



211	Procurement: Price calculations and highest number of points could not be verified (EX 207)	All three years	In progress	<p>PPR 6(1) states that the following formula must be used to calculate points for price in respect of tenders with Rand value above R1 million: <math>P_s = 90 [1 - ((P_t - P_{min})/P_{min})]</math></p> <p>Where:  <math>P_s</math> = Points scored for comparative price of tender or offer under consideration  <math>P_t</math> = Rand value of offer or tender consideration  <math>P_{min}</math> = Rand value of lowest acceptable tender or offer.</p> <p>PPR 11(2) states that an organ of state must, when calculating comparative prices, take into account any discounts which have been offered unconditionally</p> <p>PPR 6(5) states that subject to regulation 7, the contract must be awarded to the tenderer who scores the highest total number of points.</p>	<p>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 assessments made by the bid evaluators.</p> <p>Implement proper record keeping ensuring that complete, relevant and accurate information is accessible and available to support assessments made by the bid evaluators.</p>	<p>Management disagrees with this finding as it was explained to AG that points for calculation are taken from the price schedules or the Bill of Materials submitted by the bidders. No determination can be made on how the bidder has arrived at the final price, as this technical component of calculation is performed solely by each bidder.</p> <p>Therefore, as to how the prices were calculated and arrived at using the formulae for contracts 05 and BCC/DDP/SR/1160/2011 is not known nor does it factor in the evaluation of the tender. Note that the Price Schedules and the Form of offer is what is firm by the bidders, and is the price compared amongst those bids which qualify for the Price/Points/BBBEE evaluation.</p> <p>Based on the above response and the clarification given to AG on the matter, management requests that this finding be withdrawn.</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)
214	Procurement: Advert less than minimum required period (EX 210)	All three years	In progress	<p>SCM reg. 22(1) (b) states that the information contained in a public advertisement, must include:  (i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper</p> <p>SCM reg 22(2) states that the accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process."</p> <p>The following contract was advertised for less than the minimum period required for similar contracts: no deviation was approved relating to this.</p>	<p>Management should ensure that the calculation of 30 days between the advertisement being placed and the closing date of the tender is accurate before submitting the tender advertisement to the Daily Dispatch.</p> <p>Management should ensure that the calculation of 30 days between the advertisement being placed and the closing date of the tender is accurate before submitting the tender advertisement to the Daily Dispatch.</p>	<p>Management disagrees with this finding that a bid which was advertised for one day/lesser than the required thirty days constitutes a material deviation as envisaged in the Guidance for Auditing in the Public Sector published by the Independent Regulatory Board of Auditors in collaboration with the AGSA.</p> <p>Please refer to Section 2.21 in this regard which states that "The materiality of compliance deviations is assessed in order to determine whether such deviations should be included in the auditor's report. The assessment of what represents a material compliance deviation is a matter of professional judgement and includes considering the context as well as quantitative and qualitative aspects of the transactions or issues concerned."</p> <p>We submit that a bid which was advertised for one day lesser than required does not constitute a material deviation in terms of the factors set out in Section 2.22 of the above referenced Guideline which states, inter alia, "A number of factors are taken into account in applying professional judgment to determine</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)

216	Procurement: Possible bid rigging (EX 2.12)	All three years	In progress	<p>MFMA 62(1) (b) states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure, in accordance with any prescribed norms and standards that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.</p> <p>All bidders tenders were not provided for audit purposes with the result that:</p> <p>i) It could not be determined whether the winning bid is not similar (format/wording/pricing) with any other losing bid.</p> <ul style="list-style-type: none"> <li>• CE 119; one bid document was not in the file. EZ Mima's bid document.</li> <li>• BCC/DES/PIU/HOUS/1122/2010; the winning bidder's bid document was not in the file, winning bidder is Khula Nathi Construction CC.</li> </ul> <p>ii) It could not be determined whether</p>	<p>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</p>	<p>Management should ensure proper controls are in place and adhered to with regards to safeguarding of important information.</p>	<p>There is no conclusive evidence which has been provided of bid rigging in each of the above tenders. Management however notes the finding and recommendation provided by AG.</p>	30-Sep-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)
218	Procurement: Competitive bids - winning bidders information not submitted (EX 2.17)	All three years	In progress	<p>(1) SCM Regulation 13(e) states that a supply chain management policy must state that the municipality may not consider a written quotation or bid unless the provider submitted the quotation or bid has furnished the municipality with that provider's:</p> <ul style="list-style-type: none"> <li>i. Full name</li> <li>ii. Identification number of company or other registration number</li> <li>iii. Tax reference number and VAT registration number</li> </ul> <p>(2), (3) and (4) SCM reg 21(d) (i) (ii) (iii) state that a supply chain management policy must determine the criteria to which bid documentation for a competitive bidding process must comply and state that in addition to regulation 13 the bid documentation must if the value of the transaction is expected to exceed R10 million require bidders to furnish:</p> <ol style="list-style-type: none"> <li>1. if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements for the past three</li> </ol>	<p>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</p>	<p>Management should ensure that all the bidders' information that has been received is filed in the applicable tender file.</p>	<p>Management disagrees with this findings as all the information relating to all the above tenders in their different categories. In the discussion with AG about the rates based nature of annual contracts such as contract 05, 25, 119, in other instances, contracts such as BCC/COO/HM/998/08; BCC/DES/COO/HM/1068/2009 and 2953 have been accounted. Based on the above responses, management is of the view that this has been a repetition of information already requested and provided in the preceding exceptions, and requests that this finding be withdrawn.</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)

230	Procurement: competitive bids - general evaluation errors (EX 218)	All three years	In progress	<p>(1) SCM reg 28(1) (a) states that a bid evaluation committee must evaluate bids in accordance with the specifications for a specific procurement.</p> <p>(2) SCM reg 38(1) (d) (ii) and (g) (ii) states that a supply chain management policy must provide measures for the combating of abuse of the supply chain management systems, and must enable the accounting officer:</p> <ul style="list-style-type: none"> <li>• to reject any bid from a bidder who during the last five years has failed to perform satisfactory on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory.</li> <li>• To reject the bid of any bidder if that bidder or any of its directors has wilfully neglected, engaged on or failed to comply with any government, municipal or other public sector contract during the past five years.</li> </ul> <p>(3) SCM reg 38(1)(c) states that a supply chain management policy must</p>	<p>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</p>	<p>Management should ensure that all the bidders' information that has been received is filed in the applicable tender file.</p>	<p>Management responses to the following items of the above finding are provided in the tables below:</p> <ol style="list-style-type: none"> <li>The following tenders were assessed for functionality; however the functionality criteria did not appear in the bid specification documents: Management disagrees with the above finding as information is in the areas referred to above.</li> <li>The following tenders did not include a supplier's declaration pertaining to whether in the last 5 years the bidder is known to have been given an unsatisfactory performance rating by the municipality or other organ of state (MBD08)/Compulsory Enterprise Questionnaire:</li> <li>The following tenders did not have declarations from the winning bidder stating whether or not it or any of its directors, are not known to have committed a corrupt or fraudulent act in competing for the contract. (MBD 08)/Compulsory Enterprise Questionnaire:</li> </ol> <p>(4) The following tenders did not have</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)
254	Procurement: Completeness of irregular expenditure (EX 219)	All three years	In progress	<p>Section 63 (1) (a) and (2) (a) of the MFMA, as amended, prescribes that the accounting officer of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets and that they should take all reasonable steps to ensure that the municipality has and maintains a management accounting and information system that accounts for the assets and liabilities of the municipality.</p> <p>The irregular listing supporting the disclosures made in the annual financial statements (R166 million VAT incl) was requested and a schedule amounting to R202 million (VAT incl) worth of irregular expenditure was received. Items were sampled off this register where a determination was made as to whether the transactions were of an irregular nature or not. The items that</p>	<p>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</p>	<p>Management should perform monthly inspections of the contracts and tenders awarded to ensure that any instances of irregular expenditure are identified and that the irregular expenditure listing is updated timeously. The listing should be reviewed and inspections should be performed against supporting documentation to ensure the validity, accuracy and completeness of irregular expenditure.</p>	<p>At the outset, management disagrees with the irregular figures of R27 786 247,10, indicated as understatement.</p> <p>The following responses are provided to AG in order to clear the findings and consequently the associated irregular expenditure:</p> <ol style="list-style-type: none"> <li>ED329 (Consolidated Power Projects (Pty) Ltd) (visit records to look for committee minutes)</li> <li>The copy of the advert for the tender is attached.</li> <li>At the time of the award of this tender (3rd December 2007), the bid specification committee did not exist, hence only the evaluation report for the BEC is available (as provided in the document).</li> <li>The recommendation of the bid committees flowing from the tender evaluation committee is attached. Minutes of the Bid Adjudication Committee as well as the letter of award are also attached.</li> </ol> <p>From the responses, management respectfully submits that this award is not irregular and</p>	1-Apr-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)

269	Procurement Contract Management - Non-compliance (EX 220)	All three years	In progress	<p>A: Section 63 (1) (a) and (2) (a) of the MFMA, as amended, prescribes that the accounting officer of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets and that they should take all reasonable steps to ensure that the municipality has and maintains a management accounting and information system that accounts for the assets and liabilities of the municipality.</p> <p>B1: In terms of MFMA section 116 (a) the contract was signed by both the successful bidder and a delegated official.</p> <p>B2: In terms of CIDB SFU 4.4.4.1 the contract signed is in line with the applicable standard form of contract.</p> <p>B3: In terms of MFMA 116 (1) (b) the contract stipulates the terms and conditions of the contract which include provisions for the following: (i) termination of the contract in the</p>	<p>Item 1 and 2: Financial and Performance Management: Review and monitor compliance with applicable laws and regulations</p> <p>Item 3: 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</p>	<p>Management should ensure that:</p> <ol style="list-style-type: none"> <li>1) it contracts with suppliers who are registered with the CIDB</li> <li>2) contracts include a termination and dispute resolution clause</li> <li>3) periodic review is made of contracts that exceed 3 years</li> <li>4) contracts are prepared in accordance with the requirements of the GCC</li> <li>5) goods and services are delivered in accordance with the specifications in the bidding process</li> <li>6) project managers are appointed to management projects</li> <li>7) contracts are monitored to ensure that payments made against the contract do not exceed the total value of the award</li> <li>8) all information pertaining to a contract is filed in a central location</li> </ol>	<p>Contract No. CE 120 Management disagrees with this finding. This tender/contract is subject to the National Treasury General Conditions of Contract (GCC), which has a provision for the settlement of disputes in clause 27.</p> <p>Contract 05 Management disagrees with the finding that B3 (iii) was not complied with. The duration of this tender is 2 years and does not exceed 3 years, therefore this finding cannot be sustained and must be withdrawn.</p> <p>Management disagrees with the finding that B4 was not complied with. The tender is subject to the National Treasury GCC. Reference would be made to the application of the GCC in the attachments to the tender.</p> <p>BCM/DMS/PMS/1203/2011 Management disagrees with the finding that B3 (iii) was not complied with. The duration of this tender is 2 years. The contract does not exceed 3 years; therefore this finding cannot be sustained and must be withdrawn.</p>	1-Oct-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (GFO)
282	Procurement: R2000 to R10000 - Suppliers not registered on the supplier database (EX 225)	Year 1	In progress	<p>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.</p>	<p>1) Management should ensure that listing criteria is detailed in its SCM policy.</p> <p>2) Management should ensure that the listing criteria are applied to all prospective suppliers.</p> <p>3) Management should ensure that prospective suppliers who meet the listing criteria are captured in the suppliers' database.</p>	<p>Supplier registration forms for the following service providers are submitted.</p> <p>No Order number Supplier's name Rand value</p> <ol style="list-style-type: none"> <li>1 0001356184 Dam Dam 180,860.00</li> <li>2 0001363567 Ergoflex 295 cc 90,675.00</li> <li>6 0001346450 Litalomso 4,238.65</li> <li>7 0001344583 Ufeziwe 70,775.35</li> <li>5 0001364084 Quad City Entertainment 0.00</li> </ol> <p>Management agrees with the finding in relation to the following</p> <ol style="list-style-type: none"> <li>3 0001350003 Arca's Trading cc 0.00</li> <li>4 0001366822 DJ Pea-Lanawe 0.00</li> <li>5 0001364084 Quad City Entertainment 0.00</li> </ol> <p>Management request that the finding be reviewed accordingly and the related irregular expenditure accounted for are withdrawn accordingly.</p>	NL: 1 Management is implementing the eProcurement system and all suppliers will be required to register on Vendor Portal. Procurement has stringent internal controls. Management reviews the SCM policy annually and will consider the recommended changes regarding listing criteria as noted by AG	1-Nov-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (GFO)

284	Procurement: R2000 to R10000 - Register is not kept of suppliers who submit quotations (EX 226)	Year 1	In progress	<p>SCM regulation 16(d) states that a supply chain management policy must stipulate the conditions for the procurement of goods or services through written or verbal quotations, which must include conditions stating that the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices. Section 16(1) (e) of the SCM policy states that the conditions for the procurement of goods or services from R0 to R10000 (VAT included) through written or verbal quotations, are as follows: the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted process. A register of quotations was not kept for the awards listed below:</p> <p>No Supplier Order Total rand-value of award  1 LZK Trading CC 0001352490 10 000.00</p>	<p>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</p>	<p>Management should ensure that a register is prepared in which all of the suppliers who submitted quotes is kept.</p>	<p>Management agrees with the finding and a process is under way to record these transactions as per the AG recommendation.</p>	<p>NL: 1 Management is creating the SCM Requisitions / Quotations register</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (GFO)
286	Procurement: R2000 to R10000 - Less than three quotes were obtained (EX 227)	Year 1	In progress	<p>SCM regulation 12(1)(b) states that a supply chain management policy, must be subject to regulation 11(2), and provide for the procurement of goods and services by way of written or verbal quotations for procurements of a transaction value over R2000 to R10000 (VAT included). SCM regulation 16(a) states that a supply chain management policy must stipulate the conditions for the procurement of goods or services through written or verbal quotations, which must include conditions stating that quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective suppliers of the municipality or municipal entity, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria in the supply chain management policy required by regulation 14(1)(b) and (c).</p>	<p>Financial and Performance Management: Implement controls over daily and monthly processing and reconciling of transactions</p>	<p>Management should ensure that a template is created in which requests for deviations from the quotation process can be requested and authorised. This template should be completed by the buyer and authorised by the CFO prior to the order being generated.</p>	<p>Management disputes that is a deviation and that this is a requirement of section 17. Management requests that this finding be withdrawn as an irregular expenditure.</p>	<p>NL: 1 Management will create a template for a deviation in terms of procurement as noted by AG</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (GFO)

288	Procurement - Irregular expenditure limitation on information (Ex 228)	Year 1	In progress	<p>MFMA 62(1)(b) states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure, in accordance with any prescribed norms and standards that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.</p> <p>During the audit of irregular expenditure disclosed in the annual financial statements three awards were identified as payments made on expired contracts. The following awards and supporting documentation could not be presented for audit:</p> <p>No Type of Lease User Department Supplier Amount of award 1. Machine rental &amp; Services Community Services- Printing Ilec 111,651.75 2. Hygiene Land Admin Pest Master</p>	<p>Financial and Performance Management: Implement controls over daily and monthly processing and reconciling of transactions</p>	<p>Management should ensure that there is adequate systematic record and filing processes in place to ensure that documents can be retrieved easily.</p>	<p>Management disagrees with this finding as these transactions were disclosed as:</p> <ul style="list-style-type: none"> <li>Irregular on Expired Leases (Machines) - for items 1 and</li> <li>Irregular on Expired Leases (Hygiene products) - for items 2 and 3</li> </ul> <p>These documents were never classified as expired contracts and the same attachments or schedules appearing in the revised disclosed irregular expenditure are attached as annexure I and J.</p> <p>Management requests that this finding be withdrawn as it had been correctly classified.</p>	1-Jun-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)
290	Procurement: R2000 to R10000: Lowest bidder was not awarded the order (EX 231)	Year 1	In progress	<p>Section 18(1)(f) of BCMV's SCM policy states that the procedures for the procurement of goods or services through written or verbal quotations or formal written price quotations is as follows offers below R3000 (VAT included) must be awarded based on compliance to specification and conditions of contract, ability and capability to deliver the goods and services and lowest price.</p> <p>The supplier who submitted the lowest quotation was not selected for order number 00013445883 and an explanation was not documented for not choosing Game Stores and choosing Stamente General Trading CC instead. Below is the list of quotations submitted:</p> <ul style="list-style-type: none"> <li>Stamente General Trading CC - R 9760.00</li> <li>Lfeziwe - R 14 919.00</li> <li>Mieta - R14 150.00</li> <li>Game Stores - R 7 519.61</li> </ul> <p>Game Stores stated that it did not wish to contract with BCMV. This explanation was not documented prior</p>	<p>Financial and Performance Management: Implement controls over daily and monthly processing and reconciling of transactions</p>	<p>Management should ensure that a template is prepared in which explanations for awards not being made to suppliers are documented and authorised by the CFO or his designated official before the order is placed.</p>	<p>Management disagrees with this finding as four quotes were submitted to AG, and the fact that Game Store was not selected (an even by AG's submissions due to their unwillingness to register with the institution) confirms the fact that this quotation was submitted. Additional quotes are received as per the requirement. The lowest quote was chosen (that is Stement General Trading cc for R9 760)</p> <p>Management requests that this finding be withdrawn as three quotes were considered for this transaction which is in compliance with the regulations.</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)

293	Procurement: R10000 to R30000: Declarations of interest (EX 232)	Year 1	In progress	<p>SCM regulation 13(C) states that a supply chain management policy must state that the municipality or municipal entity may not consider a written quotation or bid unless the provider submitted the quotation or bid has indicated:</p> <p>I. whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months</p> <p>II. if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months</p> <p>III. Whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months.</p> <p>1) Declarations of interest were not submitted for the suppliers listed below:</p>	<p>Financial and Performance Management: Implement controls over daily and monthly processing and reconciling of transactions</p>	<p>Management should ensure that it:</p> <p>1) declarations of interest are obtained from all suppliers with whom BCMAM wish to contract with.</p> <p>2) declarations of interest submitted are scrutinised to ensure that suppliers who have members in service of the state are not captured into the supplier database and contracted with.</p>	<p>1. Management agrees with the finding in relation to the four quotes and will implement accordingly.</p> <p>2. Management disagrees with this finding as there is no prohibition to a municipality not to award a contract to a company whose directors have spouses, parents, children in the services of the state. (SCM Regulation 44 of the MFMA).</p> <p>Management requests that this finding (item 2) be withdrawn as an irregular transaction.</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)
300	Procurement: R10000 to R30000 - 3 quotes not obtained (EX 234)	Year 1	In progress	<p>SCM reg.12(1)(c) A supply chain management policy must, subject to regulation 11(2), provide for the procurement of goods and services by way of formal written price quotations for procurements of a transaction value over R10,000 up to R200 000(VAT included).</p> <p>SCM reg.17(a) A supply chain management policy must stipulate the conditions for the procurement of goods or services through formal written price quotations, which must include conditions stating that quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality or municipal entity.</p> <p>Three quotations were not obtained from suppliers and a deviation from obtaining three quotations was not approved by the CFO. There were also no reasons provided for not obtaining the minimum required quotations.</p>	<p>Financial and Performance Management: Implement controls over daily and monthly processing and reconciling of transactions</p>	<p>Management should ensure that a template is created in which requests for deviations from the quotation process can be requested and authorised. This template should be completed by the buyer and authorised by the CFO prior to the order being generated.</p>	<p>Management disagrees that this is a deviation in terms of SCM regulation 36 of the MFMA, as the CFO does not approve deviations, but the Accounting Officer.</p> <p>Management disagrees that this finding be withdrawn</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)

302 Procurement: R10000 to R30000 - not on supplier database (EX 235)	Year 1	In progress	<p>SCM reg.17 (b) A supply chain management policy must stipulate the conditions for the procurement of goods or services through formal written price quotations, which must include conditions stating that quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria in the supply chain management policy required by regulation 14(1) (b) and (c).</p> <p>Prospective suppliers were not found on the supplier database and there were no listing criteria for prospective accredited suppliers.</p> <p>One of the suppliers [Vadoclox (Pty) Ltd] was found on the supplier database. However, the company registration number per the quote does not agree to the registration number recorded per the database.</p> <p>The following issues were recorded:</p>	<p>Financial and Performance Management: Implement controls over daily and monthly processing and reconciling of transactions</p>	<p>1) Management should ensure that listing criteria is detailed in its SCM policy.</p> <p>2) Management should ensure that the listing criteria are applied to all prospective suppliers.</p> <p>3) Management should ensure that prospective suppliers who meet the listing criteria are captured in the suppliers' database.</p>	<p>Management disagrees with this finding as the supplier registration for the service provider file is with the auditors. Management requests that this finding be withdrawn.</p>	1-Nov-14	T. Sali - (GM: Supply Chain Management)  V. Pillay - (CFO)
304 Procurement: R10000 to R30000 - no register of quotes received (EX 236)	Year 1	In progress	<p>No Order number. No of quotes</p> <p>SCM reg.16 (d) A supply chain management policy must stipulate the conditions for the procurement of goods or services through written or verbal quotations, which must include conditions stating that the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices.</p> <p>There was no list or register kept of potential providers, stipulating their names with their quoted prices.</p> <p>The following issues were recorded:</p> <p>No Order number. Supplier Amount of award 1. 0001349155 Mbalelanga Trading cc 27 400 2. 0001356820 Vodaclox (PTY) LTD 27 377 3. 0001347613 Dento Trading CC 12 600 4. 0001349156 Amafu Travelling Agency CC 29 500</p>	<p>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</p>	<p>Management should ensure that a register is prepared in which the names of suppliers and the quoted prices are recorded.</p>	<p>Management agrees with this non-compliance and is implementing a system to address the challenge. Management requests that this finding be withdrawn.</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)  V. Pillay - (CFO)



<p>306 Procurement: R10000 to R30000 - Possibility of fictitious suppliers (EX 237)</p>	<p>Year 1</p>	<p>In progress</p>	<p>MFMA sec 62(B) states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.</p> <p>There is a possibility of fictitious suppliers due to invalid information provided.</p> <p>Reasons for possible fictitious supplier:</p> <p>No Order number No of quotes obtained Supplier Reason to be fictitious</p> <p>1.0001349155.2 Mhalelanga Trading cc.1. Contact details not found on yellow pages website</p> <p>2. Difference in address</p> <p>Address per quote:</p> <p>2269 NU 1 Mdantsane, East.</p>	<p>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</p>	<p>Management should ensure that:</p> <ol style="list-style-type: none"> <li>1) suppliers submit sufficient information to allow the supplier's existence to be verified</li> <li>2) supplier information submitted is vetted before being captured in the suppliers' database</li> <li>3) information captured should be reviewed against supporting documentation before being authorised.</li> </ol>	<p>Management notes the comments from the AG as a value add.</p>	<p>NL: Management is fully engaged with the implementation of the newly acquired eProcurement system that aims to address the issues noted by AG</p>	<p>1-Feb-14</p>	<p>T. Sali - (GM: Supply Chain Management)</p>	<p>V. Pillay - (GFO)</p>
<p>309 Procurement: R10000 to R30000 - Quote acceptance not signed (EX 238)</p>	<p>Year 1</p>	<p>In progress</p>	<p>SCM reg 5 An accounting officer may in terms of section 79 or 106 of the act sub delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of regulation 4(1), but any such sub delegation must be consistent with sub regulation (2) and regulation 4.</p> <p>The final decision of the acceptance of the quotation was not signed. The official order need be signed by the senior buyer for approval.</p> <p>The following issues were recorded:</p> <p>No Order number Supplier Amount of award</p> <p>1 00013446577 Johan's Carpentry 25 600</p> <p>2 00013566653 E.L Electrical &amp; Engineering Projects cc 28 500</p> <p>3 0001354629 Kinjo Trading 24 990</p> <p>4 0001356978 Gumba Trading cc 29 700</p> <p>5 0001343216 Ezabonke trading t/a</p>	<p>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</p>	<p>Management should ensure that:</p> <ol style="list-style-type: none"> <li>1) buyers should be made aware of the provisions of the SCM policy.</li> <li>2) review of orders is performed to ensure that all orders are signed before the order is placed with the supplier.</li> </ol>	<p>Copies of the above five orders have been signed by the senior buyer. Copies are attached for ease of reference. Based on this response, management requests that this finding be withdrawn with its associated irregular expenditure.</p>	<p>NL: Management is fully engaged with the implementation of the newly acquired eProcurement system that aims to address the issues noted by AG. Management has made the buyers aware of the recommendations noted from AG</p>	<p>1-Feb-14</p>	<p>T. Sali - (GM: Supply Chain Management)</p>	<p>V. Pillay - (GFO)</p>

616	Functionality criteria inconsistent (EX 241)	Year 1	In progress	<p>SCM reg.12(1)(b) and (c) state that an SCM policy must be subject to regulation 11(2), provide for procurement of goods and services through formal written price quotations for procurements of transaction value over R10,000.00 up to R30,000.00 (VAT included) respectively. SCM reg.17(a) and (b) also state that the an SCM policy must stipulate the conditions for the procurement of goods or services through formal written quotations, which must include conditions stating that quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality or municipal entity, provided that if quotations are obtained from providers who not listed, such providers meet the listing criteria in the supply management policy required by regulation 14(1)(b) and (c).</p> <p>Furthermore, in terms of SCM</p>	<p>Financial and Performance Management: Implement controls over daily and monthly processing and reconciling of transactions</p>	<p>Management disagrees with this finding, the section 17 (2) reports were submitted on RFI 46, showing formal quotations/informal tenders IT/D/FRS/2012/27 and IT/D/FRS/2012/28 as having been submitted with less than quotes. A copy of the same report is attached for ease of reference. Management requests that this finding be withdrawn with its associated irregular expenditure.</p>	<p>Management disagrees with this finding in the following respect: the functionality evaluation criteria did include the following requirement: Equipment relevant for the assignment. Management agrees with the finding that the functionality criteria the experience of concrete foreman was not included in the initial tender specification. There was however no payment made in 2012/13 for this contract. Management requests that this finding be reviewed accordingly.</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)
311	Procurement: 3 quotes requirement not complied with (EX 244)	All three years	In progress	<p>SCM reg.12(1)(b) and (c) state that an SCM policy must be subject to regulation 11(2), provide for procurement of goods and services through formal written price quotations for procurements of transaction value over R10,000.00 up to R30,000.00 (VAT included) respectively. SCM reg.17(a) and (b) also state that the an SCM policy must stipulate the conditions for the procurement of goods or services through formal written quotations, which must include conditions stating that quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality or municipal entity, provided that if quotations are obtained from providers who not listed, such providers meet the listing criteria in the supply management policy required by regulation 14(1)(b) and (c).</p> <p>Furthermore, in terms of SCM</p>	<p>Financial and Performance Management: Implement controls over daily and monthly processing and reconciling of transactions</p>	<p>Management disagrees with this finding, the section 17 (2) reports were submitted on RFI 46, showing formal quotations/informal tenders IT/D/FRS/2012/27 and IT/D/FRS/2012/28 as having been submitted with less than quotes. A copy of the same report is attached for ease of reference. Management requests that this finding be withdrawn with its associated irregular expenditure.</p>	<p>Management disagrees with this finding in the following respect: the functionality evaluation criteria did include the following requirement: Equipment relevant for the assignment. Management agrees with the finding that the functionality criteria the experience of concrete foreman was not included in the initial tender specification. There was however no payment made in 2012/13 for this contract. Management requests that this finding be reviewed accordingly.</p>	1-Feb-14	T. Sali - (GM: Supply Chain Management)	V. Pillay - (CFO)

# APPENDICES

## APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

Long Term Contracts (20 Largest Contracts Entered into during 2012/2013)					
					R' 000
Name of Service Provider (Entity or Municipal Department)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project manager	Contract Value
CivcontractCivils(Pty) Ltd	Construction of Bisho, King Williams Town and Zwelitsha Bulk Regional Sewerage Scheme-Phase 2	15-Apr-13	30-Sep-14	Andisa Ntwasa	R 204 023 452
Basil Read (Pty) Limited	Buffalo City Metropolitan Municipality Upgrade of Gonubie Main Road	14-Feb-13	30-Mar-14	Lulama Mashiya	R 132 089 321
RandcivilsJV Mamlambo	Extension to Reeston Wastewater Treatment Works: Civils	24-Apr-13	30-Apr-16	Sandile Sojini	R 88 814 989
Motheo Construction Group (Cluster 1, 2 &3)	Construction of 988 Storm-Damaged Low Costing Housing Units in BCMM area	24-Jan-13	1-Oct-13	Thabo Matiwane	R 65 862 700
Amanzi Abantu Services	Provision of ablution facilities for a three year period	21-Dec-12	21-Dec-15	Luyanda Mbula	R 41 490 602
URSA/GIVE JV	Upgrading of Quinera Wastewater Treatment Works: Phase 2	18-Jun-12	30-Jun-14	Sandile Sojini	R 39 789 498
Mpumalanga Motheo JV	Provision of Civil Engineering Services in Second Creek	9-Jan-13	30-Jun-14	Luyanda Mbula	R 32 263 279
WK Construction South Africa (Pty) Ltd	Mdantsane Bufferstrip Phase 3: Chlorination and Dam Rehabilitation	22-Apr-13	30-Apr-16	Dave Langley	R 34 596 491
Ballenden & Robb SA (Pty) Ltd	Operation of an electrical Network Control Centre and Customer Call Centre in Buffalo City Period of three years	10-Jan-11	1-Feb-14	Rob Ferrier	R 28 385 970
Simunye Developers cc	Bulk Water Supply to Coastal Areas :Phase 1D	13-Mar-13	30-Sep-14	Luyanda Mbula	R 20 621 026
Mpumalanga Construction (Pty) Ltd	East London Sewer Diversion: Central WWTW to Reeston -Phase 1A	26-Mar-12	30-May-13	Sandile Sojini	R 20 467 544
MBSA/Conrite/Mink-Line Consortium	(WARD 36) –a for Nomgwadla, Nakani, Mzittshana, Zabalaza, Nyanisweni, Madakeni, Newrest and Pirie Mission Sanitation Backlog Eradication Project	7-May-13	30-May-16	Luyanda Mbula	R 12 698 633
Matemba Civils Amatole cc	West Bank Land Restitution Project - Bulk Wastewater Infrastructure	5-Mar-12	30-Mar-14	Sandile Sojini	R 11 246 174
Mantella Trading 522 cc t/a Designer Lighting	Operation and Maintenance of the overhead lectrical network in Mdantsane for period of three years	29-Nov-11	1-Dec-14	Rob Ferrier	R 10 944 000
Commshel 55 cc T/A Urban Africa Services	Mdantsane Bulk Water Supply To Bufferstrip/Needs Camp/NCERA: Phase4	5-Jun-12	30-Jun-14	Sandile Sojini	R 9 994 139
Fast Move Electrical cc	Construction of Bisho, King Williams Town and Zwelitsha Bulk Regional Sewerage Scheme-Phase 2	26-Apr-13	30-Apr-14	Andisa Ntwasa	R 9 950 069