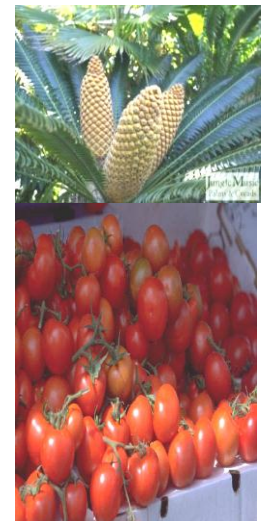


# **GREATER LETABA MUNICIPALITY**



## **OVERSIGHT REPORT ON THE 2016/17 ANNUAL REPORT**

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## **ANNEXTURES TO THE OVERSIGHT REPORT**

1. Title page

### **Oversight Report on 2016/17 Annual Report**

## **2. Resolutions and Statements**

The Municipal Public Accounts Committee (MPAC) of Greater –Letaba Municipality, having fully considered the 2016/17 Annual report of the Municipality on behalf of Council, the representations thereon, and in accordance with the provisions of Section 129(1) of the Municipal Finance Management Act, resolves that:

2.1 Council **ADOPTS** the MPAC Oversight report without reservations.

2.2 That Administrators **CONSIDERS** recommendations made by the Committee.

2. Schedule for probing the Annual report for 2016/17

# PUBLIC NOTICE

## PUBLIC HEARING ON 2016/17 ANNUAL REPORT

Notice is hereby given in terms of Section 21 (a) of the Municipal Systems Act 32 of 2000 for Public hearing on the 2016/17 Annual Report. The Municipal Public Accounts Committee (MPAC) will be probing the 2016/17 Annual Report. The hearing will take place as follows:

**Date: 23 March 2018**

**Venue: Mokwawaila Community Hall**

**Time: 10h00**

Members of the Public and all Stakeholders (Sector departments, NGOs, Youth .etc)

For further enquiries, contact Modika Phillip on 015 309 9246 between 07h30 and 16h30 during office hours

**D Mhangwana**

**Acting Municipal Manager**

### **3. Public Notice for 2016/17 Annual Report**

The following advert was adopted for publishing the 2016/17 Annual report and inviting members of the public to make comments and submissions to the 2016/17 annual report.



## PUBLIC NOTICE

### PUBLICATION OF 2016/17 DRAFT ANNUAL REPORT AND INVITATION FOR PUBLIC COMMENTS AND INPUTS

Notice is hereby given in terms of Sec 127 of the Municipal Finance Management Act 53 of 2003 that Greater Letaba Municipality has adopted its draft 2016/17 Annual Report during its council sitting held on the 31<sup>st</sup> January 2018. Local Community, Interested stakeholders, Structures and Organisations within Greater Letaba Municipality area are invited to submit written presentations in respect of the 2016/17 Annual Report.

Copies of the 2016/17 Annual Report will be available for inspection during working hours from 07h30 to 16h30, Monday to Friday at the following places: Greater Letaba Municipality's main Offices, Senwamokgope Sub-Office, Mokwakwaila Sub-Office, Modjadjiskloof Library, Soetfontein Library. Alternatively the report can be accessed by visiting our website at [www.greaterletaba.gov.za](http://www.greaterletaba.gov.za).

Any person who cannot read or write may come during office hours to the PMS Office in the Municipal Manager Office, Office No D6 before the **08<sup>th</sup> of March 2018**.

***For more information, please contact Refiloe Malungane Tel: 015 309 9246 Fax: 015 309 9419 or email: [refiloem@glm.gov.za](mailto:refiloem@glm.gov.za), Office No D6 at Greater Letaba Municipality s Main offices, 44 Botha Street MODJADJIAKLOOF.***

**Mr D Mhangwana**  
**Acting Municipal Manager**

## **5. Questions raised by MPAC**

As Section 79 committee, MPAC has amongst other responsibilities to develop oversight report which derives from the 2016/17 Annual report on behalf of council guided by MFMA section 129.

Audit Findings	Questions asked by MPAC & Responses Management
<p><b>Note 03: Provision for debtor impairment</b></p> <p>The municipality did not assess debtors individually to correct determine the impairment provision as required by GRAP 104, financial instrument. I was not able to determine what the impairment charge against receivables and correctly as it was impractical to do so. Consequently, I was unable to determine whether any adjustment relating to provision for debt impairment stated at R24 545 889 (2016:R9513 611) In the financial statement and the consequential impact on receivable from non-exchange transaction, consumer debtors, surplus for the period and accumulated surplus, was necessary.</p>	<p><b>1. Why were debtors not individually assessed?</b></p> <ul style="list-style-type: none"> <li>• The policy currently used did not provide for assessment of debtors individually but only debtors ageing from 120 days and above. The policy is in the process of being reviewed to include all debtors.</li> </ul> <p><b>2. Who is the responsible person to asses debtors?</b></p> <ul style="list-style-type: none"> <li>• Mankgabe MF and</li> <li>• Ragolane P</li> </ul>
<p><b>Irregular Expenditure</b></p> <p>The municipality incurred expenditure in contravention of the supply chain management requirement, resulting in irregular expenditure of R25 041 311 2016:r95 0356 176) as disclosed in note 34 to the financial statements. The municipality did not have adequate system in place to</p>	<p><b>1. Why was the system not in place?</b></p> <p>The irregular expenditure reflected in 2016/2017 financial year is recurring from the prior years.</p> <p>SCM procedure manuals have been developed in</p>



<p>identify and report on all irregular expenditure incurred. Consequently, I was not able to determine the full expenditure disclosed at R177 819 028 (2016:r152 777 717) in the financial statement as it was impractical to do so.</p>	<p>2015/2016 financial year and are currently implemented. The procedure manuals developed are currently being reviewed to address the inadequacy as identified by AGSA.</p> <p><b>2. Who was supposed to put systems in place?</b> Mankgabe MF and Thoka BJ.</p> <p><b>3. Which transactions are they referred to?</b> All prior year transactions up to 2015//16 FY; in 2016/17 management report there are 25 transactions of which 18 were critical and were included both in audit report and management report and 07 of them were included in the management report only as other important matters.</p>
<p><b>Note : 10</b></p> <p>As disclosed in note 31 to the financial statement, the municipality is the defendant in some litigation cases. The municipality is opposing these litigations. The ultimate's outcome of the matters cannot currently be determined and no provision for any liability that may result therefore has been made in the financial statements.</p>	<p><b>1. Why is the municipality litigated?</b></p> <p>The reasons for initiating law suites vary from case to case however it is common cause that litigations will be informed by allegations of non-compliance with a particular framework, be the policy or law.</p> <p><b>2. Why is there no provision for liabilities?</b></p>

	<p>Provision for contingent liabilities has been made.</p> <p><b>3. Who is the responsible person?</b> Mankgabe MF</p>
<p><b>Note 11:</b> <b>MATERIAL LOSSES- ELECTRICITY</b></p>	<p><b>1. Why is the audit finding recurring?</b> <b>2. Who is the responsible person for curbing the recurrence of the audit finding?</b> <b>3. How do we recover the money?</b> <b>4. How do we stop the loss?</b></p> <ul style="list-style-type: none"> <li>• Management's Responses</li> <li>• The municipality has noted the high losses of electricity in Modjadjiskloof and Mokgoba.</li> <li>• Mokgoba Split meter project has been rolled over to 17/18FY and will address the electricity losses in Mokgoba once completed. The project has been further extended to Modjadjiskloof for 2017/18FY.</li> <li>• Another planned project for 2017/18 FY that will address electricity losses is the Metering of Council Building in Modjadjiskloof.</li> </ul>

	<ul style="list-style-type: none"> <li>The electricity recovery plan is attached herewith for ease of reference.</li> </ul>
<p><b>Note 12. Unauthorized Expenditure</b></p> <p>As disclosed in note 32 to the financial statements, the municipality incurred unauthorized expenditure amounting to R22 473 869 (2016;R9 393 411) Due to the votes being overspend.</p>	<ol style="list-style-type: none"> <li>Why is the audit finding recurring?</li> <li>Who is the responsible person</li> <li>why did we incur the expenditure</li> </ol> <ul style="list-style-type: none"> <li><b>Management's Response</b> <ol style="list-style-type: none"> <li>It means the votes mentioned in note 32 of AFS 2016/17 were not properly monitored such as Executive &amp; Council; non-cash items such as provision for bad debts, depreciation as well as INDEP vote.</li> <li>Mankgabe MF and Mamatlepa ML.           <ol style="list-style-type: none"> <li>The votes mentioned in note 32, namely, Executive &amp; Council; non-cash items such as Provision for bad debts &amp; depreciation and INDEP vote.</li> </ol> </li> </ol> </li> </ul>
<p><b>Note 13.</b></p> <p><b>Fruitless and Wasteful Expenditure</b></p> <p>As disclosed in note 32 to the financial statements, the</p>	<ol style="list-style-type: none"> <li>Why is the Audit finding recurring?</li> </ol>

<p><b>municipality incurred fruitless and waste expenditure amounting to R147 655 (2016:R302 102) as a result of inventory losses and interest on late payments</b></p>	<p><b>2. Who is the responsible person?</b>  <b>3. Why did we incur the expenditure?</b></p> <p><b>Management's response</b></p> <ol style="list-style-type: none"> <li>1. Audit finding is recurring because in the case of inventory losses theft occurs as a result of lack of palisade fence around the stores room; manual system used in stores may also lead to human error; also lack of cameras around the stores can cause a lot of inventory not accounted for. For interest on late payments to AG statement it might be the invoice was received late from AG. Penalties on ESKOM accounts are as a result of lack of good system to monitor the movements of receipts. The municipality is engaging ESKOM in consideration of implementing a system called Auto-pay.</li> <li>2. Mankgabe MF and Thoka BJ.</li> <li>3. The expenditure was incurred due to lack of resources as mentioned in the above.</li> </ol>
<p><b>Note 13 :  DEVELOPMENT PRIORITY KPA2: Basic service delivery</b></p>	<p><b>1. Why is the audit finding recurring?</b>  <b>2. Who is the responsible person</b></p>

<p><b>Various indicators (projects)</b></p>	<p><b>3.why don't we have audited value</b></p> <p><b>4. we request full transaction on project listed in note 25</b></p> <p><b>Management's response</b></p> <ul style="list-style-type: none"> <li>1. Lack of internal controls contributed to the recurrence of the audit finding.</li> <li>• All POE's to be audited/reviewed internally before finalisation of the report.</li> </ul> <p>2. Mashaba G</p> <p>3. Further clarity is needed on this question</p> <p>4. Further clarity is needed on this question</p>
<p><b>Note 25:</b></p> <ul style="list-style-type: none"> <li>• <b>Reported achievement</b></li> <li>• <b>Audited value</b></li> <li>• <b>To construct kgapane sidewalks by 30 June 2017</b></li> <li>• <b>Construction of modjadjiskloof sidewalk completed</b></li> <li>• <b>To construct sekgopo gabions by 30 June 2017</b></li> <li>• <b>Construction of sekgopo gabions completed</b></li> </ul>	<p><b>1. Why Portfolio of evidence not given to Auditor General to enable them to satisfy themselves on the listed projects?</b></p> <p><b>Management' s Response</b></p> <ul style="list-style-type: none"> <li>• The municipality responded and provided the AG with evidence, hence it was not part of the management letter</li> </ul>

- **To upgrade matshwi street from gravel to paving for 1.8 by 30 June 2017**
- **Upgrading of matshwi street paving for 1.8 km completed**
  
- **To upgrade seatlaleng street from gravel to paving for 1.8 km by 30 June 2017**
- **Contractor appointed, project , under construction**
  
- **To upgrade sephukubye street from gravel to paving for 1.8 km by 30 June 2017**
- **Upgrading of sephukubye street for 1.8 km completed**
  
- **To upgrade kherobeng street from gravel to paving for 1.8 km by 30 June 2017**
- **Upgrading of kherobeng street for 1.8 km completed**
  
- **To upgrade Refilwe street from gravel to paving for 1.8 km by 30 June 2017**
- **Upgrading of Refilwe street for 1.8 km completed**

<ul style="list-style-type: none"> <li>• To upgrade shawela street from gravel to paving for 1.8 km by 30 June 2017</li> <li>• Upgrading of shawela street for 1.8 km completed</li> <li>• To upgrade itielengsekgosese street from gravel to paving for 1.8 km by 30 June 2017</li> <li>• Designs for Iteleng- sekgosese street completed</li> </ul>	
<p><b>Note 26:</b> Indicator on land use application processed within 90 days.</p>	<ol style="list-style-type: none"> <li>1. Who is the responsible person?</li> <li>2. Why did the Municipality have no Portfolio of evidence?</li> <li>3. The Committee request full transaction on application listed in note 26?</li> </ol> <p><b>Management's response</b></p> <ol style="list-style-type: none"> <li>1. Mr Sewape O</li> <li>2. The Municipality did not have a dedicated administrator dealing with land use applications; as a result, periodical assistance was sought from LEDET. The Municipality did also not have a</li> </ol>

	<p>structured file management system, exacerbated by insufficient office space</p> <ul style="list-style-type: none"> <li>• This has however been attended to through transfer on an official from the MM's office to Planning and consequently establishment of an electronic Land Use Register.</li> </ul>
<p><b>Note 27:</b>  <b>The municipality did not implement the controls to ensure that Land use applications are verifiable. Land use application files were not provided for auditing.</b></p>	<ol style="list-style-type: none"> <li><b>1. Who is the responsible person??</b></li> <li><b>2. Why did Municipality have no portfolio of evidence?</b></li> <li><b>3. The Committee request full transaction on project listed in note 26?</b></li> </ol> <p><b>Management Response</b></p> <ol style="list-style-type: none"> <li>1. Mr Sewape O</li> <li>2. The Municipality did not have a dedicated administrator dealing with Land Use Applications, as a result, periodical assistance was sought from LEDET. The Municipality did also not have a structured file management system, exacerbated by insufficient office space</li> </ol> <ul style="list-style-type: none"> <li>• This has however been attended to through transfer on an official from the MM's office to Planning and consequently establishment of an electronic Land</li> </ul>



	Use Register.
<p><b>Note 28:</b>  <b>Development priority KPA3 – Local economic development</b></p> <p><b>I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target 839 jobs. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 839 jobs</b></p>	<p><b>1. Who is the responsible person?</b>  <b>2. Why did the Municipality have no Portfolio of evidence?</b></p> <p><b>Management’s response</b></p> <ol style="list-style-type: none"> <li>1. Mr Rababalela E</li> <li>2. The Portfolio of Evidence was available, but did not by any means meet the requirements as stipulated by the Auditor General.</li> </ol>
<p><b>Note 29:</b>  <b>Indicator: Conduct four agricultural forum meeting during the year</b></p>	<p><b>1. Who is the responsible person?</b>  <b>2. Why did the Municipality have no portfolio of evidence?</b></p> <p><b>Management’s response</b></p> <ul style="list-style-type: none"> <li>• Mr Rababalela E</li> <li>• Misstatement of the actual performance in the annual performance report.</li> </ul>

<p><b>Note 30 :</b> Municipality did not implement control as three out of four agricultural forum meetings were convened but four reported</p>	<p><b>1. Who is the responsible person?</b> <b>2. Why did the Municipality have no portfolio of evidence?</b></p> <p><b>Management's response</b></p> <ul style="list-style-type: none"> <li>• Rababalela E</li> <li>• The Fourth Forum meeting was not held</li> </ul>
<p><b>Note 31 &amp; 32</b> The municipality did not provide Portfolio of evidence on the 216 SMME supported</p>	<p><b>1. Who is the responsible person that was supposed to have submitted the required portfolio of evidence?</b> <b>2. Why did the Municipality not provide portfolio of evidence to Auditor General?</b></p> <p><b>Management's Response</b></p> <ol style="list-style-type: none"> <li>1. Mr Rababalela E and Mrs Mankgabe MF</li> <li>2. The records kept by the municipality was not to the satisfaction of AG and therefore declared not verifiable</li> </ol>
<p><b>Note 34 &amp; 35:</b> On achievement of planned target and adjustment of material misstatement</p>	<p><b>1. Who is the responsible person?</b> <b>2. Why did the municipality fail to adjust on material misstatement?</b></p>

	<p><b>Management Response</b></p> <ul style="list-style-type: none"> <li>• Mrs Mankgaba MF and Mrs Mashaba TG</li> <li>• The matter was agreed with AG and provided evidence in this regard hence the issue its not part of the 2016/17 AG action plan</li> </ul>
<p><b>Note 38:</b> Reasonable steps were not taken to prevent unauthorized expenditure amounting to R 22 473 869, which is in contravention of section 62(1)(d) of the MFMA</p>	<p><b>1. Why reasonable steps not taken to prevent unauthorized expenditure amounting to R 22 473 869?</b></p> <p><b>2. Who is the responsible person to assist in preventing the unauthorized expenditure?</b></p> <p><b>Management’s Response</b></p> <p>1. The challenge here was the budget was not properly monitored especially in the votes such as Executive &amp; Council; non-cash items such as provision for bad debts and depreciation as well as INDEP vote.</p> <p>2. Mankgaba MF; Mamatlepa ML</p>
<p><b>Note 39:</b> Annual financial statements, performance and annual report</p> <p>The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material</p>	<p><b>1. Who is the responsible person for submitting financial statement?</b></p> <p><b>2. Why financial statement submitted for auditing not prepared in all material aspects?</b></p> <p><b>Management’s response</b></p> <p>1. Mashaba TG and Mankgaba MF</p>

<p><b>misstatements of non-current assets, current assets, liabilities, and expenditure, revenue and disclosure items identified by the auditor in the submitted financial statements were subsequently corrected but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.</b></p>	<p>2. The material misstatement were not detected prior submission to AG hence, AG allowed the municipality to correct the misstatements during the audits and accepted them.</p>
<p><b>Note 40:</b> <b>Procurement and contract management</b></p> <p><b>Goods and services with a transaction value of below R 200 000 were procured without obtaining the required price quotations, in contravention of supply chain management regulation (SCM regulation) 17(a) and (c).</b></p>	<p><b>1. Who is the responsible person for sourcing out quotations</b></p> <p><b>2. why were providers appointed without 03 quotations</b></p> <p><b>3. Which transaction?</b></p> <p><b>4. which service providers benefited in the transacting</b></p> <p><b>Management's Response</b></p> <p>1. Mankgabe MF and Thoka BJ</p> <p>2. At times certain circumstances could not allow such as procurement of vouchers from Game, NTK, Agrico.</p> <p>3. The transactions are stated in the management report, audit finding no. 11.</p> <p>4. As stated in audit finding no. 11 in the management report.</p>

<p><b>Note 41:</b>  <b>Procurement and Contract Management</b></p> <p>Goods and services of a transaction value above R 200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a).</p>	<ol style="list-style-type: none"> <li>1. Who is the responsible person?</li> <li>2.why were providers appointed without 03 quotations</li> <li>3. Which transaction?</li> <li>4. which service providers benefited from the transaction</li> </ol> <p><b>Management's Response</b></p> <ol style="list-style-type: none"> <li>1. MANKGABE MF and SCM Manager</li> <li>2. On accommodation, this was due to capacity and availability of facilities to accommodate the number of ward committees. The legal services were prior the appointment of panel of attorneys.</li> <li>3. Accommodation, conference facility and Legal Services.</li> <li>4. Karibu Leisure Resort and Isaiah Nyathi Attorneys</li> </ol> <p>(Source: AG Finding no.13)</p>
<p><b>Note 42:</b></p> <p>The preference point system was not applied in some procurement of goods and services above R 30 000, as required by section 2(a) of the preferential procurement policy framework Act, 2000 (Act No.5 of 2000) and SCM regulation 28(1)(a).</p>	<ol style="list-style-type: none"> <li>1. Who is the responsible person?</li> <li>2.why were providers appointed without 03 quotations</li> <li>3. Which transaction?</li> <li>4. Which service providers benefited in the transaction?</li> </ol>

	<p><b>Management's Response</b></p> <ol style="list-style-type: none"> <li>1. MANKGABE MF and SCM Manager.</li> <li>2. Currently the municipality does not have a system to ensure compliance with PPPFA. The municipality is considering appointment of a panel of Travel Agencies in order to comply.</li> <li>3. The transactions are detailed in the management report, audit finding no. 14.</li> <li>4. Service providers are stated in audit finding no. 14 in the management report.</li> </ol>
<p><b>Note 43:</b>  <b>Contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).</b></p>	<ol style="list-style-type: none"> <li>1. Who is the responsible person?</li> <li>2.why were providers appointed without 03 quotations</li> <li>3. Which transaction?</li> <li>4. Which service providers benefited in the transaction?</li> </ol> <p><b>Management's Response</b></p> <ol style="list-style-type: none"> <li>1. Mankgabe MF and Thoka BJ.</li> <li>2. 3 quotations were sourced, the only problem is that declarations of interest forms (MBD4) were not attached.</li> </ol>

	<ol style="list-style-type: none"> <li>3. They are stated in details in the management report, audit finding no. 10.</li> <li>4. Service providers benefited are mentioned in audit finding no. 10. of the management report.</li> </ol>
<p><b>Note 44:</b>  <b>Construction contract industry development board (CIDB) and did not qualify for the contract, in contravention of section 18(1) of the CIDB Act and CIDB regulations 17 and 25 (7A).</b></p>	<ol style="list-style-type: none"> <li>1. Who is the responsible person?</li> <li>2. why were providers appointed without CIBD?</li> <li>3. Which transaction?</li> <li>4. Which service providers benefited in the transaction?</li> </ol> <p><b>Management's response</b></p> <ol style="list-style-type: none"> <li>1. Mashaba TG</li> <li>2. It was due to the fact bid committees did not understand the application of CIDB regulations, especially regulations 21 and 25.</li> <li>3. Audit findings 2 and 6 relate to tenders awarded to service providers with lower CIBD grading than the required ones. In audit finding no. 4 a tender was awarded to a bidder with expired CIBD grading.</li> <li>4. Valcross Trading Enterprise; Sohlangana Trading and H&amp; E Civil Engineering Contractors.</li> </ol>
<p><b>Note 45:</b></p>	

<p>The performance of contractors or service or service providers was not monitored on a monthly basis, as required by section 11692)(b) of the MFMA.</p>	<p><b>1. Who is the responsible person?</b>  <b>2. Why performance was not monitored?</b>  <b>3. Which transactions are affected?</b></p> <p><b>Management response</b></p> <ol style="list-style-type: none"> <li>1. Director Technical Services</li> <li>2. Sufficient records could not be provided to the satisfaction of AG.</li> </ol> <ul style="list-style-type: none"> <li>• The performance of service providers is monitored on a monthly basis and progress report by service providers is submitted.</li> </ul>
<p><b>Note 46 &amp; 47</b></p> <p>Credit control and debt collection policy was not implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of the MFMA</p>	<p><b>1. Who is the responsible person?</b>  <b>2. Why were property not rated in line with MSA &amp; MFMA?</b>  <b>3. Which transactions are affected?</b></p> <p><b>Management's Response</b></p> <ol style="list-style-type: none"> <li>1. MANKGABE MF and Ragolane P</li> <li>2. Property rates are determined by the Municipal Valuer in line with Municipal Property Rates Act (valuation roll and supplementary valuation roll)</li> </ol>
<p><b>Note 48:</b></p>	



<p><b>Expenditure management</b></p> <p>Effective steps were not taken to prevent irregular expenditure amounting to R25 041 31 1, as required by section 62(1 )(d) of the MFMA.</p>	<p><b>1. Who is the responsible person?</b></p> <p><b>2. Why did we fail on expenditure management</b></p> <p><b>3. Which transactions?</b></p> <p><b>4. Why is the transaction recurring</b></p> <p><b>Management's Response</b></p> <ol style="list-style-type: none"> <li>1. Mashaba TG and Mankgabe MF</li> <li>2. Lack of stringent controls. The current controls will assist in addressing the problem.</li> <li>3. All prior year transactions up to 2015/16 FY; in 2016/17 management report there are 25 transactions of which 18 were critical and were included both in audit report and management report and 07 of them were included in the management report only as other important matters.</li> <li>4. Inadequate internal controls led to the problem.</li> </ol>
<p><b>Note 49:</b></p> <p><b>Expenditure Management</b></p> <p>Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R1 47 655 in</p>	<p><b>1. Who is the responsible person?</b></p> <p><b>2. Why did we fail on expenditure management</b></p>

<p><b>contravention of section 62(1 )(d) of the MFMA.</b></p>	<p><b>3. Which transactions?</b>  <b>4 why is the transaction recurring</b></p> <p><b>Management's Reponses</b></p> <ol style="list-style-type: none"> <li>1. Mankgabe MF; Mamatlepa L and Thoka BJ.</li> <li>2. The system used to receive the tax invoices was not adequate hence we are in the process of applying auto-pay system especially to ESKOM accounts.</li> <li>3. The transactions are as per note 33 of AFS.</li> <li>4. Monitoring the current system in use was not good enough hence the introduction of auto-pay to address the problem.</li> </ol>
<p><b>Note 50: Expenditure Management</b></p> <p><b>Reasonable steps were not taken to prevent unauthorized expenditure amounting to R22 473 869, as required by section 62(1 of the MFMA.</b></p>	<p><b>1. Who is the responsible person?</b>  <b>2. why did we fail on expenditure management</b>  <b>3. Which transactions?</b>  <b>4 why is the transaction recurring</b></p> <p><b>Management response</b></p> <ol style="list-style-type: none"> <li>1. Mankgabe MF and Assistant Director-Budget and Reporting</li> <li>2. It means the votes mentioned in note 32 of AFS</li> </ol>

	<p>2016/17 were not properly monitored such as Executive &amp; Council; non-cash items such as provision for bad debts, depreciation as well as INDEP vote.</p> <ol style="list-style-type: none"> <li>3. The votes mentioned in note 32, namely, Executive &amp; Council; non-cash items such as Provision for bad debts &amp; depreciation and INDEP vote</li> <li>4. Inadequate internal controls.</li> </ol>
<p><b>Note 51: Assets Management</b></p> <p><b>An effective system of internal control for assets was not in place, as required by section of the MFMA.</b></p>	<ol style="list-style-type: none"> <li><b>1. Who is the responsible person?</b></li> <li><b>2. Why did we fail on asset management?</b></li> <li><b>3. Which transactions?</b></li> <li><b>4. Why is the transaction recurring?</b></li> </ol> <p><b>Management response</b></p> <ol style="list-style-type: none"> <li>1. Mankgaba E MF</li> <li>2. Inadequate internal controls (including the use of manual asset management)</li> <li>3. No specific transactions reflected in the management report</li> <li>4. Inadequate internal controls</li> </ol>
<p><b>Note 52: Consequence Management</b></p>	

<p><b>Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA</b></p>	<p><b>1. Who is the responsible person?</b>  <b>2. Why did we fail to apply consequence management?</b>  <b>3. Which transactions?</b>  <b>4. Why is the transaction recurring?</b></p> <p><b>Management response</b></p> <ol style="list-style-type: none"> <li>1. Mashaba TG and Mankgabe MF</li> <li>2. The municipality could not apply consequence management as a result of failure to investigate irregular expenditure.</li> <li>3. 25 transactions as per management report</li> <li>4. The municipality still needs to investigate irregular expenditure incurred and recommend appropriate action to Council for approval.</li> </ol>
<p><b>Note 53: Consequences Management</b></p> <p><b>Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.</b></p>	<p><b>1. Who is the responsible person?</b>  <b>2. Why did we fail to apply consequence management?</b>  <b>3. Which transactions?</b>  <b>4. Why is the transaction recurring?</b></p> <p><b>Management response</b></p> <ol style="list-style-type: none"> <li>1. Mashaba TG and MANKGABE MF</li> </ol>

	<ol style="list-style-type: none"> <li>2. The municipality could not apply consequence management as a result of failure to investigate irregular expenditure.</li> <li>3. 25 transactions as per management report</li> <li>4. The municipality still needs to investigate irregular expenditure incurred and recommend appropriate action to Council for approval.</li> </ol>
<p><b>Note 59:</b> <b>Leadership</b></p> <p>There was no detailed review of the financial statements and the annual performance report, resulting in several misstatements not identified and corrected.</p>	<ol style="list-style-type: none"> <li>1. Who is the responsible person?</li> <li>2. Why did we fail to provide leadership?</li> <li>3. Which transactions?</li> <li>4. Why is the transaction recurring?</li> </ol> <p><b>Management response</b></p> <ol style="list-style-type: none"> <li>1. Mashaba TG</li> <li>2. Inadequate internal review mechanisms</li> </ol>
<p><b>Note 60:</b> <b>Financial &amp; Performance Management</b></p>	<ol style="list-style-type: none"> <li>1. Why were monthly accounting principles not adhered and supply chain processes not followed?</li> </ol>

<p>The basic accounting principles of daily and monthly accounting and reconciling have not been implemented.</p>	<p>2. Why were financial statement not reviewed?  3. Who is the responsible  4. Why is it recurring?</p> <p><b>Management response</b></p> <ol style="list-style-type: none"> <li>1. Inadequate internal controls</li> <li>2. The financial statements were reviewed by Internal audit unit; Audit committee and MANKGABE MF</li> <li>3. MANKGABE MF</li> <li>4. Lack of understanding on proper processes. So far two trainings were conducted and the management is still busy arranging training with Provincial Treasury to train all bid committee members as well as SCM officials.</li> </ol>
<p><b>Note 61:</b>  Supply chain management processes were inadequate resulting in irregular expenditure.</p>	<p>1. Why were monthly accounting principles not adhered and supply chain processes not followed?  2. Why were financial statement not reviewed?  3. Who is the responsible  4. Why is it recurring?</p> <p><b>Management response</b></p> <ol style="list-style-type: none"> <li>1. Inadequate internal controls.</li> </ol>

	<ol style="list-style-type: none"> <li>2. The financial statements were reviewed by Internal audit unit; Audit committee and MANKGABE MF</li> <li>3. MANKGABE MF</li> <li>4. Lack of understanding on proper processes. So far two trainings were conducted and the management is still busy arranging training with Provincial Treasury to train all bid committee members as well as SCM officials.</li> </ol>
<p><b>Note 62:</b> The financial statements and other information to be included in the annual performance report were not reviewed for accuracy and completeness by the Mashaba TG.</p>	<ol style="list-style-type: none"> <li>1. Why were monthly accounting principles not adhered and supply chain processes not followed?</li> <li>2. Why were financial statement not reviewed?</li> <li>3. Who is the responsible</li> <li>4. Why is it recurring?</li> </ol> <p><b>Management response</b></p> <ol style="list-style-type: none"> <li>1. Inadequate internal controls.</li> <li>2. The financial statements were reviewed by Internal audit unit; Audit committee and MANKGABE MF</li> <li>3. MANKGABE MF</li> <li>4. Lack of understanding on proper processes. So far two trainings were conducted and the management</li> </ol>

	<p>is still busy arranging training with Provincial Treasury to train all bid committee members as well as SCM officials.</p>
<p><b>Note 63:</b> <b>Governance</b></p> <p>The municipality did not implement appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risks, are conducted and that a risk strategy to address the risks is monitored.</p>	<p><b>1. Who is the responsible person?</b> <b>2. Why was the risk strategy not implemented and monitored</b> <b>3. Why is this transaction recurring</b></p> <p><b>Management response</b></p> <p>1. Mashaba TG 2. The risk register is developed and monitored on a monthly and quarterly basis 3. The risk for 2016/17 financial year was not fully mitigated.</p>
<p><b>Note 64:</b> <b>Governance</b></p> <p>The internal control oversight and monitoring mechanisms of the audit committee and the internal audit were not functioning optimally, as many control</p>	<p><b>1. Who is the responsible person?</b> <b>2. Why were there no internal and audit committee not functioning optimally</b></p>



<p><b>weaknesses were only detected during the audit of the financial statements and performance information.</b></p>	<p><b>3. Why is finding recurring?</b></p> <p><b>Management response</b></p> <ol style="list-style-type: none"><li>1. Mashaba TG</li><li>2. For 2016/17 the municipality had a functional audit committee and held meetings regularly and reports were presented quarterly. However, there might have been oversight on control weaknesses which were detected by AG.</li><li>3. The finding is non-recurring.</li></ol>
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The Committee urges Council to consider the report **WITHOUT RESERVATIONS.**

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**Cllr Manyama M.I**  
**MPAC Chairperson**

