

DR BEYERS NAUDE LM: PROGRESS ON AUDIT ACTION PLAN

Area	Audit finding	Root cause	Nr	Action to address finding	Responsible HOD	Due date	Status	Progress
Employee related cost R159,348,242 (PY-R138,159,291) - para 3,4	During the audit of equalization, the AG identified differences on the total amount paid for equalization between the supporting schedules and the report to EXCO.	Lack of management oversight and detailed review of supporting documents for equalisation	1.	Obtain all payments made through the bank related to equalization and relevant listings. The financial system must reflect the payments actually made. The supporting schedule to the equalization to be reviewed in detail to ensure that the amounts are accurate and that all amounts disclosed in the annual financial statements are supported by credible and accurate underlying records.	BTO	31-Jan-20	In progress	Obtained the reports from the committee for equalization. Reports has been summarized and queries submitted to the equalization committee awaiting feedback. Estimated timeframe for completion: 31 March 2020
	The AG identified that the employees listed in the table below were not compensated according to their contracts	Lack of proper review and detection controls in the HR and payroll departments to ensure that all contracts are properly drafted and that all employees are fairly compensated in terms of their of their employment contracts.	2.	Compile a list of all contract workers (EPWP/Fonteinbos etc). Confirm that the matters are isolated and not a recurring error by review all their existing contracts.	Corporate services	29-Feb-20	Complete	Reviewed the contracts referred to by the AG. The amounts has been verified to be correct as the contracts appropriately agrees with the amounts which was paid. Finding was retained by the AG due to non-response to COAF raised
	The salary equalization for both 2017/18 and 2018/19 was not presented on the face of statement of financial performance, and notes to the financial statements did not did not include the salary equalization. This is a material transaction and a note or narrative to explain the salary equalization should also have been included.	Inadequate reviews of the financial statements to ensure that the financial statement is prepared in accordance with GRAP.	3.	Ensure that the effect of the equalization payments are disclosed in the annual financial statements where applicable	BTO	30-Apr-20	Not yet due	Refer to 1 above for collation of information and summarizing the data. The disclosure will be updated upon completion of item 1
	The AG discovered that the municipality have not made any contribution on the bonus amount neither have they withheld any contribution on the amount paid to the employee	Misinterpretation of the policy by the payroll and HR team	4.	Obtain relevant authority for such deductions to be made on the 13th cheque.	Corporate services	31-Jan-20	Complete	The AG finding is correct related to SALA pension fund. Discussed the finding with HR. This matter had no material impact on the previous years however may grow with future years. The matter must be discussed at the relevant labour platforms as the implications effect both the employee and the employer which will most probably only be resolved in the new financial year
	The AG noted differences in the prior years figures and the current year AFS corresponding figures without the relevant GRAP 3 prior period note adjustment	Lack of reviews to ensure that all the reclassifications and corrections to prior year figures are disclosed in the note relating to prior period errors and reclassification	5.	The corresponding figures should agree with the prior period figures unless there is a prior period note which supports any adjustments or reasons for reclassifying items in the AFS are disclosed clearly and properly in order for the users of financial statements to understand the reasons for the changes in the comparatives figures.	BTO	31-Jul-20	Not yet due	AFS have been rolled forward to reflect the prior year AFS balance in the correct current column. Difference for correction of errors to be correctly reflected

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Employee related cost R159,348,242 (PY-R138,159,291) - para 3,4	The AG identified differences between the payroll system and the GL which could not be explained	Lack of review and detection controls to ensure that the underlying supporting records to the AFS are complete and accurate	6.	Reperform the 2018/19 payroll reconciliation and confirm that explanations are provided for all differences.	BTO	31-Jan-20	In progress	The payroll reconciliation has been performed between the payroll reports and the GL. The reconciling items are explained however what is outstanding is just collecting and maintaining the supporting documentation Estimated timeframe for completion: 31 March 2020
Payables R174,136,370 - para 5	The valuation and accuracy of Eskom balance amount reported by the municipality could not be confirmed. The list of all the June statement submitted amounted to R18 296 045,73 while the Municipality records shows an amount of R70 121 461,96.	Eskom account not reconciled with our records. Eskom does not provide the municipality with statement, only invoices	7.	Obtain statement or balance confirmation from Eskom. If unable to, the Eskom account must be reconciled with the invoices, payments and adjustments made by Eskom since amalgamation.	BTO	31-Mar-20	In progress	Able to link up the charges, VAT, Interest and wheeling of the invoices of Eskom to our system. Some errors were noted in our recording processes which are being attended to. Some adjustments noted on Eskom invoices which cannot be reconciled. Attempted to contact Eskom but no feedback received yet. We are elevating the query
	Differences were noted between the amounts disclosed in the financial statements and the amounts in the creditors listing.	Poor records management	8.	All amounts in the AFS should be supported with agreeing listings and reasons for differences should be noted	BTO	31-Jul-20	Not yet due	N/A
Expenditure - Bulk purchases R89,282,025 (PY-R81,207,643) - para 6	The AG noted that an electricity expense relating to June 2018 (2017/18 financial year) was recorded in the current financial period (2018/19 financial year)	Poor records management	9.	Apportion the accounts running over year end appropriately to ensure correct cut-off. All calculations for such adjustments should be maintained with supporting documentation in the audit file	BTO	31-Mar-20	Not yet due	N/A
	It has been noted that for Bulk purchases there is no meter reading report approved by the municipality supporting the consumption or usage of electricity reflected on the invoice from Eskom.	The municipality does not have meter readings installed to keep track of the consumption/ usage, they rely on Eskom invoices for the details on the consumption/usage.	10	Reconciliation of the invoices with the system reports to be performed by technical advisers. Representative of the municipality to take the meter reading with the Eskom representative and sign the meter reading report and have their own copy to use when they receive and invoice from Eskom. The electrician prior signing the requisitions should then agree consumption on the invoice to the consumption per the meter reading, and all that information should support the payment voucher.	Engineering and planning	31-Mar-20	Not yet due	N/A
Expenditure - General expenditure R62,333,993 (PY-R88,342,657) - para 7	During the audit of expenditure, it was noted that the below transactions were incorrectly classified in the sub-categories of expenditure	Lack of review of the financial statements by management	11	Scrutiny of the general expenses votes to ensure that the classification of transactions are correctly disclosed (mSCOA) in terms of GRAP 1	BTO	31-Mar-20	In progress	Trial balance mapping in progress

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Expenditure - finance cost R6,987,979 (PY-R7,238,459) - para 8	Related to employee benefit obligation							
Irregular expenditure R79,432,784 - para 9	The municipality did not adequately investigate the irregular expenditure written off in the notes of the financial statements, as required by section 32(2)(b) of the MFMA	Management did not implement the recommendations of the MPAC before writing it off	12	Ensure that every amount written off is supported with relevant documentation which demonstrates that - investigations took place (minutes) - council approved write off (resolution)	MM	29-Feb-20	In progress	Documents requested from Mr Hendricks Estimated completion date 31 March 2020
Employee benefit obligation R60,303,039 + R2,992,708 (PY-R46,172,111 + R3,199,659) - para 10	AG could not trace employees who was eligible for Post-employment medical aid benefits to the list of eligible employees submitted to the actuaries. Duplicate employees were noted Employees on the list were not eligible for benefits	Reports pulled off the system was not adequately reviewed to ensure that all and only those eligible employees were included on the list	13	PY - Review the full list of eligible employees (2017/18 and 2018/19) to ensure that all (and only) eligible employees are considered for the calculations.	Corporate services	31-Jan-20	Complete	Errors have been corrected and updated for other exceptions
	AG could not trace employees who was eligible for Post-employment medical aid benefits to the list of eligible employees submitted to the actuaries. Duplicate employees were noted Employees on the list were not eligible for benefits	Reports pulled off the system was not adequately reviewed to ensure that all and only those eligible employees were included on the list	14	CY - Review the full list of eligible employees (2019/20) to ensure that all (and only) eligible employees are considered for the calculations.	Corporate services	30-Jun-20	Not yet due	N/A
	AG could not trace employees who was eligible for Post-employment medical aid benefits to the list of eligible employees submitted to the actuaries. Duplicate employees were noted Employees on the list were not eligible for benefits	Reports pulled off the system was not adequately reviewed to ensure that all and only those eligible employees were included on the list	15	Source the service provider by 31 May 2020	BTO	31-May-20	Not yet due	N/A
Investment property R67,783,409 - para 11	The accuracy of the Investment Property amounts could not be confirmed as AG could not place reliance on the amounts calculated by the expert	Lack of review and detection controls because management failed to ensure the accuracy and sufficiency of the submitted information and application laws/regulations.	16	Obtain confirmation of the registration of the valuer with South African Council for the Property Valuers Profession (SACPVP) for investment property and during the time of the valuations	BTO	29-Feb-20	Complete	The confirmation of the registration obtained
	The accuracy of the Investment Property amounts could not be confirmed as AG could not place reliance on the amounts calculated by the expert	Lack of review and detection controls because management failed to ensure the accuracy and sufficiency of the submitted information and application laws/regulations.	17	Obtain the workings for the valuations and confirm that the methodology and calculations are in terms of the requirements of GRAP 16 and 103	BTO	29-Feb-20	In progress	Meeting has been arranged with the valuer for 13 March 2020 to address the concerns of the AG and ACFO. Estimated timeframe for completion: 31 March 2020

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Unspent conditional grants R22,169,154 - para 12	During the review of unspent grants and scrutiny of the banks statement disclosed in the AFS, we performed a reconciliation between cash and cash equivalents and the unspent grants and the unknown difference of R22m was identified	Money management controls within the municipality are not adequately implemented	18.	Monitor the spending in the current year of the projects listed as "unspent" in 2018/19 financial year. Implement separate bank accounts for grants funding	BTO	29-May-20	Not yet started	Estimated timeframe for completion: 30 April 2020
Unauthorised expenditure R22,169,154 - para 13	Related to the unspent grants of R22,169,154 above							
Receivables from exchange transactions R16,296,017 - para 14	During the audit of the receivables - indigent debtors, the requested application forms and supporting documents were not provided for the indigent debtors. The AG could not confirm compliance with the policy and the criteria specified in the policy was adhered to classify the debtor as indigent.	Lack of proper document management and filing to ensure that information is readily available when requested by the auditors.	19.	Review the indigent debtors list to ensure that the relevant documentation is maintained on file. Also ensure that the consumer coding etc is correct for each debtor	BTO	31-May-20	Not yet due	N/A
	During the audit of the receivables, differences were noted between the amounts disclosed in the financial statements and the amounts in the debtors listing	The debtors with creditors balances were eliminated and reclassified to creditors.	20.	The impact of the negative balances should be reflected on the listings in order to agree with the AFS	BTO	29-Feb-20	Not yet started	Estimated timeframe for completion: 30 April 2020
	During the audit of the receivables it was noted that the debtors below are not on the municipality's debtors' listing.	Lack of proper review of financial statements by management	21.	Perform reconciliation of all even per the valuation to the debtors listing to ensure that all debtors are accounted for	BTO	29-Feb-20	Not yet started	Estimated timeframe for completion: 30 April 2020
VAT receivable R13,684,799 - para 15	Related to bulk purchases							
Heritage assets R13,452,791 - para 16	The accuracy of the heritage assets amounts could not be confirmed as AG could not place reliance on the amounts calculated by the expert. The accounting policy is not consistent with GRAP 103 as the measurement basis is not disclosed.	Lack of review and detection controls because management failed to ensure the accuracy and sufficiency of the submitted information and application laws/regulations.	22.	Obtain confirmation of the registration of the valuer with South African Council for the Property Valuers Profession (SACPVP) for heritage assets during the time of the valuations	BTO	29-Feb-20	Complete	The confirmation of the registration obtained
	The accuracy of the heritage assets amounts could not be confirmed as AG could not place reliance on the amounts calculated by the expert. The accounting policy is not consistent with GRAP 103 as the measurement basis is not disclosed.	Lack of review and detection controls because management failed to ensure the accuracy and sufficiency of the submitted information and application laws/regulations.	23.	Obtain the workings for the valuations and confirm that the methodology, calculations and policies are in terms of the requirements of GRAP 103	BTO	29-Feb-20	In progress	Meeting has been arranged with the valuer for 13 March 2020 to address the concerns of the AG and ACFO. Estimated timeframe for completion: 31 March 2020

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Distribution losses - electricity/water R12,214,638 R8,574,989 - para 17/19	Related to bulk purchases and employee related cost							
Actuarial loss/gain and release from obligation R8,667,947 (PY-R3,556,944) - para 18	Related to employee benefit obligation							
Cash flow statement - para 20	Differences were identified during the audit of statement of cash flows for both 2018/19 and 2017/18	Lack of review and management oversight in preparation of financial statements.	24.	Ensure that the cash flow statement figures agrees with the amounts in the AFS	BTO	31-Aug-20	Not yet due	N/A
Payables	The provisions account is overstated by an amount of about R15million due to the incorrect treatment of the accruals accounting.	These amounts relates to 2 issues: - The 2017/18 accruals provision for year end of R61m was reduced by only the invoices subsequently raised in the system. There are some accruals which was either incorrectly recorded against another vote or not yet recorded - The VAT treatment is incorrect since the provisions were raised inclusive of VAT and reversed exclusive of VAT	25	The 2017/18 accruals provision for year end of not yet reversed will be investigated to ensure that all the remaining provisions is reversed to only reflect the 2018/19 accruals provision at year end of 2018/19. VAT treatment to be correctly accounted for and declared with SARS	BTO	31-Mar-20	In progress	Able to match many of the 201718 accruals provision to the reversals in the 201819 year. Some items still remaining to be investigated. Some entries in the accrual provision of 201819 also to be investigated