Financial Year: 2024/2025
Annexure: Matters Affecting Audit Report
Audit Action Plan Status: All
Implementation Statu Agreed Findings Addressed

Reference	Finding	Amount	Finding Details	Root Cause	Recommendation	Action Plan	Nature of Findings	Responsible Person	Due Date Imp	Auditors Conclusion
AAP89408-2025	COMF 08 Error identified in the narration of the Financial StatementPlease refer to note number 31 of the AFS	987 656	1. Note 31: Employee Related CostLegislative requirementsIn terms of Section 122(1) (a) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), every municipality and every municipal entity must for each financial year prepare annual financial statements which—(a) 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.In terms of Overall Considerations (GRAP 1) par 17 states that,Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expensesAudit findingThe total employee cost including director’s remuneration has been disclosed as R86 000 420 in the narration under note 31- Employee related Cost. Employee related cost has been disclosed as R86 987 985 on the face of the financial statements. The difference of R987 565 indicates that the total employee cost in the narration has been understated.The total employee cost of staff cost plus managers has been disclosed as R78 904 345 in the narration under note 31. Employee related cost has been disclosed as R79 961 725 in note 31. The difference of R1 057 380 indicates that the total the employee cost has been understated in the narration under note 31.ImpactThe inconsistency between the amount disclosed in the narration	There is inadequate review and reconciliation between the amounts disclosed in the narration of the notes and those presented on the face of the financial statements prior to reporting. Management relies on draft or unreconciled working papers and does not perform timely validations and cross-checks to ensure that the narrative disclosures align with the final financial statement figures.	•The CFO and annual financial statement preparation team should review for the annual financial statements for the year ended 30 June 2025 before submitting them to the Auditor General of South Africa on 31 August. • The CFO and annual financial statement preparation team should implement stronger review and reconciliation controls during the financial statement preparation process to ensure that all amounts disclosed in the notes and narrations agree with the figures presented on the face of the financial statements	We will implement stringent cross checks and improve the preparation of AFS reviews with the related supporting documentation referencing to detact variences	GRAP non-compliance	Simiso Ngubo	30/Jun/2026	Comments
AAP91194-2025	COMAF 18.1 No investigations performed for the fruitless expenditure written-off - Mary Grey - Global Maisela Investments Pty (Ltd	2 268 675	compliance theme, the below Instance was noted	The root cause resulting in the above is non-compliance with MFMA consequence	Management should ensure that all instances of Fruitless expenditure are investigated in	Ensure that all instances of fruitless expenditure are investigated satifactory to avoid such instances in the near future	Internal control deficiency	Ntombikayise Priscilla Nkabinde	30/Jun/2026	Pending
AAP91197-2025	COMAF 18.2 During the audit of the Consequence Management compliance theme, the below Instance was noted - Mary Grey – Siqu/Escongweni Case NO/ PO number Mary Greyauditee Ndwedwe Local MunicipalityDetails of the caseMonies Paid to Siqu/Escongweni on 02 July 2014 - No council or accounting officer approval of Payments (schedule 2 of MSA) Section 78(b) and (C) of the MFMA - GMI on 30 June 2025Category: IR, Fruitless and wasteful expenditure, Financial MisconductIrregular Expenditure (Management Classified this as Fruitless expenditure in the AFS write off, however based on the description and supporting information, this is Irregular expenditure, as it relates to variations not being approved appropriately Amount 1 037 854,54Based on the above it can be reasonably concluded that this Instance of the Irregular expenditure was not investigated to determine if any person is liable for the expenditure.The	1 037 854	Legislative RequirementsSection 62(1)(c)(i) of the Municipal Finance Management Act (MFMA) requires the accounting officer of a municipality to take reasonable steps to ensure the municipality has and maintains effective, efficient, and transparent systems of financial and risk management and internal control. MFMA 32(2)(b) – MunicipalitiesInstances of irregular expenditure were investigated to determine if any person is liable for the expenditure.Irregular expenditure investigation was properly conducted.Note: a proper investigation must at least meet the following criteria:a. The investigation was commissioned/ approved at the appropriate level.b. Terms of reference of the investigations were approved.c. The scope of the investigation addresses the allegation.d. The recommendations/ findings were relevant to the allegation.e. Investigations comply with auditee's policies with regard to independence and qualification/ position. MFMA 32(2) – MunicipalitiesIf an investigation determined that an official was liable for the irregular expenditure, the resultant loss was recovered or is in the process of being recovered from the official, unless if certified by the	The root cause resulting in the above is non-compliance with MFMA consequence Management requirements which require all instances of UIFWE to be Investigated, liable persons identified and amounts fully recovered before council write-offs.Internal Control DeficiencyFinancial and performance managementManagement did not review and monitor compliance with applicable legislation.	Management should ensure that all instances of Irregular expenditure are investigated in line with applicable MFMA requirements, Liable persons identified, and financial losses incurred fully recovered before write off.	Ensure that all instances of fruitless expenditure are investigated satifactory to avoid such instances in the near future	Non-compliance with appli	Ntombikayise Priscilla Nkabinde	30/Jun/2026	Pending

AAP91199-2025	COMAF 18.3 Double Payment (Busizwe Trading, Siyazamafuthi Trading and Mabona Civils Plant and HireBased on the work done on this instance including inspection of all supporting information the below was confirmed There is no evidence that, Instances of fruitless and wasteful expenditure were investigated to determine if any person is liable for the expenditure. No Investigation report was submitted reflecting the allegation, persons liable, recommendations and Findings Although the legal manager did provide evidence of follow ups with service providers, that is no sufficient as looking at the description of the matter these were overpayments for work no done, this expenditure incurred in vain and there should be officials internal who were responsible for processing such payment , as such if an investigation was properly conducted all liable persons (internal and external) would have been identified , which would have increased the chances of recovery. It was further noted that this is an old case, however that does not remove the responsibility of management to Investigate as required by MFMA requirements. Lastly the fact that there is no investigation, yet the write off proceeded is concerning as looking at the details the fruitless resulted in financial losses as payments were made in vain	1 205 686	Double Payment (Busizwe Trading, Siyazamafuthi Trading and Mabona Civils Plant and Hire Legislative RequirementsSection 62(1)(c)(i) of the Municipal Finance Management Act (MFMA) requires the accounting officer of a municipality to take reasonable steps to ensure the municipality has and maintains effective, efficient, and transparent systems of financial and risk management and internal control.MFMA 32(2)(b) – MunicipalitiesInstances of fruitless and wasteful expenditure were investigated to determine if any person is liable for the expenditure. Fruitless and wasteful expenditure investigation shall be properly conducted.Note: a proper investigation must at least meet the following criteria:a. The investigation was commissioned/ approved at the appropriate level.b. Terms of reference of the investigations were approved.c. The scope of the investigation addresses the allegation.d. The recommendations/ findings were relevant to the allegation.e. Investigations comply with auditee's policies with regard to independence and qualification/ position. MFMA 32(2) – MunicipalitiesIf an investigation determined that an official was liable for the fruitless and wasteful expenditure, the resultant loss was recovered or is in the process of being recovered from the	The root cause resulting in the above is non-compliance with MFMA consequence Management requirements which require all instances of UIFWE to be Investigated, liable persons identified and amounts fully recovered before council write-offs.	Management should ensure that all instances of Fruitless expenditure are investigated in line with applicable MFMA requirements, Liable persons identified, and financial losses incurred fully recovered before writing off.	Ensure that all instances of fruitless expenditure are investigated satifactory to avoid such instances in the near future	Internal control deficiency	Ntombikayise Priscilla Nkabinde	30/Jun/2026	Pending
AAP91209-2025	COMAF 18.4: Testing Centre and Fire Department written offDuring the audit of the following tender, Construction of Ndwedwe Testing Centre -NDWB 13/16/17, we noted that there were certain costs that were incurred in the preparation of the project. The contract was, however, terminated due to a legal battle between Ndwedwe Local Municipality, KwaZulu Natal Department of Health and Ingonyama Trust over the ownership of the land which was going to be utilised for the construction of the above-mentioned project. The construction was to commence on 11 August 2017 with the construction period in terms of appointment being six months from commencement date. However, the construction never commenced, and the period of the appointment has lapsed. Brainwave Projects 848 CC (as well as its sub- contractor, EGS Investment Solutions) had incurred the following costs for the preparation of the construction that is broken down as below: NoDescriptionAmount Incurred (Inclusive of VAT)RInvoice Date1Work Done to Date (Services include Site establishment, site clearance, security and plant services205 200.0020 February 20182Work done by sub- contractor (EGS Investment Solutions) (Services include Site establishment,	10 081 506	1. Fruitless and Wasteful Expenditure In relation to Project Written off. RequirementsFruitless and Wasteful expenditure is defined in section 1 of the MFMA as follows: “Fruitless and Wasteful expenditure, in relation to a municipality or municipal entity, means— (a) expenditure that was made in vain and would have been avoided had reasonable care been exercised.” MFMA s62 (1)(d) states that’ “The Accounting Officer of a municipality is responsible for managing the financial administration of the municipality, and must for the purpose take all reasonable steps to ensure that unauthorized, irregular or fruitless and wasteful expenditure and other losses are prevented” In terms of MFMA sec 95(d)General financial management functions of accounting officers. The accounting officer of a municipal entity is responsible for managing the financial administration of the entity, and must for this purpose take all reasonable steps to ensure—(d) that irregular and fruitless and wasteful expenditure and other losses are prevented; In terms of the Public audit ActDefinition (section 1)‘Material irregularity’ means any non-compliance with, or contravention of, legislation, fraud,theft or a breach of a fiduciary duty identified during an audit performed under this Act thatresulted in or is	The delays that occurred that resulted in the cancellation of the contract were due to poor and inappropriate planning by the municipality. There was no thorough feasibility studies conducted to confirm whether the land that was going to be utilized was feasible to be used for the construction of Ndwedwe Testing Centre belonged to the municipality. Further no evidence was provided corroborating that the above fruitless has been investigated regarding the write off of R 9 336 134.00, kindly see the consequence Management finding issued.The above payments were made in vain, and this legal battle could have been avoided by the Municipality had they confirmed ownership of the land before appointing a service provider, this amount should be classified as fruitless and wasteful expenditure The non-compliance was	· Before a commencement of a project, the Municipality should ensure that they have done a thorough reasonability assessment of whether it is feasible to conduct a project on a specific area, to avoid all the legal battles and costs incurred, as the appointment of the project did not commence· Management should take all reasonable steps to ensure that fruitless and wasteful expenditure are prevented as per MFMA section 62 (1)(d)· The fruitless and wasteful identified above should be transferred to the UIFWE register and further disclosed in the AFS· Disclose in the fruitless and wasteful register the above expenditure incurred in vain· It is further recommended that Management implements review and monitoring controls over compliance with applicable procurement laws and regulation should also be strengthened to prevent compliance deviations from occurring.· Management should implement controls to ensure the procurement of goods and services is aligned to capacity, and where	Resolved during Audit. The municipality will contact relevant stakeholders such as COGTA and Treasury to see if they can assist with control measures that can be implemented in future to avoid such instances	Internal control deficiency	Ntombikayise Priscilla Nkabinde	30/Jun/2026	Pending