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Notice is hereby given, in terms of Section 19(b) of the Local Government: Municipal Systems Act, 32 of 2000 as amended, that a **SPECIAL MEETING** of the **MUNICIPAL COUNCIL** of Knysna Municipality will be held in the Council Chambers **on THURSDAY, 28 SEPTEMBER 2023** at **11:00** to consider the business set forth in the attached agenda.

Kennis geskied hiermee as gevolg van Artikel 19(b) van die Plaaslike Regering : Munisipale Stelsels Wet, 32 van 2000, dat 'n **SPESIALE VERGADERING** van die **MUNISIPALE RAAD** van Knysna Munisipaliteit in die Munisipale Raadsaal op **DONDERDAG, 28 SEPTEMBER 2023** om **11:00** gehou sal word ten einde sake soos uiteengesit in die aangehegte agenda te oorweeg.

Ibhunga lika**MASIPALA** waseKnysna Iazisa ngomthetho okwisolotya 19(b) wenkqubo mgaqo olawula oMasipala, 32 of 2000, njengoko utshintshiwe, **NGENTLANGANISO EKHETHEKILEYO** ye**BHUNGA** lika**MASIPALA** waseKnysna eyakubanjelwa **NGOLWESINE, NGOMHLA WE 28 EYOMSINTSI 2023** ngentsimbi ye **11:00** umba iyakuba lushishino oluchazwe kwi-agenda.

CLLR MD SKOSANA	MR OP SEBOLA
The Speaker	Municipal Manager
Die Speaker	Munisipale Bestuurder
Usomlomo	uManejala kaMasipala

Date : 27 September 2023

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6.1

SC01/09/23 AUDIT COMMITTEE QUARTERLY OVERSIGHT REPORT TO COUNCIL

REPORT FROM THE MUNICIPAL MANAGER

PURPOSE OF THE REPORT

The purpose of this report is to provide to Council the audit committee's quarterly oversight report on its activities.

PREVIOUS RESOLUTIONS
Not applicable

BACKGROUND

The Audit Committee is required to report to Council quarterly on the work it is doing focusing on its primary responsibilities outlined in terms of Section 166 of the Municipal Finance Management Act for the purpose of advising the Municipal Council, political office bearers and the Accounting Officer. This is the first report for the 2023/2024 financial year and covers the period 01 May 2023 to 31 August 2023.

DISCUSSION

The report outlines the activities of the audit committee for the period 01 May 2023 to 31 August 2023. Attached to this item is the detailed report and its appendices.

FINANCIAL IMPLICATIONS
Not applicable

RELEVANT LEGISLATION

The Municipal Finance Management Act, Act no 56 of 2003.

RECOMMENDATION OF THE MUNICIPAL MANAGER

[a] That the Quarterly Oversight report of the Audit Committee for the period 01 May 2023 to 31 August 2023, be noted;

[b] That the recommendations as made by the Audit Committee in the report be adopted and implemented by the Municipal Manager and the Directors, where applicable.

APPENDIX / ADDENDUM
AUDIT COMMITTEE QUARTERLY OVERSIGHT REPORT
AUDIT COMMITTEE RESOLUTIONS REGISTER

File Number:	9/1/2/10/4
Execution:	Municipal Manager All Directors Chief Audit Executive

KNYSNA MUNICIPALITY AUDIT COMMITTEE
OVERSIGHT REPORT
01 May 2023 to 31 August 2023

Knysna
Municipality Munisipaliteit uMasipala
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AUDIT COMMITTEE
OVERSIGHT REPORT
TO COUNCIL

KNYSNA MUNICIPALITY AUDIT COMMITTEE
OVERSIGHT REPORT
01 May 2023 to 31 August 2023

1. Purpose

1.1. The Committee is submitting its oversight report to the Council for noting and implementation by management.

2. Legislative requirements

2.1. The Audit Committee is required to report to the Council on the work it is doing focusing on its primary responsibilities outlined in terms of Section 166 of the Municipal Finance Management Act for the purpose of advising the Municipal Council, political office bearers and accounting officer.

2.2. The committee has in terms of circular 65 of MFMA adopted an appropriate formal terms of reference clearly setting out the establishment, purpose, authority, composition and the relationship with council, management , internal and external auditors as per its charter.

2.3. The committee has adopted the Audit Committee Charter for the 2022/2023 financial year.

3. Matters relating to the structure of the committee and its responsibilities:

3.1. The structure of the Committee

3.1.1. The established committee currently consists of 7 independent external members.

Mr J Jacobs: Chairperson	Chairperson with effect 01 May 2023
Mr WN Litoli: Member	01 July 2021 to 30 June 2024
Mr LC Tatayi: Member	01 July 2021 to 30 June 2024
Mr A Karriem: Member	01 January 2023 to 31 December 2025
Mrs R Shaw: Member	01 January 2023 to 31 December 2025
Ms G Bolton:Member	01 January 2023 to 31 December 2025
Adv.D.Block	06 June 2023 to 05 June 2026

KNYSNA MUNICIPALITY AUDIT COMMITTEE
OVERSIGHT REPORT
01 May 2023 to 31 August 2023

4. Meetings held

4.1. The committee held its meetings as follow to execute its mandate in accordance with the approved charter.

The details of attendance of the meetings were as follow:

Committee Member	26 June 2023	28 July 2023	29 August 2023
Mr. J.Jacobs: (Chairperson)	1	1	0
Mr WN Litoli	1	0	1
Mr LC Tatayi	1	1	1
Mr A Karriem:	1	1	1
Mrs R Shaw:	1	1	1
Ms G Bolton:	1	1	1
Adv.D.Block	1	1	1

In as far as member's attendance is concerned, overall the Chairperson is satisfied with member's conduct.
4.2 The committee maintains a resolutions register to track progress made on implementing the recommendations made by the Committee. A copy of this register is attached as Appendix A. This register is as presented in its meeting on 28 July 2023.

5. Internal Audit

5.1. The Audit Committee is required to continuously evaluate the activities and performance of Internal Audit to ensure that it remains independent and objective in discharging its responsibilities.

5.2. There are no changes in the internal audit unit. The unit continues to be co-sourced through the use of PKF George Consulting. The Internal Audit function reports to the Audit Committee functionally to ensure its independence and objectivity in performance of its duties.

5.3. On 26 February 2023 the committee approved the amended 2022/23 internal audit plan for implementation by Internal Audit.

5.4. The progress of internal audit work performed against this plan is as follows:

Project name	Frequency	Progress
Billing system	Annually	Final report issued on 31 March 2023
Performance Management System (PMS) - Quarterly reporting	Quarterly	**Quarter one** Final report issued on 24 March 2023 **Quarter two** Final report issued on 06 June 2023 **Quarter three** Final report issued on 20 July 2023
Contract management	Annually	Final report issued on 13 July 2023
DORA/Grants	Annually	<u>Maintenance of Proclaimed Roads</u> Final report issued on 17 March 2023 <u>EPWP</u> Final report issued on 18 September 2023 <u>Other Conditional Grants</u> Project moved to the 2023/24FY audit plan.
Pre-paid electricity (Outsourced)	Annually	Final report issued on 24 March 2023
Credit Control (Outsourced)	Annually	Project is in its final phase. Management letter points issued and discussed with the Manager: Income.
Revenue enhancement follow up (Outsourced)	Annually	Project discontinued with the amendment of the internal audit plan and included in the 2023/2024 internal audit plan.
ICT & GIS (Outsourced)	Annually	Final report issued on 10 July 2023

Payroll	Annually	Project moved to the 2023/24FY audit plan.
Annual Stock count	Annually	Final report issued on 13 September 2023
Procurement (Outsourced)	Annually	Final report issued on 18 July 2023.
Asset management (Outsourced)	Annually	Project moved to the 2023/24FY audit plan.

5.5. The committee advises management to implement internal audit findings and recommendations properly and on time in order to prevent repetitive audit findings and to ensure improvement of audit outcomes.

5.6. The committee further recommended that Management should be measured against the response time to internal audit requests for information and management letters through developing and including a Key Performance Indicator in the performance agreements.

5.7. The committee noted the findings in relation to performance management and advised that officials be upskilled on the Ignite system and a workshop be held by the Manager IDP/PMS to address repetitive findings and its root-causes.

5.8. The committee further notes the reports issued by the internal audit and discussed at the committee's meetings \ during this reporting period as follow:

- Procurement system for the 2022/2023 financial year.
- Pre-paid electricity – MLP Follow Up for the 2022/2023 financial year
- Performance Management: Quarter two for the 2022/2023 financial year
- Performance Management: Quarter for the 2022/2023 financial year
- Contract Management for the 2022/2023 financial year
- ICT Application Controls Review for the 2022/2023 financial year

5.8 Attached as Appendix B, is a redacted version of the findings raised under these reports.

5.9 On 26 June 2023, the committee approved the 2023/2024 risk-based internal audit plan. Progress on implementing this plan will be monitored and reported on, quarterly.

5.10 The committee notes that an approved budget of R1,902 939 was allocated for outsourcing of internal audit projects. The committee is however concerned that this budget is insufficient to cater for all the high-risk audit areas identified and urge Council to consider additional allocations should there be savings identified during the adjustment budget process.

KNYSNA MUNICIPALITY AUDIT COMMITTEE
OVERSIGHT REPORT
01 May 2023 to 31 August 2023

6. Internal Control

6.1. Based on the reviews of audit reports and engagements held during the committee's meeting, the committee is of the opinion that the system of internal control is not entirely effective. Management were to review and implement internal control as recommended by the auditors in order to improve the control environment.

6.2. Management should design, implement, and monitor the compilations and processing monthly reconciliations of all transactions and also to ensure effective performance management.

6.3. Management must ensure that the key performance areas talk to the goal towards achieving clean audit through the development and reviews of the performance management systems and policies and proper implementations.

6.4. Management must also ensure that more weight is allocated into good or clean governance in enforcing and directing proper implementations of audit findings and recommendations.

7. Risk Management matters

7.1. The risk management implementation is the responsibility of the management in terms of the MFMA. The role of the audit committee is to advise management on the implementation of effective risk management in the municipality.

7.2. The committee was presented with the following draft documents and noted that it will be referred to Council for adoption:
- Risk Management Committee Charter
- Risk Management Strategy
- Risk Management Policy
- Whistleblowing
- Anti-Fraud and Corruption Strategy.

8. Compliance Management

8.1 The committee was presented with the Compliance management report that clearly did not reflect an accurate state of overall compliance within the municipality. The committee resolved to refer this report back for correction and response to the Chief Risk Officer within fourteen days. The updated report will thereafter be reviewed at the committee's next sitting.

9. Performance Management

KNYSNA MUNICIPALITY AUDIT COMMITTEE
OVERSIGHT REPORT
01 May 2023 to 31 August 2023

8.1 The committee was provided with the quarter four performance report and would like to stress the failure by departments to update the actual performance on the Ignite system. Many instances were noted with an indication that "No information was available"

8.2 The Audit Committee urge Council and the members of the Mayoral Committee to investigate why the KPIs have not been updated and that corrective measures and consequence management need to be instituted. .

10. Legal

9.1 The committee noted the litigation matters instituted against and by the municipality and advised management to ensure that all matters are reported and at the correct estimates.

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11. Financial Information

11.1. The committee noted the monthly Section 71 reports for May and June 2023 and expressed its concern about the financial position of the municipality for the reporting period ending 30 June 2023.

11.2. Management informed the committee with regards to their turnaround strategy on improving the municipalities financial situation and the committee requested management to table its progress on implementing this strategy as an item to the next meeting.

11.3. The committee further assessed the report on the implementation of the supply chain management policy and advised that more detail be provided on the reasons for delays in finalizing tender processes.

12. Information Communication Technology

10.1 The committee noted the ICT steering committee minutes of April 2023.

13. AGSA audit report 2021/2022 and audit action plan

12.1 The Audit Committee noted the progress made on the Audit Action Plan [OPCAR] for the 2021/2022 financial year and recommended that tasks be prioritized so that those that gave rise to the audit findings are completed before the final year end

12.2 The committee notes the progress made toward implementing performance management throughout the organization but also recommends that the system be cascaded down to all levels of the organization.

12.3 The committee further notes with concern the slow movement on the MFMA, Section 32 investigations into irregular, unauthorized, fruitless and wasteful expenditures and advised the Municipal Manager to speedily deal with this matter.

12.4 The committee is urging Council to finalise the appointment of Director positions to enable stability and accountability for action plans as identified in the OPCAR.

12.5 The committee notes the below summary made on the Audit Action Plan [OPCAR] as presented to the committee on 28 July 2023.

PROGRESS PER DIRECTORATE AS AT 30 JANUARY 2023			
DIRECTORATE	**TASKS**	**EXECUTED**	**% EXECUTED**
Financial Services	48	29	60,42%
IDP & Performance	8	6	75%
Risk Management	2	2	100%
ICT services	10	7	70%
Human Resource Management	5	0	0%
MPAC Co-ordinator	1	1	100%
Water & Waste Water Management	1	1	100%
Totals	**75**	**46**	**61,3%**

Details of the action plans flagged by the committee as requiring attention has been attached as Appendix C

13. Review of the draft Annual Financial Statements

13.1 The committee met on 29 August 2023 to review the draft set of annual financial statements to be submitted to the Auditor-General on 31 August 2023.

13.2 The committee raised its concerns with the completeness of the set of financial statements presented and the financial position of the municipality as reflected in the statements.

13.3 Council and management is advised to implement its financial recovery plan/turnaround strategy to enable the municipality to restore its financial viability.

14. Conclusion

a. The committee would like to thank the Internal Audit Unit, Management and Council for the ongoing support provided.

b. The committee will direct more efforts in improving the audit opinion of the municipality.

15. Recommendation to Council

KNYSNA MUNICIPALITY AUDIT COMMITTEE
OVERSIGHT REPORT
01 May 2023 to 31 August 2023

a. The committee recommends this report to the Council for noting and implementation of specific recommendations under each section, by management.

Mr Johan Jacobs

Chairperson of the Audit Committee

27 September 2023

AUDIT COMMITTEE'S RESOLUTION REGISTER
2022/2023 FINANCIAL YEAR

No.	DATE OF THE MEETING	ITEM DISCUSSED	RESOLUTION	EXECUTION BY	EXECUTION DATE	RESOLUTION EXECUTED (ENTER YES) IF NOT ADOPTED ENTER EXPLANATION
1	04-Aug-22	MONTHLY & QUARTERLY BUDGET STATEMENT – JUNE 2022	[a] That the Audit Committee notes the Section 71 monthly budget statement and Section 52 quarterly budget statement as at 30 June 2022;	Acting Director: Financial Services	04-Aug-23	Yes
			[b] That management address the excessive overtime payments as a matter of urgency by amending the Overtime Policy.	Acting Director Corporate	30-Jun-23	The policy has been reviewed and is in draft.
			[c] That the report on traffic fines be provided to the audit committee.	Director Community Services	11-Apr-23	Report to be presented in meeting of 20 April 2023 Matter still outstanding
			[d] That the DBSA milestone reports be sent to the audit committee members.	Acting Director: Financial Services	04-Aug-23	Yes
			[e] That the AFS Preparation Plan be submitted to the Audit Committee	Acting Director: Financial Services	04-Aug-23	Yes
2		AUDIT READINESS AND AFS PREPARATION PLAN	That the draft AFS be submitted to the Audit Committee and Internal Audit on 19 August 2022.	Acting Director Financial Services	19-Aug-22	Yes

No.	DATE OF THE MEETING	ITEM DISCUSSED	RESOLUTION	EXECUTION BY	EXECUTION DATE	RESOLUTION EXECUTED (ENTER YES) IF NOT ADOPTED ENTER EXPLANATION
3		COMBINED ASSURANCE PLAN	That the Combined Assurance plan be tabled to the audit committee once the review of the 23FY risk assessment is completed.	Chief Audit Executive	01-Jul-23	The Policy must be reviewed in line with the new Framework issued by Provincial Treasury. The CAP will be developed and submitted for approved for the 23/24 FY
4		2021/2022 QUARTER FOUR NON-FINANCIAL PERFORMANCE ASSESSMENT REPORT FOR THE PERIOD 1 APRIL 2022 - 30 JUNE 2022	That the draft APR be submitted to the Audit Committee on 19 August 2022.	Acting Municipal Manager	19-Aug-23	Yes
5		AUDIT COMMITTEE'S ANNUAL ASSESSMENT OF THE FINANCE FUNCTION	That the committee, through the Chairperson engage the Auditor-General on the matter.	Chief Audit Executive	20-Oct-22	Yes
6	29-Aug-22	DRAFT ANNUAL FINANCIAL STATEMENTS 21/22 FY	That the final set of the Annual Financial Statements be submitted to the Audit Committee and Internal Audit before being sent to the Auditor General.	Acting Director Financial Services	31-Aug-22	Yes
7		INTERNAL AUDITOR'S REVIEW OF THE DRAFT AFS	That the final set of the Annual Financial Statements be submitted to the Audit Committee and Internal Audit before being sent to the Auditor General.	Acting Director Financial Services	31-Aug-22	Yes

No.	DATE OF THE MEETING	ITEM DISCUSSED	RESOLUTION	EXECUTION BY	EXECUTION DATE	RESOLUTION EXECUTED (ENTER YES) IF NOT ADOPTED ENTER EXPLANATION
8	20-Oct-22	MONTHLY & QUARTERLY BUDGET STATEMENT – SEPTEMBER 2022	That the Audit Committee notes the Section 71 monthly budget statement and Section 52 quarterly budget statement as 30 September 2022. [b] That the Audit Committee notes the Section 71 monthly budget statement for September 2022 was submitted to the Executive Mayor, the National Treasury and the Western Cape Provincial Treasury on 14 October 2022, being the 10th working day after the end of September 2022. [That the Audit Committee notes that The Section 71 monthly budget statement and Section 52 quarterly budget statement as at 30 September 2022 will be published on the municipal website. That the Monthly & Quarterly Budget Statement – September 2022 be submitted to Council for approval	Acting Director Financial Services	20-Oct-22	Yes
9		AUDIT ACTION PLAN (OPCAR) – 2020/2021	That the Audit Committee takes note of the Audit Action Plan (OPCAR) progress report.	Chief Audit Executive	20-Oct-22	Yes
10		QUARTERLY INTERNAL AUDIT PROGRESS REPORT	That the Internal Audit Status of Work reports be noted;	Chief Audit Executive	20-Oct-22	Yes
			That this report also be submitted to all Senior management in all Departments for them to see what the outcome of the Audit was and to make improvements where necessary; That a follow-up be made with regards to why the position of a Supply Chain Management Practitioner has not yet been filled;	Chief Audit Executive	20-Oct-22	Yes
			That a copy of the full Quarterly Internal Audit Progress Report as well the one from PKF be attached to the Audit Committee Quarterly Report to be submitted to Council.	Acting Director Financial Services	31-Mar-23	Finance Interns to be placed at the various stores to assist. To be done by Acting Director Corporate.

No.	DATE OF THE MEETING	ITEM DISCUSSED	RESOLUTION	EXECUTION BY	EXECUTION DATE	RESOLUTION EXECUTED (ENTER YES) IF NOT ADOPTED ENTER EXPLANATION
				Chief Audit Executive	20-Oct-22	Yes
11		QUARTERLY PERFORMANCE REPORT (Q1)	That the Audit Committee notes the Quarter 1 - Section 52 (d) Report as at 30 September 2022. That the Audit Committee notes that Quarter 1 - Section 52 (d) Report as at 30September 2022 served at an Ordinary Council Meeting held on 27 October 2022.	Manager IDP & PMS	20-Oct-22	Yes
12		QUARTER 1: RISK MANAGEMENT COMMITTEE	That the Quarter 1 Risk Management Report, be noted	Chief Risk Officer	20-Oct-22	Yes
13		ICT REPORT	That the minutes of the IT Steering Committee meeting for September 2022 be noted	Manager ICT	20-Oct-22	Yes
14		CURRENT LITIGATION MATTERS INSTITUTED BY OR AGAINST KNYSNA MUNICIPALITY AS AT 13 OCTOBER	That the report on current litigation matters instituted against and by the Knysna Municipality as at 13 October 2022, be noted.	Manager Legal	20-Oct-22	Yes

No.	DATE OF THE MEETING	ITEM DISCUSSED	RESOLUTION	EXECUTION BY	EXECUTION DATE	RESOLUTION EXECUTED (ENTER YES) IF NOT ADOPTED ENTER EXPLANATION
15	29-Nov-22	AUDITOR-GENERAL MANAGEMENT REPORT	a)That the Auditor-General Management, be noted; b)That the Audit Committee compiles its annual report based on the management report; and c)That the discussion of the meeting be summarised in the report to be compiled	Audit Committee	29 November 2022 15 December 2022 15 December 2022	Yes
16		AUDIT COMMITTEE ANNUAL REPORT 21-22	That the Chairperson and the CAE have a meeting on Friday 02 December 2022 to work on the Annual Report 21-22 and to discuss the way forward.	Chief Audit Executive/Chair	02-Dec-22	Yes
17	02-Feb-23	SECTION 71 MONTHLY BUDGET STATEMENT (DECEMBER)	[a] That the Audit Committee notes the Section 71 monthly budget statement and Section 52 quarterly budget statement as at 31 December 2022. [b] That the Audit Committee notes the Section 71 monthly budget statement for December 2022 was submitted to the Executive Mayor, the National Treasury and the Western Cape Provincial Treasury on 16 January 2023, being the 10th working day after the end of December 2022. [c] That the Audit Committee notes that the Section 71 monthly budget statement and Section 52 quarterly budget statement as at 31 December 2022 will be published on the municipal website. [d] That the Revenue collection committee present a revenue collection plan to the Audit Committee before the tabling of	Acting Director Financial Services	02-Feb-23	Yes
				Acting Director Financial Services	02-Feb-23	Yes

No.	DATE OF THE MEETING	ITEM DISCUSSED	RESOLUTION	EXECUTION BY	EXECUTION DATE	RESOLUTION EXECUTED (ENTER YES) IF NOT ADOPTED ENTER EXPLANATION
			the Adjustments Budget. [e] That a detailed report be submitted to the Chairperson of the Audit Committee indicating which Capital Projects have been committed to and how much has been committed. [f] That debt collection and overtime management be a KPI for Directors.	Acting Director Financial Services	02-Feb-23	Yes
			[g] That the Monthly Budget Statements be submitted to the Chairperson of the Audit Committee on a monthly basis.	Acting Director Financial Services / Municipal Manager	28-Feb-23	Meeting was postponed and a new date needs to be confirmed.
				Acting Director Financial Services	20-Apr-23	To be submitted at next AC

No.	DATE OF THE MEETING	ITEM DISCUSSED	RESOLUTION	EXECUTION BY	EXECUTION DATE	RESOLUTION EXECUTED (ENTER YES) IF NOT ADOPTED ENTER EXPLANATION
18		REPORT ON THE IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY FOR THE PERIOD 1 JULY 2022 TO 31 DECEMBER 2022	[a] That the report on the implementation of the SCM policy for the first and second quarter, be noted; [b] That the deviations to the value of R 581,343.80 for the first quarter and R 5,290,592.34 for the period up to 31 December as indicated in [a] above, be noted; [c] That the possible irregular expenditure for the 2022/2023 be noted and reported to Council and further revered to MPAC for investigation; and [c] That the report be made available to the public in terms of section 21A of the Municipal Systems Act, 2000.	Acting Director Financial Services	2 February 2023 31 March 2023 31 March 2023 31 March 2023	Yes Yes Yes Yes
		AUDIT ACTION PLAN (OPCAR) – 2021-2022	[a] That the Audit Committee takes note of the Audit Action Plan (OPCAR) to be implemented in preparation for the 2022-2023 audit	Chief Audit Executive	02-Feb-23	Yes
19			[b] That the Manager: Annual Financial Statements be present in the next Audit Committee Meeting.	Acting Director Financial Services	20 April 2023	Yes
20		INTERNAL AUDIT STATUS OF WORK: OCTOBER TO DECEMBER 2022	[a] That the Internal Audit Status of Work reports be noted. [b] That an Internal Audit Steering Committee be established.	CAE	02-Feb-23	Yes

No.	DATE OF THE MEETING	ITEM DISCUSSED	RESOLUTION	EXECUTION BY	EXECUTION DATE	RESOLUTION EXECUTED (ENTER YES) IF NOT ADOPTED ENTER EXPLANATION
21		FRAUD MATTERS	[a] That the audit committee notes the report on Fraud Matters [b] That the item in future be titled "Alleged Fraud Matters".	CAE	03-Mar-23	Yes
22		PERFORMANCE MATTERS CONSOLIDATED QUARTER TWO SECTION 52 (d) AND SECTION 71 REPORT FOR THE PERIOD 1 OCTOBER 2022 - 31 DECEMBER 2022	[a] That the Audit Committee notes the Quarter 2 - Section 52 (d) Report as at 31 December 2022. [b] That the Audit Committee notes that Quarter 2 - Section 52 (d) Report as at 31 December 2022 will serve at an Ordinary Council meeting scheduled for 30 January 2023.	Acting Municipal Manager	02-Feb-23	Yes
23		RISK MATTERS QUARTER 2: RISK MANAGEMENT PROGRESS REPORT	[a] That the Quarter 2 Risk Management Minutes be noted [b] That the RM Progress Report be noted. [c] That a detailed report be submitted in response to the questions raised by the Audit Committee members.	Municipal Manager/CRO	2 February 2023 20 April 2023	Yes Yes Risk reports submitted to AC on 20 April 2023 and 26 June 2023
24		COMPLIANCE MANAGEMENT MATTERS COMPLIANCE MANAGEMENT REPORT	[a] That the Quarter 2 Compliance Management report be noted [b] That a more detailed report for Quarter 1, Quarter 2 and Quarter 3 be submitted in the next Audit Committee Meeting.	Municipal Manager/CRO	2 February 2023 20 April 2023	Yes Risk reports submitted to AC on 20 April 2023 and 26 June 2023

No.	DATE OF THE MEETING	ITEM DISCUSSED	RESOLUTION	EXECUTION BY	EXECUTION DATE	RESOLUTION EXECUTED (ENTER YES) IF NOT ADOPTED ENTER EXPLANATION
25		CORPORATE SERVICES MATTERS IT STEERING COMMITTEE MINUTES	[a] That a comprehensive IT Steering Committee Report be submitted in the next Audit Committee Meeting.	Manager ICT	20-Apr-23	Yes
26		CURRENT LITIGATION MATTERS INSTITUTED BY OR AGAINST KNYSNA MUNICIPALITY AS AT 25 JANUARY 2023	[a] That the report on current litigation matters instituted against and by the Knysna Municipality as at 25 January 2023 be noted.	Manager Legal Services	02-Feb-23	Yes
			[b] That a report be submitted indicated how much the Municipality has spent on legal cost for Quarter 1 and Quarter 2, including the amount owed on invoices that still need to be paid.	Manager Legal Services	02-Feb-23	Yes
			[c] That an HR Report with a summary of employee suspensions and the total costs, be presented at the next AC Meeting	Acting Director Corporate Services	20 April 2023	Report to be included as an AC agenda
27		AUDIT COMMITTEE MATTERS AUDIT COMMITTEE MEETING SCHEDULE	[a] That the audit committee take note of the above report. [b] That the committee meets according to its original meeting schedule and the other meetings be cancelled. [c] That the meetings of the Audit Committee continue to be held virtually in order to save costs.	Chief Audit Executive	2 February 2023 20 April 23 & 22 June 23	Yes Meetings scheduled accordingly and via MS Teams
28		REPORTS BY MEMBERS OF THE AUDIT COMMITTEE	[a] That the verbal reports of Mr Prins and Mr Tatayi on meetings attended on behalf of the Audit Committee, be noted.	Chief Audit Executive	02-Feb-23	Yes

No.	DATE OF THE MEETING	ITEM DISCUSSED	RESOLUTION	EXECUTION BY	EXECUTION DATE	RESOLUTION EXECUTED (ENTER YES) IF NOT ADOPTED ENTER EXPLANATION
29		AUDIT COMMITTEE PORTFOLIO ALLOCATION	[a] This item was moved to in-committee [b] That Mr.Johan Jacobs be recommended as Chairperson of the audit committee. [c] That Mrs Ronel Shaw and Ms Gill Bolton be recommended to serve on the Disciplinary Board. [d] That Mr. Abduragmaan Karriem be recommended to serve as the Risk Management Committee Chairperson. [e] That Mr,Lulama Tatayi be recommended to attend the MPAC meetings as an Audit Committee Member.	Chief Audit Executive	31-Mar-23	Yes
30	23-Mar-23	INTERNAL AUDIT SLA WITH PKF	a] That an external legal opinion be sought, regarding the tender and the Service Level Agreement signed with PKF; [b] That the service provider be engaged subsequent to seeking legal advice in order to find an amicable solution.	MM/Manager Legal MM/CAE	13 April 2023 15 May 2023	Yes, legal opinion obtained and recommendations implemented. Meeting was held with the service provider, PKF. Formal letter informing them about the legal opinion recommendations also sent.
31	23-Mar-23	REVISED INTERNAL AUDIT PLAN	[a] [a] That the Revised Internal Audit Plan for the 2022/2023 Financial Year be approved; [b] [b] That the internal audit function proceed with the Quality Assurance Review.	Chief Audit Executive	23-Mar-23	The audit plan is being implemented as approved. The QAR has been suspended until the new tender process is finalised given our current circumstances on T43 of 2019/20

No.	DATE OF THE MEETING	ITEM DISCUSSED	RESOLUTION	EXECUTION BY	EXECUTION DATE	RESOLUTION EXECUTED (ENTER YES) IF NOT ADOPTED ENTER EXPLANATION
32	20-Apr-23	MONTHLY BUDGET STATEMENT – FEBRUARY 2023	That the Audit Committee is concerned about the financial situation of the municipality, but takes note of the turnaround strategy and would like to see an item on the progress of the turnaround strategy in the next Audit Committee meeting.	Acting Director Financial Services	28-Jul-23	
33		REPORT ON THE IMPLEMENTATION OF THE SUPPLYCHAIN MANAGEMENT POLICY FOR THE PERIOD 1 JANUARY 2023 TO 30 MARCH 2023	That the next report to be submitted to the Audit Committee give detailed reasons for the delays in tenders.	Acting Director Financial Services	28-Jul-23	Included in SCM report
34		CAPITAL BUDGET REPORT - 2022/2023 (AS AT 12 APRIL 2023)	[a] That the Capital Expenditure Budget as at 12 April 2023 be noted. [b] That the Directorates ensure that capital spending is in accordance with the capital expenditure budget.	Acting Director Financial Services	28-Jul-23	Item on agenda under Monthly Section 71 reports
35	05-May-23	AUDIT ACTION PLAN (OPCAR) – 2022-2023	[a] That the Internal Audit Status of Work reports be noted;	Chief Audit Executive	26-Jun-23	Yes
			[b] That a meeting be scheduled with the MPAC chairperson as soon as possible.	Municipal Manager	26-Jun-23	Yes
			[c] That the irregular expenditure register be split into two sections: (i) Those transactions whereby the irregular expenditure is of a technical nature and; (ii) Those transactions that seems to have financial misconduct or fraud related implications	Acting Manager SCM	26-Jun-23	Yes
			[d] That management provides the committee with a list of policies reflecting each policies' last reviewed date and anticipated review date.	HR Manager / Manager Legal	28-Jul-23	Yes

No.	DATE OF THE MEETING	ITEM DISCUSSED	RESOLUTION	EXECUTION BY	EXECUTION DATE	RESOLUTION EXECUTED (ENTER YES) IF NOT ADOPTED ENTER EXPLANATION
		QUARTERLY INTERNAL AUDIT PROGRESS REPORT	[a] That the Internal Audit Status of Work reports be noted; [b] That the Service Provider (PKF) should not take on any additional projects and that they only focus on and conclude the current projects; [c] That a KPI be put in place for Directors in terms of their response to the Internal Audit's Request for Information- and management letters issued; [d] That the institution on a higher level have a workshop on the performance management issues raised by the IDP & PMS Manager; [e] That the staff should be upskilled on the use of IGNITE; [f] That the CAE engage the office of the AG as soon as possible with regards to the annual stock count audit and its reliance placed on the work of Internal Audit. [g] That the External QAR be moved to the 2023/2024 financial year due to the legal position of the awarded tender. [h] That PKF provide the CAE and the audit committee with weekly status of work reports up to 30 June 2023	Chief Audit Executive	30-Jun-23	Yes
				Municipal Manager/Manager IDP & PMS	01-Jul-23	
				Municipal Manager/Manager IDP & PMS	30-Jun-23	
				Municipal Manager/Manager IDP & PMS	28-Jul-23	
				Chief Audit Executive	12-May-23	
				Chief Audit Executive	30-Jun-24	
36				CAE/PKF Director	12 May 2023 and onwards (weekly)	

No.	DATE OF THE MEETING	ITEM DISCUSSED	RESOLUTION	EXECUTION BY	EXECUTION DATE	RESOLUTION EXECUTED (ENTER YES) IF NOT ADOPTED ENTER EXPLANATION
37		PERFORMANCE MATTERS QUARTERLY PERFORMANCE REPORT (Q3)	No report was received at the time of compilation of the agenda. [a] That the Q3 quarterly performance report be submitted to the committee for discussion at its next meeting.	Manager IDP & PMS	26-Jun-23	Yes
38		RISK MATTERS RISK MANAGEMENT REPORT (Q3)	[a] That the Audit Committee notes the quarter 3: Risk Management Progress Report; [b] That the framework and all policies be submitted to the Audit Committee for inputs; [c] That it be ensured that all the Risk Champions are properly trained so that they are adequately skilled. File Number: 9/1/2//14 Execution: Chief Risk Officer	Chief Risk Officer	26-Jun-23	Yes
39		COMPLIANCE MANAGEMENT MATTERS COMPLIANCE MANAGEMENT	[REPORTING FROM: SEPTEMBER – MARCH 22/23 [a] That the Compliance Management report of July 2022 to March 2023, be noted. [b] The Audit committee raised its concern with the number (398) of actions that has not been updated on the system	Chief Risk Officer	28-Jul-23	Yes
40		CORPORATE SERVICES MATTERS ICT ENVIRONMENTAL ASSESSMENT REPORT: APRIL 2023	[a] [a] That the draft ICT Environmental Assessment Report, be noted.	Acting Director Corporate Services Acting Manager Information Technology	05-May-23	Yes

No.	DATE OF THE MEETING	ITEM DISCUSSED	RESOLUTION	EXECUTION BY	EXECUTION DATE	RESOLUTION EXECUTED (ENTER YES) IF NOT ADOPTED ENTER EXPLANATION
41		CURRENT LITIGATION MATTERS INSTITUTED BY OR AGAINST KNYSNA MUNICIPALITY AS AT 31 MARCH 2023	[a] That the report on current litigation matters instituted against and by the Knysna Municipality as at 31 March 2023 be noted. [b] That the following written questions be given to the acting Legal Manager in her absence for answering; (i) It appears that item no.22 is missing from the report or was this purely a numerical error? (ii) It appears that there has been a change in Attorney on item no. 14 if compared to the previous report submitted to the AC. What was the reason for the change in Attorney's?	Manager Legal Services Manager Legal Services	05-May-23	Yes
42		AUDIT COMMITTEE MATTERS VERBAL REPORTS OF MEETINGS ATTENDED BY AUDIT COMMITTEE MEMBERS	[a] That the verbal or written reports of members on meetings attended on behalf of the Audit Committee, if any, be noted. Mr Prins mentioned that he attended all the Council meetings. Mr Tatayi also mentioned that he attended all the Council meetings.	CAE	05-May-23	Yes
43		2023-2024 AUDIT COMMITTEE CHARTER	[a] That the 2023-2024 Audit Committee Charter, be recommended for approval; and [b] That the Audit Committee Charter be submitted to Council for approval.	Acting Municipal Manager Chief Audit Executive	31-May-23	Yes

No.	DATE OF THE MEETING	ITEM DISCUSSED	RESOLUTION	EXECUTION BY	EXECUTION DATE	RESOLUTION EXECUTED (ENTER YES) IF NOT ADOPTED ENTER EXPLANATION
44	26-Jun-23	MONTHLY BUDGET STATEMENTS – MARCH 2023 & APRIL 2023	[a] That the Audit Committee notes the Section 71 monthly budget statement as at end 31 March 2023. [b] That the Audit Committee notes the Section 71 monthly budget statement for March 2023 was submitted to the Executive Mayor, the National Treasury and the Western Cape Provincial Treasury on 17 April 2023, being the 10th working day after the end of March 2023. [c] That the Audit Committee notes the Section 71 monthly budget statement as at end 30 April 2023. [d] That the Audit Committee notes the Section 71 monthly budget statement for April 2023 was submitted to the Executive Mayor, the National Treasury and the Western Cape Provincial Treasury on 15 May 2023, being the 10th working day after the end of April 2023; [e] That the Audit Committee is concerned about the cashflow situation of Knysna Municipality as indicated in the S71 reports, with specific emphasis on overtime and the collection rate. [f] That the Audit Committee takes note of the assessment report that has been done by the Minister and ask the MM and his team to bring an item to the Audit Committee on the assessment report, as well as the action plan to increase the collection rate and how to cap the overtime expenses.	Acting Director Financial Services	28-Jul-23	
45		AUDIT ACTION PLAN (OPCAR) – 2021-2022	[a] That the Audit Committee takes note of the Audit Action Plan (OPCAR) progress as at 07 June 2023; [b] That the Audit Committee's concern for the finalisation dates stated as the end of the financial year be taken into consideration.	Chief Audit Executive	28-Jul-23	Yes
46		YEAR-END PLAN FOR THE YEAR ENDING 30 JUNE 2023	[a] That the Audit Committee notes the Year-end plan for the year ending 30 June 2023.	Acting Director Financial Services	26-Jun-23	Yes

No.	DATE OF THE MEETING	ITEM DISCUSSED	RESOLUTION	EXECUTION BY	EXECUTION DATE	RESOLUTION EXECUTED (ENTER YES) IF NOT ADOPTED ENTER EXPLANATION
47		INTERNAL AUDIT STATUS OF WORK: AS AT 19 JUNE 2023	That the Internal Audit Status of Work reports be noted; That the MM consider that Internal and External Audit's request for information within the timelines as per the Internal Audit Methodology, be included in the KPI's for Directors and Line Managers; That the CAE include the deadlines for requests for information in the Internal Audit Charter.	Chief Audit Executive	26-Jun-23	Yes
48		INTERNAL AUDIT CHARTER 2023/2024	[a] That the Internal Audit Charter as amended, be approved, subject to the inclusion of the recommendation as made under item 4.2.3	Chief Audit Executive	26-Jun-23	Yes
49		KNYSNA MUNICIPALITY INTERNAL AUDIT PLAN 2023/2024	[a] The 2023/2024 Internal Audit plan is approved, with the cost of the External quality review and outsourced internal audit projects at a value of R 1,902 939; [b] That the audit plan be reviewed during the mid-year financial and non-financial performance assessment and consideration be made to fund to SCM audit at a value of R 281 367 during this review; [c] That the Audit Committee is concerned that some of the high risks are not addressed due to financial constraints, and that Council should take note of that in the next budget or if there are savings within the current budget for the 2023/2024 Financial Year.	Chief Audit Executive	26-Jun-23	Yes
50		CONSOLIDATED QUARTER THREE SECTION 52 (d) AND SECTION 71 REPORT FOR THE PERIOD 1 JANUARY 2023 - 31 MARCH 2023	[a] That the Audit Committee notes the Quarter 3 - Section 52 (d) Report as at 31 March 2023; [b] That the Audit Committee urges Council and the MM to look into the matter of incomplete reporting in order to assist the IDP & PMS department in ensuring a complete and credible report.	Municipal Manager/Manager IDP & PMS	28-Jul-23	

No.	DATE OF THE MEETING	ITEM DISCUSSED	RESOLUTION	EXECUTION BY	EXECUTION DATE	RESOLUTION EXECUTED (ENTER YES) IF NOT ADOPTED ENTER EXPLANATION
51		RISK MANAGEMENT PROGRESS REPORT REVIEW OF RISK MANAGEMENT FRAMEWORK	[a] That the Audit Committee note the Quarter.4 Risk Management minutes [b] That the Audit Committee note the Reviewed Risk Management Framework: Risk Management Committee Charter Risk Management Strategy Risk Management Policy Whistleblowing Anti-Fraud and Corruption Strategy.	Chief Risk Officer	28-Jul-23	Yes
52		INDEPENDENT COMMITTEE APPOINTED BY MEC	[a] That the Audit Committee notes the appointment of the Independent Committee appointed by the MEC and that there are no implications for the Audit Committee at the moment.	Municipal Manager	28-Jul-23	Yes
53		AUDIT COMMITTEE MEETING SCHEDULE 2023-2024	[a] That the committee approves the meeting date of 28 July 2023 and diarise accordingly; [b] That the CAE reconsiders the meeting dates for the Audit Committee and see where it is possible for the meetings to sit on earlier dates and report to the Audit Committee.	Chief Audit Executive	28-Jul-23	Yes
54		REVIEW OF THE AUDIT COMMITTEE'S ANNUAL WORK PLAN 2023/2024	[a] That the reviewed Audit Committee's Annual Work Plan for the 2023/2024 financial year be approved.	Chief Audit Executive	26-Jun-23	Yes

2022/2023 Performance Management: Quarter two performance information

Finding & Root Cause	Recommendation and Action Plans
1. Lack of review of the performance information reported on the system (repeat finding)	
Recommendation The manager responsible for performance management should enforce the use of the review function by the departments.	
Root-cause Management does not exercise their responsibility of oversight regarding performance reporting.	**Management Action Plan** Memorandum to be issued by the office of the MM for identifying capturers and reviewers for Ignite uploads
2. Performance Management System not updated	
Recommendation The KPI owner should provide the performance management unit with the supporting documentation for uploading on the system for quarter 1 and quarter 2. KPI owners should ensure the timeous updating of the Ignite system with valid, accurate and complete information.	
Root-cause Lack of secondary review of the performance management system by the KPI owners.	**Management Action Plan** Management agrees with the finding and recommendations, The ignite system to be updated
3. Invalid performance information	
Recommendation The responsible KPI owner should review the supporting documentation provided for the achievement of TL 30, TL 31, TL 32, and TL 33 in order to ensure accuracy and completeness of the reported information. Management should perform a reconciliations between the Promun system and the Indigent Register to ensure accuracy, validity and completeness. Proof of reviews should be kept for audit purposes and accountability. The required POE for these KPIs should also be amended to include the reconciliation of the indigent register to the billing system. The responsible KPI owner should provide the correct supporting documentation to the performance management unit for uploading on the system for the outstanding POE in Quarter 2 The responsible KPI owner should develop procedures on the management of the indigent process. The document should entail procedures on verification of applicant's details as well.	
Root-cause Lack of adequate review of the performance information uploaded on the system. Lack of controls on the indigent management process	**Management Action Plan** To continuously update the addresses and review To continuously check the employee register from HR and compare with the indigent register on a monthly basis and accountant to review
4. Inaccurate actual performance reported in the Section52(d) report	
Recommendation	

The Manager responsible for Institutional performance should ensure that performance information in the Section 52(d) report is accurate and complete by reviewing the information entailed in the draft report against the Ignite system before final submission to the Accounting Officer and Council.	
Root-cause Management does not exercise their responsibility of oversight regarding performance reporting.	**Management Action Plan** Management agrees with the finding and recommendation. I will update the KPI's in line with the S52 reports.
5. Inadequate corrective Measures	
Recommendation Where a lower level employee updates the Ignite Performance Management System, respective Directors should review and approve the information. For each non/under performance identified, there should be a reason for the non/under performance as well as a corrective measure to address it. Each corrective measure should clearly indicate the action plan that would be implemented to resolve the current non/under performance including the date when the action would be implemented	
Root-cause • The update of the Ignite Performance Management system by the lower level staff is not being reviewed by their respective supervisors for approval. • Lack of review and monitoring of the updated information on the Ignite Performance Management System	**Management Action Plan** Management agrees with the finding and recommendations, The ignite system to be updated
6. Performance Agreement not concluded within the legislated deadline	
Recommendation The Manager responsible for Institutional performance should ensure that compliance to legislation is monitored	
Root-cause • Lack of management oversight • Lack of controls • Disregard for national policies and procedures	**Management Action Plan** All Municipal Managers/Acting Municipal Managers, Directors/Acting Directors will sign Performance Agreement prior to appointment and must therefore be accompanied as annexure by Item to Council for appointment. The item for appointment of directors/acting directors will state the appointment by Council will immediately be reversed should the Performance Agreement not be signed. The Performance Management Policy of Council will in this instance be reviewed and submitted to Council for considered approval.
7. Performance Agreements not placed on the municipal website	
Recommendation The Manager responsible for Institutional performance should ensure that compliance to legislation is monitored. The manager responsible for performance management should ensure that the signed performance agreements of the acting directors are placed on the website of the municipality.	

Root-cause • Lack of management oversight • Lack of controls • Disregard for national policies and procedures	**Management Action Plan** All Directors/Acting Directors will undersign a Performance Agreement prior to appointment and must therefore be accompanied as annexure by Item to Council for appointment. The late receipt of the Performance Agreement from the Municipal Manager after delayed undersigning by the incumbent, lead to the late placement of the Performance Agreement on the website

2022/2023 Contract Management

Finding & Root Cause	Recommendation and Action Plans
1. Tenders awarded after the validity period had expired	
Recommendation Tenders that have been awarded after the validity period had expired should be identified and the expenditure be classified as irregular expenditure in the register. These expenditures should then be submitted to the MFMA Section 32 committee for investigation. All tenders that are still in the evaluation stages and their validity periods has expired, without obtaining the consent from bidders to extend the validity period, should be cancelled and re-advertised. Approval for the extension of the validity period of the relevant bids should be obtained before expiry in order to finalise the evaluation, adjudication and award of the contract/tender. The SCM unit should compile and forwards letters addressed to each bidder who submitted a bid in response to the bid advertisement advising them that the bid validity would be expiring and the municipality intends extending the validity of the bid for a stipulated period. The bidders should also be requested to confirm by a stipulated date whether they would be extending the validity of their bids on the same terms and conditions. All responses received from the bidders should be assessed to establish whether or not the bidder is extending the validity period. All bidders who have indicated that they are not extending their bid validity period/who have not responded to the request for extension of the validity period should not be evaluated further and those who responded confirming the extension of the validity period of their bids on the same terms and conditions should be evaluated accordingly. The Supply Chain Management Policy should be amended to include the process of the validity period and a SOP [with time frames] on the extension of the validity period of bids should be developed and communicated to all the municipal officials. The Supply Chain Management unit should keep track of expiry dates of the validity period of bids	
. **Root Cause** ▪ Supply Chain Management Policy not aligned to the tender documents ▪ Expiry dates of the validity period of bids not consistently tracked and monitored ▪ Lack of experienced contract	**Management Action Plan** The prevailing SCM policy at the time was applied. SCM policy that will be effective from 1 July 2023 has been amended to stipulate a Validity period of 6 months and allows for requesting for validity extension and SCM practitioners have been sensitised to be alert and monitor validity period. Standard advert template which is in line with the SCM policy will be applied. BEC & BAC Reports will be amended in order to comment on the validity of the tender.

Finding & Root Cause	Recommendation and Action Plans
management human resources ▪ Lack of standard operating procedures [SOP] for bid validity periods	
2. Inadequate/lack of contract management policies and standard operating procedures	
Recommendation A policy on Identification and classification of contracts should be developed and approved by Council. The policy should state that all contracts are to be identified and classified for management control purposes based on at least the following attributes: ▪ contract type or nature; ▪ strategic importance of the goods and services being purchased or sold; ▪ contract value; ▪ contract duration; and ▪ Contract complexity. The classification methodology and appropriate management control mechanisms should be detailed in a procedure manual. A policy on recognition, measurement and disclosure should indicate how contracts will be measured for reporting in the annual financial statements and associated disclosures and should be included in the accounting policies to the Annual financial Statements. A policy on document and information management should entail that all documents and information contained in those documents must be appropriately recorded and filed according to the procedures in place for each contract or contract type. The policy should also entail the approach and time frame for moving document and information management to electronic systems	
Root Cause ▪ Lack of a sound, consistent and effective approach to contract management across the municipality. ▪ Lack of buy-in and commitment to improve contract management ▪ Lack of experienced contract management human resources	**Management Action Plan** Automating procurement processes is an effective way of ensuring a consistent approach in line with the operating procedures. Contract Management Policy to be review and updated on contract classification.
3. Risk Management for contract management not implemented	

Finding & Root Cause	Recommendation and Action Plans
Recommendation ▪ The risk management policy should be amended and include that appropriate risk analysis, identification, assessment and proposed risk response must be conducted during contract planning to identify potential problems and provide mechanisms to limit risk and deal with issues as they arise. ▪ The policy should also require risk analysis to be conducted during contract review, closeout and or renewal. ▪ Procedures for risk analysis, identification, assessment and response for each contract or contract type should also be developed. ▪ The Contract Manager should regularly review the risk register during contract implementation to ensure that the risks are being managed proactively by those that the mitigation measures have been allocated to and to identify emerging risks. ▪ A contract register should be maintained centrally, with staff in work areas providing details to the work areas responsible for maintaining the register of all contracts entered into. ▪ The Risk Register should be updated when necessary and new risks added as the contract progresses ▪ An escalation process should be put in place, with all high to extreme risks reported to the contract owner for action	
Root Cause Lack of risk identification by project owners and project management unit.	**Management Action Plan** Tender documents are prepared by the BSC with a view of mitigating any risk that might be there. The procuring department issues instruction pay the services provide once they satisfied the work was done in accordance with the tender specification. The PMU Manager is to be available for risk identification, assessment, and responses for the identified risks, in order to develop the project risk register for the Knysna municipality.
4. Goods and services supplied by the supplier and paid for without a valid contract[Expired contracts]	
Recommendation ▪ The contract administrator should monitor the contract expenditure throughout the contract lifecycle ▪ The contract information in the contract management system must be updated to reflect any changes in the Approved Contract Value. Once the actual spend reaches the approved contract value, no additional purchase orders should be issued unless the approved contract value is revised. ▪ The contract administrator should conduct frequent financial reconciliations between purchase orders/work orders approved; invoices paid against the contract and Approved Contract Value. ▪ Depending on the contract classification the contract administrator should report the contract cost on a monthly and quarterly basis to the contract owners ▪ Before a contract is extended or renewed, value for money should be assessed. A contract review report should be developed for contract extension/renewal of significant value or duration (e.g. potentially high contract value, or for a long period of time, or to extend/renew a standing offer arrangement). The report should contains more detailed information to support the request to extend or renew a contract. The report should entail but not limited to: ▪ *The nature of goods/services purchased under the contract, contract objectives, and the circumstances under which the contract was established (if relevant).* ▪ *Details of the annual spend under the contract(s) and total spend under the contract(s) to date* ▪ *If the contract(s) you are reviewing are part of a Standing Offer Arrangement, provide information about usage of the arrangement* ▪ *Supplier performance- Assessment of performance of the supplier against KPIs in order to establish whether there are any performance issues that will need to be addressed as part of the recommendation to extend or renew a contract.* ▪ Stakeholder feedback about the supplier(s) performance. In particular, feedback should be obtained from key end user, and other stakeholders directly impacted by the goods/services. ▪ Demand analysis: *verification that there is still a legitimate need for the goods/services under the contract as demand requirements may have changed since the original contract was established*	

Finding & Root Cause	Recommendation and Action Plans
▪ *Benchmarking: Comparison of pricing under the contract(s) with market rates in order demonstrate whether or not the municipality is achieving value for money from competitive pricing under the contract(s) and to identify whether pricing needs to be renegotiated as part of the extension/renewal* For all routine contracts a contract extension and renewal checklist should be developed in order to assists with record-keeping by providing an overview of facts and a record of approval of the extension/renewal request. Management should ensure that resolution taken by Council are correctly recorded and there is a review of the recorded minutes. The contract administrator should keep on file any relevant documentation related to contract extensions, renewals and variations.	
Root Cause ▪ Lack of standard operating procedures for contract extension/renewals ▪ Contract Managers not clearly nominated for each contract and their roles and responsibilities within each project are not understood.	**Management Action Plan** For contract extensions, variations - The responsible User departments refer items to Council for approval or consideration. Systems in place: Contract expenditure report - Monitoring of contract expenditure occurs at SCM level by capturing orders against the specific contract number, verifying total expenditure for the contract against the approved Contract value. Contract expenditure reports is sent to user departments on request Automating procurement processes is an effective way of ensuring a consistent approach in line with the operating procedures. Review and update Contract Management Policy and include SOP for contract extensions, renewals and variations. This will also be addressed with an automated Contract register where the system will sent notifications on contract expiry dates. Documented standard operating procedures for all procurement in line with the policy are required, with specific responsibilities to enable officials to understand what they are responsible for
5. Contract Management not appropriately delegated to allow officials to carry out their responsibilities	
Recommendation ▪ The Accounting Officer should priorities contract management and provide leadership at all levels across all Departments to ensure buy-in and a commitment to improvement. ▪ Clear overall ownership of contract management should be established across the municipality, with a Senior Officer charged with the responsibility for driving organisation-wide contract management performance. ▪ Oversight and support for contract management practice and performance should be assigned to the Procurement Team to ensure a coordinated and consistent approach. ▪ Appropriate systems and processes should be in place to capture and report on key data and lessons learned at a project, category and organizational level ▪ Regular reporting to Council should take place on contract management performance, issues and opportunities. ▪ A Contract Management Induction and Training Program should be established and all contract managers should be inducted and receive training in council's contract management procedures, prior to taking responsibility for managing a contract/s ▪ Contract managers should be clearly nominated for each contract and should understand their roles and responsibilities within each contract ▪ Dedicated resources should be assigned within procurement and within the business areas to ensure appropriate time and attention can be paid to effective contract management. ▪ Contract managers should have clear objectives and reporting lines and their performance should be managed through reviews and appraisals. ▪ Appropriate contract management training and support should be provided to contract owners	
Root Cause ▪ Lack of/poor governance and	**Management Action Plan**

Finding & Root Cause	Recommendation and Action Plans
accountability of contract management ▪ Lack of a sound, consistent and effective approach to contract management across the municipality. ▪ Lack of buy-in and commitment to improve contract management ▪ Newly established Directorate	The importance of Contract Management must be elevated to the forum of the TMT, which will then flow to ETMT. We will seek the intervention of the MM via the CFO in this regard
6. Inadequate storage of procurement contracts	
Recommendation In order to ensureconsistent contract management record-keeping and administrative processes, clear contract management document management procedures should be developed and approved. Management should ensure that there is storage space available for the storage of the tender documents/procurement contracts for the required periods as per the record management rules.	
Root Cause ▪ Lack of clear contract management procedures ▪ Lack of storage space	**Management Action Plan** SCM upload signed documents the on w-drive and Capture successful bidders on the Collaborator – Contract Management system. Management to develop and appoint a service provider to assist with an electronic filing system to upload documents weekly/monthly basis or identify storage facilities within the organisation
7. Inadequate management of contract document	
Recommendation When the procurement process ends, the manager SCM should conduct a handover meeting of the signed contract to the contract manager. This should include the following: ▪ request contract owner to appoint a contract manager for the contract (if one has not been appointed already) ▪ review and document scope and expected outcomes for the contract ▪ ensure the contract is registered in the contract management system ▪ hand-over key contractual documents to the contract manager There should be a single enterprise contract management software solution capturing the procurement contracts Through the life cycle of the contract, the contract file should contain the following: ▪ a copy of the current contract and all modifications ▪ a copy of all specifications, drawings or manuals incorporated into the contract by reference ▪ a reference list or a list of prior contracts with the specific supplier (if they offer valuable historical data) ▪ the market approach documentation, the contractor's response, evaluation determination, and the notice of award document ▪ a list of contractor submittal requirements ▪ a list of all information furnished to the contractor ▪ a copy of the pre-award meeting summary, if conducted	

<table>
<tr><th>Finding & Root Cause</th><th>Recommendation and Action Plans</th></tr>
<tr><td colspan="2">

a schedule of compliance review, internal correspondence, if applicable
a copy of all general correspondence related to the contract
the originals of all contractor data or report submittals
a copy of all routine reports required by the contract such as service level reports, pricing schedules, approval requests, and inspection reports
a copy of all notices to proceed, to stop work, to correct deficiencies, or change orders
a copy of all contractors invoices, information relative to discount provisions for prompt payment, letters pertaining to contract deductions or fee adjustment
Copies of any audits
Performance reviews

A contract register should be used to monitor contract end dates, and opportunities to exercise contract extensions to assist the municipality to commence new procurements in a timely manner.
Contract register procedures should be developed in order to ensure accuracy and completeness of the register. The procedures should provide for reconciliation or crosscheck between the register, and the municipality's financial information management system. The procedures should also provide for a periodic quality assurance review of the register.

The contract register should contain all relevant contract details and be configured to be able to produce reports that can be used to meet the municipality's management and reporting responsibilities.
</td></tr>
<tr><td>Root Cause

Lack of procedures for document and information management
Lack of hand-over process of the signed contract to the contract manager
</td><td>Management Action Plan

SCM already files everything related to that particular tender on W/D under its specific tender No.

End User Managers are Contract Champions.

The municipality has an intention to procure an ERP system which would address all the identified issues – Corporate services was championing that process. We are not in control of that process. We will seek to utilised what is in place already more efficiently and effectively</td></tr>
<tr><th colspan="2">8. Lack of signed contracts/Service level agreement [SLA]</th></tr>
<tr><td colspan="2">Recommendation

As recommended by National Treasury contract management planning should be align to annual process of the review of the municipalities strategic documents in order to identify the need for contract creation and thus plan for when contract creation should take place to ensure delivery can occur as approved in the budget
A contract management plan [CMP] that focuses on outputs and performance should be developed where appropriate. This document should be owned by the contract manager who shall be responsible for ensuring that it is maintained.
The contract manager should review the contract management plan (CMP) with key stakeholders on a regular basis to ensure that it continues to reflect the services required and provided. Where changes to existing goods, services or processes are identified and subsequently approved, this document should be amended to ensure its accuracy.
</td></tr>
<tr><td>Root Cause

Poor contract management planning
Lack of hand-over process of the signed contract to the contract manager
</td><td>Management Action Plan

SCM Practitioner to submit the entire documentation pack with the flags in order to highlight the sections the Municipal Manager must sign

Manager SCM to review the documentation pact that is to be submitted to MM in order to make sure all the relevant documents are included.</td></tr>
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<tr><th>Finding & Root Cause</th><th>Recommendation and Action Plans</th></tr>
<tr><td colspan="2">9. Inadequate performance management of supplier/contractors</td></tr>
<tr><td colspan="2">Recommendation
▪ In order to implement effective performance management of supplier, management should develop appropriate/effective KPIs aligned with contract objectives and set up clear/suitable targets.
▪ A contract KPI development template should be developed for contract KPIs. The template should be used to explain what Key Performance Indicators (KPIs) will be measured (and why), minimum performance requirements, frequency of measurement, responsibility for measurement. It should also be used to capture reporting on performance against the agreed KPIs.
▪ The contract manager should review the validity of performance measures from a contract
▪ The contract manager should collect performance data based on KPIs in the agreement and contract management plan. The contract manager should receive regular contract performance reports from suppliers in accordance with the contract obligations in order to identify any internal issues that might be impacting the supplier's performance, or ability to provide the best quality of service.
▪ In addition, the contract manager, with support of the contract administrator, should conduct regular contract performance reviews. Procedures for the contract performance reviews [informal/formal] should be developed.
▪ A contract performance review meeting template that list items that should be covered during a contract and performance review meeting should be developed.
▪ There should also be mechanisms in place for identifying contract 'triggers" such as notice periods and responsibilities for responding to these 'trigger points' should clearly be understood
▪ Contract reporting to council should also be implemented. Procedures on contract management reporting [exceptional and regular reporting] should also be developed to ensure appropriate reporting.</td></tr>
<tr><td>Root Cause
▪ Lack of a sound, consistent and effective approach to contract management across the municipality.
▪ Lack of buy-in and commitment to improve contract management
▪ Lack of experienced contract management human resources</td><td>Management Action Plan
On an annual basis SCM sent Instruction notes to all users which indicates all SCM Processes. Contract managers need to understand their roles and responsibilities on contract reviews.

Review and Update of the performance assessment and develop an automated performance evaluation system</td></tr>
<tr><td colspan="2">10. Non-Compliance to the contract management policy</td></tr>
<tr><td colspan="2">Recommendation
Management should develop procedures on the contract close-out.

Prior to the close-out of the contract, the contract manager should conduct a final performance review regardless of the size and value of the contract. As part of the final review the following should be taken into consideration:
▪ whether the contract achieved its objectives
▪ the supplier's performance
▪ satisfaction of the users[where applicable]
▪ contract variations
▪ disputes that arose during the contract
▪ budgeted versus actual costs
▪ weaknesses in planning, management and procedures</td></tr>
</table>

Finding & Root Cause	Recommendation and Action Plans
▪ identification and analysis processes that went well, areas that did not go well and potential areas for improvement for future contracts ▪ Audit report At the conclusion/expiry of the contract, the contract administrator should formally close the contract according to the agreed terms and conditions. A close-out check list to document the close-out activities should be developed. The contract manager should, [depending on the size and complexity of the contract] develop a transition plan. A contract management checklist should also be developed after a contract has ended to ensure that all the contract management activities have been done throughout the life cycle of the contract.	
Root Cause ▪ Lack of a sound, consistent and effective approach to contract management across the municipality. ▪ Lack of buy-in and commitment to improve contract management ▪ Lack of experienced contract management human resources	**Management Action Plan** For Construction projects the project owner will provide a Completion certificate. This will be covered under contract reviews, reporting with the development of an automated system which covers reporting.

2022/2023 Performance Management: Quarter one performance information and the Annual Performance Evaluation of Senior Management for 2020/2021

Finding & Root Cause	Recommendation and Action Plans
1. Lack of controls on the alignment of the IDP,SDBIP and the Budget	
Recommendation	

The manager responsible for performance management should develop procedures/SOP on the alignment of the IDP, Budget and the SDBIP.

The manager responsible for performance management should develop an annexure that entail all the budget documentation for the financial year to be included in the SDBIP. The budget program annexure should include:

- Name of the project entailed in the budget
- Strategic objective linked to the budget program as per the IDP
- Performance indicators linked to the budget program and set out quarterly targets for the programme performance indicators identified

This checklist can then be used as monitoring tool to ensure all required budget related information is included in the SDBIP.

Root Cause	**Management Action Plan**
Lack of management oversight Incorrect performance management information communicated to the finance department	Management do not agree with the finding. The audit primarily focused on the Final Amended IDP to source the Draft SDBIP for audit. The Final Amended IDP had as a component of the IDP the Draft SDBIP. Programs projects and KPIs included in the Draft SDBIP is not final and can never be final until Council has approved the IDP. A procedure on alignment between the most strategic documents/plans of Council should in my view not be a subject of SOP as what the institution requires at this stage is improved coordinated activities between and amongst the administration. This will strengthen staff cooperation and appreciation for challenges and how as collective this can be addressed. Our focus should be on understanding collaborative actions and how it will enhance organisational efficiency. What I do appreciate is an audit of the Final approved SDBIP, to identify potential oversights, gaps and mistakes which may impact on the delivery of services. I may consider an annexure with all required budget and project information, though would prefer that such information be provided by the Finance department as a confirmation of correctness and completeness of what is included. Manager IDP & Institutional Performance to hold a meeting with the finance department to discuss the alignment of the SDBIP with the annual budget

2. Indicators not meeting all the requirements of a “good performance indicator”

Recommendation

The manager responsible for performance management should develop procedures/methodology on the process of developing Performance Indicators (KPIs).

The procedures/methodology should detail on how to link the KPIs to strategic objectives, create SMART targets, allocate ownership and remedial actions

The Performance Management unit should ensure that all the Indicators complies with the ‘good indicator characteristics.

The performance management unit should consult with the directorates to identify and include indicators that they have a direct interest in tracking. This will also ensure that there is a clear understanding on what the departments are measuring.

A technical indicator description should be developed and included as part of the annexures to the SDBIP. The technical indicator should define:

- Indicator title/name:
- Source/collection of data: Describes where the information comes from and how it is collected
- Method of calculation: Describes clearly and specifically how the indicator is calculated
- Type of indicator: Identifies whether the indicator is measuring inputs, activities, outputs, outcomes or impact, or some other dimension of performance such as efficiency, economy or equity
- Calculation type: Identifies whether the reported performance is cumulative, or non-cumulative

- Data limitations: Identifies any limitation with the indicator data, including factors that might be beyond the department's control
- Reporting cycle: Identifies if an indicator is reported quarterly or annually
- New indicator: Identifies whether the indicator is new, has significantly changed, or continues without change from the previous year
- Indicator responsibility: Identifies who is responsible for managing and reporting the indicator

Root Cause	**Management Action Plan**
Lack of documented and approved process for the development of Key Performance Indicators (KPIs)	Manager IDP & Institutional Performance: Management do not agree with the finding. Actuals reported do not align with indicator. In terms of TL24 the internal audit does not correlate with the indicator description. The description of the indicator is/was clear, a discrepancy identified by the Audit General was the double counting that informed reported performance by the reporting department. In terms of TL54 the indicator is clear. The reporting official is only to report on the number of Imbizos held, provide POE in support of the reported performance. If no performance was reported, reason for non-performance. The performance section will define Imbizos in support of the indicator. The Director IHS must take responsibility for the reported performance, as the reported performance in the 2020/2021 FY audit resulted in a finding specifically related to this KPI. Should the Director confirm his shortage of staff as a reason for his inability to report timeously and correctly on KPIs, proactive steps must then be taken to prevent any form of recurring finding on the KPI. In terms of TL25, the internal audit comment does not correlate with the indicator description. The description of the indicator is/was clear, the only challenge being the reported performance being double-counted by the reporting department. Senior Manager Income: Agree with the finding TL 24 & TL 25 This indicator was previously under the infrastructure services, as per objective - where it measures the Number of formal residential properties that receive piped water (credit and prepaid water) that is connected to the municipal water infrastructure network. However, the billing reports was always requested to complete KPI, instead of the actual installation report by technical department. This was then going to assist Finance to ensure that all the properties with access to this service are billed. Instead of depending on the application for connection from the customer. Therefore this KPI moved to finance and billed was added due to information that finance has. If the KPIs remains at finance, The indicators can read as follows: Number of residential properties with access to water services and are on the financial system (Promun and Ontec Number of residential properties with access to Electricity services and are on the financial system. The KPIs will be amended with the 2022/2023 Adjusted SDBIP Manager IDP & Institutional Performance to hold a meeting with the finance department to discuss the KPI TL 24,TL25

3. **Invalid performance information**

Recommendation

Management should review the performance information uploaded on the system, to ensure that all data recorded agrees to the supporting evidence and are accurate, valid and complete

The responsible KPI owner should review the supporting documentation provided for the achievement of TL24, TL25, TL26, and TL27 in order to ensure accuracy.

The responsible KPI owner should provide the correct supporting documentation to the performance management unit for uploading on the system for the outstanding POE

Root Cause	**Management Action Plan**

Lack of adequate review of the performance information uploaded on the system	Manager IDP and Institutional Performance The finding in terms of TL21 on invalid performance is incorrect. The reported performance is for quarter 4 of the 2021/2022 financial year. The performance comment is correctly identified as incorrect by the auditor and should read as not applicable and should reflect as No Comment / Corrective Measure Required Relevant line department are to respond to the finding. The Ignite system does provide a function for directors to review and approve all submissions. TL21-Manager IDP & Institutional performance agree that the target for the KPI should be in October. Manager IDP & Institutional performance will amend the performance comment on quarter 1 and update the achievement of KPI 21 in quarter 1. Senior Manager Income: TL24, TL25, TL26, TL27- management agree and will remove the vacant property from list. mun837 will still be used to report on this KPI; however, filters will look into tariffs column and category instead of only by service, due to properties having deferent tariffs for consumption and Basic charge, which caused them to be counted twice. TL 30 – 33 The indigent register status during the first quarter is at a draft stage, and only draft lists are submitted as the application process is still open, therefore the register only updated or available during the and quarter
4. Inadequate corrective measures	
Recommendation Where a lower level employee updates the Ignite Performance Management System, respective Directors should review and approve the information. For each non/under performance identified, there should be a reason for the none/under performance as well as a corrective measure to address it. Each corrective measure should clearly indicate the action plan that would be implemented to resolve the current non/under performance including the date when the action would be implemented The corrective measures provided for non/under performance in quarter 1 should be reviewed and amended.	
Root Cause The update of the Ignite Performance Management system by the lower level staff is not being reviewed by their respective supervisors for approval. Lack of review and monitoring of the updated information on the Ignite Performance Management System	**Management Action Plan** Manager IDP and Institutional Performance: I agree with the finding. I further advice that reported performance, specifically our Section 52(d) reports should be presented to the Section 80 committees, from where direct interrogation of reported performance should be undertaken. Senior Manager Income: TL24 – The investigation regarding the number of properties which refuse is removed once per week will be reported back at the end of Q3, as we will need to check previous reports as well as current filter selection to ensure we report the actual and accurate figure, and this may affect the targeted number, which will require adjustments

5. Lack of review of the approved SDBIP uploaded on the performance management system

Recommendation

The manager responsible for performance management should ensure that the performance information uploaded by the service provider is reviewed in order to ensure the accuracy and completeness of the performance information uploaded.

The information should be reviewed before the systems becomes active for the new financial year

The performance management unit should keep a record of the review for audit purposes.

Root Cause	Management Action Plan
Lack of management oversight	Management will continue to review the SDBIP before and after uploading to avert potential errors in collaboration with the departments and the appointed service provider.

6. Lack of review of the performance information reported on the system

Recommendation

The manager responsible for performance management should enforce the use of the review function by the departments.

Root Cause	Management Action Plan
Management does not exercise their responsibility of oversight regarding performance reporting.	The review function on the system provides the Directors with the opportunity to review and approve all submissions. We will provide continuous support and training to all users.

7. Non-compliance on the conclusion of the performance agreements

Recommendation

The Acting Director Corporate Services should conclude his performance agreement as required by legislation

The signed performance agreement should be placed on the municipal website.

Root Cause	Management Action Plan
Non-compliance not monitored	Performance agreement was circulated to director on 01/11/2022 – the signed agreement was only received by our office on 06/02/23 after numerous follow-ups. The Acting Director undersigned his performance agreement on 24 November 2022.

8. Non-compliance on the publication of the 2022/2023 SDBIP.

Recommendation

The 2022 /2023, SDBIP should be advertised on the local newspapers and the record should be kept for audit purposes.

Root Cause	Management Action Plan
Non-compliance not monitored	Management do not agree with the finding. Management indeed publicised the approved SDBIP as required by Regulation 19. The extending of the publicising of the SDBIP in local newspapers were delayed due to administrative errors w.r.t the processing of an order. This was a once-off occurrence which was beyond the control of the leading

<table>
<tr><td></td><td>department. The municipality has since publicised the SDBIP in local newspapers.

The Manager IDP & Institutional Performance will provide the Internal Audit function with proof of advertising the 2022/2023</td></tr>
<tr><td colspan="2">9. Non-continuous performance management</td></tr>
<tr><td colspan="2">Recommendation

The 2021/2022 annual performance reviews and the quarter 1-performance reviews of the 2022/2023 financial year of the Municipal Manager and managers directly accountable to the Municipal Manager should be performed.

The manager responsible for performance management should develop procedures on quarterly reviews and on formal performance evaluation [Mid-Year and Annual Performance Evaluation].

• The document should entail procedures on the following:
• Evaluation Panels
• Participation of the portfolio councillor in the evaluation process
• Evaluation Process
• Performance feedback
• Dispute management

The procedures should also be clear on the role of the human resource manager during the mid-year and annual performance assessment.

The manager responsible for performance management should establish procedures for quarterly reporting to Council to facilitate effective performance monitoring, evaluation and corrective action

The process/procedures for reviewing performance should be approved by Council.</td></tr>
<tr><td>Root Cause

• Lack of management oversight
• Lack of controls</td><td>Management Action Plan

Continued performance evaluation of Directors is done by the Accounting Officer on an informal basis.

The Municipal Manager in this instance address areas of underperformance in consultation with the incumbent. The Manager IDP/PMS do not partake or form part of these sessions.

The Annual Performance Evaluation cannot commence prior to the finalisation of the external audit by the Auditor General and Council approval of the Annual Report.

The annual performance evaluation for 2021/2022 will be scheduled in consultation with the Municipal Manager.

Management agrees that the establishment of procedures for quarterly reporting to Council is of value and important to support effective performance monitoring and evaluation.</td></tr>
<tr><td colspan="2">Lack of controls on dispute management</td></tr>
<tr><td colspan="2">Recommendation

• The manager responsible for performance management should develop procedures on dispute management.
• The procedures should clearly indicate how and what documents would be required when a dispute is lodged.
• The procedures should also stipulate the required time -period for each stage of the dispute management process.
• Key performance indicator that meet the required characteristics of a good indicator and SMART targets should be developed in order to measure the efficiency of the entire dispute management process.</td></tr>
<tr><td>Root Cause</td><td>Management Action Plan</td></tr>
</table>

Lack of management oversight	Management will develop procedures on dispute management, relating to performance evaluation outcomes. Management will develop the procedures in consultation with the Provincial Government of Western Cape and SALGA.

10. Performance feedback not given to employees after evaluations

Recommendation

- The manager responsible for performance management should ensure that performance feedback is given to the employees after each performance review of evaluation.
- The performance feedback should be given with a reasonable time after each performance review and assessment.
- The records of the performance feedback should be kept for record purpose.

Root Cause	Management Action Plan
Lack of management oversight	The Internal Audit Unit / Administration must however note that, Performance Evaluation information can only be made available after the completing of the evaluation process. The undersigning of the Performance Evaluation after completing by the Evaluation panel, allow for the sharing of evaluation outcome. The delay was caused, due to evaluation session not to have been completed, with Acting Directors not available to be evaluated and the process having to be resumed.

11. Remedial or development support not provided in cases of underperformance

Recommendation

- Management should ensure that a training and development plan is developed for each section 54/56 employee.
- Training and development needs should not only be identified during the completion of the performance agreements but also through continuous monitoring, quarterly reviews and annual assessments.

Root Cause	Management Action Plan
• Performance evaluations not used as a tool for informing and driving skills development needs, career progression and succession planning • Lack of controls on management of underperformance by section 54/56 employees	All under performance recorded prior, during and after proceedings must identify direct interventions required. The Human Resources department, Skills Section as relevant to identify interventions required in collaboration with the employee to respond on matters raised. The Manager IDP and Institutional Performance to hold a meeting with the HR manager to discuss the finding.

12. Strategic documentation not provided to the evaluation panel

Recommendation

The following documents should be submitted to the panel in preparation for each evaluation sessions in order for the panel to acquaint themselves with the content of the evaluation documents9:

- The approved SDBIP for the relevant financial year
- Performance Agreement for the relevant financial year
- Audited Annual Performance Report for the relevant financial year

Root Cause	Management Action Plan

Lack of oversight	The finding directs that the Performance Management Unit/Section did not make available to the panel the; • The approved SDBIP for the relevant financial year • Performance Agreement for the relevant financial year • Audited Annual Performance Report for the relevant financial year Whilst this finding is issued against the Performance Management Section. Finding is wrongly directed as per Section 6 of the Performance Agreement. As Manager responsible for Performance Management, I will however assist the employee (to be evaluated) and provide all listed documentation to the panel prior to the evaluation. The Manager IDP and Institutional Performance to hold a meeting with the HR manager to discuss the finding
13. Discrepancies in the calculation of the assessment score of the 2020/2021 annual performance evaluation	
Recommendation The manager responsible for performance management should ensure that the performance evaluation panel is provided with valid, accurate and complete information for the assessment. The following documents should be submitted to the panel in preparation for the evaluation sessions in time: • The approved SDBIP for the relevant financial year • Performance Agreement for the relevant financial year • Audited Annual Performance Report for the relevant financial year All evaluation panel members should, once the performance outcome recommendation have been produced and approved by all panel members, sign the relevant evaluation documentation before the meeting is adjourned.	
Root Cause The approved SDBIP, Performance Agreement and the audited Annual Performance Report not provided to the performance evaluation panel	**Management Action Plan** Management notes though do not agree with the finding. The Manager IDP & Institutional Performance to re-check the assessment documents and revert back to the Internal Audit
14. Awarded performance bonus not based on the employee's performance evaluation	
Recommendation Management and Council should ensure compliance to legislation.	
Root Cause Amending of the employee's performance award percentage without following the process	**Management Action Plan** Management notes the finding of the Internal Audit Unit. Management made specific recommendations to Council in line with the performance evaluation outcome. Council noted the recommendation of Management, but however resolved to award the Director Technical Services a performance bonus not commensurate with the evaluation outcome. Management actions have therefore been consistent with what is legislatively required. Council exercised its authority as the highest decision-making body of the Municipality.
15. The 2020/2021 Performance Bonus not based on affordability	
Recommendation	

Management should exercise their responsibility of financial management. The manager responsible for performance management should advice the evaluation panel on the municipality's affordability to pay the performance bonus during the performance evaluations.	
Root Cause Poor financial management	**Management Action Plan** Management agree with the finding.
Errors on the evaluation report	
Recommendation The manager responsible for performance management should review the report on the outcome of the performance evaluation and the reviewed report should be submitted to the chairman of the panel for final approval.	
Root Cause Lack of management oversight	**Management Action Plan** Management will develop and include a memorandum as annexure to the report, explaining the mistake. Management wish to advise the Internal Audit Unit that the payment of incorrect performance bonus was not informed or based on the calculation error. The recorded risk should thus be adjusted to read: Incorrect Performance Bonus could be awarded

2022/2023 Performance Management: Quarter three performance information

Finding & Root Cause	Recommendation and Action Plans
1. Performance not monitored	
Recommendation The responsible KPI owners should provide the correct supporting documentation to the performance management unit for uploading on the system within the due dates communicated by the performance management section. Directors or their delegates must review and sign off on the performance information captured into Ignite as confirmation that complete, valid and accurate information is provided for inclusion in the quarterly reports. For any non or under-performance, a corrective measure that address the non or under performance should also be provided for each KPI The Manager responsible for Institutional performance should review the performance information, together with the required supporting evidence prior to reporting to confirm that: ▪ The reported performance information is valid, accurate and complete. ▪ The reported performance is supported by the required source of evidence (valid and complete). The Manager responsible for Institutional performance should ensure that performance information in the Section 52(d) report is accurate and complete by reviewing the information entailed in the draft report against the Ignite system before final submission to the Accounting Officer and Council. The quality certification that is included in the quarterly report should be amended and include a statement relating to the reliability of reported performance information.	
Root-cause Lack of pre-audit by the performance management unit	**Management Action Plan** **Manager Income:**

Capacity constraints in the performance management unit Lack of an adequate review process of the performance management system by senior management	Manager Income to provide the performance management unit with the level achievement for Q3 and POE for updating on the performance management system **Senior Clerk IDP:** The updates will be reported to the Manager IDP/PMS for his direction. Late Updates will from here onwards only be done upon a formal request from the KPI Owners for record purpose. **Acting CFO [Manager Expenditure]:** Manager Budget to provide the performance management unit with the level achievement for Q3 and POE for updating on the performance management system **Project Coordinator: Integrated Human Settlements:** Information to be submitted to the Performance management section and internal audit. **Chief Risk Officer:** To provide the performance management section with the level of achievement for updating on the system
2. Appointment of section 56 Employees not subject to a performance agreement	
Recommendation The manager responsible for performance management should ensure that performance agreements are concluded within the legislated time frame.	
Root-cause Refusal to implement the council resolution	**Management Action Plan** All performance agreements signed are filed and those signed late are reported to the Accounting Officer
3. Performance Agreement not concluded within 60 days of appointment[Repeat Finding]	
Recommendation The Manager responsible for Institutional performance should ensure that compliance to legislation is monitored	
Root-cause • Lack of management oversight • Lack of controls • Disregard for national policies and procedures	**Management Action Plan** All performance agreements signed are filed and those signed late are reported to the Accounting Officer
4. Invalid/inaccurate portfolio of evidence submitted in support of reported performance.	
Recommendation Lack of adequate review of the performance information uploaded on the system	
Root-cause Lack of adequate review of the performance information uploaded on the system	**Management Action Plan** Acting Manager Administration to provide the correct POE to the performance management unit for updating on the performance management system
5. Performance Agreements not placed on the municipal website	
Recommendation The Manager responsible for Institutional performance should ensure that compliance to legislation is monitored. The manager responsible for performance management should ensure that the signed performance agreements of the acting directors are placed on the website of the municipality	

Root-cause Lack of controls in ensuring the website is updated Management oversight	**Management Action Plan** Placing of the performance agreement on the municipal website
6. Non-continuous performance management [Repeat Finding]	
Recommendation The performance management unit should ensure that the performance reviews are conducted as legislated.	
Root-cause Lack of management oversight Lack of controls	**Management Action Plan** Information to be submitted to Internal audit for verification

ICT Applications Controls Review

Finding & Root Cause	Recommendation and Action Plans
1. Inadequate Segregation of Duties Configured on the Creditors and Commitments Control Module	
Recommendation Implement Segregation of Duties: Separate the tasks of creating and paying invoices between different individuals. This way, one person's work acts as a check on another's. ▪ Periodic Reviews: Regularly review user access rights and system activity to detect any inconsistencies or unusual patterns. ▪ Training: Provide regular training for staff to ensure they understand the importance of segregation of duties and the risks associated with its violation. ▪ Robust Audit Trails: Implement systems that provide clear audit trails for all transactions. This helps in identifying any unauthorized or unusual transactions. ▪ Establish Approval Processes: Set up a requirement for approval from an independent party before payments are finalized. By addressing this issue, Knysner Local Municipality will be able to reduce its risk exposure, maintain the integrity of its financial transactions, and ensure adherence to established internal controls and regulation	
Root Cause This was caused by lack of resources to perform the functions within the department due to a resignation of a key resource	**Management Action Plan** Management agree with the fact that the Accountant have access to both capturing and updating of invoice batches on the system, however cannot authorise any payment. Before payment is processed a due payment listing report with reconciliation and supporting documents is submitted by the Accountant to the Manager Expenditure to verify and check and approve before payment is loaded. Then reconciliation together with Standard Bank payment report is submitted to the Manager Expenditure to verify on Standard Bank before it is send to the two authorizes to release payment. However, as a temporary action all batches captured by the Accountant is check and updated by the Manager Expenditure. Furthermore as an addition control I will discussed with R-data to put a control that the person who captured a batch cannot update a batch
2. No Evidence of Change Request forms being kept to support changes that have been made to the Promun application for the year under review.	
Recommendation Based on our findings, we recommend the following actions for the management to consider:	

- Implement Change Request Procedures: Establish and enforce a strict policy where all changes to applications must be documented using Change Request forms.
- Training: Conduct training sessions to educate staff on the importance of filling out Change Request forms and the potential consequences of not doing so.
- Periodic Reviews: Regularly review the system change logs against the Change Request forms to ensure all changes are properly authorized and documented.
- Define Roles and Responsibilities: Clearly define who is responsible for approving and implementing changes, and who should maintain and review the Change Request forms.
- Establish a Change Management Committee: Consider setting up a dedicated committee or a point person to oversee all change management processes.

Implementing these recommendations would not only provide a clear audit trail for changes but also establish greater accountability and control, thereby ensuring the integrity and stability of the Promun application.

Root-cause	**Management Action Plan**
The governance processes of the application are not fully managed by the ICT department thereby not following all the procedures and processes defined by the local ICT department	In agreement with findings. Quarterly reviews will be done, to avoid potential risks. Will liaise with Internal auditors with regards to the establishment of a Change Management Committee.

3. Inadequate Incident and Issues Logged Management Procedure

Recommendation

Based on our findings, we recommend the following actions for the management to consider:

- Enhance Issue Logging: Improve the issue logging process to capture all relevant details as outlined above. This will facilitate better issue management and resolution.
- Training: Provide training to staff on the importance and process of detailed issue logging.
- Periodic Reviews: Regularly review the incident logs to ensure all necessary details are captured and issues are resolved in a timely manner.
- Implement a Issue Tracking System: Consider investing in a dedicated issue tracking system that prompts for all required information and helps manage issues more effectively.
- Define Roles and Responsibilities: Clearly define who is responsible for logging issues, who should review them, and who should resolve them.

Root-cause	**Management Action Plan**
The governance processes of the application are not fully managed by the ICT department thereby not following all the procedures and processes defined by the local ICT department	A comprehensive incident management tracking log will be designed to keep record of all issues logged.

4. Governance Controls implemented and maintained by system administrators of Promun and not the ICT Department

Recommendation

To address these concerns, we recommend the following actions for management to consider:

- Realign Responsibilities: Reassign the governance-related controls to the ICT Department, ensuring that there's an appropriate separation of duties and a higher level of oversight.
- Training and Awareness: Conduct training sessions for both the ICT Department and system administrators, reinforcing the importance of their distinct roles and responsibilities.
- Regular Audits: Implement regular audits of governance-related controls to ensure compliance and identify any potential gaps in the process.
- Clear Policies: Develop and enforce clear policies outlining the roles and responsibilities of the ICT Department and system administrators.

- Establish a Governance Committee: Consider establishing a dedicated governance committee that includes representation from the ICT.

By implementing these recommendations, the municipality can ensure a better separation of duties, improve oversight, and increase compliance with governance-related controls, thereby strengthening the overall integrity and performance of the Promun application

Root-cause	**Management Action Plan**
Historic configuration of roles and responsibilities	The Systems administrator is currently reporting to both the CFO(85%) and ICT Department (15%).

5. Inadequate Disaster Recovery Testing Documentation

Recommendation

To address these issues, we recommend the following actions for management to consider:

- Enhance DR Testing Documentation: Improve the documentation process to capture all the critical components of the DR testing process.
- Training: Conduct training for staff on the importance of comprehensive DR testing and documentation.
- Periodic DR Testing: Regularly conduct and document DR testing to ensure the effectiveness of the DR plan and identify areas of improvement.
- Develop a DR Test Plan: Formulate a comprehensive DR test plan that outlines the test scenarios, expected results, roles and responsibilities, and the process for documenting the test.
- Post-Test Review: Conduct a post-test review to evaluate the test results, identify gaps, and outline remedial actions.

Root-cause	**Management Action Plan**
Lack of dedicated procedures for the management of DR for Route Master and Promun	Management is in agreement with the finding for not providing comprehensive documentation relating to the Disaster Recovery Testing. The Disaster Recovery Testing Template / documentation will be completed going forward when conducting the Disaster Recovery Tests.

Prepaid Electricity: Management Letter Point Follow-Up FY23

1. Requested information not submitted within the required timeframe

Recommendation

It is recommended that:

Management adequately files all supporting documents relating to prepaid electricity to make sure that all relevant information and documentation is easily retrievable when required

Internal Audit Comments:

MLP 3 & 5 –The Promun System user access rights and the supporting evidence for the refunds recorded on the reconciliations, were presented to Internal Audit during the reporting phase of this project whilst discussing these findings and recommendations (and not during the execution phase of the audit when initially requested and followed up upon, which would have enabled testing to be performed). MLP 10 & 11 – During the reporting phase of this project whilst discussing these findings and recommendations, management provided further details regarding the sample that was selected and noted that cancellation forms do not form part of the types of cancellations selected for testing. The level of implementation could not be tested as the explanations relating to the sampled transactions were not submitted to Internal Audit at the time of requesting and following up on the relevant supporting documentation during the execution phase of this project, which would have enabled Internal Audit to replace the initial sampled items with another sample to enable testing.	
Root Cause Inadequate recordkeeping.	**Management Action Plan** Management submitted outstanding documentation after it was reported as outstanding
2. Exceptions noted with regards to the Ontec – Prepaid Electricity Reconciliation	
Recommendations: **It is recommended that:** Management should review the heading of the reconciliation to include prepaid water. Taking cognisance of the initial 3-year contract period and that it has passed, it is further recommended, in line with prudent Supply Chain Management processes, that the municipality commences a competitive bidding process for a prepaid electricity service provider.	
Root cause: Inadequate review (and follow up procedures) between the settlement reports, bank statements and Monthly Management Reports	**Management Action Plan** The recommendations are noted. The tender for prepaid vending has been advertised. The closing date for submission is 14 June 2023

Knysna Municipality Procurement FY23

Finding & Root Cause	Recommendation and Action Plans
1. Supporting documentation relating to annual review and workshop of SCM Policy not presented within the required timeframe	
Recommendation ▪ Adequate recordkeeping principles be implemented in order to confirm, amongst others, that supporting documentation relating to the following is adequately filed and retrievable for audit purposes: ▪ Proof of submission of the draft Knysna Municipality SCM Policy, with suggested updates, by the Manager: SCM to the CFO for review and approval. ▪ Proof of review and approval of the draft Knysna Municipality SCM Policy by the CFO. ▪ Proof that the Knysna Municipality SCM Policy was workshopped with the relevant role players.	
Root Cause • Lack of adequate recordkeeping. • Absence of the Manager: SCM and related Acting CFO at the time of the Internal Audit project	**Management Action Plan** • Management agrees with the findings and the recommendations will be implemented. • As indicated in the body of the findings, the attendance register of the Budget Workshop was provided. The proof of Council approval of the SCM Policy, as it relates to the latest policy that was approved in May 2023, was also presented to Internal Audit.

<table>
<tr><th colspan="2">2. Lack of valid supporting documentation to reflect SCM Policy Council approval</th></tr>
<tr><td colspan="2">Recommendation
▪ Approval of the Knysna Municipality SCM Policy is supported by valid supporting documentation (E.g., Final and approved Council minutes which reflect the sign-off (signature and date) by the Speaker.)
▪ Management include the “Council Policy Approval Resolution Reference” in the “Version Control” table of the SCM Policy in order to reflect the approval of Council and a quick reference to the related Council resolution.</td></tr>
<tr><td>Root Cause
• Council meeting minutes are not signed-off by the Speaker to reflect approval.
• “Version Control” table included in SCM Policy does not reflect the Council Policy Approval Resolution reference.</td><td>Management Action Plan
• Management agrees with the findings and the recommendations will be implemented. • Confirmation of the approval of SCM Policy was also presented to Internal Audit. (This however related to the policy that was approved in May 2023, which will be effective from 1 July 2023).</td></tr>
<tr><th colspan="2">3. Consideration relating to the implementation of Procurement Process Ranges</th></tr>
<tr><td colspan="2">Recommendation
▪ Management inspects the observations relating to the high-level review/analysis performed on the limited sample of orders selected.
▪ Management considers whether instances were identified which could have been addressed in a single transaction/request for quotation.
▪ Management considers the information presented for future planning and budgeting purposes.
▪ Management performs their own analysis of the order details in order to assist in future planning and budgeting processes to prevent that the incorrect procurement ranges is utilised.</td></tr>
<tr><td>Root Cause
• Lack of proper planning and budgeting.</td><td>Management Action Plan
Management will focus on the instances highlighted in the finding for future planning and budgeting purposes.
In future, an analysis on the order details will be performed to assist in future planning and budgeting processes to prevent that the incorrect procurement ranges are utilised.</td></tr>
<tr><th colspan="2">4. Inconsistencies identified in Knysna Municipality SCM Policy relating to ranges of procurement</th></tr>
<tr><td colspan="2">Recommendation
Management inspects the inconsistencies with reference to the ranges of procurement terms identified and considers updating the policy to be in line with the terms utilised in the SCM Regulations.</td></tr>
<tr><td>Root Cause
• Terms not consistently utilised throughout the Knysna Municipality SCM Policy. (E.g., Section 14: “Value over R2 000 up to R30000” versus Section 60: “R2001 to R29 999” versus Section 61: “R2 000 to R30 000”.)</td><td>Management Action Plan
With the next update of the SCM Policy, consideration will be given to look at the inconsistencies identified, and updates will be processed in accordance with the SCM Regulation’s wording.</td></tr>
<tr><th colspan="2">5. Observations/Exceptions noted regarding MBD 4, MBD 6.1, MBD 15 and/or related supporting documentation</th></tr>
<tr><td colspan="2">Recommendation
▪ The required forms and supporting documentation presented by the Prospective Providers should be reviewed for accuracy, validity, and completeness.</td></tr>
</table>

- The File Index should be utilised (e.g., Remarks) for instances that the Compiler/Preparer needs to highlight certain aspects to the Reviewer/Approver. (E.g., where possible exceptions relating to the accuracy, validity and/or completeness were identified.)
- Instances where the required documentation was not presented and subsequently requested and/or obtained should be highlighted on the File Index.
- Instances where expiry dates are applicable to the supporting documentation should be highlighted on the File Index.
- Instances where a supplier has an outstanding (arrears) account, supporting documentation which reflect that the account was fully settled, should be adequately filed.
- The Assessment Reports should be adequately reviewed in order to confirm that the information reflected on the report agrees to the supporting documentation.
- Attention to detail be given during the compilation and review of the RFQ File Index and Assessment Reports.

Please also refer to MLP 7: Exceptions noted regarding the implementation of the RFQ File Index

Root Cause	Management Action Plan
• Lack of adequate review of supporting documentation. • Lack of capacity within the SCM Section.	The lack of capacity should be noted; however, management agrees with the findings and the recommendations will be implemented. The RFQ File Index will be updated to include the sign-off of an “Approver”. The Approver(s) will satisfy themselves that the information reflected on the RFQ File Index and Assessment Report is valid, accurate and complete before signing off on the documentation.

6. Supplier information presented not complete and/or differ from supplier information captured on Promun

Recommendation

- The documentation presented by the Prospective Providers should be adequately reviewed and measured against the SCM Regulations and SCM Policy requirements in order to confirm compliance.
- A statement, where the Prospective Provider authorises the municipality to verify the documentation submitted with reference to Section 11(b) of the SCM Policy be included in the Request for Quotation documentation.

Root Cause	Management Action Plan
Lack of adequate review of supporting documentation and captured information on the system.	• Management agrees with the findings and the recommendations will be implemented. • A statement for the supplier to authorise the Municipality to verify any of the documentation referred to in the related section will be implemented. • With reference to the exception noted regarding Obhejane Trading (Pty) Ltd: The incorrect VAT registration number has been corrected on Promun.

7. Exceptions noted regarding the implementation of the RFQ File Index

Recommendation

- The RFQ File Index be implemented relating to all Written and Formal Quotations.
- Provision be made for the name of the Successful Supplier to be indicated on the RFQ File Index.
- Provision be made for the Name, Designation and Sign-off Date of the Preparer.
- Provision be made for the Name, Designation and Sign-off Date of the Manager: SCM.
- The Preparer, Reviewer/Approver, the person who applied corrections (Corrections applied) and the Manager: SCM sections should be adequately and fully completed and signed-off.

- The "Cross Reference" and "Remarks" columns should be utilised for their intended purposes or reconsidered.
- The Assessment Report be included and reviewed for accuracy, validity, and completeness before it is signed and marked-off on the File Index by the Reviewer/Approver.
- Provision be made for an "Expiry Date"/"Date" to be reflected with reference to e.g. 9.1 Valid Tax Clearance certificate, 9.2 BBBEE Certificate, 9.3 Municipal Accounts.

• The "Expiry Date"/"Date" be completed in order to easily identify instances where documentation is not valid or where updated documentation will have to be requested and/or obtained.

Please also refer to **MLP 5: Observations/ Exceptions noted regarding MBD 4, MBD 6.1, MBD 15 and/or related supporting documentation.**

Root Cause	Management Action Plan
• RFQ File Index does not make adequate provision for the sign-off by the Preparer and Reviewer/Approver. • All fields provided for on the RFQ File Index are not utilised.	Management agrees with the findings and the recommendations will be implemented. The following is however noted: • Consideration will be given to necessity of the fields that are currently not utilised and updates will be processed accordingly •With reference to documenting the expiry dates – it should be noted that tax statuses changes on a daily basis. The tax status compliance is indicated as "Y"/"N" at the time of evaluation/award. It is therefore not necessary to add the specific expiry date on the RFQ File Index.

8. List of Prospective Providers to be compiled per commodity and per type of service

Recommendation

It is recommended that:

- For all Supplier Registrations, the "Type of Services" and "Commodities" indicated on the Supplier Registration Forms submitted should be captured on the Knysna Municipality Supplier Database by the Data Capturing Section.
- The Category options be standardised when captured on the Knysna Municipality Supplier Database, in order to enable an effective filtering function.
- After the Supplier Registration has been captured and approved by the Manager: SCM, the information as per the Supplier Registration Form should be compared to the information captured on the Knysna Municipality Supplier Database in order to confirm that the updates to the Supplier Database was valid, accurate and complete.
- Should any differences be identified, authorised updates should be processed.
- The completeness of the Category fields in the Knysna Municipality Supplier Database be assessed and accordingly updated in order to confirm that the "Type of Service" and related "Commodity" are reflected for all suppliers.
- The updated List of Prospective Providers (Knysna Municipality Supplier Database) be utilised, in accordance with Section 12(4) of the Knysna Municipality SCM Policy to invite price quotations in a manner that promotes on-going competition, include on a rotation basis

Root Cause	Management Action Plan
The "Type of Service" and "Commodity" indicated on the Supplier Registration Form are not always captured in the "Category" fields on the Knysna Municipality Supplier Database.	Management agrees with the findings and the recommendations will be implemented.

9. Observations regarding the completeness of information reflected on the List of Accredited Prospective Providers

Recommendation

It is recommended that:

- **Supplier Registration Application Number and Application Date:**

The Application Number and Application Date, with reference to the registration of a supplier on the Knysna Municipality Supplier Database, be recorded in order to reflect on the Supplier Database.

- **Registration on Knysna Municipality's Supplier Database (Supplier Number):**
  - The suppliers be informed of their unique Knysna Municipality Supplier Number in order to record it on the "Contact Details of Tenderer" document when submitting quotations/tenders.
  - As part of the evaluation of quotations received, the Knysna Municipality Supplier Database be inspected to:
    Confirm the accuracy of the recorded Supplier Number. Record the Supplier Number in cases where it is not indicated on the "Contact Details of Tenderer" document by the supplier in order to reflect that the supplier is in fact registered on the Knysna Municipality Supplier Database.
- **Registration on National Treasury's CSD:** • The National Treasury CSD Reference number be recorded on the Knysna Municipality Supplier Database in order to reflect that the supplier is registered on the National Treasury CSD.

Please also refer to **MLP 8: List of Prospective Providers to be compiled per commodity and per type of service.**

Root Cause	**Management Action Plan**
All fields available (which include, amongst others, the following) on the Knysna Municipality Supplier Database are not completed when supplier registrations are updated on the system: ▪ CSD Number ("CSD No") ▪ Application Number ("Applic No") ▪ Application Date ("App Date")	Management agrees with the findings and the recommendations will be implemented. • Our tender documents requires that the suppliers must provide their National Treasury CSD Number.

10. Observation regarding reason for the elimination of majority of quotations submitted (Written/Verbal Quotations)

Recommendation

It is recommended that:

Adequate planning during the strategic planning and budgetary processes be implemented in order to identify instances where e.g. the Formal Written Quotation or Competitive Bidding process should be followed, instead of the Written/Verbal procurement process.

Please also refer to **MLP 3: Consideration relating to the implementation of Procurement Process Ranges.**

Root Cause	**Management Action Plan**
• Lack of proper planning and budgeting	Adequate planning during the strategic planning and budgetary processes will be implemented in order to identify the correct manner of approaching the market.

11. Inconsistencies/Exceptions noted on inspection of Assessment Report (Written/Verbal Quotations)

Recommendation

It is recommended that:

- The Assessment Report should be compiled, based on valid, accurate and complete supporting documentation.
- The Reviewer/Approver should, amongst others, confirm that:
  - The information is correctly reflected based on inspection of the related documentation.

- The names and quoted prices of the suppliers are accurately recorded on inspection of the Quotation Opening Register and Pricing Summaries received from the suppliers.
- The status (Yes/No) relating to the "Tax Clearance", "Local Content", "BBBEE" and "VAT Registered" fields are recorded accurately and validly based on inspection of the related supporting documentation.
- The Elimination section and related reasons recorded for the elimination of suppliers (non responsive) are valid and complete, based on inspection of the supporting documentation.
- All calculations are accurately reflected.
- The recommendation is valid based on the supporting documentation and that the "Lowest Responsive and Realistic RFQ" and "RFQ Price" fields are, amongst others, accurately updated.

- The Assessment report be updated to reflect the "Name and Surname"," Designation and Role", as well as the "Date" for each sign-off:
- The Sign-off section should be fully completed. (Signed and dated by all signatories.)

Root Cause	Management Action Plan
• Lack of adequate review of Assessment Reports. • Lack of capacity in the SCM Section.	• Management agrees with the findings and the recommendations will be implemented. • Please note that the instances where a "Cred No" is not indicated, it relates to suppliers who are not yet registered on the Knysna Municipality Supplier Database. Consideration will however be given to delete the "Cred No" column from the Assessment Report. The name of the successful supplier (which is regarded sufficient) will be reflected on the RFQ File Layout.

12. Lack of supporting documentation presented regarding approval of Written/Verbal Quotation

Recommendation

• Supporting documentation that reflect the approval of orders be adequately filed in order to be easily retrievable to be presented for audit purposes.

Root Cause	Management Action Plan
• Lack of adequate recordkeeping.	• Orders are approved on the Financial System and physically signed off. • The physically signed-off order is filed at the Creditors Section

13. Observation regarding reason for the elimination of majority of quotations submitted (Formal Written Quotations)

Recommendation

It is recommended that:

- Management should analyse the instances, where especially the majority of the suppliers were regarded as non-responsive due to the quoted price being above the R200 000 threshold.
- Adequate planning during the strategic planning and budgetary processes be implemented in order to identify instances where Competitive Bidding processes should be followed, instead of the Formal Written Quotation procurement processes.

Please also refer **to MLP 3: Consideration relating to the implementation of Procurement Process Ranges**.

Root Cause	Management Action Plan
• Lack of proper planning and budgeting. • Lack of adequate review of Assessment Reports. • Lack of capacity in the SCM Section.	• Management agrees with the findings and the recommendations will be implemented.

14. Inconsistencies/Exceptions noted on inspection of Assessment Report (Formal Written Quotations)

Recommendation

It is recommended that:

Assessment Reports:

- The Assessment report should be compiled, based on valid, accurate and complete supporting documentation.
- The Reviewer/Approver should, amongst others, confirm that:
  - The information is correctly reflected based on inspection of the related documentation.
  - The names and quoted prices of the suppliers are accurately recorded on inspection of the Quotation Opening Register and Pricing Summaries received from the suppliers.
  - The status (Yes/No) relating to the "Tax Clearance", "Local Content", "BBBEE" and "VAT Registered" fields are recorded accurately and validly based on inspection of the related supporting documentation.
  - The Elimination section and related reasons recorded for the elimination of suppliers (nonresponsive) are valid and complete, based on inspection of the supporting documentation.
  - All calculations are accurately reflected.
  - The recommendation is valid based on the supporting documentation and that the "Lowest Responsive and Realistic RFQ" and "RFQ Price" fields are, amongst others, accurately updated.
- The Assessment report be updated to reflect the "Name and Surname"," Designation and Role", as well as the "Date" for each sign-off:
- The Sign-off section should be fully completed. (Signed and dated by all signees.)

Quotation Opening Register:

- Attention should be given to clearly record the details and quoted amounts as per the submitted quotations received from the Prospective Providers.
- Attention should be given to record the legal name of the suppliers.
- It should be confirmed that two municipal officials sign the Quotation Opening Register. Please also refer to **MLP 17: Observations relating Quotation Opening Register (Formal Written Quotations)**

Root Cause	Management Action Plan
• Lack of adequate review of Assessment Reports. • Lack of capacity within the SCM Section.	• Management agrees with the findings and recommendations will be implemented.

15. Lack of supporting documentation and exceptions noted relating approval of Formal Written Quotations

Recommendation

- Supporting documentation that reflect the approval of orders be adequately filed in order to be easily retrievable to be presented for audit purposes.
- As part of the Assessment Report review, the Reviewer/Approver should confirm that the report is timely signed-off by delegated officials. It should also be confirmed that the Manager: SCM sign-off on the Assessment Report.

Please also refer to **MLP 14: Inconsistencies/ Exceptions noted on inspection of Assessment Report (Formal Written Quotations)** for recommendations relating to the review of the Assessment Reports.

Root Cause	Management Action Plan
• Lack of adequate recordkeeping.	

• Lack of adequate review of the Assessment Report.	▪ Management agrees with the findings and the recommendations will be implemented. (The physically signed-off orders are filed at the Creditors Section.)

16. Lack of supporting documentation to confirm reporting and approval requirements relating to Type C Orders (Formal Written Quotations)

Recommendation

It is recommended that:

- Monthly reports, that reflect all the Type C Orders (instances where the required three quotations were not received after advertisement), should be compiled and adequately filed.
- Where possible specific reasons should be recorded for why less than the required number of quotations were received.
- The monthly reports should be submitted within three days of the end of the month to the CFO for approval.
- Proof of submission and approval should be adequately filed for audit purposes.

Root Cause	Management Action Plan
▪ Absence of Manager: SCM and Acting CFO at the time of the audit procedures. ▪ Lack of adequate recordkeeping.	▪ Management agrees with the findings and the recommendations will be implemented. • Type C orders will be included in the monthly and quarterly reports on the implementation of SCM Policy.

17. Observations relating Quotation Opening Register (Formal Written Quotations)

Recommendation

• Clear procedures for the opening of the "Quotation/Tender Box", as well as the recording of the supplier information on the "Quotation Opening Register" should be highlighted to the relevant officials.

• Two municipal officials be present at the opening and recording of the quotation details, which should be done in the presence of a public audience.

• The "Quotation Opening Register" should be datestamped and both municipal officials should sign the register.

• Each quotation pack should be separately and securely safeguarded in order to not be mistaken for being part of another RFQ.

Root Cause	Management Action Plan
• Human error.	• These processes are in place. • Management will highlight the procedures to the relevant officials again

18. Recordkeeping and filing of SCM related documentation (Storage space concern)

Recommendation

- Adequate and secure filing space be identified in order to store and file SCM related documentation.
- Adequate record management principles be applied in order to confirm that all related documentation is adequately (completely and securely) filed.

Root-cause	Management Action Plan
Lack of adequate and secure filing/storage space within the SCM Section.	Management agrees the finding and the recommendations will be implemented.

<table>
<tr><td></td><td></td></tr>
<tr><td colspan="2">19. Lack of supporting documentation presented to confirm monthly Reporting on Written or Verbal Quotations and Formal Written Price Quotations</td></tr>
<tr><td colspan="2">Recommendation
It is recommended that:
▪ Monthly reports, to notify the CFO in writing of all Written or Verbal Quotations and Formal Written Price Quotations accepted by an official acting in terms of a sub delegation, should be compiled and timely submitted to CFO.
▪ Proof of submission should be adequately filed for audit purposes.</td></tr>
<tr><td>Root-cause
• Absence of Manager: SCM and related Acting CFO at the time of the audit procedures.
• Lack of adequate recordkeeping</td><td>Management Action Plan
▪ RFQs already form part of the monthly and quarterly reports on the implementation of the SCM Policy.
▪ B and C orders will also be included in the reporting in the new financial year.
▪ Proof of timely submission will be adequately filed for audit purposes.</td></tr>
<tr><td colspan="2">20. Lack of valid supporting documentation presented regarding submission and review of Monthly SCM Report (which include Deviation Register details)</td></tr>
<tr><td colspan="2">Recommendation
▪ Adequate records be kept of the submission and review of the Deviation Register.
▪ Provision be made for the Preparer and Reviewer to sign-off on the monthly Deviation Register compiled and reviewed.
▪ Adequate and valid records be kept of the submission of the Monthly/Quarterly SCM Reports by the Manager: SCM to the CFO. • Supporting documentation should be adequately filed in order to be easily retrievable for audit purposes</td></tr>
<tr><td>Root-cause
▪ Inability to present related supporting documentation due to the absence of Manager: SCM and the related Acting CFO at the time of the audit procedures.
▪ Lack of adequate review of the Deviation Register based on inspection of supporting documentation.
▪ Lack of adequate recordkeeping.</td><td>Management Action Plan
• The processes are in place.
• The Deviation Reports already form part of the monthly and quarterly report on the implementation of SCM policy.
• Attention will be given to retrieve supporting documentation timeously.
• The Preparer and Reviewer functions relating to the Deviation Register will be reflected in the email correspondence between the various responsible officials.</td></tr>
<tr><td colspan="2">21. Differences noted on comparison between the Order Report and Deviation Register</td></tr>
<tr><td colspan="2">Recommendation
It is recommended that:
▪ Management inspects the differences noted with reference to the two deviations highlighted.
▪ Management obtain and verify reasons for the differences.
▪ Management process and report any amendments, if applicable.</td></tr>
<tr><td>Root-cause</td><td>Management Action Plan</td></tr>
</table>

Lack of adequate review	Management will inspect the differences noted with reference to the two deviations highlighted. Exceptions noted will be rectified.

22. Observations/Exceptions noted on inspection of Deviation Register and supporting documentation presented

Recommendation

It is recommended that:

- **Completeness of supporting documentation:**
  A Deviation Application Checklist be implemented in order to confirm that all the required information (included in the related Deviation Application Form) is adequately filed for audit purposes.

- **Reference to incorrect section in the SCM Policy:**
  - The Deviation Application form be updated to reflect either:
  - Application for Deviation in terms of Section 36 of the SCM Regulations;
  - Application for Deviation in terms of Section 34 of the SCM Policy.
- **Provision not made for Budget Section sign-off date:**
  The Deviation Application form be updated to include a sign-off date for the Budget Section.

- **Deviation Approval Date:**
  The responsible officials should confirm that he/she completes all the necessary fields provided on the Deviation Application form, including the Sign-Off Date.

  The responsible officials should review the Deviation Application form and only sign and date the form if the official who signed-off before him/her completed all the required sections allocated to him/her
- **Motivation/Reasons for Deviation:**
  The monthly Deviation Register should be adequately reviewed and compared to the approved Application for Deviation form in order to confirm that the correct information is reflected on the Deviation Register, which is utilised in further SCM reporting.

  Approvers should confirm that all Applications for Deviations approved is in compliance with Regulation 36(1).

- **Services rendered before Deviation Approval Date**:
  It is highlighted that services are not rendered before the required Deviation approval is obtained

Root-cause	**Management Action Plan**
• Lack of adequate review procedures.	Management agrees with the findings and the recommendations will be implemented. The deviation template will be updated accordingly.

23. Inaccurate and incomplete reporting on deviations to Council

Recommendation

It is recommended that:

- The Deviation Registers and Monthly SCM Reports should be adequately reviewed.
- Council items should be prepared based on accurate, valid and complete supporting documentation.
- Council items should be reviewed in order to confirm that it is accurate, valid and complete.
- Adequate monitoring procedures should be put in place to confirm that all Deviations are reported to Council.
- Council meeting minutes should be signed by the Speaker timely as evidence of approval, preferably at/just after the meeting where the minutes have been approved. The actual sign-off date should be reflected.

<table>
<tr><td colspan="2">

- Approved Council minutes should be adequately filed in order to be easily retrievable for audit purposes.

</td></tr>
<tr><td>

Root-cause
• Lack of adequate review functions.
• Lack of adequate approval and sign-off procedures relating to Council meeting minutes.

</td><td>

Management Action Plan

Management will confirm that:

- The Deviation Registers and Monthly SCM Reports are adequately reviewed
- Council items are prepared based on accurate, valid and complete supporting documentation.
- Council items are reviewed in order to confirm that it is accurate, valid and complete.
- The exceptions noted with reference to the completeness and accuracy of the Deviation amounts reported to Council will be inspected and rectified.
- Approved Council minutes/Council Resolutions that relate to SCM processes, will be obtained and filed accordingly in order to ensure that they are easily retrievable for audit purposes.

</td></tr>
</table>

OPCAR 2021-2022

Finding	Classification	Control Component	Number of times	Recommendation	Remedial Actions Taken/To be taken	By Whom	Target date	Progress status	Progress comments
Performance management not performed for all staff members	Non-compliance with legislation deficiency	Leadership Financial and performance management	3	Management should develop and adopt a performance management system for all the staff of Knysna Municipality.	A policy on individual Performance Management was submitted to Council for approval and approved during May\June 2022.	Manager HR	2023/06/30	In progress	Approved Policy under review, to be tabled at the Council 30 September 2023 The majority of the Managers reporting to Directors, save for those on Suspension have completed and submitted signed Performance Agreements for the last quarter of 2022.24 Financial Year. The Approved Departmental SDBIPs have been requested from the PMS Section but not all Departments have been completed. Roll out for the year is dependent on approved SDBIP Kpi's. Not all Risk KPI's have been updated and received. Roll out Performance Agreement for lower level staff will be completed on those sections where SDBIP have been finalized. Performance Agreements for Managers to be finalised by 31 August 2023 for 23/24 FY. Roll out to all other staff, where the departmental SDBIP has been finalised, the performance agreements to be finalised by 31 December 2023.
					A n internal Moderation Committee was established to drive the process and have met several times. The Committee has made some progress on determining a way forward and the proposed levels of Performance Roll out to be between a Task Level 10 and Task Level 17.	Manager HR	2023/06/30	In progress	
					Attempts are being made to procure the electronic module for the individual performance roll out on an Ignite or similar system. Funding was not available but have been provided for in the 2022\2023 budget provision. Actions will include a Roll out plan for the roll out of individual performance from Task Level 10 to Task Level 17.	Manager HR	2023/06/30	In progress	
					Procurement of the Electronic System Timeline up to 30 June 2023 as the COGTA Circular have indicated that the implementation of the Performance Chapter is effective 1 July 2023.	Manager HR	2023/06/30	In progress	
Inventory losses in note 3	Non-compliance with legislation	Financial and performance management	0	The internal controls designed for the management of stock on hand and movements of inventory items should be re-evaluated, and the implementation thereof monitored. This will include performing more regular (e.g. monthly or quarterly) stock counts, and the reconciling of the [opening balance, movements in, movements out, and closing balance] on a monthly basis. The recorded monthly movements in key items should then be compared via a trend analysis to identify any periods within which the movement is not aligned to the expectation/norm and reasons for this can be recorded. Any losses/surpluses identified should be investigated and, if it is confirmed that it is due to a break down in the implementation of controls, then the relevant officials should be disciplined according to the municipality's consequence management processes. The recorded yearend loss of R3,5 million should be similarly investigated, and audit should be provided with the result of the investigation and any resulting disciplinary steps implemented, if any	The recorded monthly movements for key items will be compared via a trend analysis to identify any periods within which the movement is not aligned to the expectation/norm and reasons so this can be recorded. Any losses/surpluses identified after reconciling the stock counts will be investigated and, if it is confirmed that it is due to a break down in the implementation of controls, then the relevant officials will be disciplined according to the municipality's consequence management processes. The recorded yearend loss of R3.5 million was investigated and it was found that all the stock were issued to departments in order to continue service delivery therefore does not constitute fruitless and wasteful as value was obtained on these items.	Manager SCM: Fredri Kruger	30-Jun-23	In progress	Budget provision has been made for the appointment fo the Senior SCM Practitioner:Stores to be appointed during the 23/24 FY. This will assist in addressing the stores related queries.
Hoarding fees in note 19	Internal Control deficiency	Financial and performance management	0	Management should investigate the complete list going back as far as possible and try to "clear out" the old balances where the municipality do not owe the depositor anything. In instance where the liability probably still exist, a process should be implemented to attempt to communicate with the creditor in order to arrange a refund, and if this fails, then, after the relevant period has lapsed, prescription should be applied	System driven registers to be implemented	Chief Accountant Rates & Services Accountant Services	2023/06/30	In progress	System driven register is in progress. Had a meeting with R-data for developing the system driven register which includes hoarding fees. The intended date for completion was 30 June 2023, however due to the implementation of a new GV and vacancies in the section, the completion date was hampered. New estimated completion date is 30 June 2024
Traffic fines in note 28	Misstatements in financial statements	Financial and performance management	1	The information contained in the various registers should also be compared on a regular basis so that any and all duplications are identified and eliminated. The fine registers should be updated to reflect all reductions and withdrawals that occurred during the current financial year so that the net amount to be	Monthly reports to be obtained from Syntell and Provincial Traffic department.	Chief Traffic : Anthony Bans Manager Financial Statements Compliance and Reporting	Monthly	In progress	

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Finding	Classification	Control Component	Number of times	Recommendation	Remedial Actions Taken/To be taken	By Whom	Target date	Progress status	Progress comments
Employee did not meet minimum competency requirements	Non-compliance with legislation	Financial and performance management	0	Management should review the competencies of senior management and finance officials to ensure that the minimum competencies are achieved as per the regulations. Where the officials are not competent in the modules required by legislation, management should include the obtaining hereof in the performance agreements of	The employee is current enrolled in the current MMC Rollout to complete the required modules.	Manager Human Resources	Within six months	In progress	- Compliance will be ensured in future appointments. - Conditions to be attached to new advertisements. - Official enrolled with the GRDM programme, anticipating to finish by end of July 2024
Quotes – incorrect procurement process implemented	Non-compliance with legislation	Financial and performance management	0	Processes should be designed and implemented to ensure that the procurement plan that informs the budget is sufficiently detailed to identify goods and services which should be procured via a formal bid process. Specifications should be drafted and communicated to	Monthly DMP and contract administration meetings with line departments Memorandum to line departments relating to DMP, expenditure	CFO	2023/06/30	Not yet started	No official process has commenced. SCM will compile and distribute the respective memo. Monthly meetings will be scheduled with effect from 01 September 2023. This will be actioned by the Acting Manager: SCM
24. Quotes - Deviations	Non-compliance with legislation	Financial and performance management	1	Processes should be implemented to ensure that deviations from the written quotation process is approved before the expenditure is incurred. A proper evaluation should be performed and documented annually in those instances where it appears as if another supplier is not available to offer the required service or goods previously contracted for. This should then be added to the deviation memo	Memorandum to remind line departments that goods and services cannot be delivered before deviations are approved.	Manager SCM MM	2022/12/31	In progress	Memorandums have been issued as "All users" and was sent to all bid committee members.
					The possibility of advertising tenders to mitigate certain of the deviation issues will be investigated	CFO and SCM Manager	2022/12/31	In progress	
					Memorandum to BEC and BAC to expedite tender awards	Manager SCM MM	2022/12/31	In progress	
28. Tenders - specifications	Non-compliance with legislation	Financial and performance management	0	Bid Specification Committees should start the competitive processes with the evaluation and adjudication criteria in mind, over and above the specifications to be required of prospective bidders for the goods, services and/or works. Doing this should help prevent scenarios in which the Bid Evaluation Committees and Bid Adjudication Committees are legally committed to and bound by specifications which may not be aligned to required Constitutional principles for procurement. The criteria attached to each tender, should be individually evaluated prior to the bid being advertised, to ensure that it results in fair, equitable and competitive procurement and that bids are advertised for the minimum prescribed periods. Evidence provided by suppliers should be interrogated to confirm that it matches the qualifying criteria as detailed in the bid documentation, to ensure that evidence are not erroneously accepted as responsive. SCM officials and practitioners should be trained and equipped with knowledge of the legislative framework, in order to better serve the procuring departments and the Municipality as a whole, concerning the technical know-how required to achieve procurement compliance. Whilst it is understood that there will ordinarily be limitations placed upon them concerning their expertise in the required goods and services, which can in turn impact the advice possibly given, officials can have checklists in the Bid Specification Committee meetings and BEC meetings, which outline the matters of which they need to satisfy themselves (including querying procuring departments) prior to their signing-off on the continuation of the	A memo will be issued to the user departments and the BSC to ensure unbiased specifications in temrs of the SCM policy. Declaration to be signed by each user department during bid specification committee that they have prepared unbiased specification.	Manager SCM: Fredri Kruger	28/02/2023	In progress	Memo to bid committee members, explaining their responsibility and conduct.

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Finding	Classification	Control Component	Number of times	Recommendation	Remedial Actions Taken/To be taken	By Whom	Target date	Progress status	Progress comments
Tenders – Evaluation of bids not conducted in line with PPPFA	Internal Control deficiency	Financial and performance management	0	SCM officials and practitioners should be trained and equipped with knowledge of the legislative framework, in order to better serve the procuring departments and the Municipality as a whole, concerning the technical know-how required to achieve procurement compliance. Whilst it is understood that there will ordinarily be limitations placed upon them concerning their expertise in the required goods and services which can in turn impact the advice possibly given, officials can have checklists in the Bid Specification Committee meetings and BEC meetings, which outline the matters of which they need to satisfy themselves (including querying procuring departments) prior to their signing-off on the continuation of the procurement process. Controls should be implemented, e.g. through re-performance of the final calculations and other determinations for each of the winning bidders, to prevent the wrong bidders being confirmed as the winning bidders of tenders or parts thereof. Management should evaluate and determine the irregular expenditure relating to the awards reported in this communication after taking note of the other procurement related audit findings reported in other ComAFs. Management should investigate the complete population of tenders issued in the 2021-22 financial year to identify all similar instances of non-compliance and also adjust the financial statements to include the irregular expenditure identified during this process. All evidence, calculations and other relevant documents should be retained for audit purposes, since a sample will need to be selected and tested, after management	Training provided June & July 2022 on SCM related matters. The PPPfA was amended January 2023 and the functionality requirments are longer relevant. The composition of BSC Committee was amended in April 2022	Manager SCM: Fredri Kruger	28/02/2023	In progress	SCM training was provided to BSC,BEC and BAC members
Tenders – Non-compliance with CIDB Act	Non-compliance with legislation	Financial and performance management	0	Evidence submitted by winning bidders in support of disqualifying criteria should not be accepted in good faith, but should be confirmed to be valid to the registering organisation, or where applicable, to the CSD reports. Required grades should be recorded in the tender documents only after consulting the cidb website, and should be applied as the minimum requirements during the evaluation of the bids. Management should evaluate and determine the irregular expenditure relating to the awards reported in this communication after taking note of the other procurement related audit findings reported in other ComAFs. Management should investigate the complete population of tenders issued in the 2021-22 financial year to identify all similar instances of non-compliance and also adjust the financial statements to include the irregular expenditure identified during this process. All evidence, calculations and other relevant documents should be retained for audit purposes, since a sample will need to be selected and tested, after management has completed this process, to confirm that the complete error has been identified and accurately quantified. If the municipality is of the opinion that it does not have adequate time during the audit to quantify the full extent of the irregular expenditure, the fact should be disclosed in the annual financial statements. The investigation should then be completed, and audited, in the next financial year. The non-compliance to the legislation, and the resulting irregular expenditure, should be investigated and dealt with according to the municipality's	Training provided June & July 2022 on SCM related matters. The PPPfA was amended January 2023 and the functionality requirments are longer relevant. The composition of BSC Committee was amended in April 2022	Manager SCM: Fredri Kruger	28/02/2023	In progress	SCM training was provided to BSC,BEC and BAC members
Tenders – Amendments to awarded contracts	Non-compliance with legislation	Financial and performance management	0	Invitations to the community to provide representations must be sufficiently clear, detailed and accessible for the interested persons to be able to make informed decisions and make value add representations to council on the matters at hand. Even though contracts to be amended are rates based, the accumulated financial impact of the	SOP to be developed to guide and instruct information pack required for contract amendment or adjustment by Council	SCM Manager	2022/12/31	In progress	Application of applicalbe MFMA circulars The SCM Policy was amended to better descibe contract amendment process
					Improvement to advertisements to be made going forward	SCM Manager	2022/12/01	In progress	

3

Finding	Classification	Control Component	Number of times	Recommendation	Remedial Actions Taken/To be taken	By Whom	Target date	Progress status	Progress comments
TL31 – Validity and accuracy of the indicator	Misstatements in annual performance report	Financial and performance management	1	Management should review the annual performance report (APR), and the listings supporting the achievement reported for all indicators, to ensure that the reported achievement is valid, accurate and complete. Management should consider amending the APR to ensure the reported achievement is accurate	Management agrees to review the APR and make the necessary amendments.	Snr Man Revenue Chief Accountant Services, Manager IDP/PMS	JUNE 2023 End-November 2022	In progress	
TL33 – Validity and accuracy of the indicator	Misstatements in annual performance report	Financial and performance management	1	Management should review the annual performance report (APR), and the listings supporting the achievement reported for all indicators, to ensure that the reported achievement is valid, accurate and complete. Management should consider amending the APR to ensure the reported achievement is accurate.	Reconciliations going forward	Snr Man Revenue Chief Accountant Services	2023/06/30	In progress	

4

Finding	Classification	Control Component	Number of times	Recommendation	Remedial Actions Taken/To be taken	By Whom	Target date	Progress status	Progress comments
Employees' addresses included in Indigent Register	Misstatements in annual performance report	Financial and performance management	0	Management should review the annual performance report (APR), and the listings supporting the achievement reported for all indicators, to ensure that the reported achievement is valid, accurate and complete. Management should consider amending the APR to ensure the reported achievement is accurate. Management should implement processes to regularly interrogate the indigent list to identify persons listed therein who do not meet the qualifying criteria to be registered as indigent. This should include comparing the employee listing to the indigent listing, but also to, at the time of registration of an indigent and appointment of a new employee, verify that the relevant individual belongs on the list. Consequence management should be applied relating to any employees receiving the indigent rebates while not qualifying to do so.	Will review our processes	Snr Man Revenue & Accountant Credit Control	2022/11/25	In progress	
Differences between billing system and Indigent Register	Misstatements in annual performance report	Financial and performance management	0	Management should review the annual performance report (APR), and the listings supporting the achievement reported for all indicators, to ensure that the reported achievement is valid, accurate and complete. Management should consider amending the APR to ensure the reported achievement is accurate. Management should perform reconciliations between the Promun system and the Indigent Register to ensure accuracy, validity and completeness	Introduce system driven indigent module to mitigate risks on these issues	Snr Manager Revenue/ Accountant credit control	2023/06/30	In progress	Due to funding constraints, the project is delayed. A new funding application will be submitted to the Provincial Treasury end of November 2023 Source document should be the indigent register.

5

Finding	Classification	Control Component	Number of times	Recommendation	Remedial Actions Taken/To be taken	By Whom	Target date	Progress status	Progress comments
TL31 – Inconsistencies in wording of indicator	Internal Control deficiency	Leadership	0	Management, under the instruction and review of leadership, should develop and implement quality standard operating procedures for all of its indicators to ensure that the planned output is clear to both the readers of the relevant reports and to the officials collecting and collating the information. Leadership should interrogate the wording/narratives in all documents for which they have ultimate responsibility, especially those that are made public, to ensure that it is clear and simple and not contradictory, prior to approving the final documents. Emphasis should be placed on the wording of items such as indicators to ensure that there can be no ambiguity in the interpretation thereof.	Develop clear standard operating procedures for all indicators	Manager IDP/Performance Management	2023/06/30	In progress	Draft standard operating procudures has been developed and will be completed by 30 June 2024
Annual review of ICT Strategic Plan not performed	Internal Control deficiency	Financial and performance management	0	Management should ensure that the annual review of the ICT Strategy Plan is performed as required by the documented process. In addition, the ICT Strategy Plan should be updated to stipulate that if no changes were made to the IT environment, the plan does not need to be updated. Evidence of these reviews should be maintained for record purposes.	The ICT Strategic Plan will be reviewed and approved	L Plaatjies (EUS & ITA Manager)		In progress	Policy is in draft phase, will be taken to IT Steering Committee for inputs and to Council committees and Council for approval and adoption by end of June 2024
Inadequate user administrator activity reviews for Promun	Internal Control deficiency	Financial and performance management	1	Management should engage with the vendor to determine which report includes the source data to allow the required audit trail (s) (new user creation, access modifications and password resets) to be generated. Once obtained, reviews of system administrator activities should be performed on a bi-annual basis as required by as required by the ICT user access management policy. The reviews should include matching the system administrator activities with the relevant access requests and approvals. Evidence of reviews should be maintained for record purposes.	Amend current program to generate report that will include the source data to allow for the required audit trail. The Administrator activities are performed bi-annually	E Petersen (Financial Administrator)	2023/06/30	In progress	This aud012.p has been reported to R-Data's helpdesk - see mail attached dd 14 February 2023.
Inadequate user access reviews for Promun (Business)	Internal Control deficiency	Financial and performance management	0	Management should ensure that the system administrator perform user access reviews annually as required by the ICT User Access Management Policy to confirm that users' access privileges are valid and appropriate. Evidence of these reviews should be maintained for audit purposes. The system administrator should track departments that do not respond within in the timelines requested and escalate non-responsiveness to Executive Management. In addition, department managers should be held accountable for all instances of non-compliance	The user access reviews will be done in advance and users will be afforded a month to submit their responses.	E Petersen (Financial Administrator)	2023/06/30	In progress	User access reviews will be submitted to users by 31 March 2023 to afford departments sufficient time to add/delete programs on users profiles.

Financial Services

IDP & Performance

6

Finding	Classification	Control Component	Number of times	Recommendation	Remedial Actions Taken/To be taken	By Whom	Target date	Progress status	Progress comments

Risk Management
ICT services
Human Resource Management
MPAC Co-ordinator
Municipal Manager

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6.2

SC02/09/23 APPOINTMENT OF AN ACTING DIRECTOR : INFRASTRUCTURE SERVICES

REPORT FROM THE MUNICIPAL MANAGER

PURPOSE

To recommend to Council on the appointment of an Acting Director Infrastructure.

BACKGROUND

The item which serviced at Council informing of the expiration date of the contract of the current Director Infrastructure and the Council approval to advertise the position refers. The expiration date of the contract of the current Director Infrastructure is 30 September 2023, which means that Council will need to appoint an Acting Director Infrastructure from 1 October 2023.

Council at its meeting held on 15 September 2023 resolved as follows:

"*That Mr Johannes Jonkers be appointed as Acting Director Infrastructure for the period of 3 months from 1 October 2023 or until such time as the vacant position of Acting Director Infrastructure Services is filled, whichever period comes first."*

Mr Jonkers has in an e-mail received on 21 September 2023 declined acceptance of the position. Council therefore needs to rescind Council Resolution SC02/09/23 and appoint an Acting Director Infrastructure Services with effect from 1 October 2023.

REQUIREMENTS:

- At least a Post Graduate degree in Engineering or equivalent registered on the National Qualifications Framework at NQF level 8 with a minimum of 120 credits in the field relevant for the senior management position.
- Minimum of 7 Years work related experience at a senior and middle management level, of which at least 2 years must be at senior management level, preferably in the Local Government sector
- Good Knowledge and understanding of relevant policy and legislation
- Good Knowledge and understanding of institutional governance systems and performance management
- Good Knowledge and understanding office environment
- Must be able to formulate engineering master planning, project management and implementation
- Certificate of competency as required in terms of the General Machinery Regulations, 1988, will be an added advantage
- Registration with a recognized relevant engineering professional body
- Compliance with the National Treasury Regulations on the Required Minimum Competency Level in Unit Standards is a recommendation. In terms of the exemption from Regulations

15 and 18 of Government Gazette 29967 officials not compliant will of institutional governance systems and performance management

- Must have extensive knowledge of the public
- be granted 18 months from date of employment to comply with the aforesaid regulations.
- The required core competencies as stipulated in Annexures A and B of the Regulations on Appointment and Conditions of Employment of Senior Managers Government Notice 21 in Government Gazette 37245 dated 17 January 2014 is a recommendation.
- Good facilitation and communication skills in at least two of the three official languages of the Western Cape
- Valid driver's license and NO criminal record.

RECOMMENDATION FROM THE MUNICIPAL MANAGER

That ……………………………… be appointed as Acting Director Infrastructure for the period of 3 months from 1 October 2023 or until such time as the vacant position of Acting Director Infrastructure is filled, whichever period comes first.

File Number : 9/1/2/14
Execution : Municipal Manager
Director Corporate Services
Manager: Human Resources

6.3

SC03/09/23 AMENDMENT OF CONTRACT T90/2015 - BUSINESS ENGINEERING (COLLABORATOR) - OVERTIME AND STANDBY WORKFLOW SYSTEM

REPORT FROM THE ACTING DIRECTOR: FINANCIAL SERVICES

PURPOSE OF THE REPORT

To request Council to approve an amendment to Tender 90/2015 [Business Engineering (Pty) Ltd - Collaborator] to accommodate the implementation of an electronic Overtime and Standby workflow system.

BACKGROUND

Section 116 of the Municipal Finance Management Act (No. 56 of 2003) states:

"A contract or agreement procured through the supply chain management policy of the municipality or municipal entity may be amended by the parties, but only after –

(a) the reasons for the proposed amendment have been tabled in the council of the municipality or; in the case of a municipal entity, in the council of its parent municipality; and
(b) the local community –
  (i) has been given reasonable notice of the intention to amend the contract or agreement; and
  (ii) has been invited to submit representations to the municipality or municipal entity."

DISCUSSION

As a result of excessive Overtime and Standby costs, and to avoid unauthorised expenditure, the Finance Team decided to explore options in an attempt to reduce the respective costs. Business Engineering (Pty) Ltd, holder of the Collaborator Software Licence, was approached to develop an electronic Overtime and Standby workflow system on Collaborator.

Following a detailed presentation to a previous Municipal Manager (Mr Johan Jacobs), approval of an electronic Overtime and Standby workflow system was granted. The current Municipal Manager furthermore provided approval for an amendment to the existing contract (Business Engineering (Pty) Ltd – Collaborator) to be advertised, which was subsequently actioned in accordance with applicable legislation.

MOTIVATION

This workflow system results in a fully developed and functional Management Information System, which will add immense value to officials that are responsible for managing overtime and standby. Proper and effective analysis of the data that can be extracted from the system is expected to undoubtedly result in a significant reduction in overtime and standby costs. In addition to this, the workflow system will replace the overtime and standby timesheets which are currently manually captured on the Promun Payroll system. There will be a direct interface between the Collaborator system and the Promun Payroll system.

Furthermore, appropriate validations/restrictions developed on the system will highlight and prevent any form of abuse of Overtime and Standby.

The Municipality is at an advanced stage with the finalisation of the development of the workflow system. To ensure timeous completion and implementation of the system, it is imperative that the amended / corrected Overtime and Standby Policy be approved by Council.

In compliance with legislation, a Notice of Amendment to the existing contract (Business Engineering (Pty) Ltd – Collaborator) was advertised in the local print media with a closing date for receipt of comments being 11 August 2023. At the date and time of the stipulated deadline, no public comments were received.

FINANCIAL IMPLICATIONS

R124,660.58 (as per the latest quotation).

The project will be funded from the National Treasury Financial Management Grant.

RELEVANT LEGISLATION

Municipal Finance Management Act (No. 56 of 2003);
Supply Chain Management Policy;
Contract Management Policy; and
Overtime and Standby Policy.

RECOMMENDATION OF THE MUNICIPAL MANAGER

[a] That Council notes that no written comments or representations on the proposed amendment to the contract have been received;

[b] That Council approves the amendment to Tender 90/2015 [Business Engineering (Pty) Ltd - Collaborator] to accommodate the implementation of the electronic Overtime and Standby workflow system;

[c] That Council notes that the estimated cost to implement the Overtime and Standby workflow system equates to R 124,660.58 (including VAT);

[d] That Council notes that the National Treasury Financial Management Grant will be utilised to fund the project; and

[e] That Council notes that the amended Overtime and Standby Policy will be submitted to the next Ordinary Council meeting for approval.

APPENDIX /ADDENDUM
Annexure A: Print Media Advertisement

File Number: 9/1/2/10
Execution: Acting Director: Financial Services

Knysna
Municipality || Munisipaliteit || uMasipala
inclusive || innovative || inspired

NOTICE OF AMENDMENT OF THE EXISTING CONTRACT

NOTICE IN TERMS OF SECTION 116(3) OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT 56 OF 2003) THAT THE MUNICIPALITY INTENDS TO AMEND THE FOLLOWING CONTRACT:

TENDER NO	DESCRIPTION	SUPPLIER NAME	REASON FOR AMENDMENT
T 90 of 2015	Shared Service Agreement between Garden Route District Municipality for the Collaborator Software License – Municipal Records and Workflow Management Software	Business Engineering (Pty)Ltd	In order to accommodate the procurement and implementation of an electronic Overtime workflow system. Total cost - R 124 660, 58 once off cost (Vat included) funded from the National Treasury FMG.

Notice is hereby further given in terms of Section 21 and 21A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) that the local community and affected parties are invited to submit comments or representations on the proposed amendment of the contract.

CLOSING DATE FOR COMMENTS

Written comments or representations on the proposed amendments can be submitted on or before 13h30 on Friday 11 August 2023 to S Fourie at **sfourie@knysna.gov.za** or visit the Knysna Municipal Website at **www.knysna.gov.za** – Do Business – Contract Management. Persons who cannot write may contact the SCM Office during office hours, where the responsible official will assist you in putting your comments in writing.

MUNCIPAL MANAGER
MR OP SEBOLA

www.knysna.gov.za

6.4

SC04/09/23 COMPOSITION OF THE DISCIPLINARY BOARD IN TERMS OF THE MUNICIPAL REGULATIONS ON FINANCIAL MISCONDUCT PROCEDURES AND CRIMINAL PROCEEDINGS

REPORT FROM THE MUNICIPAL MANAGER

PURPOSE OF THE REPORT

To inform Council of the current composition of the Municipal Disciplinary Board as required in terms of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, Government Gazette 37699 dated 30 May 2014 and the elected Chairperson.

BACKGROUND

PREVIOUS COUNCIL RESOLUTIONS

C03/06/22 APPOINTMENT OF ONE NEW MEMBER TO THE DISCIPLINARY BOARD

UNANIMOUSLY RESOLVED

[a] That the Report on the Appointment of One New Member to the Disciplinary Board, be noted; and

[b] That the Manager : Legal Services of Bitou Municipality, Mr Luvuyo Loliwe be appointed as member of the Disciplinary Board as envisaged in Regulation 4 of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

File Number : 9/1/2/14
Execution : Acting Municipal Manager
Acting Director : Corporate Services
Manager : Human Resources

AND

M01/03/23 AUDIT COMMITTEE : ALLOCATION OF CHAIRMANSHIP, MEMBERS TO THE FINANCIAL MISCONDUCT DISCIPLINARY BOARD, THE RISK MANAGEMENT COMMITTEE CHAIR AND ATTENDANCE OF MPAC MEETINGS

UNANIMOUSLY RESOLVED

[a] That the Council appoints Mr. J. Jacobs as the Audit Committee Chairperson for a period of three years ending 30 April 2026;

[b] That Council appoints Mrs R Shaw and Ms G Bolton as members to the Disciplinary Board with effect from 01 April 2023 up to contract period as members of the Audit Committee;

[c] That Council notes the appointment of Mr. A. Karriem as Chairperson of the Risk Management Committee; and

[d] That Council notes the nomination of Mr. L. Tatayi as member of the Audit Committee, to attend MPAC meetings.

File Number : 9/1/2/10/4
Execution : Municipal Manager
Chief Audit Executive

DISCUSSION

A Disciplinary Board must be appointed to investigate any allegations of serious financial misconduct in terms of the Local Government: Municipal Financial Management Act, 2003.

The legal framework for the establishment of such a Disciplinary Board is enacted in the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings made in terms of Sections 168 and 175 of the Local Government: Municipal Financial Management Act, 2003.

In terms of the Regulation 4(6), "the Disciplinary Board may consist of :

(a) The Head of Internal Audit
(b) One member of the Audit Committee
(c) Senior Manager from Legal Services
(d) A representative from National Treasury or Provincial Treasury
(e) Any other person as determined by Council.

The Disciplinary Board may not consist of more than 5 (five) members."

The current composition of the board is as follow:
(a) Astrid Louw (Chief Audit Executive)
(b) Marilyn Botha (Legal Advisor)
(c) Gill Bolton (Audit Committee Member)
(d) Ronel Shaw (Audit Committee Member)

The committee met on 21 June 2023 and elected a new Chairperson, Ms.Gill Bolton.

It's further noted that Adv. Luvuyo Loliwe, in his capacity as the Manager: Legal Services of Bitou Municipality is now the appointed Director: Corporate Services of Knysna Municipality and therefore a vacancy now exists in the Board.

RECOMMENDATION OF THE MUNICIPAL MANAGER

[a] That the Report on the Appointment of the Composition of the Disciplinary Board, be noted; and

[b] That the Council notes the election of the new Chairperson, Ms.Gill Bolton;

[c] That Council consider the filling or not filling of the vacancy;

[d] That ____________________________ be appointed as the 5th member to the board, if Council resolves in terms of [b] above that the vacancy should be filled.

File Number : 9/1/2/14
Execution : Municipal Manager
Chief Audit Executive
Acting Legal Services Manager

6.5

SC05/09/23 DETERMINATION OF UPPER LIMITS OF TOTAL REMUNERATION PACKAGE PAYABLE TO MUNICIPAL MANAGERS AND MANAGERS DIRECTLY ACCOUNTABLE TO MUNICIPAL MANAGER – 2023/24

REPORT FROM THE MUNICIPAL MANAGER

PURPOSE OF THE REPORT

To request Council to implement the Upper Limits of Total Remuneration packages payable to Municipal Managers and Managers directly accountable to Municipal Managers as promulgated in Government Gazette No. 48789 dated 14 June 2023.

BACKGROUND

Upper limits and total remuneration packages payable to Municipal Managers and Managers directly accountable to Municipal Managers are promulgated annually. Government Gazette No 48789 dated 14 June 2023 sets out remuneration and benefits applicable for these employees for the period 2022/23.

The above mentioned Gazette determines the following increase and benefits:

i. a three percent (3%) cost of living adjustment of the upper limits of the total remuneration packages payable to senior managers for 2022/23 municipal financial year as set out in the schedule; and

ii. a non-pensionable cash gratuity of –

(aa) R1, 695 payable monthly to senior managers earning a total remuneration Package below R1, 900, 000 for the 2022/23 municipal financial year; or
(bb) R1, 818.00 payable monthly to senior managers earning a total remuneration package of R1, 900,000 and above for the 2022/23 municipal financial year.

In terms of Categorization, the Knysna statistics are as follows:

Total municipal Income for the Knysna equates to 2022/2023 – R1 084 471 000 2023/2024 – R1 164 594 000	54 points
Total Municipal Equitable Share for Knysna Equates to 2022/2023 – R122 425 000 2023/2024 – R138 581 000	7 points
Total Population for Knysna equates to 69 959	2 points

Total points for Knysna **63 points**

The above points raises the Categorization of Knysna from a Category 3 to a category 4 Municipality in terms of this Upper Limits.

In terms of the Government Gazette 48789, if there is a change in the categorization of municipality as is the case above, then the following applies in terms of clause 6 of the Gazette:

"6(1) if the categorization of a municipality determines in terms of this notice, is higher than the categorization for the previous financial year, the municipal council must apply in writing to the Minister to obtain approval, after consultation with the MEC for local government in the province.

(2) Notwithstanding sub-item (1), the minister must:-

(a) confirm the actual values and points scored by the municipality in relation to the factors in terms 2,3 and 4 of the Notice
(b) Determine the –
- *(i) Sustainability of the driving factors that led to the higher categorization of the municipality compared to the categorization of the previous financial year.*
- *(ii) Affordability of the higher categorization of the municipality using the following ratios:*

  (aa) municipality's liquidity ration
  (bb) creditors payment period
  (cc) debtors collection rate:
  (dd) remuneration ration: and

- *(iii) Any other risks as may be identified.*

(3) After confirmation of the actual values and points scored by the municipality in the relation to the total municipal income, population and municipal equitable share, including the driving factors that led to a higher categorization as well as affordability (using the ratios' liquidity ratio, creditors payment period, debtors collection rate and remuneration ratio) and approval by the Minister, the municipal council may implement such a new categorization including adjustment of the total remuneration package of senior manager to the higher category."

The following remuneration packages will therefore apply if the above change in Categorization is approved:

Municipal Manager	Minimum	R1 213 607
	Mid point	R1 411 174
	Maximum	R1 608 718
Senior Managers reporting to the Municipal Manager	Minimum	R1 016 855
	Midpoint	R1 158 646
	Maximum	R1 315 065

RELEVANT LEGISLATION

Municipal Systems Act 32 of 2000Government Notice on Upper Limits for the Remuneration of Senior managers, Government Gazette No. 48789 dated 14 June 2023

APPENDIX / ADDENDUM

ANNEXURE A – Government Notice 48789 dated 14 June 2023

RECOMMENDATION OF THE MUNICIPAL MANAGER

[a] that the content of the report on the Upper Limits of Total Remuneration packages Payable to Municipal Managers and Managers Directly accountable to Municipal Managers, be noted

[b] That the process in terms of change of categorization for a higher categorization be followed as outlined in Government Gazette No48789 due to Knysna scoring higher points to a category Instead of the previous Category.

[c] That the Council resolves to implement the Upper Limits of Total Remuneration packages payable to the Municipal managers and managers Directly accountable to the Municipal, following the approval

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6.6

SC06/09/23 REQUEST TO ENTER NEW LEASE AGREEMENT WITH K2012150042 SOUTH AFRICA FOR OFFICE ACCOMMODATION

REPORT FROM THE MUNICIPAL MANAGER

PURPOSE OF THE REPORT

To request the Knysna Municipal Council to consider entering into a new lease agreement with K2012150042 South Africa for office accommodation.

BACKGROUND

The Municipality is making use of three additional office spaces for office accommodation in order to house various staff members. All these agreements were on a deviation as no SCM process were followed to enter into lease agreements with these property owners.

The following properties are being leased:

i. Albatros Property Trust (Erf 985, Knysna);
ii. Old Standard Bank Building (Customer Care) – Erf 711, Knysna; and
iii. Concilium Building (Portion of Erf 2984, Knysna)

All the leases are expiring on 30 September 2023 with the Municipal Council resolved on the 21 September 2023 to only approve an extension of three months with current lessors.

Various Tender processes took place in order to source the leasing of suitable office space however the tender was not awarded and thereafter cancelled. There are only a few options available in the Knysna area. With the latest tender for office space, T48/2019/20, five bids were received with only two tenderers being responsive to the tender requirements, however, both could not accommodate all the staff in one building.

DISCUSSION

An alternative needs to be found as soon as possible.

The Municipality needs about 3 650 m^2 of office space with about 146 parking bays.

K2012150042 South Africa is the current owners of Erf 16472, Knysna, better known as the Knysna Mall in the CBD of Knysna.

K2012150042 South Africa have offered the leasing of their building from 1 December 2023 for either a three-year or a ten-year lease with a 6% escalation (**see Annexure A**).

It should be noted that K2012150042 South Africa is offering 3250m^2 office space. The rental including the cost of fit out will be R168/m^2 for a three-year lease (includes fit-out allowance) and R148/m^2 for a ten-year lease.

FINANCIAL IMPLICATIONS

We are currently leasing from three different lessors to accommodate our current office space requirement. It should however be noted that space in these three buildings are not enough.

Lessor	Office Space	Rental	Comments
Noble Spectatus Fund (Pty) Ltd	840m^2	R 203 131.08	We are experiencing generator problems at the Customer Care Centre.
Deon & Carina Boshoff	313m^2	R 39 324.19	No generators available for load shedding.
Albatros Property Trust	1 758m^2	R 364 441.33	No generators available for load shedding.
	2 911m^2	**R 606 896.60**	**Current rental for all office space per month.**

Proposed rental at the offices of K2012150042 South Africa compared to the current rental for all office space.

Options	Office Space	Rental	Comments
Current combined	2 911m^2	R 606 896.60	Current rental for all office space per month.
K2012150042 South Africa(3 year lease)	3 250m^2	R 546 000.00	Rental including fit-out and extras
K2012150042 South Africa(10 year lease)	3 250m^2	R481 000 .00	Rental including fit-out and extras

It should be noted that the owner has offered the following;

- The required parking spaces as we currently do not have enough parking for staff on some of the leased properties;
- Security around the leased area;
- Cleaning services around the leased area;
- Lift and escalator maintenance of which we pay for at one of the lease properties;
- Connection to the mall generator.

The following have been excluded;

- Water & Electricity charges;
- Generator operation and consumption;
- Internal maintenance of leased area;

The owner has also allowed a fit-out allowance of R3000/m^2 will be provided to cover the cost of installing of floor finishes, Ceilings in areas not already installed, Electrical, Air-conditioning and partitioning.

The Municipality will be liable for the municipal network infrastructure and signage.

The owner has also advised that they would make the leased area available from 1 December 2023.
The total budgeted for office accommodation left for this financial year amounts to R 3 599 344.38.

<u>RELEVANT LEGISLATION</u>

Local Government: Municipal Finance Management Act, 2003 and relevant Regulations.

<u>DELEGATION</u>

N/A

<u>RECOMMENDATION OF THE MUNICIPAL MANAGER</u>

[a] That the report and annexures regarding the request to consider entering into a new lease agreement with K2012150042 South Africa for office accommodation, be noted;

[b] That approval be given to enter into a new lease with K2012150042 South Africa for a period of three years as from 1 January 2024 until 31 December 2026;

[c] That the Municipal Manager be authorised to approve a deviation for the leasing of office space for the three years;

APPENDIX / ADDENDUM

ANNEXURE A – K2012150042 SOUTH AFRICA OFFER TO LEASE THEIR BUILDING

FILE NUMBER: C. 122
EXECUTION: MUNICIPAL MANAGER
DIRECTOR: CORPORATE SERVICES
HEAD: PROPERTIES

Renwill Hardnick

From:	Nonhlanhla Mndebela
Sent:	Wednesday, 27 September 2023 07:38
To:	Renwill Hardnick
Subject:	FW: T48 OF 2019.20 -
Attachments:	image001.png; image002.png; image003.png; image004.png; image005.png; West End Tenancy _ KM_2023_03.pdf

Kind Regards

Nonhlanhla Mndebela **Head: Properties**
P O Box 21. Knysna. 6570. Western Cape. South Africa
Tel +27 (0)44 302 6300 (switchboard) or 302 6476 (direct)
e-mail nmndebela@knysna.gov.za

From: Neil Lurie <neil@mapdev.co.za>
Sent: Tuesday, 26 September 2023 19:49
To: Nonhlanhla Mndebela <nmndebela@knysna.gov.za>
Subject: Fwd: T48 OF 2019.20 -

Yusus just realised I didn't send to you so sorry ☹

Neil Lurie
+27(82) 5533999

Begin forwarded message:

From: Neil Lurie <neil@mapdev.co.za>
Date: 26 September 2023 at 19:03:46 SAST
To: mm@knysna.gov.za, directorcorporate@knysna.gov.za
Cc: markw@watermarkmarine.co.za
Subject: FW: T48 OF 2019.20 -

Dear Sir

Our meeting last week on Thursday has reference.

We are able to accommodate the Knysna Municipal offices as follows:

1. 3,250m2 as per attached plan marked in green, blue and yellow (orange represents an expansion area which will be ready in December 2024) . The requirements of various departments will be agreed between the parties and appropriate areas allocated as agreed.
2. Rental: R100/m2 and includes:
    1. Parking
    2. Security excluding within the leased premises
    3. Cleaning excluding within the leased premises
    4. Lift and escalator maintenance
    5. Connection to mall Generator/s

3. Rental excludes:
    1. Electricity and Water consumption charges
    2. Generator operating and consumption charges (charged on a participation quota basis)
    3. Internal maintenance of premises including A/C
4. Escalation: 6% per anum
5. Commencement Date: 1 December 2023
6. A fit-out allowance of R2,000/m2 will be provided to cover the cost of installing:
    1. Floor finishes
    2. Ceilings in areas where not already installed if needed.
    3. Electrical
        1. Power skirting and plugs 1 three prong plug per 10m2 of useable office space
        2. Existing distribution boards
        3. Light fittings in areas not already installed
    4. Airconditioning
    5. Partitioning
7. The rental including the cost of fit out will be R145/m2 for a three year lease and R125/m2 for a ten year lease.

I would liked to have more time to put a comprehensive document together for you but if you are able to get support on approving our premises I'm certain that we could flesh out a lot more detail especially on your required layouts and the costing thereof. To this end I will make our architect available to you to help with this process at no cost to yourselves.

I look forward to hearing from you.

Regards

Neil Lurie
0825533999

From: Neil Lurie <neil@mapdev.co.za>
Date: Tuesday, 23 February 2021 at 10:09
To: Louis Scheepers <mm@knysna.gov.za>
Cc: Louis Scheepers <astrydom@knysna.gov.za>, Elrick van Aswegen <evanaswegen@knysna.gov.za>, Elrick van Aswegen <kofhuis@knysna.gov.za>, Mbulelo Memani <cfo@knysna.gov.za>, Fredri Kruger <fkruger@knysna.gov.za>
Subject: Re: T48 OF 2019.20 -

Dear Mr Adonis

I refer to the email below.

We have not had a response from the municipality and did not receive any feedback on the municipalities "hidden" costs discussion. In fact we have had no feedback on the tender at all.

I have been following the correspondence circulated by yourself with regards to the commencement of a process to identify a suitable building/s and commence a process to procure same.

Your report SC13/01/21 dated 28 January 2021, has reference.

We have made the following assumptions to arrive at our conclusions:

1. The total building space required by the municipality is 3,650m2.
2. Despite point 3.9 of the tender specifications stipulating that, "the buildings should be ready for occupation as soon as possible and should already be built…", we have amended our original assumption that we could not make alterations to existing buildings that would take longer than two months (this is the normal period afforded to tenants to carry out their own fit out) because the tender process has already taken approximately one year and the assumption that we would only have two months the deliver the building is obviously incorrect and on that basis as well as that other landlords such as the owner of Woodmill Walk would have to undertake substantial alterations to accommodate the space required in the tender document, we have assumed that a minor alteration that would take four months to complete would give us the opportunity to offer the entire 3,650m2 requirement.

The following extracts from your report refer:

1. ***We anticipate an escalation in rental to accommodate all staff to be in the region of R9 – R10 million annually, including auxiliary costs for repairs and maintenance, electricity generation for power outages and ICT expenses***.

   Refer to the attached tender analysis:

   The lowest tenderer being Knysna Mall is in a position to deliver the entire requirement at a starting rental of R292,000 a month, and which rental includes:

   1. Parking
   2. External maintenance
   3. External Security
   4. External Cleaning
   5. Insurance
   6. Rates
   7. Generator (provided by landlord)

   This rental equates to R3,504,000 per anum, approximately R6 – R7 million less than the annual assumption made above. On the further assumption that this rental would escalate at 5% per anum the total cost of the lease over a fifteen (15) year period would be R75,611,287.00

1. ***Procuring its own building has exceptional financial and other benefits for the municipality***

   There is no benefit to owning vs renting for the Knysna Municipality. The Knysna Municipality simply does not have the cashflow to purchase a building of this nature. There is no need for the municipality to invest in an office building which is not strategic. Strategic buildings comprise of buildings which are integral to its operation, the municipality's purpose is to deliver to services which means any building which is integral in the delivery of such services may fit the part, such as power stations, water treatment plants etc, not offices.

1. ***Purchasing a building and renovating it inside for office space purposes at a cost of about R40 million will cost the municipality an estimated R430,000 per month or R5,160,000 per***

year if the capital of R40 million is financed through an external loan at 10% interest repayable over 15 years

If one was to assume that the Woodmill Walk could be purchased for R20 million and the balance of the assumed cost of R20 million was allocated to converting that space its highly unlikely that it could be completed for R5,500/m2. There are two challenges, firstly to secure the building for R20 million (we have tried in the past to buy it and it did not seem that the seller would accept less than R30 million) and secondly even if it was purchased for R20 million my estimation is that the municipality will not be able to complete the project for another R20 million. This will only further exacerbate the gap between buying and renting.

Attached please find an amortisation model taking the above assumptions into account and it will be seen that the monthly cost of paying interest and capital commences at R430,000 and escalates at 5% per anum to pay the off the capital over 15 years, however what is misleading is that over the 15 year period R37, 3 million will be paid in interest on the R40 million loan plus the extra over cost of owning its own building vs renting and providing for:

1. External maintenance
2. External Security
3. External Cleaning
4. Insurance
5. Rates

As can be seen in my analysis the above costs will be in the order of R202, 984.00 a month which has the net effect of increasing the cost of occupancy to commence at R632,984.00 per month, compared to the Knysna Mall monthly commencement rental of R292,000.00, which goes to the total cost of ownership over the 15 year period of R163,906,626.00 compared to the leasing option of R75,611,287.00, a saving of approximately R88 million.

All figures quoted in this email are excluding VAT.

The purpose of this email is not to try and secure the municipality as a tenant in our building~~,~~ nor is it intended to rubbish assumptions made or to try embarrass the authors, its purpose is to open a dialog to discuss these issues and to give the municipality the opportunity to draw on the cumulative experience of hundreds of years of property ownership, development and financing that we can bring to the table. The success of Knysna is solely dependent on establishing common goals and executing them through transparent partnerships of co-operation by all interested and effected parties.

I would like this email to be placed on record

We look forward to hearing from you.

Yours faithfully.

Neil Lurie
0825533999

From: Fredri Kruger <fkruger@knysna.gov.za>
Date: Monday, 14 December 2020 at 08:13

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To: Neil Lurie <neil@mapdev.co.za>, Louis Scheepers <mm@knysna.gov.za>, Louis Scheepers <astrydom@knysna.gov.za>, Louis Scheepers <lscheepers@knysna.gov.za>
Cc: Samantha Marais <Sam.Marais@excelleratejhi.com>, Ingrid Milne <Ingrid.Milne@excelleratejhi.com>
Subject: RE: T48 OF 2019.20 -

Hi Mr Lurie,

We have a meeting scheduled again this week, but I cannot promise anything. Due to the value of the rental it must be carefully considered. The "hidden" costs of moving offices and changing the space to something that will work for the municipality is also under consideration with all the spaces.

Regards

Ms. Fredri Kruger: Manager Supply Chain Management
P O Box 21. Knysna. 6570. Western Cape. South Africa
Tel +27 (0)44 302 6300 (switchboard) or 302 6229 (direct)
e-mail fkruger@knysna.gov.za

From: Neil Lurie <neil@mapdev.co.za>
Sent: Thursday, 10 December 2020 16:29
To: Fredri Kruger <fkruger@knysna.gov.za>; MM <mm@knysna.gov.za>; Anita Strydom <astrydom@knysna.gov.za>; Louis Scheepers <lscheepers@knysna.gov.za>
Cc: Samantha Marais <Sam.Marais@excelleratejhi.com>; Ingrid Milne <Ingrid.Milne@excelleratejhi.com>
Subject: Re: T48 OF 2019.20 -

Any news on the tender?

Neil Lurie
082553399

From: Fredri Kruger <fkruger@knysna.gov.za>
Date: Friday, 09 October 2020 at 11:15
To: Neil Lurie <neil@mapdev.co.za>, Louis Scheepers <mm@knysna.gov.za>, Louis Scheepers <astrydom@knysna.gov.za>, Louis Scheepers <lscheepers@knysna.gov.za>
Cc: Samantha Marais <Sam.Marais@excelleratejhi.com>, Ingrid Milne <Ingrid.Milne@excelleratejhi.com>
Subject: RE: T48 OF 2019.20 -

Good day Mr Lurie,

The evaluation committee sat again on the matter and will finalize their report next week Tuesday. Soon thereafter the BAC will sit and consider the matter. We anticipate to have the bid committee matters finalized on this matter by end of next week.

Regards

Fredri Kruger: Manager Supply Chain Management
P O Box 21. Knysna. 6570. Western Cape. South Africa
Tel +27 (0)44 302 6300 (switchboard) or 302 6229 (direct)
e-mail fkruger@knysna.gov.za

From: Neil Lurie <neil@mapdev.co.za>
Sent: Friday, 09 October 2020 10:19
To: MM <mm@knysna.gov.za>; Anita Strydom <astrydom@knysna.gov.za>
Cc: Fredri Kruger <fkruger@knysna.gov.za>; Samantha Marais <Sam.Marais@excelleratejhi.com>; Ingrid Milne <Ingrid.Milne@excelleratejhi.com>
Subject: Re: T48 OF 2019.20 -

Good morning, has there been any progress on this tender?

Neil Lurie
082553399

From: Neil Lurie <neil@mapdev.co.za>
Date: Wednesday, 02 September 2020 at 11:22
To: Louis Scheepers <mm@knysna.gov.za>, Louis Scheepers <astrydom@knysna.gov.za>
Cc: Fredri Kruger <fkruger@knysna.gov.za>, Samantha Marais <Sam.Marais@excelleratejhi.com>, Ingrid Milne <Ingrid.Milne@excelleratejhi.com>
Subject: FW: T48 OF 2019.20 -

Dear Mr Scheepers

I refer to the email below. Our calculations reveal that the saving to KM, just for the 2,100m2 that we tendered for will be in excess of R4 million over the three year period of the lease, this does not take into account the operational savings which would be realised from operating from the mall.

It would be good to know that in these difficult times where budgets are being cut and the economy is shrinking that we are all playing our part to try and save costs.

Please feel free to discuss anything with us that could make this decision easier, such as amortising the cost of moving into the rental, example.

I look forward to hearing the outcome of the evaluation committees decision.

Regards

Neil Lurie
082553399

From: Fredri Kruger <fkruger@knysna.gov.za>
Date: Wednesday, 02 September 2020 at 09:59
To: Samantha Marais <Sam.Marais@excelleratejhi.com>

Cc: Neil Lurie <neil@mapdev.co.za>, Ingrid Milne <Ingrid.Milne@excelleratejhi.com>
Subject: RE: T48 OF 2019.20 -

Hi Sam

The matter served at the award committee on Monday but was referred back to the evaluation committee to reconsider certain matters.

Regards

Fredri Kruger: Manager Supply Chain Management
P O Box 21. Knysna. 6570. Western Cape. South Africa
Tel +27 (0)44 302 6300 (switchboard) or 302 6229 (direct)
e-mail fkruger@knysna.gov.za

From: Sam Marais <Sam.Marais@excelleratejhi.com>
Sent: Wednesday, 02 September 2020 09:57
To: Fredri Kruger <fkruger@knysna.gov.za>
Cc: Neil Lurie <neil@mapdev.co.za>; Ingrid Milne <Ingrid.Milne@excelleratejhi.com>
Subject: T48 OF 2019.20 -
Importance: High

Good morning Fredri

Trust you are well.

Will you kindly give us an update again on the Tender awards, specifically referring to T48 of 2019.20

Attached for you a copy of the Opening Register as per your website.

Looking forward to your feedback.

Warmest regards,

Sam Marais | Administrator Assistant
Excellerate Real Estate Services (Pty) Ltd T/A JHI
Knysna mall Centre Management 49 - 51 Main Road Knysna 6570
T: +27 44 382 4574 | M:
Sam.Marais@excelleratejhi.com | www.excelleratejhi.com

We are aware of the COVID-19 scams purporting to offer financial relief. Please note, several fraudulent activities regarding changing of banking details are prevalent in the Property market. No banking details have been changed by Excellerate JHI and Excellerate JHI Retail, should you receive such notifications please contact your Portfolio Manager at Excellerate JHI and Excellerate JHI Retail prior to payment.

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7. CONSIDERATION OF MOTIONS

None

8. CONSIDERATION OF QUESTIONS

None

9. CONSIDERATION OF MOTIONS OF EXIGENCY

None

10. IN COMMITTEE ITEMS

See separate agenda

11. ADJOURNMENT

-oOo-