



EXTERNAL AUDIT ISSUES FOR ELM FOR 2024/2025

**PRESENTED BY: ADV. L THUBAKGALE
CHAIRPERSON APC: DATE: 06/03/2026**



Outline of Discussions

- Roles and responsibilities of APC
- Overall Audit Outcomes for ELM 2024/2025
- Performance Planning, Reporting and Achievement
- Control Environment
- Root causes for significant internal control deficiencies
- Observations
- APC recommendations
- Conclusion



Mandate of Audit and Performance Committee

- Nkangala District Municipality has a shared Audit and Performance Committee established in terms of Section 166 of the MFMA read with Sec 165, Circular 65,124 &127
- An PAC is an independent advisory body, which must:
 - **Advise** the municipal council, the political office-bearers, the Accounting Officer and management staff of the municipal entity on matters relating to-



Mandate of Audit and Performance Committee

- Internal financial control and internal audits
- Risk management;
- Accounting policies;
- The adequacy, reliability and accuracy of financial reporting and information;
- Performance management;



Mandate of Audit and Performance Committee

- Effective governance
- Compliance with MFMA, the Division of Revenue Act and any other applicable legislation;
- Performance evaluation;
- Any other issues referred to it by the municipality or municipal entity



Three Main functions of PAC

- ADVISORY
- OVERSIGHT
- ASSURANCE



ELM Audit 2024/ 2025 Audit Outcome

Overall Audit Outcomes

- ✓ Retained Qualified with findings on compliance with legislation. This is the same as the previous year's audit outcome.
- ✓ Material misstatements were identified in the AFS submitted for audit. These were subsequently corrected as a result of the audit process.
- ✓ Two (2) material irregularities were identified. One relate to Eskom and the other relate to ineffective use of consultants (Upgrading and refurbishment of Machadodorp water treatment works).



Performance Planning, Reporting and Achievement

- We did not identify findings on the completeness of the indicators used for planning and reporting on performance.
- We did not identify material findings on the overall presentation of performance information in the annual performance report.
- As disclosed in the annual performance report, the municipality has not achieved 3 of the 34 planned targets for KPA 1 Basic Service Delivery for the 2024/2025.



Control Environment

- Overall control environment has remained stagnant.
- The following two deficiency were identified:
 - ✓ Action plan were not adequately dealt with by not correcting the prior misstatements in submitted financial statements;
 - ✓ Senior management did not implement sufficient recording; reviewing and reporting process and controls to timeously prevent or correct errors.



Root causes for significant internal control deficiencies

- The annual financial statement preparation and review processes was not monitored and enforced by appropriate authority to ensure that it is adequate, and sufficient resources are placed to ensure effective preparation and review of the annual financial statements
- Lack of review and monitoring of compliance with laws and regulations by senior management resulting in material non-compliance.



Observations

- Root cause analysis as per AGSA attended to
- Avoid repeat findings, Findings by Internal Audit more or less the same as findings by AGSA
- Root cause analysis as per IA also be corrected and not only deal with sampling, at this point we still struggling to address 100% IA quarter to quarter
- Working closely with IA, Risk, ICT, PMS and avoid SILO mentality **(Them and us)**



Recommendations

- Mayoral committee to check readiness to submit credible AFS supported by Interim Financials being audited and findings resolved,
- MPAC to confirm progress with dealing with all prior year findings
- All year-round training on GRAP, new standards, all levels



Recommendations

- All assurance providers need to reflect on their effectiveness in providing the level of assurance and collaboration;
- Revisit the effectiveness of the review process for the annual financial statements;
- Continuous monitoring of an audit action plan that responds to the root causes of the findings raised from the audit process that will improve internal control environment;
- Ensure good working relationship with AGSA, PT, SALGA, and all other stakeholders



Recommendations

- Deal with all Internal Audit and audit committee resolutions before end of the year June 2026.
- Increase appetite for clean audit;
- In-year financial disciplines including keeping up with new GRAP standards, improving disclosure, align our policies;
- Road Map to Clean Audit attaining and sustaining it. Business unusual, all hands -on deck.
- Zero tolerance to non-compliance with Legislation



In conclusion

- Implement effective preventative controls driven by all levels.
- Strengthening of the financial health of the municipality by ensuring that all revenue due is collected.
- Adherence to legislation, especially SCM and Council committees should be capacitated to deal with balances of UIFW.
- A culture of accountability and consequence management be fostered.



Thank you