

KWADUKUZA MUNICIPALITY

* ITEM: 4.2

BUSINESS UNIT: FINANCE BUSINESS UNIT

GG	DOCRRRA QUARTERLY MEETING
<u>SUBJECT:</u>	AFS STATUS QUO 2021/2022

PURPOSE:

To present the Status Quo on the AFS Compilation.

DISCUSSION AND BACKGROUND:

DOCRRRA has requested a report on the AFS progress and highlights.

Although the AFS is compiled by the AFS Section, in order to ensure that quality and credibility of the AFS accurate and timely inputs are required from all role-players.

The first draft of the AFS was finalised last Friday, 12 August 2022 and was submitted on that date to Internal Audit for purposes of auditing.

Even though we have managed to maintain an unqualified audit opinion for the past 16 years, it must be stressed that maintenance of this audit opinion is becoming progressively harder due to the following main factors:

- Increased and complex accounting standards ;
- Increased number of auditors on site at an earlier date overlapping with the compilation process;
- Increased number of oversight structures and oversight capacity but under-capacity of those actually undertaking the functions ;
- Organisationally systems and processes are not aligned the size of the municipality.
- Official's do not always take the requests relating to AFS seriously.
- Staff capacity within the Budget and Compliance Section

Notwithstanding various delays, the AFS team did compile the draft AFS in reasonable time for submission to Internal Audit for quality assurance. However the time frame for internal quality assurance to be conducted by Finance has been significantly reduced. Furthermore, despite our requests, both Provincial Treasury and COGTA has declined to undertake an external review of our Annual Financial Statements.

The following key issues require validation and further review prior to the AFS submission to the Auditor General:

- Confirmation of the General Ledger to external sub-systems, eg Payroll ,
- Fixed Assets Project (specific focus on Flood Disaster Impairment of Assets) ,
- Contract Management and associated registers eg Retentions , etc , and
- Implementation of GRAP 108 disclosure.

The above list is not exhaustive and there are various other operational matters currently being addressed. Further as the internal checks and balances progress, additional matters may need to be escalated.

Administration is committed to fully dealing with any remaining matters and foresees submission in accordance with the legislated deadlines.

Whilst there are certain technical matters which are complex to address, we are confident the AFS and subsequent audit will bear evidence to the transparency and openness of our records.

STRATEGIC & LEGAL IMPLICATIONS:

To ensure compliance with the GRAP and MFMA.

RECOMMENDATION:

1. The above report be noted.

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Approved/Comments

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