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Ref: Ad Hoc 2025/26 - 004

Date: 22 January 2026

Ms. E. Wassermann
Chief Financial Officer

Dear Madam,

AD HOC REQUEST: ASSESSMENT OF PARTIAL PAYMENT TO CONTRACTOR – ERF 175 COOPER STREET 77

1. PURPOSE

The purpose of this internal audit engagement was to assess the concerns raised through email correspondence regarding the partial payment made to a contractor for services rendered on a private erf, and to determine whether the processes followed were compliant with applicable municipal policies, Supply Chain Management requirements, and sound financial management practices.

2. BACKGROUND AND CONTEXT

On 16 January 2026, the Chief Financial Officer formally instructed the Internal Audit Function to conduct an assessment following an email received from Ms. Pike, Small Plant Operator (Admin Support). Ms. Pike raised concerns regarding partial payments made to contractors for work performed on private erven and indicated that she had received instructions via WhatsApp to cancel an invoice from Rode Transport and Maintenance and not to sign off the contractor's work, allegedly on instruction from Mr L. Mralasi, Manager: Parks, Cemeteries and Open spaces.

On 20 January 2026, Mr. De Jager, Manager: Budget, Reporting and Expenditure, provided a written response outlining the procurement and payment process followed. He indicated that payment was affected only for the portion of work actually completed, with the outstanding balance remaining on the order and payable once the remaining services are rendered.

The matter specifically relates to cleaning services rendered on Erf 175 Cooper Street 77, situated in Swellendam.

3. ENGAGEMENT PROCEDURES & SCOPE

The scope of the engagement was limited to an assessment of the documentation, email correspondence, and transactions relating to the procurement, verification, and partial payment of services rendered by Rode Transport and Maintenance for Erf 175 Cooper Street 77.

Internal Audit reviewed the relevant email correspondence, quotation, terms of reference, purchase requisition, official order, invoice, and Goods Received Note. Geographical cards obtained from Town Planning, confirming the size of the erf, as well as service charge information applicable to Erf 175 Cooper Street 77, were also reviewed. On 22 January 2025, Internal Audit was accompanied by Mr. Mralasi, to physically inspect whether the erf was cleaned and service rendered.

4. FINDINGS, ENGAGEMENT RESULTS AND RISKS

The review confirmed that the quotation, requisition, and official order were initially raised for 6 611 square metres at a value of R3 770. The contractor invoice reflected partial performance of 4 363 square metres, amounting to R2 500, which was supported by a Goods Received Note signed by an authorised official from Community Services. The remaining balance of 2 248 square metres remains outstanding on the order and is to be paid once the service is fully rendered.

Internal Audit noted that the official order was manually amended by scratching out the original quantity and value and replacing it with the quantity and value relating to the partial service rendered. Although this amendment aligned with the work performed and invoiced, there was no evidence of a formal revision or re-authorisation of the amended order.

The concerns raised regarding instructions communicated via WhatsApp could not be substantiated through formal documentation. However, reliance on informal communication platforms for operational and financial instructions poses a control risk and may lead to misinterpretation or disputes.

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During an interview conducted with Ms. Pike on 22 January 2026, it was confirmed that Mr. Mralasi was not on duty for a period of two days, during which authority was delegated to Mr. De Silva, Foreman: Parks. In Mr. Mralasi's absence, Mr. De Silva duly authorised the invoice and Goods Received Note to facilitate the processing of the partial payment.

5. CONCLUSION AND RECOMMENDATIONS

Based on the procedures performed and evidence reviewed, Internal Audit is of the opinion that the payment of R2 500 to Rode Transport and Maintenance was supported by evidence of partial service delivery and a duly authorised Goods Received Note and is therefore substantively valid.

However, control weaknesses were identified relating to the manual amendment of official order documentation without formal re-authorisation, as well as the use of informal communication channels for operational instructions between Mr. Mralasi and Ms. Pike.

Internal Audit recommends that all amendments to official orders be processed through a formal revision process with clear documentation and appropriate approval. It is further recommended that procurement and payment related instructions be communicated strictly through formal and approved channels, and that guidance be provided to officials on the management of partial service delivery and payments. In addition, where services are partially rendered, a written confirmation from the user department with accompanying physical geographical evidence of the partially serviced area (square) must be prepared, indicating the portion completed, the value thereof, and the outstanding balance. Reinforce that all instructions relating to the approval, cancellation, and/or amendment of invoices and orders must be issued through formal channels. The use of informal communication platforms such as WhatsApp for procurement and/or payment instructions should be prohibited. Internal Audit recommends that the required supporting evidence, such as dated geographical photographs before and after the work, site inspection checklists, and/or supervisor sign-off reports, to be attached to the payment pack prior to processing.

In conclusion, it is further recommended that management should develop and implement a standardised service delivery checklist to be issued to appointed service providers at the commencement of all grass cutting and cleaning services on open erven. The checklist should clearly indicate the approved start date, anticipated completion date, and require

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the service provider to submit weekly progress updates to the Municipality for the duration of the contract. The completed checklist should form part of the supporting documentation for service delivery verification. In addition, management should ensure that the minimum specifications and terms of reference for such services explicitly state that payment will only be processed once the work has been completed in full and satisfactory service delivery has been confirmed. Service providers should be required to submit objective evidence of completed work, together with a formal completion report, prior to any payment being made. This requirement should be clearly communicated at the point of appointment and enforced consistently to strengthen accountability and support effective contract management.

6. DISCLAIMER

Please note that Internal Audit only considered and expressed an opinion based on the assessment conducted on the information and documentation made available and accepted the correctness of the instructions received.

Yours faithfully,

MR. A. PETERSEN
SENIOR INTERNAL AUDITOR
DATE: 22 JANUARAY 2026

7. ACCEPTANCE OF INTERNAL AUDIT REPORT

We agree to the observations and recommendations made and hereby accept the above-mentioned report.

MS. E. WASSERMANN
CHIEF FINANCIAL OFFICER
DATE: 23 JANUARY 2026

Comments: