



UMKHANYAKUDE DISTRICT MUNICIPALITY

AUDIT ACTION PLAN FOR 2016/2017

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
1.	<p>No meter readings were done for the year</p> <p>During the audit it was noted that not all meter readings are done on a monthly basis. Selected a sample of water & electricity billing and noted that not all meters were read and estimates were not always made to recognise the revenue.</p> <p>Furthermore most of residential areas, water meters were not read for the greater part of the year and estimates were done for longer than three months which create unreliable estimate.</p>	FINANCIAL SERVICES	The Acting Chief Financial Officer	<p>The finding is noted by management. The municipality is currently in the process finalizing the meter installation project. The municipality will establish revenue and debt collection steering committee to look into the billing and revenue collection challenges.</p> <p>CoGTA will also assist the municipality by funding the data cleansing exercise.</p>	<ol style="list-style-type: none"> 1. Update and roll out of all the revenue related process flows and procedures. 2. Finalize data cleansing and compile an accurate indigent register. 3. Install meters in ALL the elite areas and repair all broken and faulty meters. 4. Allocate meter readers in all the metered areas. 5. Create a meter reading route list/ schedule that will be approved by the CFO, for use by the readers. 6. The meter reading process will be monitored on a regular basis. 7. Strengthen the credit control function: <ul style="list-style-type: none"> - Identify a lucrative customer base to target for collection and strengthen our relationship. - Identify all consumers with balances outstanding for more than 90 days, and amounts exceeding R 100 000. Engage with these customers and agree on a payment plan.
	<p>Based on the audit of revenue electricity meter readings, it was noted that not all meters are read and estimates are not calculated for the months when meters were not read. this indicates that billing used to computer electricity losses is unreliable. (Refer to finding named "no meter readings done for the year")</p> <p>Furthermore, there was a difference between the purchases figure that is calculated by the auditor and that of the</p>	FINANCIAL SERVICES	The Acting Chief Financial Officer	<p>Management acknowledges the finding. The municipality used debit order amounts for the months mentioned above. We have since located all the invoices and updated our calculation, and the correction will be effected in the revised set of financial statements by 04 November 2016 (including the billing for November 2016). The municipality disagrees with the R 17 million loss from internal consumption. Eskom bills the municipality based on the electricity actually consumed.</p>	<ul style="list-style-type: none"> - Establish revenue and debt collection steering committee to look into the billing and revenue collection challenges. <p>(CoGTA will also assist the municipality by funding the data cleansing exercise.)</p>

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	client and this also misstates the electricity losses calculation:				
	During the asset verification, it was noted that certain assets were identified as complete and in use but still appear under Work in Progress.	FINANCIAL SERVICES	The Acting Chief Financial Officer	<p>The municipality is aware of that some of the projects named above have been completed. A submission of projects completed versus assets already taken on in the register as “new found” assets at fair value in prior years will be made. This would require an adjustment to the FAR. The projects will be credited and assets debited on the last transaction date on Pastel.</p> <p>Assets taken into the register will be removed retrospectively.</p> <p>The adjusting journal will be presented to the AG on Monday, 7 November.</p>	<p>1. With assistance from Technical Services, Finance Department will put together a team who will investigate such assets through site visitation and source project files. Corrections will be made on the FAR upon finalization of the exercise. A submission will be made to council where necessary have the assets written off if they do not exist.</p>

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	During asset verification certain movable assets could not be verified.	FINANCIAL SERVICES	The Acting Chief Financial Officer	Management partially agrees with the finding. Items 1-5,8, the Municipality agrees with the finding. These items were due to be written off but could thus not be removed from the register yet. Item 6, the truck is currently undergoing a service, where after it can be verified. Item 7, will be shown to the AG. Items 9-12, even though the items belong to the municipality, they are currently in possession of the service provider to assist in performing tasks intended to by the municipality. These can be verified by prior arrangement with the service provider.	An interim asset verification will be performed, during MiD Year to ascertain whether all assets recognised on the FAR exist. In cases where assets no longer exist they will be written off subject council approval before year end.
	During the audit certain bid specification documents could not be provided:	FINANCIAL SERVICES	The Acting Chief Financial Officer	Reasons for the non-availability of documentation have been indicated in the table above. The majority of cases were due to the fire in February 2012 in which many documents were completely destroyed. The municipality will improve its records management processes during the 2016/17 financial year.	SCM will undertake an exercise where all contractors in question are requested to submit information on their possession with a view of recreating files. In cases of actual bid documents not available, BID committees in assistance with Technical Services and the MM will reconvene to relook at the validity of contracts. Furthermore, legal advise will be sourced from legal services to determine the way forward.
	During the audit certain tender contract documents could not be provided for audit.	FINANCIAL SERVICES	The Acting Chief Financial Officer		
	During the audit, it was noted that registers relating to UIFW were not fully completed or did not have information about steps to recover the expenditure, write-off the expenditure or whether the matter is still under investigation and any corrective action. There was also no evidence that UIFW incurred was reported to council. Furthermore, while we were informed that	FINANCIAL SERVICES	The Acting Chief Financial Officer	Management accepts the finding. The UIFW register was tabled at the October 2016 Finance Portfolio Committee meeting. It will also be included as a separate and standing item on the Council meeting agenda with effect from November 2016.	Services of an independent service provider will be sourced to assist with compilation of UIFW. Once the exercise is complete steps will be taken to invistagate where recomended UIFW expenditure for recovery. Reporting to the relevant structures will continue.

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	certain investigations are taking place, there was no evidence provided indicating that all UIFW reported in current and prior year was being investigated, nor was there evidence/report provided for such investigation and also reporting of irregular expenditure to SAPS.				
	PAYE and SDL not paid on or before the 7th of the month	FINANCIAL SERVICES	The Acting Chief Financial Officer	Management accepts the finding, the amount mentioned above was noted by the municipality and duly disclosed under fruitless and wasteful expenditure in the AFS presented for auditing.	All 3rd party payments will be processed 5 days after pay day. This was an isolated event which stringent controls have been implemented to avoid re-occurrence
	Expenditure not paid within 30 days During the audit the auditors noted that certain expenditure was not paid within 30 days from the invoice date which is in contradiction with the MFMA:	FINANCIAL SERVICES	The Acting Chief Financial Officer	Management accepts the finding. Due to liquidity challenges faced by the municipality, an Interim Finance Committee (IFC) was established to prioritise payments to creditors and improve the management of cash resources. As a result, payments to some suppliers were delayed during the 2015/16 financial year. Once the municipality's liquidity improves, payments to suppliers will be made timely.	Management accepts the finding. Due to liquidity challenges faced by the municipality, an Interim Finance Committee (IFC) was established to prioritise payments to creditors and improve the management of cash resources. As a result, payments to some suppliers were delayed during the 2015/16 financial year. Once the municipality's liquidity improves, payments to suppliers will be made timely.
	23. Supplier owned by employees in government It was noted during the audit that there suppliers reported in the prior year to be owned by employees in the service of the state however municipality continued to award these suppliers thus expenditure is now classified as irregular expenditure.	FINANCIAL SERVICES	The Acting Chief Financial Officer	Management acknowledges the finding. The 4 cases identified as reported in the prior year have been included in the irregular register. The revised amount is R70 458 208.60, this will be updated in the AFS by 04 November 2016. The municipality presently uses Compuscan to detect employees in the service of the state conducting business with the state. Investigations will be done to improve weaknesses in the present system to prevent similar cases from recurring. The additional identified cases shall be disclosed in the annual financial statements, by 04 November 2016.	1. The municipality currently utilises the services of Compuscan to detect employees in the service of the state conducting business with the state. 2. Investigations will be done to improve weaknesses in the present system to prevent similar cases from recurring.

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	<p>During the audit of receivables, it was noted that there was no proof that reasonable steps were taken to recover the debts given the following:</p> <ol style="list-style-type: none"> 1. No proof of legal correspondence or hand over of the major debtors to the attorney. 2. No discontinuance of service was conducted. 3. There was also lack of correspondences with the customer including making a payment arrangement with the debtors. <p>The following are examples of long outstanding debtors, where no steps has been taken to recover the money overdue</p>	FINANCIAL SERVICES	The Acting Chief Financial Officer	<p>Management acknowledges the finding. Management will ensure that all outstanding debtors are followed up on. Government and commercial businesses will be targeted first with domestic customers followed up as the indigent policy is implemented. Furthermore a draft revenue enhancement strategy has been developed and presented to the finance portfolio committee. The strategy captures key activities that the municipality needs to perform around collection processes.</p>	<p>The municipality will implemented the revenue enhancement strategy as approved by the finance portfolio committee. The Credit control policy will be updated and presented to council during February which will guide the municipality on the processes that needs to be followed.</p>
	<p>During the audit of trade payables, it was noted that the following creditors did not have evidence of authorisation, in this regard the vouchers or supporting statement or documents were not signed or approved. It is therefore unclear if management has accepted the obligation for the creditors raised.</p>	FINANCIAL SERVICES	The Acting Chief Financial Officer	<p>Management agrees with the finding. The expenditure vouchers were not signed by any of the authorized signatories. However, the requisitions and orders were duly authorized. Management has ensured that the authorisation control measures are stringently applied.</p>	<p>Stringent controls have been implemented whereby all vouchers are approved by two signatories (CFO and AMM/Administrator) prior to release of funds. An exercise was conducted to ensure that all payments made for the 2015/16 financial year were duly approved</p>
	<p>During the audit it was noted there is no reconciliation between the general ledger and fixed asset register.</p> <p>There was also no evidence to provide that the asset register is updated and reviewed on a regular basis to ensure that errors are resolved timeously by management.</p>	FINANCIAL SERVICES	The Acting Chief Financial Officer	<p>Management agree with the finding. Municipality has now the Asset Management system; reconciliations will now be performed monthly.</p>	<p>Municipality has now the Asset Management system; reconciliations will now be performed monthly.</p>
	<p>It was noted from the audit work performed, for a sample of each consumer debtor selected, a consumer deposit amount could not be traced to the debtor account:</p>	FINANCIAL SERVICES	The Acting Chief Financial Officer	<p>Camelsa will be provided with information to raise deposits on Pastel Billing System for all customers. The listing for the 2015/16 financial year will reflect deposit amounts per consumer.</p>	<p>Camelsa will be provided with information to raise deposits on Pastel Billing System for all customers. The listing for the 2015/16 financial year will reflect deposit amounts per consumer.</p>

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	During the audit of the internal controls relating to VAT process no evidence was provided for monthly review of the vat reconciliation by management, the review is only done at year end.	FINANCIAL SERVICES	The Acting Chief Financial Officer	Management agree with the finding. Reviews of the VAT reconciliation will now be done on a monthly basis.	Reviews of the VAT reconciliation will now be done on a monthly basis.
	A. During the audit of procurement and contract management, it was noted that the accounting officer did not submit a report/resolution on the implementation of the supply chain management policy for the 2015/16 financial year to council. B. It was further noted that the accounting officer, did not submit a report on the implementation of the supply chain management policy to the mayor of the municipality of the board of directors of the municipality within 10 days of each quarter	FINANCIAL SERVICES	The Acting Chief Financial Officer	The Municipality has been reviewing the SCM Policy with the assistance from Provincial Treasury on a number of issues which were raised by the Auditor's during the FY 2014/15. The policy was reviewed by both parties (Municipality and Treasury) and the final draft document was tabled on March 2016 to Council as per Resolution No. UMDC 865/16	The Municipality has been reviewing the SCM Policy with the assistance from Provincial Treasury on a number of issues which were raised by the Auditor's during the FY 2014/15. The policy was reviewed by both parties (Municipality and Treasury) and the final draft document was tabled on March 2016 to Council as per Resolution No. UMDC 865/16 SCM implementation reports are prepared and presented to the finance portfolio committee, exco and full council
	Upon discussion with management, there is no fraud/ethics hotline established at the municipality to report on activities/allegations	FINANCIAL SERVICES	The Acting Chief Financial Officer	The finding by AG is acknowledged. A fraud / ethics hotline for be established as recommended by the AG.	A fraud / ethics hotline for be established as recommended by the AG.
	The absence of the processes for identifying the subsequent event may result in misstatement of the financial statement as a result of not accounting for adjusting events, or non-adjusting events.	FINANCIAL SERVICES	The Acting Chief Financial Officer	The audit finding is noted. In line with the AG's recommendation, controls over the identification of subsequent events will be designed and implemented during the 2016/17 financial period.	In line with the AG's recommendation, controls over the identification of subsequent events will be designed and implemented during the 2016/17 financial period.

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	<p>A review of the tender award letter for the Jozini Regional Community Water Supply Scheme project highlighted that Shula Construction was awarded the contract on 2 December 2015 at a cost of R22 266 070. The tender for the project was advertised on 1 June 2015</p> <p>A comparison of the award date and the advertisement of the tender highlighted that the tender process took 6 months to complete. The Technical Services Department (WSA Manager) noted that the procurement process should take 3 months to finalise the appointment of service providers. Consequently, the procurement process delayed the commencement of the project by 3 months. The delay for the completion of projects has adversely impacted on the service delivery needs of the community and the municipality's ability to provide services efficiently. The timeous completion of the Jozini Regional Community Supply Scheme project scheduled for 16 November 2016 will be adversely impacted on.</p>	FINANCIAL SERVICES	The Acting Chief Financial Officer	The AG finding is acknowledged and audit recommendation noted, training of bid committees has been done. Once a week, all bid committees are scheduled to sit to consider projects / bids. This ensures timely finalization / award of bids going forward.	Training of bid committees has been done. Once a week, all bid committees are scheduled to sit to consider projects / bids. This ensures timely finalization / award of bids going forward.
	During the audit, it was noted that revenue reconciliations are not prepared timely, not authorised by the relevant official.	FINANCIAL SERVICES	The Acting Chief Financial Officer	Management accepts the finding, the revenue monthly reconciliation for the 2016/17 financial year are now performed timely and reviewed accordingly.	Revenue monthly reconciliation for the 2016/17 financial year are now performed timely and reviewed accordingly.
	During the audit of petty cash, it was noted that the petty cash reconciliation which was prepared by Miss S.P Mathenjwa (Cashier) dated 30 May 2016, was not reviewed by the responsible official as required by the laws and regulations.	FINANCIAL SERVICES	The Acting Chief Financial Officer	Management accepts the finding, the petty cash monthly reconciliation for the 2016/17 financial year are now performed timely and reviewed accordingly.	Petty cash monthly reconciliation for the 2016/17 financial year are now performed timely and reviewed accordingly.

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	During the audit Petty cash, it was noted that the petty cash expenses are not captured exclusive of VAT as required by the laws and regulations.	FINANCIAL SERVICES	The Acting Chief Financial Officer	Management acknowledges the finding, an exercise has been undertaken to review 100% of all petty cash transactions for the 2015/16 financial year, an adjustment of R 637 will be processed in the GL and AFS.	An exercise has been undertaken to review 100% of all petty cash transactions for the 2015/16 financial year, an adjustment of R 637 was processed in the GL and AFS. On a monthly basis the accountant is tasked to review all petty cash transaction for the month and the manager signs off.
	There was no formal EFT policy and procedures process in place to govern EFT transfers. Furthermore, the following users with administrator rights on the FNB banking profile have not been terminated: 1. Elliot Mzimela (Previous Municipal Manager) 2. Nonhlanhla Z Ndlela (Previous General Manager Corporate Services) 3. Siyasanga Ndakisa (Previous Acting CFO)	FINANCIAL SERVICES	The Acting Chief Financial Officer	We are in agreement with the above audit finding and internal control deficiency. Management will develop an EFT policy for adoption by Council. Management will liaise with FNB regarding the functionality of the system in order to produce user activity logs and have the previous users removed.	Management will develop an EFT policy for adoption by Council. Management will liaise with FNB regarding the functionality of the system in order to produce user activity logs and have the previous users removed.
	Annual performance appraisal of the municipal entity not performed The performance of uMhlosinga Development Agency against the agreed performance objectives and indicators was not monitored and annually reviewed by uMkhanyakude District Municipality for the 2015/16 period as required by section 93B(b) of the MSA. Management will be unable to identify areas of under-performance and non-performance and take corrective action thus resulting in non-achievement of IDP objectives.	OFFICE OF THE MM	The acting Municipal Manager	The finding is acknowledged. For 2016/2017 close monitoring for UMDA will be done	by conducting regular performance assessments

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	During the audit, it was noted that the under-mentioned performance indicators and targets developed by the municipality, were not considered to be well defined and measurable	OFFICE OF THE MM	The acting Municipal Manager	The finding by AG is acknowledged. Standard operating procedures will be developed so that they regulate the crafting of targets using SMART principles.	By ensuring that a full list of KPIs are developed and are checked for compliance
	During the audit of predetermined objectives, a portfolio of evidence to verify the reported achievements in the annual performance report was not maintained for KPI 2.4.3 in the basic service delivery and infrastructure programme. Audit information was requested on 19 August 2016. Consequently the auditors were unable to confirm the validity, reliability and accuracy of the reported performance for the under-mentioned indicator	OFFICE OF THE MM	The acting Municipal Manager	The finding by AG is acknowledged. A standard operating system for portfolios of evidence will be developed with a view to regulating portfolio of evidence.	Secretaries will be requested to assist in compiling PoEs
	During the audit of predetermined objectives, it was noted that the portfolio of evidence maintained for KPI 2.4.2 to verify the actual was not valid, accurate and complete. The 4th quarter progress report was not approved by the technical services manager and the technical services report for repairs done at the Kwajobe Water Plant was not available for audit purposes.	OFFICE OF THE MM	The acting Municipal Manager	The finding by AG is acknowledged. A standard operating system for portfolios of evidence will be developed with a view to regulating portfolio of evidence	Development of SOPs

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	<p>The KPIs set by the municipality did not include indicators on percentage of households with access to basic level of water and/or sanitation and/or electricity and/or solid waste removal were not set by the municipality.</p> <p>The indicator for the percentage of households earning less than R1100 per month with access to free basic services was also incorrectly recorded on by municipality as "Number of households earning less than R1100 per month with access to free basic water"</p>	OFFICE OF THE MM	The acting Municipal Manager	The finding by AG is acknowledged. In future a "percentage" will be used as opposed to "number of households".	percentages will be used accordingly
	During the audit of predetermined objectives, it was noted that the portfolio of evidence maintained for KPI 2.3.1 and 2.3.2 was not valid, accurate and complete.	OFFICE OF THE MM	The acting Municipal Manager	Management accepts the finding. Recommendations from the AG will be implemented going forward to ensure performance information reported is credible.	Secretaries will be requested to assist in compiling PoEs
	<p>25. Monthly meter readings were not done</p> <p>During the audit it was noted that not all meter readings are done on a monthly basis. Upon request for monthly electricity meter readings, it was discovered that electricity monthly readings from July 2014 till the end of November 2014 were not submitted for audit .Upon enquiry, it was confirmed that they were not done</p> <p>Furthermore for most of residential areas electricity meters were not read for the greater part of the year and estimates were done for longer than three months which is</p>	OFFICE OF THE MM	THE ACTING MUNICIPAL MANAGER	The finding is accepted by management, there were challenges within the billing system during 2014/15 financial year which resulted in the readings and the bills for the July to November 2014 period, not being done. The catch up reading and billing was done in December 2014.	

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	not in compliance with the credit control policy				
	During the audit of completeness of revenue as disclosed in the financial statement, it was noted that certain new applicants for water connections were included in the billing system, but the amounts due were nil as per their statements. No evidence was submitted for audit to confirm that the debtors were not utilizing the water services. This shows that these applicants were not billed by the municipality	OFFICE OF THE MM	THE ACTING MUNICIPAL MANAGER	The finding is noted and accepted. The municipality has capacity constraints within the revenue section (i.e. shortage of meter readers) and challenges regarding the availability of municipal vehicles, for use by meter readers. The municipality plans to do catch up readings and billings in the near future.	

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	<p>A) During the audit of water losses disclosure, it was noted that the amount disclosed in note 45 of AFS is inaccurately calculated due to the lack of the logic on the calculation: From the table above the following must be noted:</p> <ul style="list-style-type: none"> • The Purchases of water of R58 640 888.94 differ with the purchases of water as per note 29 of the financial statement which reflect R37 830 715, giving a variance of R20 810 173.94. • With respect the same amount of purchases it must be noted that in some cases the amount include electricity and in some cases it does not include electricity purchase for the usage of the scheme. This make the amount of purchases of waste to be inconsistent thereby weakening the reliability of the data used to calculate the water losses. • The water losses amount is illogical or inaccurate given that rand value was deducted from the units. • From the purchases above, it must be noted that this amount exclude the purchases from DWA, thereby questioning the reliability data used to calculate water losses. <p>B) Furthermore the certain reservoirs and treatment works do not have inlet/outlet meters, that results in an inaccurate estimate of the quantity of water that was included in production. As per discuss with Emmanuel Muanza, Senior Manager Operation and Maintenance, it was noted that the</p>	OFFICE OF THE MM	THE ACTING MUNICIPAL MANAGER	Management notes and agrees with the finding.	

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	<p>quantities are sometimes estimated based on the meter from the inlet of the treatment works, this is prior to water being treated and recognised as usable water:</p> <p>C) Furthermore it was noted that there are connections from the main pipes which go to the community that are not metered, giving it difficult to estimate the losses.</p> <p>D) The finding above also exclude the fact that uMkhanyakude district using water tanks to distribute water to the community and these water tanks do not have records of the water taken from certain connection or reservoir which would also result in such water go un accounted for or be incorrectly classified as water losses</p>				

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	<p>During the audit it was noted that there were certain suppliers that the municipality procured without following the procurement process and the municipality recorded a deviation on the register. Upon evaluation of the motivation it was noted that the municipality did not comply with regulation 22 and regulation 36 as goods were procured directory from one supplier without advertising at least for shorter period or obtaining at least three quotations.</p> <p>1) It was noted that in all these deviations the municipality had budgeted for them, which means the municipality knew that such services will be required.</p> <p>2) The motivation report submitted by the technical department for some of these deviations states that Umgeni Water Board was approached to assist in January 2016 as the situation was becoming out of hand, it also stated that:</p> <p>a. The quote by Umgeni Water was above the market related price, however there is no evidence that comparisons were done to know the market related price.</p> <p>b. Umgeni Water took three months to respond> this indicates that immediate response was not required by the municipality at that point and that there was a possibility of advertising for a short period.</p> <p>3) The motivation reports further states for example that the cost of refurbishment of Thembaletu Sanitation and upgrades of boreholes in UKDM can only be determined on submission of quotations and completion</p>	OFFICE OF THE MM	THE ACTING MUNICIPAL MANAGER	<p>Management acknowledges the finding. The 12 cases identified have been removed from the deviations register and have been duly disclosed under irregular expenditure, in the revised AFS. The revised total amount of deviations is R4 008 207.82.</p>	

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	<p>of the project</p> <p>a. No quotations were taken so as to ensure that procurement is fair, equitable, transparent, competitive and cost-effective.</p> <p>b. Most motivations indicate that the cost can be determined at the completion of the work, this statement was also found to be contrary to the principle of cost effectiveness and it is possible that high prices are being paid for the above procurement since it is not determined at the inception, the existence of site meeting, site inspection to assist the supplier to determine the cost of work to be done.</p> <p>4) The Department of Cooperative Governance and Traditional Affairs classified the provincial state a disaster in terms of section 32(1) of the Disaster Management Act 57 of 2002 for drought disaster in KwaZulu-Natal province on 11 February 2015, most motivations for boreholes indicate that since the drought was classified as a disaster, this resulted in the urgent need of water.</p> <p>a. It must be noted that these procurements were done in 2016 which is 12 months later and that the municipality knew the water level on the reservoirs.</p> <p>5) For procurement above R10 million the municipality had an option to advertise at least for a shorter period than 30 days e.g. 21 days, 14 days, 7days or by requesting three quotations as the deviations, however, the municipality failed to utilise all these</p>				

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	<p>available options for competitive procurement.</p> <p>6) The municipality had almost 6 months to follow the procurement process in some cases, however, towards year end the municipality resorted to emergency procurement.</p> <p>7) Furthermore, there is no evidence to prove that these suppliers were chosen from the suppliers database before the date of appointment as they appear on the database currently, in that it is not clear as to the process followed to select the suppliers.</p> <p>8) In some cases the deviation form was not attached as per table above.</p> <p>9) It is further concerning that these deviation motivations were not dated when approval was given.</p> <p>10) The timing of the deviation was also a concern as can be seen on the table that these were only done towards the year end.</p>				

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	<p>During the audit of predetermined objectives, it was found that the municipality did not report on quarter 4 performance report on 31 July 2016 in its service delivery and budget implementation plan. The 4th quarter performance report has not yet been provided for audit purposes.</p> <p>As result management will not be able to identify areas of under-performance and non-performance. The performance information of the municipality may also not be reliable.</p>	OFFICE OF THE MM	THE ACTING MUNICIPAL MANAGER	The finding is acknowledged. The report for Q4 is available. In future reports will be concluded timeously.	
	Upon performing walkthrough tests of the systems description of performance indicators in the basic service delivery and infrastructure investment programme, it was noted that there are no approved and documented standard operating procedures that clearly describe the input, processing and output processes.	OFFICE OF THE MM	THE ACTING MUNICIPAL MANAGER	The finding by AG is acknowledged. The SOPs will be developed for 2016/2017 PMS.	
	Per inspection of the annual performance report submitted for auditing, it was established that no explanations had been provided for variances between the targets and outputs	OFFICE OF THE MM	THE ACTING MUNICIPAL MANAGER	The finding by AG is acknowledged. Necessary corrections as per the recommendation will be effected.	
	From an inspection of repairs and maintenance records during walk through tests, it was noted that there were no job cards or technical service reports maintained for the water leak repaired in the vicinity of the Hluhluwe Police Station on 9 February 2016.	OFFICE OF THE MM	THE ACTING MUNICIPAL MANAGER	The finding by AG is acknowledged. The SOPs will be developed for 2016/2017 PMS.	

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	<p>During the audit of Compliance, it was noted that the audit committee did not perform the following functions as required by the regulation</p> <ul style="list-style-type: none"> • The performance audit committee did not meet at least quarterly during the audit year 2015/16 to review quality for performance report from the internal audit. • No evidence that the audit committee submitted the audit report at least twice during financial year to municipal council as required by the regulation. • It was noted that for the last six months of the financial year under audit the audit committee did not meet. 	OFFICE OF THE MM	THE ACTING MUNICIPAL MANAGER	<p>Management agree with the finding. Audit Committee met four times in the current year and will ensure that Audit Performance Audit Committee meets twice a year. Management will ensure that the Audit Committee reports to the Council twice a year.</p>	

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	<p>The lack of regular meeting by the audit committee affected their function and furthermore it could not be evidenced that the committee advised council on matters relating to:</p> <ul style="list-style-type: none"> • risk management, • accounting policies and effective governance • internal financial control and internal audits; • risk management; • accounting policies; • the adequacy, reliability and accuracy of financial reporting and information; • performance management; • effective governance; • compliance with this Act, the annual Division of Revenue Act and any other applicable • legislation; • performance evaluation; and <p>any other issues referred to it by the municipality or municipal entity;</p>	OFFICE OF THE MM	THE ACTING MUNICIPAL MANAGER	<p>Management agree with the finding.</p> <p>The Council and the Accounting Officer will ensure that the Audit Committee performs the required functions and advises the Municipality as required by MFMA Section 166(2).</p>	
	During the audit, it was noted that the performance agreement for the Acting Municipal Manager (Mr. Mokhatla.) was not signed by or agreed by the Mayor.	THE OFFICE OF THE MAYOR	The Mayors office	The Performance Agreement for Mr Mzimela was actually signed by the Mayor. The copy is attached.	
	The quarterly report on the status of disciplinary hearings were not submitted to the MEC as required by the regulation	OFFICE OF THE MM	THE ACTING MUNICIPAL MANAGER	<p>The audit finding is noted. The Accounting Officer will ensure adherence to the Disciplinary Regulations for Senior Managers by advising the Council to establish the Disciplinary Committee. A request will then be submitted to SALGA and COGTA for the training of the Committee upon its establishment by December 2016.</p>	

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	Based on the audit work done, it was noted that there are key positions were vacant in the municipality of which some have been vacant for a period of more than 12 months and this impose risk in terms of service delivery, key internal controls and the running of the municipality	OFFICE OF THE MM	THE ACTING MUNICIPAL MANAGER	The audit finding is noted by management. One of the basis for invoking Section 139 (1) (b) of the Constitution was that of a bloated organogram. This then required a rigorous review of the organizational structure which would be followed by the placement process. This then necessitated a halt in the filling of vacancies until management has made sure that the structure is informed by the organizational strategy (IDP). However; the process for the appointment of Senior Managers is in progress and it is projected that by end of February 2017; all senior management positions would be filled. The organogram has been revised and currently being taken to relevant structures for consultation before it is ultimately approved by Council on / or before end of December 2016.	
	Rental agreements for the rental and occupation of park homes were not available or not entered into by the municipality and the employees renting these park homes. It was noted that certain employees do not have any rental or occupation agreement with the municipality and did not pay any rental to the municipality for use and occupation of the municipal guesthouses:	OFFICE OF THE MM	THE ACTING MUNICIPAL MANAGER	The audit finding is noted by management and rental agreement for employees occupying municipal premises would be prepared, signed and filed accordingly. Management would also recover all monies due to employees that have occupied the municipal guesthouse over the years. Management would further submit a formal item to Council requesting that the guesthouse be utilized by employees and thereafter determine a market related rental fee henceforth.	
	During the compliance audit, it was noted that the performance evaluation panel was established; however there were no performance evaluations carried out for the municipal manager. The performance evaluation not being carried out on the municipal manager will result in non-compliance with the legislation.	OFFICE OF THE MM	THE ACTING MUNICIPAL MANAGER	The finding by AG is acknowledged. An annual performance evaluation for 2015/2016 will be made by no later than November 2016.	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>No formal job descriptions for employees</p> <p>During the understanding of the control environment of the Municipality, it was noted that the municipality does not have formalized job descriptions for their employees. This was further confirmed through discussion with HR Manager and inspection of the expenditure accountant's employee file.</p>	CORPORATE	CORPORATE SERVICES DEPARTMENT	The audit finding is noted. All job descriptions have been developed in line with the reviewed structure. All due processes for the approval of the reviewed structure are underway. Upon completion of the placement exercise; job descriptions will be signed by all employees	
	<p>As per discussion with management confirmed that, a disciplinary board only consist of two members that is a Deputy Senior Manager-Legal services and Labour Specialist.</p> <p>Further confirmed thorough inspection of employee personal files confirmed that both disciplinary board members are employed on full time basis from 01 September 2013 and 01 April 2010 respectively.</p> <p>The appointment of these board members is not in compliance the legislation because members are not employed on part time basis and the appointment of these members has also exceeded a period of three years as required by the legislation.</p>	CORPORATE	Corporate services department	Management agrees with the audit finding. A disciplinary policy will be developed in line with applicable legislation. It will further provide for the appointment of members of the Disciplinary Board.	
	Upon request of the fraud prevention plan/strategy from request 1, dated 30 March 2016 no plan/strategy provided to us. Through our various interactions with management it was noted that municipality has not establish fraud prevention plan/strategy.	CORPORATE	Corporate services department	The audit finding is noted. The Municipality has appointed KPMG to review and develop the Fraud Risk Register and thereafter develop the Fraud Prevention Plan, workshop it to management and Councilors before it is officially adopted by Council by December 2016.	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	During the audit of performance agreements at the municipality for a sample of employees other than section 56 and section 57 employees, it was noted that no performance agreements were concluded for the 2015/16 period	CORPORATE	Corporate services department	The PMS for now only covers S57 and S56 employees. All other employees are not yet covered under the processes of PMS. Plans though are in place to gradually cascade PMS to lower levels of the municipal organogram.	
	<p>A) During the audit of acting positions it was noted from inspection of the acting appointment letters, termination letter and resignation letter/ exit interview confirmed that Mr. T.M Mabika was appointed as the acting CFO on 13 July 2015 and his contract was terminated on 20 November 2015, and Mr. S Ndakisa was appointed as an acting CFO from 28 October 2015 and he resigned on 1 March 2016.</p> <p>Information provided indicates that both these CFOs have acted for more than 3 months; as such these needed to be approved by the MEC. The requests for extensions of these acting positions were requested on 19 September 2016, these were however not provided for audit purposes.</p> <p>B) As can be noted above between the period of the 28 October 2015 to 20 November 2015 had two CFO's being paid by the municipality. The acting allowance for this period paid to the former auctioning CFO (Mr Mabika), should not have been paid, have a reasonable care be take, this qualify to be fruitless and wasteful expenditure.</p>	CORPORATE	Corporate services department	The audit finding is noted. Management acknowledges the omission of not terminating the acting appointment of Mr. T. M. Mabika. However; management confirms that for the month of November 2015; only one acting CFO was paid and that was Mr. S. Ndakisa. Therefore there was no fruitless and wasteful expenditure incurred. Furthermore, we acknowledge that for the Mr. S Ndakisa no MEC approval is available but to only a council resolution.	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>The following findings were noted on the audit of casual wages</p> <p>1) There are no personnel files, contract or appointment letters for Casual labourers. Without personnel files and Appointment letters, casual employees are paid amounts each month that cannot be substantiated against any documentary proof with regard to how casual employee wages are calculated.</p> <p>2) During July 2015, (Voucher date: 24/08/2015) - M.S Mnyandu was paid R 5,664.52. however, the time sheets attached were for B.M Mnyandu.</p> <p>3) During September 2015, (Voucher date: 22/10/2015) - T.R Ntshangase was paid R 5,664.52 however, the time sheets were for M.S Ntshangase and were signed by this employee.</p> <p>4) During October 2015, (voucher date: 24/11/2015) - there were timesheets for 13 employees however, 14 employees were paid. The missing timesheet was for Mr. M.J Ngema from the Hlabisa borehole project. He was paid R 5,664.52</p> <p>5) During the month of March 2016, (voucher date: 22/04/2016) - C.Q Dlamini's Timesheets were not included in the voucher but was paid R 5,664.52.</p> <p>6) The actual casual employee wages paid for the year were R928,981.28 and the General ledger (Vote number: 3000/3072/12/1201 -</p>	CORPORATE	Corporate services department	<p>The audit finding is noted by management. The determination of wages for Casual employees is based on the minimum wage as per the salaries and wages collective agreement. However; the recommendation to do a review of time sheets before wages are disbursed would be implemented henceforth.</p>	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	casual employees/water distribution) balance at year end was R1,051,298.13,thus a difference of R122,316.85 could not be substantiated.				

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>During the audit of employee costs - allowance it was noted that:</p> <p>A) There is no attempt to recover the costs of private calls from employees with a cellphone allowance by issuing a print out of private calls to employees on a monthly basis, thus expenses are overstated by private expenses calls. Amount of misstatement could not be determined.</p> <p>B) Cellphone allowances are paid to certain employees without any submission by H.O.D to MANCO justifying operationally the need for a cellphone allowance, thus irregular expenditure was incurred</p>	CORPORAT E	Corporate services department	The audit finding is noted by management. Management would ensure strict adherence to municipal policies and procedures during the 2016/17 financial.	
	During the audit it was noted that the human resource plan has not been established and implemented, this play a vital role in ensuring that municipality has adequate resources, that they are used effectively to further mandate of the municipality.	CORPORAT E	Corporate services department	Management accepts the finding. HR plan will be developed and finalised together with the revised organogram, by January 2017.	
	It was noted that certain employee's personnel files did not include an employment contract and appointment letter.	CORPORAT E	Corporate services department	The audit finding is noted by management. Before 01 July 2013; the Municipality did not have personnel files because they were damaged by water in the HR office and others were burnt in 2012. Files were opened and appointment letters and contracts developed based on the information that could be accessed from the Payday System. However; they were not signed by the then Accounting Officer could not sign these documents because they were dating as back as 2003. Management would make sure that contract of employment are signed and kept in employee personnel files	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	During the audit of provisions, it was noted that the leave registers are not properly updated as signatures of the supervisor and relevant head of department (HOD) are missing from the leave application register. It was further noted that leave taken by the employees who are not authorised by management are not captured and updated by the HR Clerk on the Pay Day system, this will result in the misstatement of leave provision.	CORPORATE	Corporate services department	The audit finding is noted by management. Management would make sure that they sign leave registers before employees go on leave. HR would also make sure that leave is reviewed and reconciled on weekly basis.	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>A) Overtime accrual of R329 699.21 (as per payroll report for July 2016) should be recognised in the annual financial statements for the year ended 30 June 2016, as employees are paid the overtime due to them in the month after they have worked e.g. overtime worked in June is paid in July. This accrual was not recognised.</p> <p>B) In accordance with Section 1.2 (overtime policy), the following was noted:</p> <p>The overtime expense reflected as per the payroll for the month of May 2016, was overstated by R29 215.54 (please refer to table B1 below for calculations), this overstatement was due to an incorrect allocation of shift allowance as overtime in the payroll calculations.</p> <p>C) In accordance with Section 1.4 (benefits and allowance policy), the following was noted:</p> <p>1. There was no supporting documentation stating the basis of how shift allowance is calculated.</p> <p>2. The following employees received a shift allowance and a night allowance, whereas the HR policy clearly states that employees which are entitled to a night allowance are not entitled to a shift allowance in addition thereto.</p>	CORPORATE	Corporate services department	The audit finding is noted by management. Strict controls would be implemented on overtime and shift allowances. Overtime and shift allowance claims would be reviewed by Manager: HR to ensure adherence to the Overtime Policy before they are submitted to Finance for payment.	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>Although there was a formally drafted IT Strategic Plan in place, it was noted that the IT Strategic Plan was not approved and implemented. This may result in the objectives of the IT section not being aligned with the overall municipality's objectives. In addition, key IT decisions and approvals may not be taken in a timely manner which may result in delays in projects and tasks undertaken by the IT section.</p> <p>The risk has materialised as the objectives of IT functions have not been met due to the vacant posts not being filled and lack of a process to prioritise prior year findings.</p>	CORPORATE	Corporate services department	<p>We are in agreement with the above finding and internal control deficiency.</p> <p>Currently we are revising and presenting a new organogram to council to address the vacant position. The organogram should be finalised by February 2016, provided it is adopted by council. The IT Strategic Plan will be tabled to be approved by December 2016. The implementation of the plan, will proceed thereafter.</p>	
	<p>The Information Technology (IT) function at the uMkhanyakude District Municipality was not fully capacitated as the following posts that formed part of the approved municipality structure was vacant at year end:</p> <ol style="list-style-type: none"> 1. Senior IT Security Officer 2. Senior Project Management Officer 3. System Administrator 4. IT Officer: Web Development 5. IT Technician 	CORPORATE	Corporate services department	<p>We are in agreement with the above finding and internal control deficiency.</p> <p>Currently we are revising and presenting a new organogram to council to address the vacant posts. The organogram should be finalised by February 2016, provided it is adopted by council. The budget issues across IT as a whole will be discussed as the current year budget was not sufficient to meet IT needs.</p>	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	There were no performance reports provided to management by the Payday service provider.	CORPORAT E	Corporate services department	We are in agreement with the above finding and internal control deficiency. Subsequent to year end Payday has been paid for the amount outstanding. Negotiations are scheduled to revise the Service Level Agreement (SLA) and the monthly fee in order to resume performance reports. The budget issues across IT as a whole will be discussed as the current year budget was not sufficient to meet IT needs.	
	There was no formal evidence of review in place which indicated that Firewall Security Reports were regularly reviewed.	CORPORAT E	Corporate services department	We are in agreement with the above finding and internal control deficiency. There is currently no SLA between the Firewall developer and the Municipality. As soon as an SLA is established, we will be able to request for added design to the application. In the interim we will at the alternative method to review the Firewall reports and to keep evidence electronically.	
	The Firewall Administrator had not received any formal training with respect to maintenance and management of the Firewall Application.	CORPORAT E	Corporate services department	We are in agreement with the above finding and internal control deficiency. Requests for budget for training will be put through by December 2016. The budget issues across IT as a whole will be discussed as the current year budget was not sufficient to meet IT needs.	
	Although a Firewall process is included in the Security Policy, there was no additional process to govern change control, security and back-ups over the Firewall Application System. It was also noted that the Firewall was not included in the Disaster Recovery Plan (DRP) and the Firewall settings were not redundant.	CORPORAT E	Corporate services department	We are in agreement with the above audit finding and internal control deficiency. The Security Policy and the DRP will be updated over the next 2 months. The Firewall settings will be researched and updated to include redundancy settings.	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>Audit trails had not been enabled on the Windows Active Directory, which is required in order to review and identify:</p> <ul style="list-style-type: none"> • Failed user logon attempts • User account changes or deletions • Object access denied logs • Invalid requests 	CORPORATE	Corporate services department	We are in agreement with the above finding and internal control deficiency. We are aware of the need to conduct reviews and the Audit trail function will be enabled to allow for access and logon violation review to be performed.	
	Network security patch management and antivirus exception reports had not been reviewed to ensure that security patches have been successfully deployed to all computers and antivirus threats timeously identified and resolved.	CORPORATE	Corporate services department	<p>We are in agreement with the above finding and internal control deficiency.</p> <p>Finding noted. Subsequent to year end, the IT Manager has reviewed the patch and anti-virus reports, and will continue to review them on a periodic basis.</p>	
	Administrator activities were not reviewed on the Network (Windows Active Directory), Payday and Pastel Applications due to limited system functionality.	CORPORATE	Corporate services department	<p>We are in agreement with the above finding and internal control deficiency.</p> <p>The system functionality will be addressed with the service providers in order to look at enabling the system logs in order to conduct administrator reviews.</p>	
	A Disaster Recovery Plan (DRP) was in place, however it had not been tested by the Municipality to assess its effectiveness in recovering critical IT resources in the event of a disaster.	CORPORATE	Corporate services department	<p>We are in agreement with the above finding and internal control deficiency.</p> <p>Management is now aware of the method required to test the DRP and will schedule the test within the IT Strategic Plan and will be executed within the next 6 months.</p>	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	There had been no restoration tests of the backups to ensure that the backup function is operating effectively.	CORPORAT E	Corporate services department	We are in agreement with the above finding and internal control deficiency. Subsequent to year end backup restoration testing was done and is going to be done on a periodic basis as management recognize the need to have backups functioning.	
	Management did not establish a maintenance schedule for the server room. If environmental maintenance is not scheduled and not monitored, the risk of malfunction or operational instability is increased as IT equipment may not be operating according to the manufacturer's specifications. This will impact on the continued business of the municipality The risk has not materialised as the equipment and fire extinguishers have been serviced and are functioning optimally.	CORPORAT E	Corporate services department	We are in agreement with the above finding and internal control deficiency. A maintenance schedule is currently being implemented and will be used for all server room maintenance going forward.	
	We could not obtain system generated logs of changes made to the Payday and Pastel applications due to system limitation and hence the completeness of changes could not be determined. Without the generation of Application System Logs, critical updates may not be identified and confirmed as installed correctly or timeously on the Network. This may compromise the integrity, availability and confidentiality of the system's data and possibly lead to financial data not being up to date with the latest information such as tax codes, and formulas for payroll.	CORPORAT E	Corporate services department	We are in agreement with the above finding and internal control deficiency. The Municipality with engage with the relevant service providers in order to get the functionality	