



**UTHUKELA**

**UMKHANDLU WESIFUNDA  
DISTRIKSMUNISIPALITEIT  
DISTRICT MUNICIPALITY**

# ACTION PLAN TO ADDRESS AG FINDINGS 2015/2016

No.	Finding	Action plan	Responsibility	Completion date
<b>LEADERSHIP</b>				
1a	<p>1. During the audit of consequence management it was noted that the municipality did not establish a disciplinary board. The municipality does have a fraud prevention plan however it does not incorporate any disciplinary procedures and investigation of allegations of misconduct. (finding 34)</p> <p>2. During the audit of consequence management it was noted that the municipality does not have a policy and procedures on disciplinary. The municipality does have a fraud prevention plan however it does not incorporate any disciplinary procedures and investigation of allegations of misconduct.(finding 33)</p> <p>3. During the audit of SCM, declaration of interest could not be provided for ( finding 18)</p> <p>4. During the audit of procurement and contract management the following suppliers were identified as suppliers in service of the state (finding 24)</p> <p>5. During the audit of contracted services expenditure, payment vouchers in respect of water tanker services were found to contain fraud risk indicators (finding 14)</p>	<p>1. The policy and procedure to deal with disciplinary will be developed and be implemented.</p> <p>2. The fraud prevention plan will be reviewed to incorporate disciplinary procedure and investigation of alleged fraud.</p> <p>3. The alleged fraud will be investigated and proper steps will be taken.</p> <p>4. The CFO and the Accounting Officer will ensure that no business is conducted with the identified suppliers in the service of the state unless evidence authorising them to carry business is obtained from their employer. The said supplier will be removed from the database until they provide authorisation from their employers.</p> <p>5. HR &amp; SCM will conduct a workshop to staff to emphasise the importance of disclosing their interest and facilitate the process to disclose employee's interest.</p> <p>6. The Accounting Officer will investigate and take appropriate steps against employees who have contravened the SCM policy and the applicable.</p> <p>7. A checklist will be developed for HR matters.</p>	GM: Corporate Services CFO MM	1 May 2017

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		8. The Accounting Officer will initiate an investigation regarding contracted services.		
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	<ol style="list-style-type: none"> <li>1. On inspection of the integrated development plan (IDP) it was noted that although key performance indicators were set, input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objectives were not included. (finding 5)</li> <li>2. On inspection of the amendment documents submitted for audit, it was found that the supporting memorandum as required did not accompany the mid-year budget and performance report submitted to council (finding 29)</li> <li>3. Through inspection of the amendment documents submitted for audit, it was found that the amended integration development plan was adopted on the 31 March 2016, however the amended plan was only submitted to the MEC of local government on the 11 April 2016. Therefore the submission was made 11 days after the approval of the amended integrated development plan. (finding 30)</li> </ol>	<ol style="list-style-type: none"> <li>1. The Integrated Development Plan (IDP) will be amended to ensure that it reflects and identify the key performance targets.</li> <li>2. The Municipality is in the process of amending the IDP, SDBIP and Performance Plans to ensure that Key Performance Indicators, as prescribed in terms of section 41 (a) of the MSA, are including input/output and outcome indicators in respect of each of the outcome indicators in respect of each of the development priorities and objectives are set out in the IDP</li> </ol>	<p>PMS Manager &amp; IDP</p> <p>IDP Manager &amp; IDP Manager</p>	<p>31 March 2017</p>
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	<ol style="list-style-type: none"> <li>1. Out of a total of 32 indicators selected for audit, sufficient and appropriate evidence could not be provided for nine indicators resulting in a misstatement rate of 28.13% (finding 4)</li> <li>2. Inspection of the SDBIP and APR revealed that the municipality does not plan or report fully on sanitation (finding 7)</li> <li>3. Furthermore each official is given performance objectives, targets and standards that are linked to the organisational PMS. On inspection of the quarterly reports, it was confirmed that the municipality did not perform performance evaluations of the quarterly reports on time, except for the fourth quarter report. As a result it was concluded that the municipality has not established mechanisms to monitor and review its performance management system. (finding 28)</li> <li>4. During the audit of consultants information was not made available to substantiate that the municipality defined implemented measures to monitor contract performance of the consultant on a monthly basis ( finding 36)</li> </ol>	<ol style="list-style-type: none"> <li>1. PMS will ensure that management is responsible for validity, accuracy and completeness of reported performance information on quarterly bases; and at same ensure that reported performance information is correct and complete.</li> <li>2. Management will maintain portfolio of evidence to support reported targets which will be monthly and audited by the internal auditors on quarterly bases.</li> <li>3. Sufficient oversight and monitoring of performance during reporting cycle to ensure that performance targets are reported as planned will be implemented and monitored by M&amp;E unit on quarterly bases.</li> <li>4. A Service Providers Performance Monitoring Policy Framework as a mechanism to monitor the work done by service providers will be developed and monitored on quarterly bases by the accounting officer.</li> </ol>	<p>MM PMS Manager M&amp;E Manager</p>	<p>31 March 2017</p>
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# ACTION PLAN TO ADDRESS AG FINDINGS 2015/2016

	<ol style="list-style-type: none"> <li>During the audit of procurement documents, the following SCM documentation relating to the contracts below were not available for audit purposes (finding 1 and 2)</li> <li>During the audit of procurement it was found that documents relating to bid specifications were not in the files provided for audit (finding 16)</li> <li>During the audit of SCM, bid adjudication minutes could not be provided for (finding 17)</li> <li>During the audit of SCM, schedule of points calculation could not be provided ( finding 20)</li> <li>During the audit of SCM, evidence was not available to substantiate compliance with the above mentioned regulation for the awards listed -section 32 (finding 21)</li> <li>During the audit of procurement it was found that documents relating to the bid evaluation committee were not in the files provided for audit</li> </ol>	<ol style="list-style-type: none"> <li>The Records Management policy will be reviewed and implemented</li> <li>A Procedure Manual will be developed for Records Management</li> <li>The Accounting Officer will ensure that the Registry department has sufficient and competent staff.</li> <li>The process of scanning and back up hard copies for safe keeping will be will be implemented</li> </ol>	CFO / GM : Corporate Services MM	<ol style="list-style-type: none"> <li>13 March 2017</li> <li>31 March 2017</li> <li>1 March 2017</li> <li>31 March 2017</li> </ol>
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### ACTION PLAN TO ADDRESS AG FINDINGS 2015/2016

	<ol style="list-style-type: none"> <li>1. During the audit of disclosure notes it was found that management had incurred unauthorised, irregular and fruitless and wasteful expenditure for the 2015/2016 financial year. (finding 9)</li> <li>2. During the audit of compliance with was noted that council did not investigate all instances of non- compliance relating to unauthorised, fruitless and wasteful and irregular expenditure for the amounts detailed ( finding 10)</li> </ol>	<ol style="list-style-type: none"> <li>1. An investigation will be conducted by the MPAC to determine the reasons for the incurrence of irregular, fruitless and wasteful and unauthorised expenditure (UIF).</li> <li>2. The UIF investigation report will be submitted by the MPAC to Council , the Accounting Officer will ensure development and implementation of SCM compliance checklist</li> </ol>	CFO / MM	31 March 2017
	<ol style="list-style-type: none"> <li>1. During the audit of employee cost it was found that the municipality had developed and adopted appropriate policies and procedures to monitor, measure and evaluate the performance of senior and middle management however, there were no performance evaluations performed (finding 13)</li> <li>2. During the audit of consultants it was noted that there were no measures that were implemented to monitor the transfer of skills (finding 35)</li> </ol>	<ol style="list-style-type: none"> <li>1. The guidelines for the implementation of performance management to non-section 54/56 managers is now developed and will be taken to council for adoption.</li> <li>2. The implementation part of it will be monitored on quarterly bases by the accounting to ensure that all General Managers comply with the requirements on the guideline.</li> <li>3. A Service Providers Performance Monitoring Policy Framework as a mechanism to monitor the work done by service providers will be developed and monitored on quarterly bases by the accounting officer.</li> </ol>	MM PMS Manager / GM: Corporate Services	28 February 2017

### ACTION PLAN TO ADDRESS AG FINDINGS 2015/2016

1d	1. On inspection of the amendment documents submitted for audit, it was noted that the newspaper advert submitted did not contain any information that indicated when the advert was placed as well as the duration that the advert was published for. As a result it could not be determined whether the municipality afforded the public with reasonable opportunity to make representations regarding the amendments. (finding 6)	1. The PMS legislative compliance calendar will be developed and monitored on monthly bases by the accounting officer to ensure compliance with all relevant legislations and regulations.	MM PMS Manager	28 February 2017
	1. During the audit of the Integrated development plan (IDP) and the Annual performance report (APR) for the 2015/16 year, it was noted that the following indicators related to basic service delivery were not planned and reported on by the municipality ( finding 31)	1. The PMS unit will review and implement the PMS Checklist to ensure that all requirements as per the regulations are adhered to.  2. The IDP /PMS unit will amend IDP to ensure compliance with outcome 9	MM PMS Manager	31 March 2017
1e	1. As a result the municipality is compelled to conduct repairs on a reactive basis. Additionally water leaks may not be prevented and detected timeously to implement adequate actions to address the issues which negatively impact the water losses incurred and thus affecting both the cash flow of the municipality and service delivery. (finding 37)	1. Scheduled maintenance of infrastructure will be conducted.  2. Conditional assessments will be done on water infrastructure to inform the routine water infrastructure maintenance plan and budget	GM:WS&T	31 May 2017



# ACTION PLAN TO ADDRESS AG FINDINGS 2015/2016

2a	<p>1. There was no formally documented EFT process in place to govern EFT transfers. Furthermore, the following users being their respective Head of Departments (HOD) and Finance Members were noted to have access on the FNB banking profile that should only allow them to authorise payments and load payments however the banking profile list indicates they have access to functions such as View, Maintain, Authorise, Password Reset and Deleted Change Access (finding 39)</p>	<p>1. Management will develop an EFT policy for adoption by Council.</p> <p>2. Management will liaise with FNB regarding the functionality of the system in order to produce user activity logs.</p>	GM Corporate services / CFO	31 March 2017
	<p>1. During discussions with the Senior Manager: Finance and grants manager and from gaining an understanding of the conditional grants, it was confirmed that all expenditure relating to the RBIG grants are claimed back after payment is made. Discussions with management further revealed that incorrect documentation was submitted which resulted in amounts being received which were not due to the municipality. On identification of the error management correctly disclosed the amount as a payable. (finding 27)</p>	<p>1. A reconciliation will be conducted between the grant register and supporting documents to ensure correct referencing and completeness of the registers.</p>	CFO	Monthly from 28 February 2017
	<p>1. During the audit of repairs and maintenance expenditure, payments identified were made more than 30 days after receipt of the invoice. (finding 15)</p> <p>2. During the audit of supply chain management it was found that only two quotes were obtained and there was no deviation approval for the items</p>	<p>1. A central location will be allocated for receiving all invoices.</p> <p>2. SCM checklist will be reviewed to ensure SCM regulations are adequately included.</p> <p>3. The CFO will monitor the implementation of the checklist.</p> <p>4. The Manager Expenditure will ensure that no payment is processed without proper supporting documents</p>	CFO	<p>1. 31 March 2017</p> <p>2. 31 March 2017</p> <p>3. Monthly</p> <p>4. Monthly</p>

# ACTION PLAN TO ADDRESS AG FINDINGS 2015/2016

2b	1. There is no evidence that the municipality has taken steps to collect monies due such as debt collection actions being instituted against the customers. (finding 8)	<ol style="list-style-type: none"> <li>1. The CFO will ensure that all consumers given 1/3 amnesty as per council's debt collection policy adhere to their payment obligations on a monthly basis.</li> <li>2. The senior meter reader will be appointed to improve supervision of meter readers.</li> <li>3. THE CFO will monitor the implementation of the Credit Control policy and Revenue enhancement Strategy.</li> </ol>	CFO	<ol style="list-style-type: none"> <li>1. Monthly starting from 10 February 2017</li> <li>2. 31 March 2017.</li> </ol>
	1. During the audit of revenue, Computer Assisted Audit Techniques (CAAT's) were performed which identified the following information relating to indigent consumers <ol style="list-style-type: none"> <li>i) Indigent consumers that have passed away during the year.</li> <li>ii) Indigent consumers that work for government departments or municipalities</li> <li>ii) Indigent consumer's spouses that work for government departments or municipalities.</li> <li>iv) Indigent consumers spouses that are active directors or members of companies (finding 11)</li> </ol>	<ol style="list-style-type: none"> <li>1. Manager Revenue will review the Indigent register for accuracy.</li> <li>2. CFO will develop a procedure manual for Indigent application to be in line with the Indigent policy.</li> <li>3. There will be enhancement of segregation of duties within the Credit Control department.</li> <li>4. The updating of the Indigent register will be authorized by Senior Manager /CFO .</li> </ol>	CFO Manager Revenue	Monthly from 31 January 2017

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	<ol style="list-style-type: none"> <li>1. During the audit of revenue from interest charges it was found that there were differences in the interest billed to consumers and the interest recalculated by the auditors, based on the consumer's interest bearing amount. (finding 12)</li> <li>2. There is no evidence that the municipality has taken steps to collect monies due such as debt collection actions being instituted against the customers. (finding 8)</li> </ol>	<ol style="list-style-type: none"> <li>1. The monthly reviews when the billing run will be done to ensure that the calculation of interest is accurate.</li> </ol>	CFO	Monthly
	<ol style="list-style-type: none"> <li>1. During the audit of land and buildings it was found that there were no supporting documents available to support the municipal rights to land and buildings as there were no title deeds available( finding 25)</li> <li>2. The audit it was found that the Tholeni office building and toilet (area in the Indaka area) had been vandalized of which should be impaired. Although management had conducted an assessment there was no justification as to why the asset below was not impaired even though there were clear indicators of impairment. (finding 26)</li> </ol>	<ol style="list-style-type: none"> <li>1. The Accounting Officer will facilitate the transfer of assets between the Local Municipalities and the District.</li> <li>2. Assets will be tested for impairment.</li> </ol>	CFO  Manager Assets	<ol style="list-style-type: none"> <li>1. 31 March 2017</li> <li>2. 31 March 2017</li> </ol>

# ACTION PLAN TO ADDRESS AG FINDINGS 2015/2016

2d	1. During the audit of SCM, B-BBEE certificate could not be provided for (finding 19)	<ol style="list-style-type: none"> <li>1. A procedure manual will be developed and implemented.</li> <li>2. The CFO will ensure that there is sufficient and competent staff that will be responsible for filling of documents.</li> <li>3. The current checklist will be reviewed and updated to include all applicable legislation.</li> <li>4. The updated checklist will be reviewed for validity, accuracy and completeness of legislation.</li> <li>5. Once reviewed, the checklist will be implemented.</li> <li>6. Test checks will be performed regularly to confirm the operating effectiveness of the checklist.</li> </ol>	CFO	31 March 2017
	1. The accounting officer did not establish and implement standard operating procedures (SOP's) which sets out performance information processes and systems focused on identifying, collecting, verifying and storing performance information (finding 32)	1. The standard operation procedures which set out system and procedures for collection, collating, verification and storing of performance information will be developed and monitored on monthly bases by the accounting officer	PMS Manager	28 February 2017

# ACTION PLAN TO ADDRESS AG FINDINGS 2015/2016

2e	<p>1. Although a Firewall process is included in the Security Policy, there was no formal 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. Lack of a formal and comprehensive policy may lead to unauthorised and incorrect processes being followed. This may also lead to the Firewall being configured in an un-secure manner. Lack of inclusion of the Firewall in the DRP and lack of adequate settings applied on the Firewall for redundancy will render the network unprotected upon the rebooting of the Network subsequent to the occurrence of a disaster. Furthermore, this may compromise the confidentiality, integrity and availability of the network which could negatively impact on the municipality meeting its business objectives and providing services (finding 38)</p>	<p>1. The Security Policy and the DRP will be updated over the next two (2) months. The Firewall settings will be researched and updated to include redundancy settings.</p>	IT Manager	31 March 2017
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