

16 March 2020

To : The Speaker
Cllr M. Siyonzana

2019/20 AUDIT ACTION PLAN - MANGAUNG METROPOLITAN MUNICIPALITY

1. PURPOSE

As required by section 121 (3)(g) of the Municipal Finance Management Act No56 of 2003 management of the municipality and the municipal entity have developed corrective actions to be implemented in response to issues identified in the Auditor General's audit report for the financial year 2018/19 to the Mangaung Metropolitan Municipality's Council.

2. BACKGROUND AND DISCUSSION

The Mangaung Metropolitan Municipality has obtained a qualified audit opinion from the Auditor General on the Financial Statements of Mangaung Metropolitan Municipality for the year ending 30 June 2019.

The Municipality has developed an Audit Action Plan detailing the corrective measures and actions geared towards resolving the remaining Auditor-General's findings and most importantly ensuring that they do not recur.

The Accounting Officer and the CFO have convened working session for the items remaining which have a financial impact to critically review the audit action plan and to ascertain whether the proposed actions will yield the anticipated results. The ensuing discussions, inputs from the above working session were used in finalising the Audit Action Plan for the Municipality (Annexure A) (a copy of the Action Plan is hereto attached as Annexure).

Further discussions are envisaged to be held with the Municipal Public Accounts Committee to deliberate and discuss proposed corrective actions in pursuit of further refining them.

Implementation and Monitoring of the Audit Action Plan

Municipal administration has established task teams and project leaders to assist in the implementation and monitoring of the proposed corrective measures which are to be undertaken. Specific time-frames have been agreed upon in the Executive Management Team to ensure that the issues as identified by the Auditor-General are resolved in an efficient and effective manner.

Progress reports on implementation of corrective actions contained in the Audit Action Plan will be submitted to Council on a quarterly basis.

3. LEGAL IMPLICATIONS

Municipal Finance Management Act 56 of 2003

4. FINANCIAL IMPLICATIONS

No Financial Implications.

5. RECOMMENDATIONS

1. That Council takes note of the Audit Action Plans of the City;
2. That quarterly progress reports on the implementation of the Audit Action Plans be prepared and submitted to Council for noting.

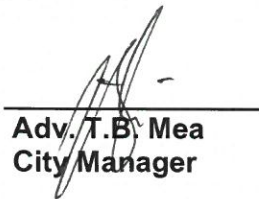
Submitted by:

Recommended by:

Recommended by:



**Mr S.E Mofokeng
Chief Financial Officer**

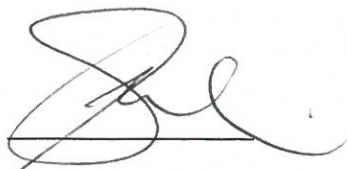


**Adv. T.B. Mea
City Manager**



**Adv. M Mofokeng
EXCO Rep**

Approved by



Cllr S.M. Mlamleli

Executive Mayor

Comm. No.	Impact	Finding	Details of finding	Directorate	Root Causes	Proposed actions	Progress stage	Progress comments	Date due
AC 8	Management report - Administrative issue	Planning: Limitation of scope - Fuel reconciliation. Reconciliation between fuel purchased, used and inventory remaining is not done on a continuous basis. Fuel dip readings not taken regularly and not reconciled.	- Issue vouchers could not be traced correctly to the financial system - stock readings are not taken on a daily or continuous basis to verify the accuracy of inventory still on hand. - Inventory remaining not reconciled with Purchases received, Fuel issued and balance remaining to verify the accuracy of inventory on hand.	Fleet and Waste	The unavailability of the information may be due to a paper filing system and as such this information may not be readily available when requested.	Monthly weekly reconciliation will be performed. Records of the dip readings will also be maintained (daily)	In Progress	Implemented - analysis of the progress must be provided	29/02/2020 and weekly henceforth
AC 11	Audit report	Revenue: Fines and Penalties: No records system in place (1 July 2018 - 15 January 2019) - System currently is not in place	- The municipality was unable to record information relating to traffic fines on an approved system for seven months of the financial period under audit. - Furthermore, no reconciliation was done between the revenue collected and that which was documented on the Solar system utilised by the municipality	Social services	The issue occurred due to the fact that management delayed the procurement processes for the appointment of the new service provider for the traffic system, resulting in no system being utilised for the recording of Fines from the 1 July 2018 - 15 January 2019. No reconciliations were performed due to not having the contravention system in place	The appointment of a service provider with a fully functional electronic contravention system to assist the Traffic Division with the capturing and administration of traffic fines. In the meantime, manual system to be explored for record to ensure revenue is not lost, i.e. supervisor to record traffic fine books issued to each inspector with numerical references, reconciliation to be done weekly and report provided on revenue collected, traffic fine books issued and incident reports be developed by supervisors	Complete	The contravention system was in place from the year under review (1st of February to 5th November 2019). The Finance Division is busy with the finalisation of the appointment of a service provider through Regulation 32 process	2020/05/04
AC 21	Management report - Administrative issue	Planning - Monthly reconciliation of payroll and solar system not performed	Management does not perform monthly reconciliations of the Payroll system to the Accounting system. Enquiry with management, confirmed that reconciliations are only performed annually	Corporate services	- The Payroll clerks have not received training on the reconciliations. The payroll clerks only perform reconciliations on the Payroll system should there be any request to the Region of Payroll into SOA/IC. - The System Payroll was not used. This led to the vacancy that she left has not been filled. This led to the monthly reconciliation in the Payroll system to the accounting system not being done for the (2017/18) year and the current financial year (2018/19) - as well	*Payroll Clerks will be trained as part of the migration from the current Payroll System (PAYDAV) to Payroll Focus to happen by 30/06/2020. Head count - when payrolls are issued, all payrolls are issued per Directorate and delegated to Administrative Officers per Directorate together with Internal Audit unit and report be developed	In Progress	In progress	30/06/2020 Ongoing for the first six months, thereafter every three months
AC 22	Management report - Administrative issue	Planning - Municipalities Disciplinary board not operating effectively	Although the disciplinary board was appointed on the 12th of February 2019, they have not held any meetings. The disciplinary board is not operating effectively	Office of the City Manager Social services	We believe that the oversight resulted because management did not adequately monitor compliance to legislation and regulations. We are also of the opinion that this is due to not having internal controls with regard to recording, maintenance and review of the manual register.	The Disciplinary Board sits/meet upon receipt of referrals of financial misconduct allegations. TOR for the disciplinary board and Operating Procedure will be developed and signed by each board member, signed and issued to the board with a standard agenda, in the event that there are no cases the meeting indicate such in their signed off report.	In Progress	The board is one comprised of four members who have signed appointment letters. An induction workshop was held on the 12th July 2019 and was facilitated by National Treasury. The DB has subsequently met three times and draft terms of reference has been developed for Council consideration.	2020-03-31 Ongoing as per schedule
AC 39	Audit report	Fines completeness not confirmed	A sample of issued traffic fines was selected from the traffic fine books and could not trace the fines to the registers used to prepare the AFS. We could not confirm that the first fines issued (beginning of the financial period) and the last fines issued (end of the financial period) for section 341 and 56 fines were accounted for in the revenue records of the municipality, as a result the completeness and cut-off of traffic fines could not be confirmed.	Social services	We believe that the finding occurred because management did not implement control processes in the department and supervisory controls were ineffective to detect and correct the oversight.	The Directorate has submitted traffic fines had debt report for council to write off section 341 and section 56 fines issued during the 2017/2018 financial year, the report will serve before next council meeting. Information technology (ICT) is busy developing individual book capturing module for each section 56 and section 341 books issued in the current financial year. The directorate has identified a dedicated person to oversee the daily capturing and reconciliation of issued fines per book.	In Progress	Ongoing	2020/06/30
AC 40	Audit report	Prior year issues not corrected by management	When inspecting the section 341, 56 general and 56 speed line registers it was noted that the register is not complete as all book items were not included in the register. Also by inspection of the registers, it was noted that there are breaks in sequence as some of the notice numbers are not recorded in the registers. Furthermore, it was noted that the control registers obtained are not complete and that there are gaps in between the issued books. This books were issued without being recorded in the control registers. The tickets/fines issued from these books are also not recorded in the fines register submitted as the supporting schedule with the AFS	Social services	We believe that the finding occurred because management did not implement control processes in the department and supervisory controls were ineffective to detect and correct the oversight.	The management of the directorate has developed a standard operating procedure for administration of traffic fines from the issuing of books, returning, capturing and filing thereof.	In Progress	The standard operating procedure is submitted and awaits council approval and the directorate has initiated a consequence management process	2020/06/30
AC 167	Audit report	Fines completeness not confirmed	- During audit of revenue fines, fine books were selected from control book registers and individual tickets were selected from the fines book and traced to the traffic fines register, however the following fine tickets could not be traced to the traffic fine register hence it could not be confirmed if they were recorded as revenue. - It could not be confirmed that the first fine at the beginning of the financial year and the last fine of the financial year were recorded as revenue. - The actual books for the following books identified on the control book register could not be obtained and hence completeness of the fines from these books could not be confirmed.	Social services	The matter occurred due to lack of management controls in ensuring that all fine tickets are captured onto the register and to ensure that the supervisor follow up on outstanding tickets timously	The management of the directorate has developed a standard operating procedure for administration of traffic fines from the issuing of books, returning, capturing and filing thereof.	Complete	The standard operating procedure is submitted and awaits council approval and the directorate has initiated a consequence management process	2020/06/30
AC 49	Audit report	AC No 49 of 2019 - The accuracy and completeness of the leave forms on the HR Focus system can not be confirmed. Not all leave forms were captured.	- A total of 602 employees did not take any leave per the leave schedule submitted for audit. The HR Focus system has a total of 602 employees on the system, shows that leave was applied for 100 days on the system. - It should also be noted that no reconciliation was performed between attendance registers or time sheets of employees and leave captured on the HR Focus system to determine completeness and accuracy of leave transactions captured on the system. - Annual leave accrual per the leave schedule submitted for audit has been capped at 48 days. However, it was found that in practice, employees can take all the leave days that has accumulated to them per the system. The table below shows an employee who took 72 days annual leave during the period 01 July 2018 to 30 June 2019 and still had a balance of 13 days annual leave days due to him. - Prior to approving annual leave, the approver should make sure that the applicant has annual leave credits. However, it was found that 174 employees had negative leave credits, meaning they took more than they had accrued. - It was also noted that since pro-rata leave does not reflect on the system. It was noted that the leave cycle of an employee depends on their date of employment and that accrued leave only reflects on the HR Focus system on completion of a full year of service	Corporate services	1. No reconciliations were performed between attendance registers/time sheets and HR Focus. 2. Lack of understanding how annual leave is attached for practically by the compilers of the AFS. 3. Lack of supervision and checking of whether only leave accrued is approved. 4. Lack of supervision and checking of whether only leave accrued is approved. 5. The HR Focus System has not been designed to be able to implement the leave policy of the municipality.	HR to provide monthly reconciliatory report on attendance registers and letters issued to employees not signing the attendance register. Circular on leave to be taken before year end and be issued for all employees, failure of which, capped leave will be forfeited. Information sessions informing employees be held and attendance be mandatory. Attendance register be provided. The HR Benefits Division is in the process of rolling out the HR Focus - MYFocus Online Self Service Leave Module. The module has been rolled out in Corporate Services and is being rolled out per Directorate monthly. This will assist in leave forms reaching the Division quicker and also speeding up the capturing of leave forms to ensure accurate leave data is submitted to the HR Focus system. The Directorates regularly reminding them to submit outstanding leave forms to ensure they are captured on the system (see attached circulars). The Division has also implemented a system where outstanding leave forms are checked against the HR Focus System. Differences and outstanding leave forms are taken up with Directorates. Employees are required to attach a printout of their leave balances in terms of the attached circular dated 19 October 2018 to assist the approver in checking that the employee has enough leave to his/her credit. Lastly, the HR Focus service provider is busy configuring the leave rules so that leave balances also include pro-rata leave and that leave in excess of 48 days after the 6 months' time frame has lapsed is forfeited automatically. It can be confirmed that the configuration is at an advanced stage and should be done in due course.	In Progress	In progress	30/06/2020

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Comm. No.	Impact	Finding	Details of finding	Directorate	Root Causes	Proposed action	Progress stage	Progress comments	Due date
AC 79	Management report - Administrative issue	AC No 79 of 2019 - Employee related reconciliations between the salary system (Payday) and the general ledger (Solar System) Reconciling items not posted from Payday to Solar	Adequate reconciliations between the salary system (Payday) and the general ledger (Solar) was not performed and differences were not investigated and rectified.	Corporate services	Monthly reconciliations were not performed and reviewed and differences were not followed-up and rectified.	* A dedicated person will be assigned to perform this role on a more regular basis. This will be a joint exercise between Payroll and Finance	In Progress	In progress	31/03/2020
AC 50	Management report - Administrative issue	AC No 50 of 2019 - Employee related cost - Payments made to employee after termination of service (SS 30). Employee with employee number 056902 was terminated due to ill health on 31 December 2018. The municipality continued to pay him for two months after the termination date. The municipality managed to recover a portion of the over-payment from the leave pay-out and the prorata bonus. The remaining over payment was not recovered and was not raised as an outstanding receivable.	The service of the employee with employee number 056902 was terminated due to ill health on 31 December 2018. The municipality continued to pay him for two months after the termination date. The municipality managed to recover a portion of the over-payment from the leave pay-out and the prorata bonus. The remaining over payment was not recovered and was not raised as an outstanding receivable.	Corporate services	The municipality does not have effective controls to ensure that terminated employees were timely removed from the payroll system.	* Payroll to request Finance to open a debtor account in order to recover the amount overpaid.	Not Done	In progress	31/03/2020
AC 84	Audit report	AC No 84 of 2019 - Unspent conditional grants - (AC) (ISS 62) there are insufficient funds to repay the unspent conditional grants as disclosed per Note 21, should the application for the roll-over of funds be declined	it was found that there are insufficient funds to repay the unspent conditional grants as disclosed per Note 21, should the application for the roll-over of funds be declined. The municipality only has cash and cash equivalents amounting to R 114 430 316.00 and 0 unspent conditional grants of R455 078 487.00. Thus a difference of R 344 648 171.00	Finance	We are of the opinion that the conditional grants were used for the funding of other operations of the municipality.	The equitable share allocated to the Mangaung Metro will be utilized by National Treasury if funds are not available to repay the unspent grants. Unspent conditional grants must be ring fenced and invested in separate investment accounts in order to ensure that unspent grants are represented by available investment funds. Sub-accounts for conditional grants be opened and monitored as per the conditions of the grants - Refer to FRP indicator 6	In Progress	Cannot comply due to cash flow constraints.	Ongoing
AC 125	Management report - Administrative issue	AC No 125 of 2019 - Finance lease obligation. Misstatements identified on the calculation and disclosure of finance leases (ISS 180)	while auditing the finance lease obligation, the following differences were identified: 1) Difference between the current and non-current liabilities:	Finance	The finding occurred due human error in the calculations of an excel formula	Proper review of calculations at Year end lease contracts be assessed and reviewed	Not Done	None	30 June 2020
AC 187	Management report - Administrative issue	AC No 187 of 2019 - Procurement and contract management - C600 (MM&BID) 439_2017_2018)	Various issues identified in the appointment of the various security companies.	Finance	The matter occurred due to adequate control measures not being in place to ensure the requirements of relevant laws and regulations are adhered to.	Centralized Bid Committee System is in place. Minutes of all committee sittings are recorded. Due diligence meetings are formalized and minuted accordingly. Members score sheets are kept 1 - Proper internal controls be implemented by SCM, Contract Management be conducted, appointment letters of BAC together with ToR to be reviewed	In Progress	Independent yet properly interlocking Committee System is properly functional. Due diligence is properly monitored. Regular Committee Sittings are conducted. Bid Committee Training to be conducted.	implemented 1st of July 2019
AC 88	Audit report	AC No 88 of 2019 - Procurement and contract management. Bid Adjudication Committee composition is not according to legislated norms	A bid adjudication committee must consist of at least four senior managers of the municipality or municipal entity which must include At least one senior supply chain management practitioner who is an official of the municipality or municipal entity	Finance	We believed that the finding occurred due to a lack of adequate controls being implemented to ensure that the bid adjudication committee is composed in accordance with the Municipal Supply Chain Management Regulations.	Bid Adjudication Committee has been properly constituted as per 12th Edition of the SCM Policy.	Complete	BAC is properly constituted.	implemented 1st of July 2019
AC 118	Management report - Administrative issue	PPE Assets not separately compartmented into significant parts (ISS 158) assets capitalised on the asset registers as "One-liners 2019" and not compartmented into their significant parts	during the audit of Property, Plant and Equipment, we identified that for the following assets, they were capitalised on the asset registers as "One-liners 2019" and not compartmented into their significant parts	Finance	lack of adequate project supporting documentation (bill of quantities, drawings, completion reports etc), being received from the respective project managers and 2019 financial statements to the auditors to ensure that the capitalised can be unbundled into its significant components.	- Continued consultation with Project Managers and their Consultants to provide documentation on completed projects timely - Prior period adjustments will be processed on payments made in respect of these projects subsequent to year end.	In Progress	Documentation partially submitted.	30 June 2020
AC 119	Management report - Administrative issue	PPE Additions to municipal roads constructed by the Department of Police, Roads and Transport may not be accounted for by the municipality (Prior period error) (ISS 64)	Based on the information published in the annual report of the department, it was confirmed that the debts incurred costs on various projects which related to municipal roads. These debts had not been transferred to the municipalities and were included in table 32 to the financial statements of the department, other than completed assets or capital work-in-progress.	Finance	- inadequate communication between the municipality and the department relating to work performed on the municipal road - the municipality has not received any supporting documentation from the Department to recognise the additions or improvements to the roads.	- Continued interaction with the Department of Police, Roads and Transport - Assets transferred to the Municipality will be capitalised once a Section 42 Notice has been issued and required supporting documentation have been received	Not Done	The process as prescribed by the PFMA and MFMA must be followed.	31 May 2020
AC 134	Management report - Administrative issue	Expenditure: Payment not made within 30days. Suppliers not paid within 30 days of receipt of invoice.	The Municipality did not pay the following suppliers within 30 days of receipt of invoice	Finance	The matter occurred due to lack of internal controls to ensure that payments to suppliers are made within 30 days of receipt of invoice.	An effective cash flow system is in place to ensure that payments are made within 30 days as prescribed by the Act. Invoices are classified according to days outstanding, namely, zero to 23 days and 24 days plus. Invoices indicated as 24 days plus are identified and recommended for payment, pending available cash flow. The cash flow system is being reviewed and monitored by the CFO and the City Manager on a daily basis. Total compliance to the stipulation is not always possible due to insufficient cash balances to meet all the daily cash flow needs. However, with the implementation for the Financial Recovery Plan, an effort will be made to pay all invoices within 30 days.	In Progress	Cannot comply due to cash flow constraints.	Ongoing
AC 153	Management report - Administrative issue	PPE Asset Verification - Condition assessment of asset is not the same as that recorded in the asset register (ISS 201)	it was noted that from our physical asset verification the physical condition of the asset is different from the condition as indicated per asset register	Finance	The causes of the above is due to management oversight by not updating the asset registers on a regular basis.	- Condition assessments currently in progress - Condition grading as per the FAR reflects the condition of the asset as at the date of last inspection - A Field will be added to the FAR to translate the current RUL, as a percentage of the EUL, to an estimated (current) condition grading.	In Progress	Functionality to be developed on the SAM System	30 June 2020
AC 154	Management report - Administrative issue	PPE: Valuation roll not being updated for the past 2 years in respect of the municipalities properties (ISS 159). For the past 2 financial years, 2017/18 and 2018/19, the valuation roll was not updated with the additional valuations performed by DDP Values (Pty) Ltd.	It was noted that for the past 2 financial years, 2017/18 and 2018/19 that the valuation roll was not updated with the additional valuations performed by DDP Values (Pty) Ltd. This arose after management identified that there were significant differences with the asset values provided by DDP	Finance	The municipality did not see the urgency to update the valuation roll with the supplementary roll as these figures would not impact Revenue as the properties in question belong to the Municipality	- Further consultancy roll to update the Roll with revised values of PPE (GRAP 17) - Supplementary roll to update the Roll with revised values of PPE (GRAP 17)	In Progress	Instruction given to DDP to include Revised values of Municipal Properties in the next Supplementary roll	30 June 2020

(Handwritten signatures and initials)

Commi. No.	Impact	Finding	Details of finding	Directorate	Root Causes	Proposed Action	Progress stage	Progress comment	Sub date
AC 178	Management report - Administrative issue	Procurement and contract management - Quotations / deviations (possible irregular expenditure) - water chemical bought via deviation, date of request and delivery too far apart.	The request for deviation was submitted on 26/03/2018 and approved by the City Manager on 29/05/2018. The quote obtained from Mithra is dated 25/10/2018 with an invoice dated 15/11/2018. Upon inspection of the supplier delivery note it was confirmed that the goods were received on 15/11/2018, the date of the invoice. The municipality therefore had adequate time (5 months) to request quotations from other suppliers and this cannot be referred to as an emergency	Finance	the finding occurred due to a lack of adequate planning by the relevant sections within the municipality, including the Supply Chain Management Directorate to ensure that proper procurement processes are followed, in a timely manner, for the procurement of goods required by the municipality.	MMM has appointed a panel of various service providers to address emergency related procurement	In Progress	Internal processes - recording of deviations and inclusion of deviations in Monthly / Quarterly Reports, has been improved, monitored and implemented.	Implemented 1st of July 2019
AC 179	Management report - Administrative issue	Procurement and contract management - Quotations / deviations (possible irregular expenditure) - payments but were not included in the deviation register, therefore not reported to council	Inspected the SCM quarterly reports submitted to council and the payment made to Freshmark Systems was not included in the reports. It can therefore be concluded that it was not reported to council. payments were identified as deviations but were not included in the deviation register, therefore not reported to council	Finance	the finding occurred due to a lack of adequate controls being implemented by management to ensure that all deviations approved are included in the report to be submitted to Council and that all deviations approved by council are then included in the financial statements.	inter-departmental internal control measures tighten and streamlined between SCM & Contract Management to ensure that Deviation Register is updated collectively.	In Progress	Deviation Register to be monitored on a monthly basis and ensure that Contracts Management is kept abreast.	implemented 1st of July 2019
AC 183	Management report - Administrative issue	Procurement and contract management - CG20/A (MMM/BID 491: 2017/2019). Per the bid specifications, it is required that at least 30% of the contract be sub-contracted. However, per tender documents MMM indicated the municipality will nominate sub-contractor for tender. There was however no indication of any sub-contractor being appointed for the bid awarded to Khanya Lesedi Trading as required	Per the minutes of the bid evaluation committee, dated 27 March 2019 (Item 5.9) it was resolved that the item be referred back to the Due Diligence meeting. Per the minutes of the bid adjudication committee, dated 17 April 2019 (Item 4.1), the committee raised a concern that such a bid project is allocated to a single supplier. Silli recommended that Khanya Lesedi Trading be appointed for 2 years. However, per tender documents MMM indicated that at least 30% of the contract be sub-contracted. There was however no indication of any sub-contractor being appointed as is required	Finance	the information is not timeously provided to the auditors because of a lack of monitoring of requests by senior management officials within the Corporate Services Division (responsible for maintaining minutes etc) and also no controls in place to ensure all information requested are provided for audit purposes.	Bid Specification Committee to ensure that compliance in terms of PPPFA, 2000: Preferential Procurement Regulation, 2017 is adhered to and implemented as per abovementioned regulations.	In Progress	Adherence to the relevant Legislation is upheld and Bid Specification Committee to ensure proper compliance	implemented 1st of July 2019
AC 184	Management report - Administrative issue	Procurement and contract management - CG17 (MMM/BID 490: 2016/2019). Due diligence minutes recommending appointment not submitted.	Per the minutes of the bid evaluation committee, dated 8 March 2019 (Item 4.7) it was resolved that the item be referred back to the Due Diligence meeting. No additional minutes submitted to confirm that the above two bidders were recommended to the Bid Adjudication Committee. No bid adjudication minutes submitted to confirm that bid was adjudicated and awarded to the relevant bidders	Finance	We are of the opinion that the information is not timeously provided to the auditors because of a lack of monitoring of requests by senior management officials within the Corporate Services Division (responsible for maintaining minutes etc)	Proper Recording of Bid Committee meetings and minutes capturing. Centralized Procurement System has been implemented.	In Progress	Centralized Bid Committee System is in place and Secretariat is ensuring continuous support to Bid Committee sittings	Implemented 1st of July 2019
AC 210	Management report - Administrative issue	Employee related cost - Overtime - According to the overtime register 868 individual employees worked more than the 60 hours normal overtime in a month in the year.	According to the overtime register 868 individual employees worked more than the 60 hours normal overtime in a month in the year. - According to the overtime register 105 individual employees worked more than the 60 hours Night Time Hours in a month in the year - employees worked more than 12 hours a day and exceeded the 12-hour limit as per the Basic Conditions of Employment Act - The following are examples of 711 individual employees who received overtime in a month with overtime payments (including Night shift overtime and Night work) totalling R 36 864 208.60, earning salaries in excess of R205 433.30 per annum.	Corporate services	The cause could be that an overtime policy does not exist to guide management and staff in general with regard to the management and administration of overtime and the remuneration of employees for overtime worked.	* The current Draft Overtime Policy (which is LLF for mandatory consultation) to be finalized by June 30, 2020. In the meantime, circular be issued regarding overtime, overtime will only be approved before the employee takes overtime only upon motivation.	In Progress	In progress	30/06/2020
AC 211	Audit report	Revenue - Fines sequent testing. Gaps identified in the sequence of fines in the registers.	- During this testing there were gaps identified in the sequence of fines in the registers. To confirm the reason of the missing ticket, the actual fine book was inspected for the specific ticket and it was confirmed that the ticket exists, however the tickets could not be traced to the fines register utilised to prepare the AFS. - The books were selected from control book register, and sequence of the tickets in a selected book was tested by tracing to the fines register and the following gaps were identified in the sequence. However, section 56 fines books listed below could not be confirmed and hence validity of the missing fines could not be confirmed. - The following fines were identified as cancelled from the actual fine book, however these fines were included in the fines register, and recorded as revenue.	Social services	- Lack of management controls to ensure that all fines issued are recorded and outstanding fines are not followed up timeously. - Lack of review of fine registers on a monthly basis as well as at year end during the preparation of the AFS.	The management of the directorate has developed a standard operating procedure for administration of traffic fines from the issuing of books, returning, capturing and filing thereof.	In Progress	The standard operating procedure is submitted and awaits council approval and the directorate has initiated a consequence management process	2020/06/30
AC 213	Audit report	Employee Benefit obligation - Opening balance is not accurate as actuarial assumptions not clear and the Accuracy of the calculation done for the current year could not be confirmed.	The auditors obtained the source data used by management for the calculation of the long service award liability and the 12-month payroll data for employees of Mangaung municipality. The audit team then compared the employees included in the source data (managements calculation) to the 12-month payroll data (after exclusions). We identified employees as being included in the source data but not in the 12-month payroll data.	Finance	The finding may have occurred due to a lack of adequate review of the source data and assumptions applied to ensure that the assumptions are reasonable and the source data is correct and complete.	- clean the source data with Payroll - Get the actuaries to redo the 208/19 calculation such that it clears all queries raised by the AG. - get a quote for the calculation of the 2017/18 DB calculation and request the actuaries to reperform the recalculation of the 2017/18 DBO figures so that the prior year and the opening balances are sorted out.	In Progress	- Appointment of service provider is currently in process. - sorting out audit issues with Morar and the AG is also ongoing.	30 March 2020
AC 219	Audit report	Receivables - Differences on receivables from non-exchange transactions relating to fines, differences identified between the balances as recorded in the fines register and the amount as per fines issued.	During audit of fines receivables, there were differences identified between the balances as recorded in the fines register and the amount as per fines issued.	Social services	- The amount preloaded on the system as per charge book based on the fine code differs from the fine amount recorded by the official during the issuing of fines. - The information captured on the system is not properly reviewed and agreed with fines information as per fines issued	Management has recalled all the old charge list with incorrect charge amounts.	In Progress	Updated charge lists with correct fine amounts where issued to traffic officers	2019/12/01
AC 274	Management report - Administrative issue	Non - Compliance: Annual Financial Statements, performance reports and annual reports - Municipal Council Oversight Report	During the audit of compliance of the Annual Financial Statements, Performance reports the following were noted: (1) The council failed to adopt an oversight report containing the council's comments on the annual report as required by section 129(1) of the MFMA.	Office of the City Manager	lack of regular review of legislation to ensure the compliance thereof.	Management to ensure to adherence to the legislated timelines for submission of Annual Report as per section 121 read together with MSA section 46 to Council	In Progress	The Annual Report, AFS (Standalone and consolidated) was submitted to Council on the 31 Jan 2020	31 March 2020

Comm. No.	Impact	Finding	Details of finding	Directorate	Root Causes	Proposed action	Progress stage	Progress summary	Next Date
AC 28	Management report - Administrative issue	Material debtor impairments	Management should play a proactive role in ensuring that bad debt is recovered and that material debt impairment is reduced to an acceptable norm.	Finance	Debt collection policy not correctly implemented.	ensure data cleansing, open engagements with businesses to make sure they understand their obligations to pay, bill correctly, conduct real time reconciliations for debts paid - Implementation as electricity as a tool for collection of business and residential debt - Ensuring settlement of government debt by way of: Negotiations, Disconnection of services, Section 64 of the MFMA - Settling out litigation issues with the Universities (UOFS and CUT) by trying to negotiate or alternatively by way of contract dispute resolution - Concentrating tenants of FDC that water is being paid to municipality	In Progress	- Multiple negotiations have started with Centric. Process to be escalated due to financial crisis. - Government negotiations continued as per debt collection quarterly reports and steps been taken - Litigation ongoing on CUT and UOFS - FDC change in water meters expected to go live by end of February 2020	30 April 2020
AC 37	Management report - Administrative issue	PV-Follow-up/Receivables from exchange- overpayments). Municipality was garnished and then payments were still made. This meant that there were double payments	- It was found that the following receivables were raised due to garnish orders, which instructed the financial institution to release the funds to the municipality for the funds that were released. The auditors are therefore unable to confirm the validity and recoverability of the receivables raised in this regard	Corporate services	This was caused by management not making an appropriate detailed assessment of the validity and recoverability of the receivables raised of the journals mentioned above. In essence, these receivables were raised against a court order, for which no counter-claim was instituted.	Meetings with the various stakeholders have agreed on the following That some of the overpayments will be offset against invoices that are currently not paid arrangements be made where the service provider that was overpaid, pay back the money owed to the municipality Debt collectors Liaise with the companies so that proper collection procedures be agreed upon	In Progress		31/03/2020
AC 261	Audit report	(IE)Sector Focus: Extensions of contract not in line with circular 62 of MFMA. The municipality is extending these contracts even though its in contravention to the section 116(3) of the MFMA and circular 62.	During the audit of contract C437/B, bid W-1510, we found that the contract expired on 30 June 2017, then it was extended to 30 June 2018 and another extension to 28 March 2019, then it was again extended to 30 August 2019. The municipality is extending these contracts even though its in contravention to the section 116(3) of the MFMA and circular 62. Section 116(3)(a) of Municipal Finance Management Act 56 of 2003 states that a contract or agreement procured through the supply chain management policy of the municipality may be amended by the parties, but only after the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and the local community has been given reasonable notice of the intention to amend the contract or agreement	Corporate services	Municipality did not ensure that contracts are planned and monitored to ensure that their extensions are in compliance with MFMA	The Project Managers are reminded of the expiry dates of their contracts 6 (six) months before terminations in an effort to curb this non compliance to the MFMA, despite that Project Managers still do not do what is required of them on time and end up requesting extensions of time. We have attached a proof of reminders to the Project Managers by including reminders of termination of contract C437/A – B as C437/B was sampled in this report. It surely will assist if the HODs can not recommend from their Project Managers extensions that are in contravention of S116(3) of the MFMA and to specifically mention in the recommendations that their request for extension is not in violation of the SAID section of the MFMA	In Progress	Platform will be given to Legal Service at EXMT to discuss the planning aspect of contracts close to expiry	31/03/2020
ISA - report	Management report - Administrative issue	Detailed audit findings of the review of the general information system controls conducted	There was no evidence of review or user access rights and system controller's activities on the following systems: - Solar - Routemaster - SAM - Playday - HR Focus The Disaster Recovery plan was not endorsed and tested during the period under review. Furthermore, The CTO (Chief Technology Officer) position was vacant at the time of the audit. Inadequate skills development plan within the IT environment	Corporate services	Proper monitoring and implementation of IT related controls and lack of governance thereof	The IT steering committee has reviewed the action plan items and allocated them to the individual line managers to ensure that controls are adhered to. The current IT policies that need approval are with various committees waiting for approval. The position of the CTO has been advertised and shortlisting has been done. The IT strategy is being reviewed by the new IT steering committee so that compliance to legislation	In Progress		30/06/2020
AC 23	Management report - Administrative issue	Inadequate performance management system	Although the municipality has an established organizational performance measurement system documented in place, the system is not regarded as being adequate as it does not include detailed standard operating procedures to guide performance management within the municipality	Office of the City Manager	management has not sufficiently prioritised the establishment of a documented PMD that would include the metrics as stipulated in the Framework for Managing Performance Information issued by National Treasury.	Development and approval of the Organisational Performance IMS Framework and SOPs.	In Progress	In progress as polices are still waiting for approval	31 May 2020
AC 30	Management report - Administrative issue	Reasonable steps were not taken to prevent unauthorised expenditure of R1 363 962 321(2018), R874 191 897) disclosed in note 82 to the consolidated financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending the standard budget.	unauthorised expenditure was caused by overspending the approved budget.	Finance	The matter occurred due to lack of internal controls to ensure that payments to suppliers are made within 30 days of receipt of invoice.	Due to budget constraints, MMM is not in the financial position to budget sufficiently for non-cash items such as Depreciation yet. However, with the implementation of the Financial Recovery Plan, MMM is hoping to budget sufficiently in the near future as the MMH revenue increase.	In Progress	The draft OPMs Framework has been completed which include the SOPs and will be processed.	31 May 2020
AC 227	Management report - Administrative issue	The performance of some contractors or services providers were not monitored on a monthly basis, as required by section 116(2)(d) of the MFMA. Similar non-compliance was also reported in the prior year.	The contract performance and monitoring measures and methods were not sufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA. Similar non-compliance was also reported in the prior year.	Corporate services	The municipality does not have effective contracts management system that ensures that all contract performance related information is kept in one accessible place so that information can be obtained as and when needed.	In order to correct same Contracts Management did write a MEMO for signing by City Manager calling on HODs to make sure that their Project Managers do report on a monthly basis on all their projects, and this MEMO was even sent out on info. Contracts Manager did report non compliance on reporting to the City Manager who promised to give Contracts Management a slot in the EMT meeting to remind the HODs of this reporting obligation. Contracts Management will again submit a similar MEMO for signing by City Manager and request that it again be published on INFO so that we all can see and comply though the responsibility should still rest with HODs to make sure that their Departments do report.	In Progress	Cannot comply due to budget constraints.	Ongoing
AC 272	Management report - Administrative issue	VAT Difference between amount as disclosed per AFS and amount as recalculated by auditor	During the recalculation of the amount as disclosed as a VAT receivable (Note 8 in the AFS), a difference of R4 150 259.00 was identified, for which no supporting documentation could be obtained	Finance	Internal controls regarding VAT records, were not accurately applied. The supporting information, accompanied by a management explanation for the difference, could not be obtained in a timely manner.	This reconciliation of the difference in the VAT will be addressed in the current years VAT working papers	In Progress	The VAT disclosure reconciliation will be done at year end. Discussion with expenditure management are underway.	30 June 2020
AC-15	Audit report	Planning - Performance evaluations not performed for city manager and senior management (AC 15) - (ISS-11)	the performance of the staff was not monitored, measured and evaluated to ensure compliance with the Municipal Systems Act and the Municipal Performance Regulations	Office of the City Manager	Establishment of evaluation panels and conduct the evaluation. Ensure adherence to Reg.2006 of MSA - reg 27-reg 33		In Progress	Panelist were appointed and indicated on the process. Session for the mid-term evaluation to be held in March.	31 March 2020


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Comm. No.	Impact	Finding	Details of finding	Directorate	Root Causes	Proposed action	Progress stage	Responsible person	Due date
AC 9	Management report - Administrative issue	There is no succession plan in place for the filling of positions which, by virtue of their specialist nature, or their importance within the organisation is key to the organisation's effectiveness.	There is no succession plan in place for the filling of positions which, by virtue of their specialist nature, or their importance within the organisation is key to the organisation's effectiveness.	Office of the City Manager	the weakness has not been addressed because management has not sufficiently prioritised the establishment of a documented succession plan	Development, approval and implementation of Succession Planning Policy	In Progress		31 May 2020
AC 30 31	Management report - Administrative issue	Reports on Unauthorised, fruitless and wasteful expenditure not taken to oversight bodies	Reports by the accounting officer, promptly informing the mayor, the MEC for local government in the province and the Auditor-General, in writing of unauthorised, fruitless and wasteful expenditure incurred by the municipality, whether any person is responsible or under investigation for such unauthorised and steps taken to recover or rectify such expenditure and also to prevent a recurrence of such expenditure.	Office of the City Manager	the finding occurred due to a lack of adequate monitoring by management to ensure information requested is timely submitted.	Report of IUWF to oversight structures	In Progress		31 May 2020
AC 48	Management report - Administrative issue	Control deficiency relating to the internal audit charter	During the testing of the work of internal auditors and compliance, in the planning phase of the audit, it was identified that the following was not covered in the internal audit charter: -The appointment and the dismissal of the chief audit executive	Office of the City Manager	Internal audit charter did not address issue relating to the appointment and the dismissal of the chief audit executive	Reviewed Internal Audit Charter to be submitted to Audit Committee for approval	In Progress		31 March 2020
AC 222	Audit report	EPWP grant was not spent in line with purpose and conditions of the DORA	It was identified that the expenditure incurred for the Bloom lifestyle network amounting to R460 000.00 was not in line with the conditions set out by the Division of revenue bill relating to the Expanded Public Works Programme integrated for Municipalities. It was identified that the Bloom lifestyle Network project was not included as part of the list of projects to be funded by the EPWP grant.	Finance	that issue occurred due to lack of management oversight to ensure that grants are spent in line with the conditions set out by the DORA.	The equitable share allocated to the Mangungu Metro will be utilized by National Treasury if funds are not available to repay the unspent grants. Unspent conditional grants must be ring fenced and invested in separate investment accounts in order to ensure that unspent grants are represented by available investment funds. Open sub-accounts as per RFP	In Progress		Ongoing
AC 124	Management report - Administrative issue	During the testing of the Asset registers for Property, plant and equipment and Heritage assets, the following deficiencies were noted: 1) J.8.20 Capital spares transferred from the Capital spares register to the Water meter register cannot be linked to each other. We could however confirm that the totals transfers in/out agree between the two registers. J.10.10 2) The location and description of assets is insufficient and not recorded in the asset registers. It should however be noted that the location and GPS co-ordinates can be found on the Geographic information system (GIS) which assisted with the asset verifications which was performed.	during the testing of the Asset registers for Property, plant and equipment and Heritage assets, the following deficiencies were noted: 1) J.8.20 Capital spares transferred from the Capital spares register to the Water meter register cannot be linked to each other. We could however confirm that the totals transfers in/out agree between the two registers. J.10.10 2) The location and description of assets is insufficient and not recorded in the asset registers. It should however be noted that the location and GPS co-ordinates can be found on the Geographic information system (GIS) which assisted with the asset verifications which was performed.	Finance	This matter occurred due to a lack of adequate review by management over the asset registers	1) The Serial numbers of meters installed during the year will be updated in the FAR for Water Meters. This will effectively link the WM register with the register for Capital Spares. 2) The location Coordinates of assets/facilities as per the GIS will be linked to the FAR	In Progress		30 June 2020
AC 152	Management report - Administrative issue	PPE: The condition of assets impaired is shown as good in asset register	During the testing of Property, Plant and Equipment, we identified the assets tabled below which were fully impaired, however their condition in the asset register contradicted this fact by stating that it is 'Good'.	Finance	The cause is due to management oversight, by not updating the asset registers on a regular basis.	The system (Impairment Wizard) will be updated to automatically adjust the condition of impaired assets.	In Progress		30 June 2020
AC 151	Management report - Administrative issue	AC No 151 of 2019 - PPE - Inconsistency of useful lives disclosed as per the AFS against the Asset management policy (ISS 104)	The Finance directorate liaises with the Asset management and agree upon both the classes and useful lives that should be disclosed in the financial statements, in accordance with the Asset management policy.	Finance	The cause of the above is due to lack of communication between the Asset management & Finance directorates upon preparation of the annual financial statements in order to ensure that useful lives that should be disclosed	Asset Management will inform the Financial reporting section of any amendments to the Asset Management Policy in order to update and align the Accounting Policy of Council	In Progress		30 June 2020
AC 212	Management report - Administrative issue	Indigent debtors with multiple properties	There are debtors had two or more properties registered under their names in the indigent register. These indigents were subsidised for more than one property which is in contradiction with the policy of the municipality	Finance	The matter occurred due to a lack of management controls to ensure that indigent debtors are properly screened to ensure that indigents are subsidised for only one property.	A new indigent register was compiled during the year. One of the steps undertaken is to confirm whether an indigent has got one or multiple properties and those ones are excluded from confirmation of indigency.	Completed		Done
AC 36	Audit report	PY Follow-up - Receivables from non-exchange (Fines) - (AC 004) - No system in place to Monitor fines from the according to payment of the fines and to ensure that those fines are not recorded as receivables.	There are inadequate controls in place to record, update, review and monitor the movements applicable to the individual fines issued.	Social services	The above finding occurred due to a lack of a fines system, there are inadequate controls in place to record, update, review and monitor the movements applicable to the individual fines issued.	The information and Technology Division has been requested to assist the division with the development of a capturing module of traffic fines in the interim while the Municipality is in the process of finalisation of the appointment of a new service provider.	In Progress		2020/03/30
AC 240	Management report - Administrative issue	Lease register not regularly updated	The operating lease register is not updated on a regular basis as there were differences between the Lease register and some of the contracts	Corporate services	the internal control deficiencies occurred due to a lack of monitoring and oversight from management.	Management will review the standard operating procedure for contracts and the register will be updated to ensure that all contracts are up to date.	In Progress		30/06/2020


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Comm. No.	Impact	Finding	Details of finding	Directorate	Root Causes	Progress & Issues	Progress stage	Progress Comments	Date
AC 216	Management report - Administrative issue	Through testing of the Long Service Bonuses paid out during the year following were identified that indicates shortcomings in the internal control system.	(a) Mr Fritz (4543) did not received long service bonuses for the 25 and 30 year anniversaries on time, as he only received the bonuses in 2018, instead of 2011 and 2016 respectively. (b) Ms Modise (86568) received 2 payments for long service bonus in February and March 2019 and was therefore overpaid for an amount of R18 357.12	Corporate services	Inadequate internal control over the payment of long service bonuses.	A) With the migration to Payroll-Focus the system will be configured to automatically pay the bonuses. B) Payroll to recover the overpayment made.	In Progress		30/06/2020
AC 246	Management report - Administrative issue	Screening of shortlisted candidates	documentary proof was not submitted to proof that the screening process took place to prove that a new appointee was not previously (period of 10 years before appointment) dismissed for financial misconduct contemplated in section 171 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), for compulsion or fraud	Corporate services	The requirements of the act were not adhered to: section 171 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)	* A Recruitment checklist, including the screening requirement, will be developed to address this matter for future recruitment processes.	In Progress		30/06/2020
AC 156	Management report - Administrative Issue	Salary control not cleared on a monthly basis (AC 156)	During the testing of payables from exchange transactions it was identified that the salary control account is not cleared on a regular basis, therefore an opening balance amounting to R 63 085 118.73 was noted	Corporate services	The difference is due to lack of proper review of the monthly reconciliation by managements between the amount paid and the calculated amount to be paid to the Third Parties.	* A dedicated person will be assigned to perform this role on a more regular basis. This will be a joint exercise between Payroll and Finance.	In Progress		30/03/2020
AC 234	Audit report	requests for hard copy files were issued to management, however to date, some of the files have not been submitted for audit purposes	Some section 56 and Section 341 Traffic fines could not be obtained for audit purposes	Social services	The matter occurred due to lack of management controls to ensure their supporting documentation is properly filed in a way that they can be easily retrieved.		In Progress		20/06/2020
AC 196	Management report - Administrative Issue	Procurement and contract management - C614 (MMMBID 508; 2017/2018 filed to meet the minimum score requirements	Section 5(6) of the Preferential Procurement Regulations (PPR) of 2017 states that a tender that fails to obtain the minimum qualifying score for functionality as indicated in the tender documents is not an acceptable tender.	Finance	The above matter occurred due to inadequate control measures are not in place to ensure the requirements of relevant laws and regulations are adhered to.	Centralised Bid Committee System is in place. Minutes of all committee sittings are recorded. Due diligence meetings are formalized and minuted accordingly. Members score sheets are kept!	In Progress	Independent yet properly interlinking Committee System is properly functional. Due diligence is properly monitored. Regular Committee Sittings are conducted. Bid Committee Training to be conducted.	Implemented 1st of July 2019
AC 195	Management report - Administrative Issue	Appointment of traffic violations - C599 (MMMBID 417; 2017/2018)	The BAC appointed Traffic Violation Solutions which was not recommended by the BEC. No proof that the accounting officer was notified	Finance	The matter occurred due to inadequate control measures are not in place to ensure the requirements of relevant laws and regulations are adhered to.	Centralized Bid Committee System is in place. Minutes of all committee sittings are recorded. Due diligence meetings are formalized and minuted accordingly. Members score sheets are kept!	Completed	Independent yet properly interlinking Committee System is properly functional. Due diligence is properly monitored. Regular Committee Sittings are conducted. Bid Committee Training to be conducted.	Implemented 1st of July 2019
AC 177	Audit report	Procurement and contract management - bid specification committee did not specify the minimum threshold for local production and content	From inspection of the approved bid specification and minutes of the bid specification committee, we confirmed that it did not specify the minimum threshold for local production and content for the following bids: C601 MMMBID 459 (A), 2018/2019 and C602 (MMMBID 478; 2018/2019)	Finance	These omissions are a result of inadequate planning and research on the applicable regulations and the contents thereof. There are also no control measures to help monitor supplier's compliance of the minimum threshold for local content and production.	Training of SCM Practitioners in Local Content Compliance to be effected & Circulars to be issued to various user departments to ensure proper compliance & awareness.	In Progress	Bid Specification Committee implementing Bid & checking compliance	Implemented 1st of July 2019
AC 207	Management report - Administrative issue	Revenue-Service Charges. Bulk water losses % loss above the norm	It was noted during our testing of service charges that a percentage bulk water loss for the 2017/18 financial year was determined by management at 40%, which is above the acceptable norm of bulk water losses that should be between 15 and 30% as determined by Circular 71 of the MFMA.	Engineering	Unmetered sites Pipe bursts and leaks. Aged water meters. Malfunctioning meters. Overfilling reservoirs. Illegal connections.	Meter unmetered sites. Upgrade and meter formalised stands with communal network. Proactive leak detection and repairs. Implement pressure management. Amend water services bylaw to cater for the repair of leaks on the consumer side at urgent households. Implement preventive maintenance. Replace malfunctioning meters. Implement scada and telemetry system. Accelerate the prepaid installation programme.	In Progress	The activities are on going and reported on quarterly basis as part of the SDBIP	Ongoing
AC 262	Management report - Administrative issue	SEROKI RD. The work performed and the deliverables of the project were of poor quality	It was observed that the quality of the works was compromised. On other sections, the interlocking bricks on other sections are sagging, some are loose; on other areas, the road is uneven and jointing sand was not compacted properly	Engineering	Poor project management and lack of quality control by the Consultant and the Municipality Project Manager. It was noted that the Contractor is responsible for ensuring that all instances of poor quality of work are immediately identified and rectified.	Layer Compaction tests are conducted on roads layers during construction. The tests are conducted through a SANS registered geotechnical laboratory that is undertaking SANS approved tests. Roads Construction Projects. Construction contracts include a defects liability period during which the Contractor is responsible for repairing or rectifying defects that appear in the works. The period commences upon practical completion of the works and runs for twelve (12) months.	In Progress	The layer compaction tests and the defects liability period are already a practise of construction contracts.	Ongoing

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