

16. Annexure - Council Meeting- AUDIT ACTION PLAN - 28 May 2020

Comm. No.	Impact	Details of finding	Directorate	Root Causes	Proposed action	Progress stage	Progress comments	Due date
AC 11	Audit report	- 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 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 Progress	The contravention system was in place from the year under review (1st of February to 5th November 2019). New specifications was drafted and submitted to Supply Chain.	2020/06/30
AC 39	Audit report	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 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 Directorate has submitted traffic fines bad 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 issued a dedicated person to oversee the daily capturing and reconciliation of issued fines per book.	In Progress	The report that introduced internal controls and measures served before Council on 10 March 2020 and was approved. The Traffic Officers were charged and the disciplinary hearings commenced and are ongoing.	2020/06/30
AC 40	Audit report	When inspecting the section 341, 56 general and 56 speed fine registers it was noted that the register is not complete as all book numbers for fines 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 filling thereof.	Complete	The report that introduced internal controls and measures as well as the Standard Operating Procedures served before Council on 10 March 2020 and was approved.	2020/06/30
AC 167	Audit report	- 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: - A total of 602 employees did not take any leave per the leave schedule submitted for audit. However, inspection of the leave file for one of the 602 just as an example, shows that leave was applied for and taken, but not capture 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	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 timeously	The management of the Directorate has developed a standard operating procedure for administration of traffic fines from the issuing of books , returning , capturing and filling thereof.	Complete	The report that introduced internal controls and measures served before Council on 10 March 2020 and was approved.	2020/06/30
AC 49	Audit report	- A total of 602 employees did not take any leave per the leave schedule submitted for audit. However, inspection of the leave file for one of the 602 just as an example, shows that leave was applied for and taken, but not capture 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&3. Lack of understanding how annual leave is accounted for practically by the compilers of the AFS. 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.	"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 balances and records. A circular is also sent to Directorates regularly reminding them to submit outstanding leave forms to the Division for capturing (see attached circulars). "The Division has also implemented a system where time sheets and attendance registers 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	HOD Corporate service to check the roll out of the leave system so that all employees are on the new system before year end.	30/06/2020
AC 84	Audit report	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 an unspent conditional grants of R459 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.	In Progress	Separate investment accounts have been opened as well as the Sinking fund to address this matter. All conditional grants are ringfenced and deposited in the separate accounts opened for that purpose.	Ongoing
AC 88 AC 176	Audit report	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 211	Audit report	- 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 obtained 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 the 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 filling thereof.	Complete	This item served before Council on 10 March 2020 and was approved.	2020/06/30
AC 213	Audit report	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.	- Appointed service provider will clean the source data with Payroll - PWC the 2017/18 actuaries to redo the 2017/18 calculation such that it clears all queries raised by the AG. DBO figures of 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. The data received from payroll end of March 2020 will be sent to the appointed service provider to check for gaps or issues needed to resolve audit issues. A final report from PWC has been received on the 2017/18 DBO figures.	2020/06/30
AC 219	Audit report	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.	Complete	Updated charge lists with correct fine amounts where issued to traffic officers	2019/12/01
AC 261	Audit report	During the audit of contract C437/B, bid W1510 , 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 of 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. Contract Management Committee has been established comprising of representatives from all Directorates. 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 EMT to discuss the planning aspect of contracts close to expiry	2020/06/30
AC 15	Audit report	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	the performance of the staff was not monitored, measured and evaluated to ensure compliance with the Municipal Systems Act and the Municipal Performance Regulations	Two policies have been drafted dealing with Individual Performance Management (Corporate Services) and Organisational Performance Management (Office of the City Manager). The policies will be presented at EMT, LLF, Section 80s and MAYCO before final Council approvalEstablishment of evaluation panels and conduct the evaluation. Consideration will also be given for an electronic PMS system.	In Progress	Procurement of ePMS will be considered based on improved cash position of the municipality.	2020/06/30
AC 222	Audit report	it was identified that the expenditure incurred for the Bloem 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 Bloem 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 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.	In Progress	Separate investment accounts have been opened as well as the Sinking fund to address this matter. All conditional grants are ringfenced and deposited in the separate accounts opened for that purpose.	Ongoing
AC 36	Audit report	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	A meeting is scheduled with the Information and Technology Division to finalise the process for the development of this capturing module.	2020/06/30
AC 234	Audit report	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 that their supporting documentation is properly filed in a way that they can be easily retrieved.	management of the directorate has developed a standard operating procedure for administration of traffic fines from the issuing of a book , returning , capturing and filling thereof. The standard operating procedure is in use by the traffic division even though it awaits council approval. Further the directorate has initiated a consequence management process for unaccounted books and fines.	Complete	The report that introduced internal controls and measures as well as the Standard Operating Procedures served before Council on 10 March 2020 and was approved.	2020/06/30
AC 177	Audit report	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 MMM/BID 459 (A); 2018/2019 and C602 (MMM/BID 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.	Complete	Bid Specification Committee implementing & checking compliance	implemented 1st of July 2019